

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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West Harrison Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jason Sherer	President	2011
Brent Olson	Vice-President	2013
Tammy Neill	Board Member	2013
David Baxter	Board Member	2013
Kandy Forbes	Board Member	2011

School Officials

Dr. Tom Micek	Superintendent	2011
Jane Roden	Board Secretary/Treasurer	2011
Ahlers & Cooney, P.C.	Attorney	2011

West Harrison Community School District

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
West Harrison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the West Harrison Community School District, Mondamin, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 3, 2012 on our consideration of West Harrison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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West Harrison Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,143,098 in fiscal 2010 to \$5,688,673 in fiscal 2011, and General Fund expenditures increased from \$4,961,490 in fiscal 2010 to \$5,305,221 in fiscal 2011. The District's General Fund balance increased from \$500,928 in fiscal 2010 to \$884,380 in fiscal 2011, a 76.55% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state revenue in fiscal 2011, as well as revenue from the federal stimulus program. The increase in expenditures was due primarily to increases in the special and other instructional areas.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 9.20% at June 30, 2010 to 15.57% at June 30, 2011.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Harrison Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Harrison Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Harrison Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

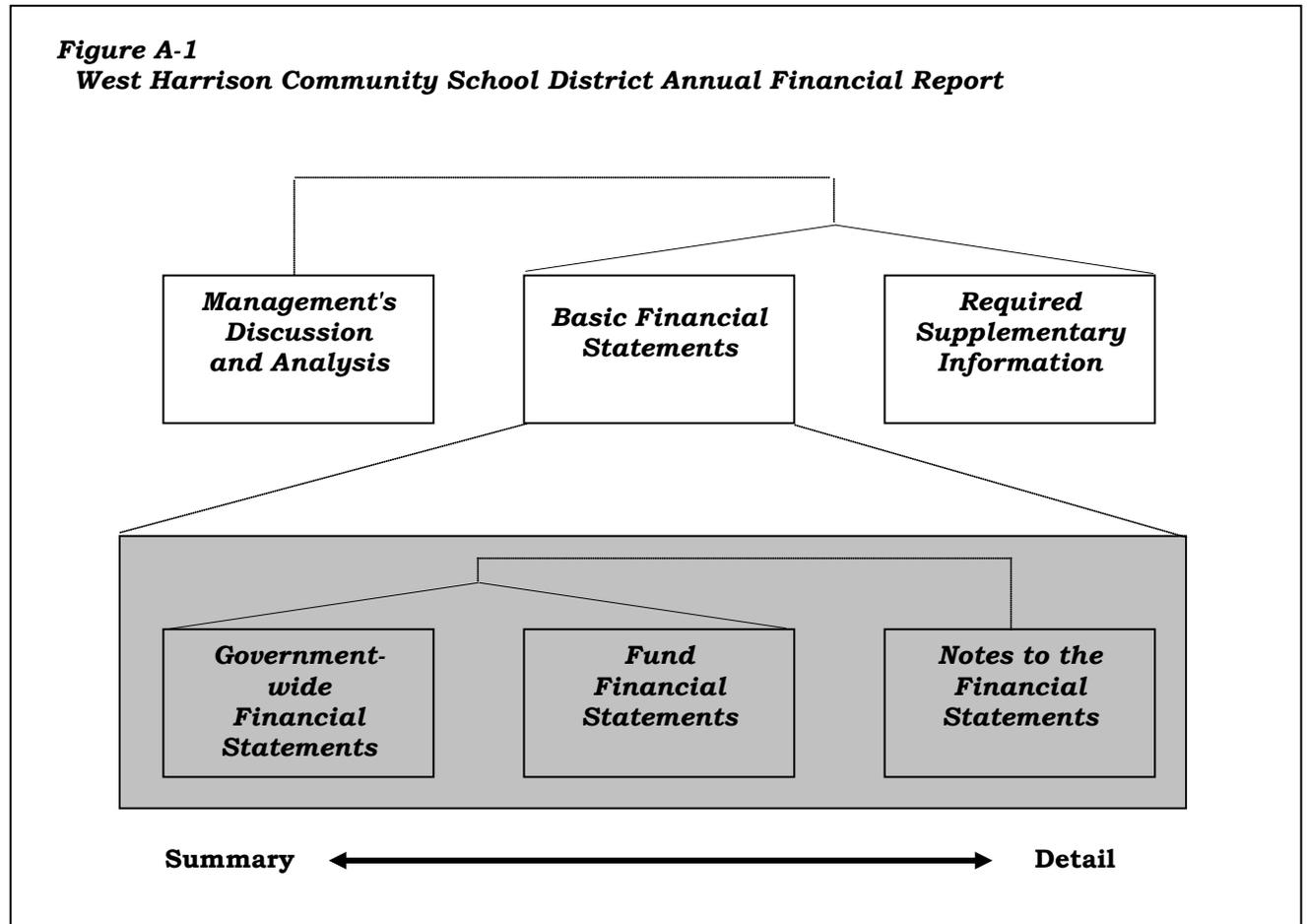


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Wellness Center.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 5,399,304	5,564,757	42,560	16,096	5,441,864	5,580,853	-2.49%
Capital assets	5,319,373	4,629,247	4,512	7,380	5,323,885	4,636,627	14.82%
Total assets	10,718,677	10,194,004	47,072	23,476	10,765,749	10,217,480	5.37%
Long-term obligations	1,942,432	2,253,964	0	0	1,942,432	2,253,964	-13.82%
Other liabilities	3,383,641	3,327,279	3,064	1,798	3,386,705	3,329,077	1.73%
Total liabilities	5,326,073	5,581,243	3,064	1,798	5,329,137	5,583,041	-4.55%
Net assets:							
Invested in capital assets, net of related debt	3,594,373	2,559,247	4,512	7,380	3,598,885	2,566,627	40.22%
Restricted	857,896	1,448,103	0	0	857,896	1,448,103	-40.76%
Unrestricted	940,335	605,411	39,496	14,298	979,831	619,709	58.11%
Total net assets	\$ 5,392,604	4,612,761	44,008	21,678	5,436,612	4,634,439	17.31%

The District's combined net assets increased by 17.31%, or \$802,173, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$590,207, or 40.76% over the prior year. The majority of the decrease in restricted net assets is due to a decrease in the fund balance of the Statewide Sales, Services and Use Tax Fund and Management Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$360,122 or 58.11%. The majority of the increase in unrestricted net assets is due to an increase in the fund balance of the General Fund and Debt Service Fund.

