

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Independent Auditor's Report

To the Board of Education of
AGWSR 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 AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2012, 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.

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 AGWSR Community School District at June 30, 2012, 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 January 2, 2013, on our consideration of AGWSR 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing

standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AGWSR 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 eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 10, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

January 2, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGWSR 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,014,400 in fiscal 2011 to \$7,089,750 in fiscal 2012, while General Fund expenditures decreased from \$6,950,528 in fiscal 2011 to \$6,925,928 in fiscal 2012. The District's General Fund balance increased from \$1,579,275 in fiscal 2011 to \$1,744,518 in fiscal 2012, a 10% increase.
- A General Fund revenue increase was attributable to increases in property tax. The decrease in expenditures was due primarily to approximately \$150,000 in cuts (primarily in the area of certified staff) made to prepare for the 2011-2012 school year. The net result of this was the increase in the general fund balance.

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 AGWSR 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 AGWSR 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 AGWSR 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.

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

Figure A-1
AGWSR Community School District Annual Financial Report

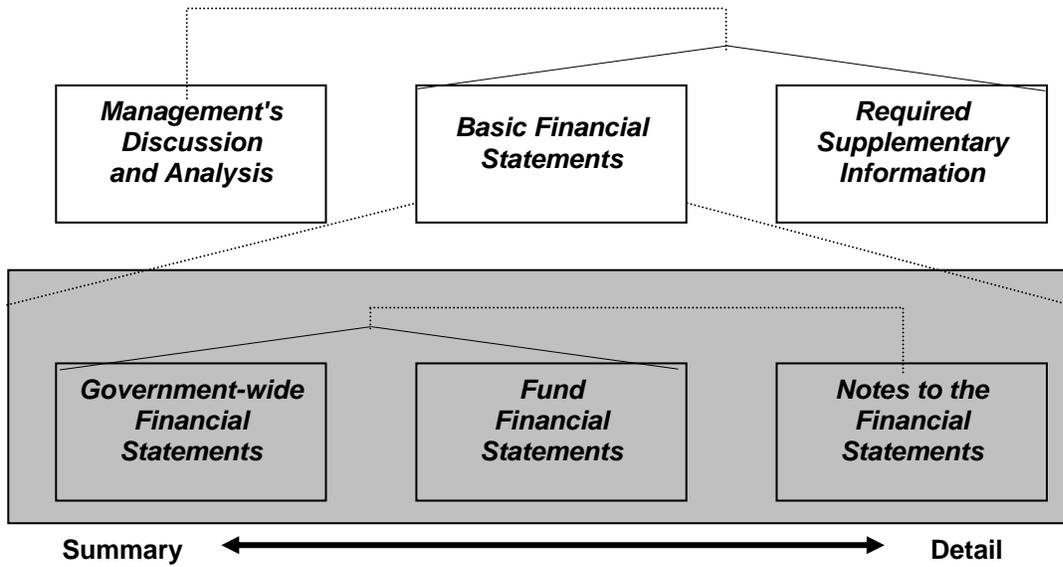


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	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: food services and day care facilities	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, 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 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 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 two Enterprise Funds, the School Nutrition Fund and the Daycare 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 and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Current and other assets	9,689,176	9,591,908	122,651	126,794	9,811,827	9,718,702	(.9)
Capital assets	4,200,477	4,315,311	88,992	79,601	4,289,469	4,394,912	2.5
Total assets	13,889,653	13,907,219	211,643	206,395	14,101,296	14,113,614	0
Long-term liabilities	745,478	393,458	436	436	745,914	393,894	(47.2)
Other liabilities	4,553,761	4,395,877	16,271	17,604	4,570,032	4,413,481	(3.4)
Total liabilities	5,299,239	4,789,335	16,707	18,040	5,315,946	4,807,375	(9.6)
Net Assets:							
Invested in capital assets, net of related debt	3,888,806	4,151,119	88,992	79,601	3,977,798	4,230,720	6.4
Restricted	3,119,910	3,579,517			3,119,910	3,579,517	14.7
Unrestricted	1,581,698	1,387,248	105,944	108,754	1,687,642	1,496,002	(11.4)
TOTAL NET ASSETS	8,590,414	9,117,884	194,936	188,355	8,785,350	9,306,239	5.9

