

WHITING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2011

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Independent Auditor's Report

To the Board of Education of
Whiting 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 Whiting Community School District, Whiting, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements 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.

Management has not implemented Governmental Accounting Standards Board (GASB) Statement number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions. The amount by which this departure would affect the liabilities, net assets and expenditures in the governmental activities and business type activities has not been determined.

In our opinion, except for the effects of not providing a liability for other postemployment benefits for the governmental activities and the business type activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business type activities of Whiting Community School District at June 30, 2011 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2012, on our consideration of Whiting 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 and Budgetary Comparison Information on pages 4 through 10 and 33 through 34 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 Whiting 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 6 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Whiting 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 decreased from \$2,376,475 in fiscal 2010 to \$2,342,302 in fiscal 2011, while General Fund expenditures increased from \$2,388,813 in fiscal 2010 to \$2,408,653 in fiscal 2011. The District's General Fund balance decreased from \$716,265 in fiscal 2010 to \$649,914 in fiscal 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 Whiting 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 Whiting 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 Whiting Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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 financial 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 [3] 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 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 one Enterprise Fund, the School Nutrition Fund.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring 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-1 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,605,873	2,495,755	33,403	27,459	2,639,276	2,523,214	5%
Capital assets	1,588,114	1,725,364	7,643	8,524	1,595,757	1,733,888	-8%
Total assets	4,193,987	4,221,119	41,046	35,983	4,235,033	4,257,102	-1%
Long-term liabilities	434,830	537,325	-	-	434,830	537,325	-19%
Other liabilities	1,344,514	1,353,770	12,576	11,469	1,357,090	1,365,239	-1%
Total liabilities	1,779,344	1,891,095	12,576	11,469	1,791,920	1,902,564	-6%
Net Assets:							
Invested in capital assets, net of related debt	1,173,114	1,210,364	7,643	8,524	1,180,757	1,218,888	-3%
Restricted	611,445	425,720	-	-	611,445	425,720	44%
Unrestricted	630,084	693,940	20,827	15,990	650,911	709,930	-8%
TOTAL NET ASSETS	2,414,643	2,330,024	28,470	24,514	2,443,113	2,354,538	4%

The District's combined net assets increased by nearly 4%, or approximately \$88,575, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, 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 increased approximately \$185,725 or 44% over the prior year.

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 – decreased approximately \$59,019. This decrease in unrestricted net assets was a result of the District expenditures for the year being more than revenues.

Figure A-2 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-2

	Change in Net Assets						Percentage Change 2010-2011
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	
Revenues							
Program Revenues:							
Charges for services	630,618	575,394	50,739	54,359	681,357	629,753	8%
Operating grants & contributions	429,259	501,982	78,718	82,291	507,977	584,273	-13%
Capital grants & contributions	-	7,631	-	-	-	7,631	-100%
General Revenues:							
Property taxes	1,056,236	974,070	-	-	1,056,236	974,070	8%
Income Surtax	-	21,645	-	-	-	21,645	-100%
Statewide sales services & use tax	131,677	111,019	-	-	131,677	111,019	19%
Unrestricted state grants	574,305	497,617	-	-	574,305	497,617	15%
Unrestricted investment earnings	1,473	1,483	31	24	1,504	1,507	<-1%
Total Revenues	2,823,568	2,690,841	129,488	136,674	2,953,056	2,827,515	4%
Expenses:							
Instruction	1,622,707	1,650,632	-	-	1,622,707	1,650,632	-2%
Support services	817,763	803,459	-	-	817,763	803,459	2%
Non-instructional programs	-	-	125,532	130,253	125,532	130,253	-4%
Other expenditures	298,479	224,120	-	-	298,479	224,120	33%
Total expenses	2,738,949	2,678,211	125,532	130,253	2,864,481	2,808,464	2%
Change in net assets before transfers	84,619	12,630	3,956	6,421	88,575	19,051	365%
Transfers	-	(3,390)	-	3,390	-	-	
CHANGE IN NET ASSETS	84,619	9,240	3,956	9,811	88,575	19,051	365%
Net assets beginning of year, as restated	2,330,024	2,320,784	24,514	14,703	2,354,538	2,335,487	1%
Net assets end of year	<u>2,414,643</u>	<u>2,330,024</u>	<u>28,470</u>	<u>24,514</u>	<u>2,443,113</u>	<u>2,354,538</u>	<u>4%</u>

Property tax and unrestricted state grants account for 55% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,823,568 and expenses were \$2,738,949. The District was able to balance the budget by trimming expenses below available revenues.