Figure A-4 shows the changes in net assets for the years ended June 30, 2011 and June 30, 2010.

	Figure A-4 Changes in Net Assets						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for services	\$ 275,185	308,431	117,684	123,180	392,869	431,611	-8.98%
Operating grants, contributions and restricted interest	835,921	1,068,378	111,051	115,043	946,972	1,183,421	-19.98%
General revenues:							
Property tax	2,621,854	2,408,312	0	0	2,621,854	2,408,312	8.87%
Income surtax	196,886	191,648	0	0	196,886	191,648	2.73%
Statewide sales and services tax	356,666	271,261	0	0	356,666	271,261	31.48%
Unrestricted state grants	1,988,273	1,664,325	0	0	1,988,273	1,664,325	19.46%
Nonspecific program federal funding grants	281,809	0	0	0	281,809	0	100.00%
Unrestricted investment earnings	9,273	22,061	18	28	9,291	22,089	-57.94%
Other	115,445	100,302	0	0	115,445	100,302	15.10%
Total revenues	<u>6,681,312</u>	<u>6,034,718</u>	<u>228,753</u>	<u>238,251</u>	<u>6,910,065</u>	<u>6,272,969</u>	<u>10.16%</u>
Program expenses:							
Governmental activities:							
Instructional	3,834,416	3,513,990	0	0	3,834,416	3,513,990	9.12%
Support services	1,680,207	1,640,879	0	0	1,680,207	1,640,879	2.40%
Non-instructional programs	0	0	206,423	228,987	206,423	228,987	-9.85%
Other expenses	386,846	884,421	0	0	386,846	884,421	-56.26%
Total expenses	<u>5,901,469</u>	<u>6,039,290</u>	<u>206,423</u>	<u>228,987</u>	<u>6,107,892</u>	<u>6,268,277</u>	<u>-2.56%</u>
Change in net assets	779,843	(4,572)	22,330	9,264	802,173	4,692	16996.61%
Net assets beginning of year, as restated	<u>4,612,761</u>	<u>4,617,333</u>	<u>21,678</u>	<u>12,414</u>	<u>4,634,439</u>	<u>4,629,747</u>	<u>0.10%</u>
Ending net assets	<u>\$ 5,392,604</u>	<u>4,612,761</u>	<u>44,008</u>	<u>21,678</u>	<u>5,436,612</u>	<u>4,634,439</u>	<u>17.31%</u>

Property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 77.29% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$6.91 million, of which approximately \$6.68 was for governmental activities and approximately \$.23 million was for business type activities.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw an increase in revenues and a decrease in expenditures, demonstrating an increase in the financial position for the year.

### Governmental Activities

Revenues for governmental activities were \$6,681,312 and expenses were \$5,901,469. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$ 3,834,416	3,513,990	9.12%	2,935,446	2,335,753	25.67%
Support services	1,680,207	1,640,879	2.40%	1,673,459	1,640,879	1.99%
Other expenses	386,846	884,421	-56.26%	181,458	685,849	-73.54%
Totals	<u>\$ 5,901,469</u>	<u>6,039,290</u>	<u>-2.28%</u>	<u>4,790,363</u>	<u>4,662,481</u>	<u>2.74%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$275,185.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$835,921.
- The net cost of governmental activities was financed with \$2,621,854 in local tax, \$196,886 in income surtax, \$356,666 in statewide sales and services tax, \$1,988,273 in unrestricted state grants, \$281,809 in nonspecific program federal grants, \$9,273 in interest income and \$115,445 in other income.

### Business Type Activities

Revenues of the District's business type activities were \$228,753 and expenses were \$206,423. The District's business type activities include the School Nutrition and Wellness Center Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and membership fees.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the West Harrison Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,820,999, below last year's ending fund balances of a \$2,049,385. The primary reason for the decrease in combined fund balances in fiscal 2011 is due to the decrease in the Capital Project Fund.

### **Governmental Fund Highlights**

- The increase in revenues was enough to offset the increase in expenditures during the fiscal year 2011, causing the General Fund balance to increase. The District's General Fund increased \$383,452. The increase is due primarily to an increase in state revenue due to sharing dollars for operational sharing.
- The District's General Fund ending balance is \$884,380. Of that amount, \$30,579 is restricted for categorical funding and \$853,801 is unassigned.
- The District's Capital Projects Fund decreased by \$609,877. The decrease is due primarily to the increase in instruction functional area expenditures and facility acquisitions in Statewide, Sales, and Use Tax Fund. The District implemented GASB Statement No. 54 which reclassified the Physical Plant and Equipment Levy Fund as a Capital Project Fund.
- The District's Management Levy Fund decreased by \$48,638 due to the increase in instruction functional area expenditures.
- The District's Debt Service Fund increased by \$58,183.

### **Proprietary Fund Highlights**

The Nutrition Fund net assets increased from \$10,310 at June 30, 2010 to \$34,318 at June 30, 2011, representing an increase of 232.86%. The Wellness Center ended the year at \$9,690, below last year's ending balance of \$11,368.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$234,087 less than budgeted revenues, a variance of 3.28%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$5,323,885, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 14.82% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$304,228.