The District's combined total net assets increased by nearly 6%, or approximately \$520,000, 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 \$459,600 or 14.7% 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 \$192,000, or 11.4%.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	681,514	547,435	388,990	382,604	1,070,504	930,039	(13.1)
Operating grants & contributions	1,279,457	978,452	191,897	183,871	1,471,354	1,162,323	(21.0)
Capital grants & contributions	9,281	9,500			9,281	9,500	2.4
General Revenues:							
Property taxes	3,733,154	3,750,587			3,733,154	3,750,587	.5
Income surtax	575,036	276,901			575,036	276,901	(51.8)
Sales tax	479,407	473,904			479,407	473,904	(1.1)
Unrestricted state grants	2,044,253	2,311,000			2,044,253	2,311,000	13.0
Unrestricted Investment Earnings	39,825	33,156	82	74	39,907	33,230	(16.6)
Other revenue	26,338	14,696			26,338	14,696	(44.2)
	8,868,265	8,395,631	580,969	566,549	9,449,234	8,962,180	(5.2)
Expenses:							
Instruction	5,053,129	5,170,270			5,053,129	5,170,270	2.3
Support services	2,261,892	2,202,404			2,261,892	2,202,404	(2.6)
Non-instructional programs		1,879	535,371	573,130	535,371	575,009	7.4
Other expenditures	540,658	493,608			540,658	493,608	(8.7)
Total expenses	7,855,679	7,868,161	535,371	573,130	8,391,050	8,441,291	.6
CHANGE IN NET ASSETS	1,012,586	527,470	45,598	(6,581)	1,058,184	520,869	(50.8)
Net assets beginning of year	7,577,828	8,590,414	149,338	194,936	7,727,166	8,785,350	13.7
Net assets end of year	8,590,414	9,117,884	194,936	188,355	8,785,350	9,306,239	5.9

In fiscal year 2012 property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 5.2% decrease in revenues and a .2% increase in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$8,395,631 and expenses were \$7,868,161. 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, non-instructional programs and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2012	Percent Change 2011-2012	2011	2012	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	5,053,129	5,170,270	2.3	3,464,908	3,911,834	12.9
Support Services	2,261,892	2,202,404	(2.6)	2,186,080	2,198,448	.6
Non-instructional Programs		1,879			1,879	
Other Expenses	540,658	493,608	(8.7)	234,439	220,613	(5.9)
TOTAL	7,855,679	7,868,161	.2	5,885,427	6,332,774	7.6

For the year ended June 30, 2012

- The cost financed by users of the District's programs was \$547,435. Most of these revenues are derived from tuition charged to other school districts and from student activities
- Federal and state governments subsidized certain programs with grants and contributions totaling \$978,452.
- The net cost of governmental activities was financed with \$4,501,392 in property and local other taxes and \$2,311,000 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$566,549 and expenses were \$573,130. The District's business type activities include the School Nutrition Fund and the Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, consistent with federal mandates, the District increased meal prices. However, total revenues were still down due to declining enrollment. The increase in expenses was due to increased labor and food costs.

INDIVIDUAL FUND ANALYSIS

As previously noted, AGWSR 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 \$4,923,544, well above last year's ending fund balances of \$4,580,576. However, the primary reason for the increase in combined fund balances in fiscal 2012 is due to fiscal constraint concerning expenditures.

Governmental Fund Highlights

- The General Fund balance increased from \$1,579,275 to \$1,744,518, due to staff reduction and cost saving measures.
- 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 Physical Plant and Equipment Levy account balance increased from \$380,757 to \$558,451 due to minimal expenditures in anticipation of a construction project in the near future.
- The Sales Tax Account balance decreased from a balance of \$1,117,601 to \$1,052,609. Again a construction project is anticipated in the near future.
- The Management Fund balance increased from \$1,350,562 to \$1,444,522, in anticipation of offering early retirement incentives in the 2012-2013 school year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$110,137 at June 30, 2011 to \$89,657 at June 30, 2012, representing a decrease of approximately 18.6%. For fiscal 2012, the district saw a slight decline in revenues and an increase in expenditures. The district is absorbing this loss with an existing carry over balance.

The Day Care Fund net assets grew from \$84,799 to \$98,698, this was due to continued private donations and fees meeting or in excess of expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, AGWSR Community School District did not amend its annual budget.

The District's receipts were \$74,732 greater than budgeted receipts, a variance of .8%. The most significant variance resulted from the District receiving more in federal aid 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 ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$4.395 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-6) This represents a net increase of 2.5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

The district purchased property valued at \$42,000, explaining the significant increase in land (see Figure A-6).