The following figure [A-3] presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-3

Total and Net Cost of Governmental Activities

	Total Cost of Services 2011 \$	Total Cost of Services 2010 \$	Net Cost of Services 2011 \$	Net Cost of Services 2010 \$
Instruction	1,622,707	1,650,632	647,387	657,801
Support Services	817,763	803,459	813,913	799,259
Non-instructional Programs	-	-	-	-
Other Expenses	298,479	224,120	217,772	136,144
TOTAL	2,738,949	2,678,211	1,679,072	1,593,204

- The cost financed by users of the District's programs was \$630,618.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$429,259.
- The net cost of governmental activities was financed with \$1,187,913 in property and other taxes and \$574,305 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$129,488 and expenses were \$125,532. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Whiting 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 a combined fund balance of \$1,262,043, well above last year's ending fund balances of \$1,144,128.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Decrease during the year in state and federal grants resulted in a decrease in revenues.
- The General Fund balance decreased from \$716,265 to \$649,914.

- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy account balance increased from \$106,409 at June 30, 2010 to \$137,016 at June 30, 2011.
- The Statewide Sales Tax account balance increased from \$191,266 at June 30, 2010 to \$286,503 at June 30, 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$24,514 at June 30, 2010 to \$28,470 at June 30, 2011.

BUDGETARY HIGHLIGHTS

The District's receipts were \$175,944 more than budgeted receipts. The most significant variance resulted from the District receiving less in local revenue 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$1.6 million, 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-4) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$129,416.

Figure A-4

	<i>Capital Assets (net of depreciation)</i>						Percentage Change 2010-2011
	Governmental Activities		Business type Activities		Total School District		
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	1,203,032	1,241,011	-	-	1,203,032	1,241,011	-3%
Improvements	252,234	346,581	-	-	252,234	346,581	-27%
Equipment & Furniture	122,848	127,772	7,643	8,524	130,491	136,296	-4%
TOTAL	1,588,114	1,725,364	7,643	8,524	1,595,757	1,733,888	-8%

Long-Term Debt

At June 30, 2011, the District had \$534,830 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 19% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

**Figure A-5
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2011	2010	Change
			2010-2011
	\$	\$	
General Obligation Bonds	415,000	515,000	-19%
Compensated Absences	19,830	22,325	-11%
	<u>434,830</u>	<u>537,325</u>	<u>-19%</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:

- Although the District has experienced a slight decrease in total enrollment for the past year, the District expects a continued remain steady or have a slight increase in future enrollment due to the preschool age 4 program and the open enrollment into the District. During the 2012-2013 school year, however, the District is anticipating a small preschool age 4 class which may result in no growth or a slight decrease.
- School financing is highly dependent upon student enrollment. The District's October 2011 resident enrollment decreased by 8 students and nonresident enrollment increased by 5 students. This decrease in resident enrollment will decrease the District's state aid funding. The funds derived from open enrollment into the district will assist in off-setting the loss of state aid for fiscal year 2013.
- The District has evaluated the condition of its transportation vehicles and determined that one bus will be replaced in fiscal year 2013. To pay for the bus, the District will use resources from the Physical Plant and Equipment Levy Fund.

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 Lori West, District Board Secretary, Whiting Community School District, 606 West Street, Whiting, Iowa, 51063.

BASIC FINANCIAL STATEMENTS

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,413,950	31,828	1,445,778
Receivables:			
Property tax:			
Delinquent	16,692	-	16,692
Succeeding year	1,020,775	-	1,020,775
Accounts	10,013	-	10,013
Due from other governments	144,443	-	144,443
Inventories	-	1,575	1,575
Capital assets, net of accumulated depreciation	1,588,114	7,643	1,595,757
	<u>4,193,987</u>	<u>41,046</u>	<u>4,235,033</u>
Liabilities			
Accounts payable	63,189	-	63,189
Salaries and benefits payable	221,715	9,421	231,136
Accrued interest payable	684	-	684
Deferred revenue:			
Succeeding year property tax	1,020,775	-	1,020,775
Other	38,151	3,155	41,306
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	105,000	-	105,000
Compensated absences	6,610	-	6,610
Portion due after one year:			
General obligation bonds payable	310,000	-	310,000
Compensated absences	13,220	-	13,220
	<u>1,779,344</u>	<u>12,576</u>	<u>1,791,920</u>
Net assets			
Invested in capital assets, net of related debt	1,173,114	7,643	1,180,757
Restricted for:			
Management levy	120,388	-	120,388
Physical plant and equipment levy	137,016	-	137,016
Student activities	45,761	-	45,761
School infrastructure	288,078	-	288,078
Debt service	20,202	-	20,202
Unrestricted	630,084	20,827	650,911
	<u>2,414,643</u>	<u>28,470</u>	<u>2,443,113</u>