The original cost of the District's capital assets was \$8,839,510. Governmental funds account for \$8,795,051 with the remainder of \$44,459 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. Improvements other than buildings balance was \$183,589 at June 30, 2011 compared to \$29,366 at June 30, 2010. The increase that occurred during the year are attributable to the District renovating the life skills room, refurbishing the school roof and floor, putting a control system in, and putting an air conditioning unit in the gym.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 20,000	20,000	0	0	20,000	20,000	0.00%
Buildings	4,702,140	4,346,451	0	0	4,702,140	4,346,451	8.18%
Improvements other than buildings	183,589	29,366	0	0	183,589	29,366	525.18%
Machinery and equipment	387,339	233,430	4,512	7,380	391,851	240,810	62.72%
Construction in progress	26,305	0	0	0	26,305	0	100.00%
Total	<u>\$ 5,319,373</u>	<u>4,629,247</u>	<u>4,512</u>	<u>7,380</u>	<u>5,323,885</u>	<u>4,636,627</u>	<u>14.82%</u>

### Long-Term Debt

At June 30, 2011, the District had \$1,942,432 in general obligation and other long-term debt outstanding. This represents a decrease of 13.82% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding general obligation bonds of \$725,000 at June 30, 2011.

The District had early retirement payable of \$143,212 at June 30, 2011.

The District had outstanding QZAB bonds of \$1,000,000 at June 30, 2011.

The District had net OPEB liability of \$74,220 at June 30, 2011.

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
QZAB	\$ 1,000,000	1,000,000	0.00%
General obligation bonds	725,000	1,070,000	-32.24%
Early retirement	143,212	146,548	-2.28%
Net OPEB liability	74,220	37,416	98.36%
Totals	<u>\$ 1,942,432</u>	<u>2,253,964</u>	<u>-13.82%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The district has experienced decreased enrollment over the last several years and the projected numbers are smaller for the next two years.
- The Administration and the Board of Education will implement a reduction in expenditures to offset the reduction of income due to declining enrollment.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Roden, Business Manager, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

BASIC FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,120,933	35,423	2,156,356
Receivables:			
Property tax:			
Delinquent	52,515	0	52,515
Succeeding year	2,782,015	0	2,782,015
Income surtax	196,886	0	196,886
Accounts	1,143	0	1,143
Due from other governments	245,812	0	245,812
Inventories	0	7,137	7,137
Capital assets, net of accumulated depreciation	5,319,373	4,512	5,323,885
<b>Total assets</b>	<b>10,718,677</b>	<b>47,072</b>	<b>10,765,749</b>
<b>Liabilities</b>			
Accounts payable	73,506	0	73,506
Salaries and benefits payable	502,074	0	502,074
Interest payable	2,222	0	2,222
Deferred revenue:			
Succeeding year property tax	2,782,015	0	2,782,015
Other	23,824	0	23,824
Unearned revenue	0	3,064	3,064
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	355,000	0	355,000
Early retirement payable	41,816	0	41,816
Portion due after one year:			
QZAB bonds payable	1,000,000	0	1,000,000
General obligation bonds payable	370,000	0	370,000
Early retirement payable	101,396	0	101,396
Net OPEB liability	74,220	0	74,220
<b>Total liabilities</b>	<b>5,326,073</b>	<b>3,064</b>	<b>5,329,137</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	3,594,373	4,512	3,598,885
Restricted for:			
Categorical funding	30,579	0	30,579
Student activities	32,653	0	32,653
Expendable trusts	240,152	0	240,152
Debt service	64,480	0	64,480
School infrastructure	424,595	0	424,595
Physical plant and equipment	65,437	0	65,437
Unrestricted	940,335	39,496	979,831
<b>Total net assets</b>	<b>\$ 5,392,604</b>	<b>44,008</b>	<b>5,436,612</b>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,331,694	137,620	362,892	(1,831,182)	0	(1,831,182)
Special	721,873	26,866	143,735	(551,272)	0	(551,272)
Other	780,849	110,699	117,158	(552,992)	0	(552,992)
	<u>3,834,416</u>	<u>275,185</u>	<u>623,785</u>	<u>(2,935,446)</u>	<u>0</u>	<u>(2,935,446)</u>
Support services:						
Student	58,039	0	0	(58,039)	0	(58,039)
Instructional staff	248,140	0	6,748	(241,392)	0	(241,392)
Administration	498,782	0	0	(498,782)	0	(498,782)
Operation and maintenance of plant	435,406	0	0	(435,406)	0	(435,406)
Transportation	439,840	0	0	(439,840)	0	(439,840)
	<u>1,680,207</u>	<u>0</u>	<u>6,748</u>	<u>(1,673,459)</u>	<u>0</u>	<u>(1,673,459)</u>
Other expenditures:						
Long-term debt interest	35,166	0	0	(35,166)	0	(35,166)
AEA flowthrough	205,388	0	205,388	0	0	0
Depreciation(unallocated)*	146,292	0	0	(146,292)	0	(146,292)
	<u>386,846</u>	<u>0</u>	<u>205,388</u>	<u>(181,458)</u>	<u>0</u>	<u>(181,458)</u>
Total governmental activities	5,901,469	275,185	835,921	(4,790,363)	0	(4,790,363)
Business Type activities:						
Support services:						
Operation and maintenance of plant services	2,325	0	0	0	(2,325)	(2,325)
Non-instructional programs:						
Wellness Center	3,918	4,565	0	0	647	647
Nutrition services	200,180	113,119	111,051	0	23,990	23,990
Total business type activities	<u>206,423</u>	<u>117,684</u>	<u>111,051</u>	<u>0</u>	<u>22,312</u>	<u>22,312</u>
Total	<u>\$ 6,107,892</u>	<u>392,869</u>	<u>946,972</u>	<u>(4,790,363)</u>	<u>22,312</u>	<u>(4,768,051)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,186,789	0	2,186,789
Debt service				380,854	0	380,854
Capital outlay				54,211	0	54,211
Income surtax				196,886	0	196,886
Statewide sales, service and use tax				356,666	0	356,666
Unrestricted state grants				1,988,273	0	1,988,273
Nonspecific program federal funding				281,809	0	281,809
Unrestricted investment earnings				9,273	18	9,291
Other general revenue				115,445	0	115,445
Total general revenues				<u>5,570,206</u>	<u>18</u>	<u>5,570,224</u>
Changes in net assets				779,843	22,330	802,173
Net assets beginning of year				4,612,761	21,678	4,634,439
Net assets end of year				<u>\$ 5,392,604</u>	<u>44,008</u>	<u>5,436,612</u>

\* This amount excludes the depreciation that is included in the direct expense of various program.