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2011-2012 %
	2011	2012	2011	2012	2011	2012	
	\$	\$	\$	\$	\$	\$	
Land	\$52,000	\$94,000			\$52,000	\$94,000	80.8
Construction in progress							
Buildings	\$2,985,735	\$2,917,009			\$2,985,735	\$2,917,009	(2.3)
Improvements	\$403,447	\$373,467			\$403,447	\$373,467	(7.4)
Equipment & furniture	\$759,295	\$930,835	\$88,992	\$79,601	\$848,287	\$1,010,436	19.1
TOTAL	\$4,200,477	\$4,315,311	\$88,992	\$79,601	\$4,289,469	\$4,394,912	2.5

Long-Term Debt

At June 30, 2012 the District had \$393,894 in general obligation, revenue and other long-term debt outstanding. This represents an decrease of approximately 47% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$26 million.

The increase in net OPEB liability is attributed to GASB 45 accounting practices.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2011-2012 %
	2011	2012	
	\$	\$	
General obligation bonds			
Revenue bonds			
Capital loan notes	\$266,669	\$133,336	(50.0)
Capital leases	\$45,002	\$30,856	(31.4)
Early retirement	\$374,332	\$134,528	(64.1)
Net OPEB liability	\$59,911	\$95,174	58.9
	\$745,914	\$393,894	(47.2)

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:

- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment decreased by approximately twenty-two students. This drop in enrollment will decrease the District's funding for fiscal year 2014.

- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one small vehicle (suburban) must be replaced during fiscal 2013 at a cost of \$40,000. To pay for this bus, the District will use resources from the Physical Plant and Equipment Levy Fund.
- The district will be negotiating a new collective bargaining agreement during fiscal 2013. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance.
- The phase out of the state budget guarantee will continue to have a negative impact on the school budget, as the district will be on the 101% guarantee for the 2013-2014 budget year.

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 Deb Barker, Business Manager, AGWSR Community Schools, 511 State Street, Ackley, IA 50601

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	5,778,939	113,695	5,892,634
Receivables:			
Property tax:			
Delinquent	43,004	-	43,004
Succeeding year	3,256,893	-	3,256,893
Accounts	9,607	6,348	15,955
Accrued interest	278	-	278
Due from other governments	503,187	818	504,005
Inventories	-	5,933	5,933
Capital assets, net of accumulated depreciation	4,315,311	79,601	4,394,912
Total assets	13,907,219	206,395	14,113,614
Liabilities			
Accounts payable	548,475	2,350	550,825
Salaries and benefits payable	589,628	10,795	600,423
Accrued interest payable	881	-	881
Deferred revenue:			
Succeeding year property tax	3,256,893	-	3,256,893
Other	-	4,459	4,459
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	133,336	-	133,336
Capital leases	14,985	-	14,985
Termination benefits	134,528	-	134,528
Portion due after one year:			
Capital leases	15,871	-	15,871
Net OPEB liability	94,738	436	95,174
Total liabilities	4,789,335	18,040	4,807,375
Net assets			
Invested in capital assets, net of related debt	4,151,119	79,601	4,230,720
Restricted for:			
Categorical funding	261,651	-	261,651
Management levy	1,309,994	-	1,309,994
Physical plant and equipment levy	831,819	-	831,819
Student activities	123,444	-	123,444
School infrastructure	1,052,609	-	1,052,609
Unrestricted	1,387,248	108,754	1,496,002
Total net assets	9,117,884	188,355	9,306,239

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grant Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,173,288	254,783	568,295	-
Special	1,025,282	33,788	52,205	-
Other	971,700	258,864	90,501	-
	<u>5,170,270</u>	<u>547,435</u>	<u>711,001</u>	<u>-</u>
Support services:				
Student	74,407	-	-	-
Instructional staff	281,994	-	-	-
Administration	632,586	-	-	-
Operation and maintenance of plant	635,214	-	-	-
Transportation	578,203	-	3,956	-
	<u>2,202,404</u>	<u>-</u>	<u>3,956</u>	<u>-</u>
Non-instructional programs	<u>1,879</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	59,217	-	-	9,500
Long-term debt interest	10,661	-	-	-
AEA flowthrough	263,495	-	263,495	-
Depreciation (unallocated)*	160,235	-	-	-
	<u>493,608</u>	<u>-</u>	<u>263,495</u>	<u>9,500</u>
Total governmental activities	<u>7,868,161</u>	<u>547,435</u>	<u>978,452</u>	<u>9,500</u>
Business type activities:				
Non-instructional programs:				
Food service operations	283,071	122,308	140,209	-
Daycare	290,059	260,296	43,662	-
Total business-type activities	<u>573,130</u>	<u>382,604</u>	<u>183,871</u>	<u>-</u>
Total	<u>8,441,291</u>	<u>930,039</u>	<u>1,162,323</u>	<u>9,500</u>