See notes to financial statements.

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	987,260	490,483	271,664	-
Special	165,881	54,961	29,858	-
Other	469,566	81,324	47,030	-
	<u>1,622,707</u>	<u>626,768</u>	<u>348,552</u>	<u>-</u>
Support services:				
Student	99,318	-	-	-
Instructional staff	64,393	-	-	-
Administration	353,528	-	-	-
Operation and maintenance of plant	209,522	3,850	-	-
Transportation	91,002	-	-	-
	<u>817,763</u>	<u>3,850</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	70,679	-	-	-
Long-term debt interest	9,242	-	66	-
AEA flowthrough	80,641	-	80,641	-
Loss on disposal of capital assets	57,003	-	-	-
Depreciation (unallocated)*	80,914	-	-	-
	<u>298,479</u>	<u>-</u>	<u>80,707</u>	<u>-</u>
Total governmental activities	2,738,949	630,618	429,259	-
Business type activities:				
Non-instructional programs:				
Food service operations	125,532	50,739	78,718	-
Total	<u>2,864,481</u>	<u>681,357</u>	<u>507,977</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(225,113)	-	(225,113)
(81,062)	-	(81,062)
<u>(341,212)</u>	<u>-</u>	<u>(341,212)</u>
<u>(647,387)</u>	<u>-</u>	<u>(647,387)</u>
(99,318)	-	(99,318)
(64,393)	-	(64,393)
(353,528)	-	(353,528)
(205,672)	-	(205,672)
(91,002)	-	(91,002)
<u>(813,913)</u>	<u>-</u>	<u>(813,913)</u>
(70,679)	-	(70,679)
(9,176)	-	(9,176)
-	-	-
(57,003)	-	(57,003)
<u>(80,914)</u>	<u>-</u>	<u>(80,914)</u>
<u>(217,772)</u>	<u>-</u>	<u>(217,772)</u>
(1,679,072)	-	(1,679,072)
-	3,925	3,925
<u>(1,679,072)</u>	<u>3,925</u>	<u>(1,675,147)</u>
865,578	-	865,578
111,031	-	111,031
79,627	-	79,627
131,677	-	131,677
574,305	-	574,305
1,473	31	1,504
<u>1,763,691</u>	<u>31</u>	<u>1,763,722</u>
84,619	3,956	88,575
<u>2,330,024</u>	<u>24,514</u>	<u>2,354,538</u>
<u>2,414,643</u>	<u>28,470</u>	<u>2,443,113</u>

WHITING COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash and pooled investments	845,459	384,397	184,094	1,413,950
Receivables:				
Property tax:				
Delinquent	12,493	1,258	2,941	16,692
Succeeding year	733,358	83,212	204,205	1,020,775
Accounts	10,013	-	-	10,013
Due from other governments	100,554	43,889	-	144,443
	<u>1,701,877</u>	<u>512,756</u>	<u>391,240</u>	<u>2,605,873</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	58,739	4,450	-	63,189
Salaries and benefits payable	221,715	-	-	221,715
Deferred revenue:				
Succeeding year property tax	733,358	83,212	204,205	1,020,775
Other	38,151	-	-	38,151
Total liabilities	<u>1,051,963</u>	<u>87,662</u>	<u>204,205</u>	<u>1,343,830</u>
Fund balances:				
Restricted for:				
Debt service	-	-	20,886	20,886
Management levy	-	-	120,388	120,388
School infrastructure	-	288,078	-	288,078
Student activities	-	-	45,761	45,761
Physical plant and equipment	-	137,016	-	137,016
Unassigned	649,914	-	-	649,914
Total fund balances	<u>649,914</u>	<u>425,094</u>	<u>187,035</u>	<u>1,262,043</u>
	<u>1,701,877</u>	<u>512,756</u>	<u>391,240</u>	<u>2,605,873</u>
Total liabilities and fund balances				