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
Other	\$ 1,303,468	354,809	462,656	2,120,933
Receivables:				
Property tax:				
Delinquent	42,287	1,087	9,141	52,515
Succeeding year	2,271,232	56,832	453,951	2,782,015
Income surtax	196,886	0	0	196,886
Accounts	926	0	217	1,143
Due from other funds	20,000	1,058	0	21,058
Due from other governments	75,562	170,250	0	245,812
<b>Total assets</b>	<b>\$ 3,910,361</b>	<b>584,036</b>	<b>925,965</b>	<b>5,420,362</b>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ 42,832	26,305	4,369	73,506
Due to other funds	0	0	21,058	21,058
Salaries and benefits payable	491,207	0	0	491,207
Retainage payable	0	10,867	0	10,867
Deferred revenue:				
Succeeding year property tax	2,271,232	56,832	453,951	2,782,015
Income surtax	196,886	0	0	196,886
Other	23,824	0	0	23,824
Total liabilities	3,025,981	94,004	479,378	3,599,363
Fund balances:				
Restricted for:				
Categorical funding	30,579	0	0	30,579
Management levy purposes	0	0	125,940	125,940
Student activities	0	0	32,653	32,653
Expendable trusts	0	0	240,152	240,152
Debt service	0	0	64,480	64,480
School infrastructure	0	424,595	0	424,595
Physical plant and equipment	0	65,437	0	65,437
Unassigned:				
General	853,801	0	0	853,801
Disaster recovery	0	0	(16,638)	(16,638)
Total fund balances	884,380	490,032	446,587	1,820,999
<b>Total liabilities and fund balances</b>	<b>\$ 3,910,361</b>	<b>584,036</b>	<b>925,965</b>	<b>5,420,362</b>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,820,999
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		5,319,373
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		196,886
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,222)
Long-term liabilities, including general obligation bonds QZAB, early retirement, and other postemployment benefits, are not due and payable in the current period and, therefore , are not reported as liabilities in the governmental funds.		<u>(1,942,432)</u>
<b>Net assets of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>5,392,604</u></u></b>

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,303,145	410,877	455,812	3,169,834
Tuition	150,334	0	0	150,334
Other	145,699	1,460	119,807	266,966
Intermediate sources	500	0	0	500
State sources	2,566,551	29	246	2,566,826
Federal sources	521,280	0	0	521,280
Total revenues	<u>5,687,509</u>	<u>412,366</u>	<u>575,865</u>	<u>6,675,740</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,244,650	127,333	52,204	2,424,187
Special	721,665	0	0	721,665
Other	664,069	0	106,872	770,941
	<u>3,630,384</u>	<u>127,333</u>	<u>159,076</u>	<u>3,916,793</u>
Support services:				
Student	56,729	0	0	56,729
Instructional staff	184,011	33,949	0	217,960
Administration	508,632	0	732	509,364
Operation and maintenance of plant	396,193	0	74,356	470,549
Transportation	323,884	137,010	20,000	480,894
	<u>1,469,449</u>	<u>170,959</u>	<u>95,088</u>	<u>1,735,496</u>
Other expenditures:				
Facilities acquisitions	0	666,448	0	666,448
Long-term debt:				
Principal	0	0	345,000	345,000
Interest and fiscal charges	0	0	36,165	36,165
AEA flowthrough	205,388	0	0	205,388
	<u>205,388</u>	<u>666,448</u>	<u>381,165</u>	<u>1,253,001</u>
Total expenditures	<u>5,305,221</u>	<u>964,740</u>	<u>635,329</u>	<u>6,905,290</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>382,288</u>	<u>(552,374)</u>	<u>(59,464)</u>	<u>(229,550)</u>
Other financing sources(uses):				
Transfer in	0	0	57,503	57,503
Transfer out	0	(57,503)	0	(57,503)
Proceeds from disposal of property	1,164	0	0	1,164
Total other financing sources(uses)	<u>1,164</u>	<u>(57,503)</u>	<u>57,503</u>	<u>1,164</u>
Net change in fund balances	383,452	(609,877)	(1,961)	(228,386)
Fund balance beginning of year, as restated	<u>500,928</u>	<u>1,099,909</u>	<u>448,548</u>	<u>2,049,385</u>
Fund balance end of year	<u>\$ 884,380</u>	<u>490,032</u>	<u>446,587</u>	<u>1,820,999</u>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (228,386)

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 991,486	
Depreciation expense	(301,360)	690,126

Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 345,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 999

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 5,572

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	3,336	
Other postemployment benefits	(36,804)	(33,468)