WHITING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	1,262,043
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,588,114
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.	(684)
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(434,830)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,414,643</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	790,501	211,304	186,108	1,187,913
Tuition	360,965	-	-	360,965
Other	187,463	2,173	81,556	271,192
State sources	871,401	38	87	871,526
Federal sources	131,972	-	-	131,972
Total revenues	<u>2,342,302</u>	<u>213,515</u>	<u>267,751</u>	<u>2,823,568</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,002,482	-	-	1,002,482
Special	163,524	-	-	163,524
Other	402,533	-	67,033	469,566
	<u>1,568,539</u>	<u>-</u>	<u>67,033</u>	<u>1,635,572</u>
Support services:				
Student	99,318	-	-	99,318
Instructional staff	59,496	4,897	-	64,393
Administration	337,772	1,324	10,561	349,657
Operation and maintenance of plant	191,784	-	17,573	209,357
Transportation	71,103	-	3,461	74,564
	<u>759,473</u>	<u>6,221</u>	<u>31,595</u>	<u>797,289</u>
Other expenditures:				
Facilities acquisition	-	81,450	-	81,450
Long-term debt:				
Principal	-	-	100,000	100,000
Interest and fiscal charges	-	-	10,701	10,701
AEA flowthrough	80,641	-	-	80,641
	<u>80,641</u>	<u>81,450</u>	<u>110,701</u>	<u>272,792</u>
Total expenditures	<u>2,408,653</u>	<u>87,671</u>	<u>209,329</u>	<u>2,705,653</u>
Net change in fund balances	(66,351)	125,844	58,422	117,915
Fund balances beginning of year, as restated	<u>716,265</u>	<u>299,250</u>	<u>128,613</u>	<u>1,144,128</u>
Fund balances end of year	<u>649,914</u>	<u>425,094</u>	<u>187,035</u>	<u>1,262,043</u>

See notes to financial statements.

WHITING 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 (Exhibit E)		117,915
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on disposal of capital assets exceeded capital outlay expenditures in the current year, as follows:		
Loss on disposal of capital assets	(57,003)	
Expenditures for capital assets	48,288	
Depreciation expense	<u>(128,535)</u>	(137,250)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		100,000
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.		1,459
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, as follows:		
Compensated absences		<u>2,495</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>84,619</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	31,828
Inventories	1,575
Capital assets, net of accumulated depreciation	<u>7,643</u>
Total assets	<u>41,046</u>
Liabilities	
Salaries and benefits payable	9,421
Deferred revenue	<u>3,155</u>
Total liabilities	<u>12,576</u>
Net assets	
Invested in capital assets	7,643
Unrestricted	<u>20,827</u>
Total net assets	<u><u>28,470</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>50,739</u>
Operating expenses:	
Non-instructional programs:	
Salaries	39,252
Benefits	23,614
Purchased services	1,883
Supplies	59,902
Depreciation	881
Total operating expenses	<u>125,532</u>
Operating income (loss)	<u>(74,793)</u>
Non-operating revenues:	
State sources	1,302
Federal sources	77,416
Interest income	31
Total non-operating revenues	<u>78,749</u>
Change in net assets	3,956
Net assets beginning of year	<u>24,514</u>
Net assets end of year	<u><u>28,470</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	52,732
Cash payments to employees for services	(63,735)
Cash payments to suppliers for goods or services	(56,187)
Net cash used by operating activities	<u>(67,190)</u>
Cash flows from non-capital financing activities:	
State grants received	1,302
Federal grants received	71,532
Net cash provided by non-capital financing activities	<u>72,834</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>31</u>
Net increase (decrease) in cash and cash equivalents	5,675
Cash and cash equivalents at beginning of year	<u>26,153</u>
Cash and cash equivalents at end of year	<u><u>31,828</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(74,793)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	5,884
Depreciation	881
Decrease (increase) in inventories	(286)
Decrease (increase) in accounts receivable	17
(Decrease) increase in salaries and benefits payable	(869)
(Decrease) increase in deferred revenue	1,976
Net cash used by operating activities	<u><u>(67,190)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$5,884 of federal commodities.

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	-
Liabilities	
	<u>-</u>
Net assets	
Reserved for scholarships	<u><u>-</u></u>

WHITING COMMUNITY SCHOOL DISTRICT
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship <u> </u> \$
Additions	-
Deductions:	
Support services:	
Scholarships awarded	<u>464</u>
Change in net assets	(464)
Net assets beginning of year	<u>464</u>
Net assets end of year	<u><u>-</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

Whiting Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Whiting, Iowa and the predominately agricultural territory in a portion of Monona County. 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, Whiting 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 Whiting Community School District has no component units that 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 does 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 County Assessor's 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 service.

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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which 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 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, 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 fund is the Enterprise, School Nutrition Fund. This 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 judgements, 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 the 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 non-operating 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 non-operating 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 Equity

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, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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, furniture and 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 repair 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.

<u>Assets Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 Equity – 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 classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

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 in banks 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 no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 3 as amended by Statement No. 40.

3. Capital Assets

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

	Restated Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	2,223,027	-	-	2,223,027
Improvements other than buildings	476,950	10,771	64,619	423,102
Furniture and equipment	511,388	37,517	-	548,905
Total capital assets being deprec.	<u>3,211,365</u>	<u>48,288</u>	<u>64,619</u>	<u>3,195,034</u>
Less accumulated depreciation for:				
Buildings	982,016	37,979	-	1,019,995
Improvements other than buildings	135,549	42,935	7,616	170,868
Furniture and equipment	378,436	47,621	-	426,057
Total accumulated depreciation	<u>1,496,001</u>	<u>128,535</u>	<u>7,616</u>	<u>1,616,920</u>
Total capital assets being depreciated, net	<u>1,715,364</u>	<u>(80,247)</u>	<u>57,003</u>	<u>1,578,114</u>
Governmental activities capital assets, net	<u>1,725,364</u>	<u>(80,247)</u>	<u>57,003</u>	<u>1,588,114</u>
Business type activities:				
Furniture and equipment	25,043	-	-	25,043
Less accumulated depreciation	<u>16,519</u>	<u>881</u>	<u>-</u>	<u>17,400</u>
Business type activities capital assets, net	<u>8,524</u>	<u>(881)</u>	<u>-</u>	<u>7,643</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	22,023
Special education	2,357
Support services:	
Administration services	6,638
Operation and maintenance of plant	165
Transportation	16,438
	<u>47,621</u>
Unallocated depreciation	<u>80,914</u>
Total depreciation expense – governmental activities	<u><u>128,535</u></u>
Business type activities:	
Food services	<u>881</u>

4. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	515,000	-	100,000	415,000	105,000
Compensated absences	22,325	-	2,495	19,830	6,610
				<u>434,830</u>	<u>111,610</u>
Total	<u>537,325</u>	<u>-</u>	<u>102,495</u>	<u>434,830</u>	<u>111,610</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Refunding Bond Issue of June 2010			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2012	1.50	105,000	8,205	113,205
2013	1.80	100,000	6,630	106,630
2014	2.10	105,000	4,830	109,830
2015	2.50	105,000	2,625	107,625
		<u>415,000</u>	<u>22,290</u>	<u>437,290</u>

5. 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 \$97,433, \$94,961, and \$85,747 respectively, equal to the required contributions for each year.

6. Risk Management

The 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.

7. 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 \$80,641 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.

8. Accounting Change/Restatement

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

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
	\$	\$
Balances June 30, 2010, as previously reported	192,841	106,409
Change in fund type classification per implementation of GASB Statement No. 54	<u>106,409</u>	<u>(106,409)</u>
Balances July 1, 2010, as restated	<u><u>299,250</u></u>	<u><u>-</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Exenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,820,070	50,770	1,870,840	1,856,896	1,856,896	13,944
Intermediate sources	-	-	-	31,000	31,000	(31,000)
State sources	871,526	1,302	872,828	978,104	978,104	(105,276)
Federal sources	131,972	77,416	209,388	263,000	263,000	(53,612)
Total revenues	<u>2,823,568</u>	<u>129,488</u>	<u>2,953,056</u>	<u>3,129,000</u>	<u>3,129,000</u>	<u>(175,944)</u>
Expenditures/Expenses:						
Instruction	1,635,572	-	1,635,572	1,942,238	1,942,238	306,666
Support services	797,289	-	797,289	1,263,500	1,263,500	466,211
Non-instructional programs	-	125,532	125,532	268,051	268,051	142,519
Other expenditures	272,792	-	272,792	645,180	645,180	372,388
Total expenditures/expenses	<u>2,705,653</u>	<u>125,532</u>	<u>2,831,185</u>	<u>4,118,969</u>	<u>4,118,969</u>	<u>1,287,784</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	117,915	3,956	121,871	(989,969)	(989,969)	1,111,840
Balance beginning of year	<u>1,144,128</u>	<u>24,514</u>	<u>1,168,642</u>	<u>1,135,817</u>	<u>1,135,817</u>	<u>32,825</u>
Balance end of year	<u>1,262,043</u>	<u>28,470</u>	<u>1,290,513</u>	<u>145,848</u>	<u>145,848</u>	<u>1,144,665</u>