**Changes in net assets of governmental activities(page 19) \$ 779,843**

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	School Nutrition	Wellness Center	Total
<b>Assets</b>			
Cash and pooled investments	\$ 25,733	9,690	35,423
Inventories	7,137	0	7,137
Capital assets, net of accumulated depreciation	4,512	0	4,512
<b>Total assets</b>	<b>37,382</b>	<b>9,690</b>	<b>47,072</b>
<b>Liabilities</b>			
Unearned revenue	3,064	0	3,064
<b>Total liabilities</b>	<b>3,064</b>	<b>0</b>	<b>3,064</b>
<b>Net Assets</b>			
Invested in capital assets	4,512	0	4,512
Unrestricted	29,806	9,690	39,496
<b>Total net assets</b>	<b>\$ 34,318</b>	<b>9,690</b>	<b>44,008</b>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition	Wellness Center	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 113,119	0	113,119
Miscellaneous	0	4,565	4,565
Total operating revenues	<u>113,119</u>	<u>4,565</u>	<u>117,684</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant services:			
Supplies	0	2,325	2,325
Non-instructional programs:			
Food service operations:			
Salaries	70,312	3,640	73,952
Benefits	10,254	278	10,532
Supplies	116,305	0	116,305
Other	441	0	441
Depreciation	2,868	0	2,868
Total operating expenses	<u>200,180</u>	<u>3,918</u>	<u>204,098</u>
Total operating expenses	<u>200,180</u>	<u>6,243</u>	<u>206,423</u>
Operating loss	<u>(87,061)</u>	<u>(1,678)</u>	<u>(88,739)</u>
Non-operating revenues:			
State sources	1,984	0	1,984
Federal sources	109,067	0	109,067
Interest on investments	18	0	18
Total non-operating revenues	<u>111,069</u>	<u>0</u>	<u>111,069</u>
Change in net assets	24,008	(1,678)	22,330
Net assets beginning of year	<u>10,310</u>	<u>11,368</u>	<u>21,678</u>
Net assets end of year	<u>\$ 34,318</u>	<u>9,690</u>	<u>44,008</u>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition	Wellness Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 114,385	0	114,385
Cash received from miscellaneous	0	4,565	4,565
Cash payments to employees for services	(80,566)	(3,918)	(84,484)
Cash payments to suppliers for goods or services	(97,104)	(2,325)	(99,429)
Net cash used in operating activities	<u>(63,285)</u>	<u>(1,678)</u>	<u>(64,963)</u>
Cash flows from non-capital financing activities:			
State grants received	1,984	0	1,984
Federal grants received	92,740	0	92,740
Net cash provided by non-capital financing activities	<u>94,724</u>	<u>0</u>	<u>94,724</u>
Cash flows from investing activities:			
Interest on investments	18	0	18
Net increase(decrease) in cash and cash equivalents	31,457	(1,678)	29,779
Cash and cash equivalents at beginning of year	(5,724)	11,368	5,644
Cash and cash equivalents at end of year	<u>\$ 25,733</u>	<u>9,690</u>	<u>35,423</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (87,061)	(1,678)	(88,739)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	16,327	0	16,327
Depreciation	2,868	0	2,868
Decrease in inventories	3,315	0	3,315
Increase in unearned revenue	1,266	0	1,266
Net cash used in operating activities	<u>\$ (63,285)</u>	<u>(1,678)</u>	<u>(64,963)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received Federal commodities valued at \$16,327.

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 16,469
<b>Liabilities</b>	0
<b>Net assets</b>	
Reserved for scholarships	\$ 16,469

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2011

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 18,556
Deductions:	
Instruction:	
Scholarships awarded	<u>15,147</u>
Change in net assets	3,409
Net assets beginning of year	<u>13,060</u>
Net assets end of year	<u><u>\$ 16,469</u></u>

WEST HARRISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(1) **Summary of Significant Accounting Policies**

The West Harrison Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Mondamin, Iowa, and the predominate agricultural territory in Harrison and Monona Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Harrison Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Harrison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison and Monona Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary funds include the non-major enterprise School Nutrition and Wellness Center Funds. The Nutrition fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	5-20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances;

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$861,558 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables for the year ended June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	Disaster Recovery	\$ 20,000
Capital Projects: Physical Plant and Equipment	Debt Service	<u>1,058</u>
Total		<u><u>\$ 21,058</u></u>

The General Fund is paying the Disaster Recover Fund to set up the fund for flood expenses. The Capital Projects: Physical Plant and Equipment Fund is paying the Debt Service Fund for cash flow for the general obligation bond.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 57,503</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to Debt Service was needed for the QZAB bond payment.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant payments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-2011A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/10	6/23/11	\$ -	200,000	200,000	-

During the year ended June 30, 2011, the District paid \$126 of interest on the ISCAP warrants.

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 20,000	0	0	20,000
Construction in progress	0	26,305	0	26,305
Total capital assets not being depreciated	20,000	26,305	0	46,305
Capital assets being depreciated:				
Buildings	6,339,974	490,794	0	6,830,768
Improvements other than buildings	199,637	165,410	0	365,047
Machinery and equipment	1,243,954	308,977	0	1,552,931
Total capital assets being depreciated	7,783,565	965,181	0	8,748,746
Less accumulated depreciation for:				
Buildings	1,993,523	135,105	0	2,128,628
Improvements other than buildings	170,271	11,187	0	181,458
Machinery and equipment	1,010,524	155,068	0	1,165,592
Total accumulated depreciation	3,174,318	301,360	0	3,475,678
Total capital assets being depreciated, net	4,609,247	663,821	0	5,273,068
Governmental activities capital assets, net	\$ 4,629,247	690,126	0	5,319,373
<b>Business type activities:</b>				
Machinery and equipment	\$ 44,459	0	0	44,459
Less accumulated depreciation	37,079	2,868	0	39,947
Business type activities capital assets, net	\$ 7,380	(2,868)	0	4,512

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 25,099
Special	208
Other	10,908
Support services:	
Instructional staff	33,311
Administration	340
Operation and maintenance of plant	6,146
Transportation	79,056
	<u>155,068</u>
Unallocated	<u>146,292</u>
Total depreciation expense - governmental activities	<u>\$ 301,360</u>
Business type activities:	
Food service operations	<u>\$ 2,868</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
QZAB	\$ 1,000,000	0	0	1,000,000	0
General obligation bonds	1,070,000	0	345,000	725,000	355,000
Early retirement	146,548	29,949	33,285	143,212	41,816
Net OPEB liability	37,416	36,804	0	74,220	0
Total	<u>\$ 2,253,964</u>	<u>66,753</u>	<u>378,285</u>	<u>1,942,432</u>	<u>396,816</u>

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
2012	3.55-3.65 %	\$ 355,000	23,551	378,551
2013	3.70-3.80	370,000	10,452	380,452
Total		<u>\$ 725,000</u>	<u>69,718</u>	<u>794,718</u>

Qualified Zone Academy Bonds

During the year ended June 30, 2010, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Money is set aside within the Capital Projects fund by making annual deposits into a Bankers Trust escrow account that will be used to pay the indebtedness due December 1, 2025 of \$1,000,000.

## Early Retirement

The District offered in prior years a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and the current year BA Step I hiring base rate of pay. Early retirement benefits paid during the year ended June 30, 2011, totaled \$33,285.

### **(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$214,340, \$201,405, and \$198,005 respectively, equal to the required contributions for each year.