WHITING 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons 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 Internal Service, 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 a GAAP basis.

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

OTHER SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	
	\$	\$	\$	\$
Cash and pooled investments	119,202	45,761	19,131	184,094
Receivables:				
Property tax:				
Delinquent	1,186	-	1,755	2,941
Succeeding year	90,500	-	113,705	204,205
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>210,888</u>	<u>45,761</u>	<u>134,591</u>	<u>391,240</u>
 Liabilities & Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	90,500	-	113,705	204,205
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances:				
Restricted for:				
Debt service	-	-	20,886	20,886
Management levy	120,388	-	-	120,388
Student activities	-	45,761	-	45,761
Total fund balances	<u>120,388</u>	<u>45,761</u>	<u>20,886</u>	<u>187,035</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>210,888</u>	<u>45,761</u>	<u>134,591</u>	<u>391,240</u>

WHITING COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2011

	Special Revenue Funds		Debt Service	Total
	Management Levy	Student Activity		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	75,077	-	111,031	186,108
Other	120	81,370	66	81,556
State sources	35	-	52	87
Total revenues	<u>75,232</u>	<u>81,370</u>	<u>111,149</u>	<u>267,751</u>
Expenditures:				
Current:				
Instruction:				
Other	-	67,033	-	67,033
Support services:				
Administration	10,561	-	-	10,561
Operation & maintenance of plant	17,573	-	-	17,573
Transportation	3,461	-	-	3,461
Other expenditures:				
Long-term debt:				
Principal	-	-	100,000	100,000
Interest and fiscal charges	-	-	10,701	10,701
Total expenditures	<u>31,595</u>	<u>67,033</u>	<u>110,701</u>	<u>209,329</u>
Net change in fund balances	43,637	14,337	448	58,422
Fund balances beginning of year, as restated	<u>76,751</u>	<u>31,424</u>	<u>20,438</u>	<u>128,613</u>
Fund balances end of year	<u><u>120,388</u></u>	<u><u>45,761</u></u>	<u><u>20,886</u></u>	<u><u>187,035</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

Assets	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	1,575	242,614	140,208	384,397
Receivables:				
Property tax:				
Delinquent	-	-	1,258	1,258
Succeeding year	-	-	83,212	83,212
Due from other governments	-	43,889	-	43,889
Total assets	1,575	286,503	224,678	512,756
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	-	4,450	4,450
Deferred revenue:				
Succeeding year property tax	-	-	83,212	83,212
Total liabilities	-	-	87,662	87,662
Fund balances:				
Restricted for:				
School infrastructure	1,575	286,503	-	288,078
Physical plant and equipment	-	-	137,016	137,016
Total fund balances	1,575	286,503	137,016	425,094
Total liabilities and fund balances	1,575	286,503	224,678	512,756

WHITING COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects			Total
	Construction	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	-	131,677	79,627	211,304
Other	-	2,034	139	2,173
State sources	-	-	38	38
Total revenues	-	133,711	79,804	213,515
Expenditures:				
Current:				
Support services:				
Instructional staff services	-	-	4,897	4,897
Administration services	-	-	1,324	1,324
Other expenditures:				
Facilities acquisition	-	38,474	42,976	81,450
Total expenditures	-	38,474	49,197	87,671
Net change in fund balance	-	95,237	30,607	125,844
Fund balances beginning of year, as restated	1,575	191,266	106,409	299,250
Fund balance end of year	1,575	286,503	137,016	425,094

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Class of 2011	875	216	1,091	-	-
Class of 2013	353	100	-	-	453
Class of 2012	490	7,191	7,482	-	199
Class of 2014	280	75	-	-	355
Class of 2015	160	55	-	-	215
Class of 2016	65	50	57	-	58
Class of 2017	-	60	-	-	60
Unallocated interest	46	46	-	(92)	-
Music parents	5,966	12,281	9,814	23	8,456
Band fund raiser	573	242	438	-	377
Athletics	19,617	45,305	42,504	69	22,487
Cheerleaders	107	385	98	-	394
Character counts	-	7,730	1,476	-	6,254
National Honor Society	1,109	681	400	-	1,390
Band trip	-	2,528	110	-	2,418
Student council	1,642	644	41	-	2,245
Annual	141	3,781	3,522	-	400
	<u>31,424</u>	<u>81,370</u>	<u>67,033</u>	<u>-</u>	<u>45,761</u>
Total					

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	1,187,913	1,166,213	1,110,648	1,199,728	1,211,685	1,249,341	1,105,798	1,259,856
Tuition	360,965	304,204	290,067	258,391	252,526	218,616	123,776	118,101
Other	271,192	280,430	277,334	295,305	350,205	289,341	297,077	294,508
State sources	871,526	786,598	1,039,627	990,227	829,643	796,971	810,196	670,788
Federal sources	131,972	212,875	106,876	83,761	83,280	95,300	95,938	143,684
Total revenues	<u>2,823,568</u>	<u>2,750,320</u>	<u>2,824,552</u>	<u>2,827,412</u>	<u>2,727,339</u>	<u>2,649,569</u>	<u>2,432,785</u>	<u>2,486,937</u>
Expenditures:								
Instruction:								
Regular instruction	1,002,482	997,286	925,474	970,450	892,385	829,274	786,815	858,050
Special instruction	163,524	209,936	263,333	283,560	272,555	240,054	397,659	383,182
Other instruction	469,566	433,898	456,136	385,004	388,785	379,200	151,583	218,328
Support services:								
Student services	99,318	98,673	106,911	32,298	28,123	29,672	28,335	26,968
Instructional staff services	64,393	61,864	66,252	101,877	50,955	65,783	48,981	49,023
Administration services	349,657	323,857	300,044	306,711	289,836	281,139	334,350	287,704
Operation and maintenance	209,357	223,210	210,117	196,697	191,221	187,099	137,744	152,718
Transportation services	74,564	67,150	71,097	97,950	143,655	111,564	50,915	57,713
Non-instructional programs	-	3,390	-	-	-	-	2,300	552
Other expenditures:								
Facilities acquisition	81,450	197,747	157,583	161,334	164,774	217,578	37,802	54,735
Long-term debt:								
Principal	100,000	575,000	65,000	67,407	66,770	66,144	60,575	55,059
Interest and other charges	10,701	30,075	33,325	36,592	40,081	44,017	47,224	50,016
AEA flowthrough	80,641	80,219	74,758	73,687	69,040	66,545	66,447	67,403
Total expenditures	<u>2,705,653</u>	<u>3,302,305</u>	<u>2,730,030</u>	<u>2,713,567</u>	<u>2,598,180</u>	<u>2,518,069</u>	<u>2,150,730</u>	<u>2,261,451</u>

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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
Whiting 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 Whiting Community School District as 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 April 10, 2012. Our opinions on the governmental activities and the business type activities were qualified because the District did not adopt GASB statement number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions. 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 Whiting Community School District's 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 Whiting Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Whiting 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 Responses, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 described in Part I of the accompanying Schedule of Findings and Responses as items 11-I-A and 11-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whiting 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 II of the accompanying Schedule of Findings and Responses.

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.

Whiting Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Whiting 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 Whiting Community School District and other parties to whom Whiting Community School District may report, and 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 Whiting 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 10, 2012

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

11-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- 11-II-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the certified budget amounts.
- 11-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 11-II-C Travel Expenses: 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.
- 11-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Storm, Board Member	School banking	\$ -

The Board member, David Storm, is an employee of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 11-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 11-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 11-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 11-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 11-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting (Continued):

11-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to Iowa Department of Education administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

11-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. 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		191,266
Revenues/transfers in:		
Sales tax revenues	131,677	
Other local revenues	2,034	133,711
	<u> </u>	
Expenditures/transfers out:		
School infrastructure construction	16,040	
Equipment	22,334	
Other	100	38,474
	<u> </u>	<u> </u>
Ending balance		<u>286,503</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.