### **(9) Other Postemployment Benefits**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for the retirees and their spouses. There are 50 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 42,502
Interest on net OPEB obligation	935
Adjustment to annual required contribution	(2,994)
Annual OPEB cost	<u>40,443</u>
Contributions made	(3,639)
Increase in net OPEB obligation	<u>36,804</u>
Net OPEB obligation beginning of year	<u>37,416</u>
Net OPEB obligation end of year	<u><u>\$ 74,220</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$3,639 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$40,293	7.14%	\$37,416
2011	40,443	9.00%	74,220

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$385,423, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$385,423. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,537,623 and the ratio of the UAAL to covered payroll was 15.19%.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$435 per month. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

West Harrison Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$205,388 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Teacher Salary Supplement	\$ 20,068
Professional Development, Core Curriculum	10,511
Total	\$ 30,579

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 1,053,956	45,953
Changes in fund type classification per implementation of GASB Statement No. 54	45,953	(45,953)
Balances July 1, 2010, as restated	<u>1,099,909</u>	<u>0</u>

**(14) Deficit Fund Balance/Net Assets**

At June 30, 2011, the Disaster Recovery Fund had a deficit unassigned fund balance of \$16,638.

West Harrison Community School District

REQUIRED SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 3,587,134	117,702	3,704,836	3,948,769	3,948,769	(243,933)
Intermediate sources	500	0	500	0	0	500
State sources	2,566,826	1,984	2,568,810	2,817,811	2,817,811	(249,001)
Federal sources	521,280	109,067	630,347	372,000	372,000	258,347
Total revenues	6,675,740	228,753	6,904,493	7,138,580	7,138,580	(234,087)
Expenditures/Expenses:						
Instruction	3,916,793	0	3,916,793	4,649,938	4,649,938	733,145
Support services	1,735,496	2,325	1,737,821	1,865,899	1,865,899	128,078
Non-instructional programs	0	204,098	204,098	321,827	321,827	117,729
Other expenditures	1,253,001	0	1,253,001	1,688,138	1,688,138	435,137
Total expenditures/expenses	6,905,290	206,423	7,111,713	8,525,802	8,525,802	1,414,089
Excess(deficiency) of revenues over(under) expenditures/expenses	(229,550)	22,330	(207,220)	(1,387,222)	(1,387,222)	1,180,002
Other financing sources, net	1,164	0	1,164	0	0	1,164
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(228,386)	22,330	(206,056)	(1,387,222)	(1,387,222)	1,181,166
Balance beginning of year	2,049,385	21,678	2,071,063	2,367,745	2,367,745	(296,682)
Balance end of year	\$ 1,820,999	44,008	1,865,007	980,523	980,523	884,484

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 385,423	385,423	0.0%	\$ 2,479,066	15.55%
2011	July 1, 2009	-	385,423	385,423	0.0%	2,537,623	15.19%

See Note 8 in the accompanying Notes to Financial Statements for the plan description funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Expendable Trust	Disaster Recovery	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>							
Cash and pooled investments	\$ 128,575	32,667	240,152	3,362	404,756	57,900	462,656
Receivables:							
Property tax:							
Delinquent	1,503	0	0	0	1,503	7,638	9,141
Succeeding year	75,000	0	0	0	75,000	378,951	453,951
Accounts	0	217	0	0	217	0	217
<b>Total assets</b>	<b>\$ 205,078</b>	<b>32,884</b>	<b>240,152</b>	<b>3,362</b>	<b>481,476</b>	<b>444,489</b>	<b>925,965</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 4,138	231	0	0	4,369	0	4,369
Due to other funds	0	0	0	20,000	20,000	1,058	21,058
Deferred revenue:							
Succeeding year property tax	75,000	0	0	0	75,000	378,951	453,951
Total liabilities	<u>79,138</u>	<u>231</u>	<u>0</u>	<u>20,000</u>	<u>99,369</u>	<u>380,009</u>	<u>479,378</u>
Fund balances:							
Restricted for:							
Management levy purposes	125,940	0	0	0	125,940	0	125,940
Student activities	0	32,653	0	0	32,653	0	32,653
Expendable trusts	0	0	240,152	0	240,152	0	240,152
Debt service	0	0	0	0	0	64,480	64,480
Unassigned	0	0	0	(16,638)	(16,638)	0	(16,638)
Total fund balances	<u>125,940</u>	<u>32,653</u>	<u>240,152</u>	<u>(16,638)</u>	<u>382,107</u>	<u>64,480</u>	<u>446,587</u>
<b>Total liabilities and fund balances</b>	<b>\$ 205,078</b>	<b>32,884</b>	<b>240,152</b>	<b>3,362</b>	<b>481,476</b>	<b>444,489</b>	<b>925,965</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Expendable Trust	Disaster Recovery	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
Revenues:							
Local sources:							
Local tax	\$ 74,958	0	0	0	74,958	380,854	455,812
Other	6,998	110,734	1,270	20	119,022	785	119,807
State sources	40	0	0	0	40	206	246
Total revenues	<u>81,996</u>	<u>110,734</u>	<u>1,270</u>	<u>20</u>	<u>194,020</u>	<u>381,845</u>	<u>575,865</u>
Expenditures:							
Current:							
Instruction:							
Regular	52,204	0	0	0	52,204	0	52,204
Other	0	105,012	1,860	0	106,872	0	106,872
Support services:							
Administration	500	0	0	232	732	0	732
Operation and maintenance of plant	57,930	0	0	16,426	74,356	0	74,356
Transportation	20,000	0	0	0	20,000	0	20,000
Other expenditures:							
Long-term debt:							
Principal	0	0	0	0	0	345,000	345,000
Interest and fiscal charges	0	0	0	0	0	36,165	36,165
Total expenditures	<u>130,634</u>	<u>105,012</u>	<u>1,860</u>	<u>16,658</u>	<u>254,164</u>	<u>381,165</u>	<u>635,329</u>
Excess(Deficiency) of revenues over(under) expenditures	(48,638)	5,722	(590)	(16,638)	(60,144)	680	(59,464)
Other financing sources:							
Transfer in	0	0	0	0	0	57,503	57,503
Net change in fund balances	(48,638)	5,722	(590)	(16,638)	(60,144)	58,183	(1,961)
Fund balances beginning of year, as restated	174,578	26,931	240,742	0	442,251	6,297	448,548
Fund balances end of year	<u>\$ 125,940</u>	<u>32,653</u>	<u>240,152</u>	<u>(16,638)</u>	<u>382,107</u>	<u>64,480</u>	<u>446,587</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 291,517	63,292	354,809
Receivables:			
Property tax:			
Delinquent	0	1,087	1,087
Succeeding year	0	56,832	56,832
Due from other funds	0	1,058	1,058
Due from other governments	170,250	0	170,250
<b>Total assets</b>	<b>\$ 461,767</b>	<b>122,269</b>	<b>584,036</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 26,305	0	26,305
Retainage payable	10,867	0	10,867
Deferred revenue:			
Succeeding year property tax	0	56,832	56,832
Total liabilities	37,172	56,832	94,004
Fund balances:			
Restricted for:			
School infrastructure	424,595	0	424,595
Physical plant and equipment	0	65,437	65,437
Total fund balances	424,595	65,437	490,032
<b>Total liabilities and fund balances</b>	<b>\$ 461,767</b>	<b>122,269</b>	<b>584,036</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 356,666	54,211	410,877
Other	1,217	243	1,460
State sources	0	29	29
Total revenues	<u>357,883</u>	<u>54,483</u>	<u>412,366</u>
Expenditures:			
Current:			
Instruction:			
Regular	127,333	0	127,333
Support services:			
Instructional staff	33,949	0	33,949
Transportation	120,110	16,900	137,010
Other expenditures:			
Facilities acquisitions	648,349	18,099	666,448
Total expenditures	<u>929,741</u>	<u>34,999</u>	<u>964,740</u>
Excess(Deficiency) of revenues over(under) expenditures	(571,858)	19,484	(552,374)
Other financing uses:			
Transfer out	(57,503)	0	(57,503)
Net change in fund balances	(629,361)	19,484	(609,877)
Fund balances beginning of year, as restated	<u>1,053,956</u>	<u>45,953</u>	<u>1,099,909</u>
Fund balances end of year	<u>\$ 424,595</u>	<u>65,437</u>	<u>490,032</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,139	610	658	2,091
Drama Donations	250	0	0	250
Instrumental Music	569	9,724	9,936	357
Boys Basketball	503	1,376	1,376	503
Football	2,991	5,340	6,673	1,658
Baseball	1,108	1,441	1,694	855
Volleyball	1,903	1,641	1,781	1,763
Girls Track	368	0	0	368
Interest	2	35	37	0
Dance Team	401	540	324	617
Yearbook	0	3,812	3,665	147
Athletic Fundraiser	0	23,665	23,498	167
Pop/Snack/Pen/Pencil	0	9,152	9,152	0
Cheerleaders	105	461	446	120
Red Cross Club	94	139	178	55
FCCLA	0	14,048	13,867	181
FFA	316	2,292	1,636	972
Basketball Cheerleading	215	1,916	1,422	709
C.O.R.E. Fundraiser	46	0	0	46
Communications Video	90	0	0	90
Vocational Fundraiser	133	0	0	133
Library Bean Bags	200	0	200	0
Choral & Senior Gowns	1,091	0	880	211
Science Bowl	150	0	0	150
National Honor Society	164	200	284	80
Ind Arts Marketing	157	0	0	157
Class of 2012	0	16,823	12,068	4,755
Class of 2013	33	10	0	43
Class of 2014	0	1,356	0	1,356
Class of 2011	3,329	312	2,542	1,099
Physics Field Trip	125	125	250	0
WH Secret Angels	0	25	0	25
Student Council	777	529	436	870
JH VB T-Shirt Account	518	7,309	6,513	1,314
Lift-A-Thon	6,591	1,402	967	7,026
Dads N Donuts	245	0	245	0
Dr. Seuss Celebration	233	0	28	205
Elementary AR Awards	248	0	159	89
Experiment in Intern. Living	9	0	0	9
MS Student Council	1,581	1,449	877	2,153
Middle School Fundraiser	100	4,160	2,378	1,882
Elem. Fundraiser	147	586	586	147
SH Fundraiser	0	256	256	0
<b>Total</b>	<b>\$ 26,931</b>	<b>110,734</b>	<b>105,012</b>	<b>32,653</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF NET ASSETS AND LIABILITIES  
 EXPENDABLE TRUSTS  
 JUNE 30, 2011

	Special Olympics Trust	Jimmy King Performing Arts Center	Total Expendable Trust
<b>Assets</b>			
Cash and pooled investments	\$ 6,926	233,226	240,152
<b>Total assets</b>	<u>6,926</u>	<u>233,226</u>	<u>240,152</u>
<b>Liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Assets</b>	<u>\$ 6,926</u>	<u>233,226</u>	<u>240,152</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -  
 EXPENDABLE TRUSTS  
 FOR YEAR ENDED JUNE 30, 2011

	<u>Special Olympics Trust</u>	<u>Jimmy King Performing Arts Center</u>	<u>Total Expendable Trust</u>
Revenues:			
Local sources:			
Interest income	\$ 0	1,270	1,270
Expenditures:			
Instruction:			
Other instruction:	1,860	0	1,860
Change in net assets	(1,860)	1,270	(590)
Net assets beginning of year	8,786	231,956	240,742
Net assets end of year	<u>\$ 6,926</u>	<u>233,226</u>	<u>240,152</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,169,834	2,835,110	2,731,262	2,594,053	2,565,657	2,359,915	2,263,627	2,114,411
Tuition	150,334	181,055	202,318	213,257	174,225	256,689	282,570	351,140
Other	266,966	286,338	341,926	287,556	367,891	364,802	308,453	168,476
Intermediate sources	500	0	0	0	0	4,925	0	0
State sources	2,566,826	2,238,144	2,650,853	2,607,724	2,402,446	2,301,134	2,359,487	1,938,519
Federal sources	521,280	457,960	251,618	214,495	191,337	315,908	298,610	270,123
<b>Total</b>	<b>\$ 6,675,740</b>	<b>5,998,607</b>	<b>6,177,977</b>	<b>5,917,085</b>	<b>5,701,556</b>	<b>5,603,373</b>	<b>5,512,747</b>	<b>4,842,669</b>
Expenditures:								
Current:								
Instruction:								
Regular	\$ 2,424,187	2,418,362	2,488,267	2,379,525	2,093,567	1,880,985	1,850,542	1,676,106
Special	721,665	608,499	549,359	540,021	538,012	609,976	887,368	811,205
Other	770,941	430,823	443,525	401,250	532,667	523,656	386,208	374,496
Support services:								
Student	56,729	132,452	169,778	109,852	114,488	146,616	122,347	94,346
Instructional staff	217,960	222,471	131,851	147,795	152,391	198,741	130,832	123,822
Administration	509,364	500,506	589,944	625,889	589,785	545,057	561,189	566,158
Operation and maintenance of plant	470,549	420,794	368,060	414,043	383,166	379,808	416,196	365,320
Transportation	480,894	289,510	387,122	455,095	387,849	473,378	357,111	299,068
Non-instructional programs	0	0	0	0	0	0	24,719	5,406
Other expenditures:								
Facilities acquisitions	666,448	504,959	434,653	94,638	25,225	117,046	329,026	37,741
Long-term debt:								
Principal	345,000	330,000	320,000	315,000	305,000	300,000	295,000	260,000
Interest	36,165	47,380	57,703	67,191	75,382	82,283	87,976	115,506
AEA flow-through	205,388	198,572	180,983	171,160	160,022	154,145	154,609	139,940
<b>Total</b>	<b>\$ 6,905,290</b>	<b>6,104,328</b>	<b>6,121,245</b>	<b>5,721,459</b>	<b>5,357,554</b>	<b>5,411,691</b>	<b>5,603,123</b>	<b>4,869,114</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 18,756
National School Lunch Program	10.555	FY11	90,311 *
			<u>109,067</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY11	44,729
Title I (SINA - Schools in Need of Assistance)	84.010	FY11	5,150
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	21,874
			<u>71,753</u>
REAP	84.358	FY11	33,547
Improving Teacher Quality State Grants	84.367	FY11	21,446
Grants for State Assessments and Related Activities	84.369	FY11	2,964
Stabilization Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY10	123,044
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY11	27,894
ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	FY11	24,880
			<u>175,818</u>
Education Job Fund	84.410	FY11	105,991
Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States (Part B)	84.027	FY11	25,168
Special Education - Grants to States, Preschool	84.027	FY11	549
			<u>25,717</u>
Career and Technical Education - Basic Grants to States	84.048	FY11	482
Total			<u>\$ 546,785</u>

\* -Includes \$16,327 of non-cash awards.

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of West Harrison Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

West Harrison Community School District

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
West Harrison Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 3, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Harrison Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Harrison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Harrison Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over financial reporting described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Harrison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Harrison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Harrison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Harrison Community School District and other parties to whom West Harrison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Harrison Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Independent Auditor's Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
West Harrison Community School District:

Compliance

We have audited the compliance of West Harrison Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. West Harrison Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Harrison Community School District's management. Our responsibility is to express an opinion on West Harrison Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Harrison Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Harrison Community School District's compliance with those requirements.

In our opinion, West Harrison Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of West Harrison Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered West Harrison Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Harrison Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

West Harrison Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit West Harrison Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Harrison Community School District and other parties to whom West Harrison Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

February 3, 2012

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

- (g) Major program was as follows:

Clustered Programs:

Nutrition Cluster

CFDA Number 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch Program

ARRA Cluster

CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF) -  
Education State Grants, Recovery Act

CFDA Number 84.397 - State Fiscal Stabilization Fund (SFSF) -  
Government Services, Recovery Act

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Harrison Community School District did not qualify as a low-risk auditee.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The district will investigate available alternatives and implement changes as soon as possible.

Conclusion - Response accepted.

II-B-11 Wages - We noted during our audit that the Tech Director had an hourly contract; however, he was being paid a flat rate every month and the District was not maintaining hourly timesheets to determine that the appropriate amount was ultimately paid.

Recommendation - The District can annualize an hourly contract; however, the District is required to maintain timesheets for all hourly personnel and reconcile the hours worked to what was paid during the year.

Response - The Tech Director is no longer considered an hourly employee since he supervises another employee. He was put on a 12 month contract.

Conclusion - Response accepted.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program  
Federal Award Year: 2011  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act  
CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) – Government Services,  
Recovery Act  
Federal Award Year: 2010, 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The district will investigate available alternatives and implement changes as soon as possible.

Conclusion - Response accepted.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 did not exceed the certified amounts in the functional areas.
- IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - No instances of non-compliance with regards to section 279.35 of the Code of Iowa were noted.
- IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$	1,053,956
Revenues:			
Sales tax revenues	\$	356,666	
Other local revenues		1,217	357,883
			<hr/>
			1,411,839
Expenditures/transfers out:			
School infrastructure construction	\$	221,427	
Equipment		281,392	
Other		426,922	
Transfers to other funds:			
Debt service fund		57,503	987,244
			<hr/>
Ending Balance		\$	<u>424,595</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Inappropriate Transfers - We noted transfers from the General Fund to the Student Activity Fund. The District has no legal authority to transfer General fund money to the Student Activity fund to cover deficits.

Recommendation - In the future, the District should pay allowable bills from the appropriate fund. The District should review purchase procedures and ensure that only appropriate purchases are made from each fund.

Response - The transfer was for invoices paid from the yearbook account that could have been paid from General Fund. In the future, the District will try to pay these invoices directly from the General Fund.

Conclusion - Response acknowledged; however, the District should only pay expenditures from the appropriate fund. The District should have additional monitoring and approval of expenses in the deficit accounts to bring the accounts to financial solvency. The District should find ways to improve revenues in the deficit accounts.

IV-N-11 Financial Condition - The Disaster Recovery Fund had a deficit unassigned fund balance of \$16,638 at June 30, 2011.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District expects the federal and state governments to reimburse the District for the costs associated with the flooding in 2011. This fund will have a zero balance by the end of FY 2012.

Conclusion - Response accepted.