General Revenues:

Property taxes levied for:	
General purposes	
Capital outlay	
Income surtax	
Statewide sales, services and use tax	
Unrestricted state grants	
Unrestricted investment earnings	
Other	
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
\$	\$	\$
(2,350,210)	-	(2,350,210)
(939,289)	-	(939,289)
<u>(622,335)</u>	-	<u>(622,335)</u>
<u>(3,911,834)</u>	-	<u>(3,911,834)</u>
(74,407)	-	(74,407)
(281,994)	-	(281,994)
(632,586)	-	(632,586)
(635,214)	-	(635,214)
(574,247)	-	(574,247)
<u>(2,198,448)</u>	-	<u>(2,198,448)</u>
<u>(1,879)</u>	-	<u>(1,879)</u>
(49,717)	-	(49,717)
(10,661)	-	(10,661)
-	-	-
<u>(160,235)</u>	-	<u>(160,235)</u>
<u>(220,613)</u>	-	<u>(220,613)</u>
<u>(6,332,774)</u>	-	<u>(6,332,774)</u>
-	(20,554)	(20,554)
-	13,899	13,899
-	<u>(6,655)</u>	<u>(6,655)</u>
<u>(6,332,774)</u>	<u>(6,655)</u>	<u>(6,339,429)</u>
3,606,425	-	3,606,425
144,162	-	144,162
276,901	-	276,901
473,904	-	473,904
2,311,000	-	2,311,000
33,156	74	33,230
14,696	-	14,696
<u>6,860,244</u>	<u>74</u>	<u>6,860,318</u>
527,470	(6,581)	520,889
<u>8,590,414</u>	<u>194,936</u>	<u>8,785,350</u>
<u>9,117,884</u>	<u>188,355</u>	<u>9,306,239</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Management Levy	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	2,444,108	1,769,593	1,439,930	125,308	5,778,939
Receivables:					
Property tax:					
Delinquent	36,803	1,609	4,592	-	43,004
Succeeding year	2,918,736	138,156	200,001	-	3,256,893
Accounts	9,607	-	-	-	9,607
Accrued interest	-	278	-	-	278
Due from other governments	110,962	392,225	-	-	503,187
Total assets	5,520,216	2,301,861	1,644,523	125,308	9,591,908
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	267,334	279,277	-	1,864	548,475
Salaries and benefits payable	589,628	-	-	-	589,628
Deferred revenue:					
Succeeding year property tax	2,918,736	138,156	200,001	-	3,256,893
Income surtax	-	273,368	-	-	273,368
Total liabilities	3,775,698	690,801	200,001	1,864	4,668,364
Fund balances:					
Restricted for:					
Categorical funding	261,651	-	-	-	261,651
Management levy	-	-	1,444,522	-	1,444,522
Student activities	-	-	-	123,444	123,444
School infrastructure	-	1,052,609	-	-	1,052,609
Physical plant and equipment	-	558,451	-	-	558,451
Assigned	5,286	-	-	-	5,286
Unassigned	1,477,581	-	-	-	1,477,581
Total fund balances	1,744,518	1,611,060	1,444,522	123,444	4,923,544
Total liabilities and fund balances	5,520,216	2,301,861	1,644,523	125,308	9,591,908

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

	\$
Total fund balances of governmental funds (Exhibit C)	4,923,544
<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.	4,315,311
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	273,368
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.	(881)
Long-term liabilities, including capital loan notes payable, capital leases payable, termination benefits, 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>(393,458)</u>
Net assets of governmental activities (Exhibit A)	<u><u>9,117,884</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Management Levy	Nonmajor Governmental	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,486,384	898,093	400,069	-	4,784,546
Tuition	187,371	-	-	-	187,371
Other	140,995	19,798	14,795	259,810	435,398
State sources	3,060,394	65	184	-	3,060,643
Federal sources	214,606	-	-	-	214,606
Total revenues	<u>7,089,750</u>	<u>917,956</u>	<u>415,048</u>	<u>259,810</u>	<u>8,682,564</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,074,324	-	239,802	-	3,314,126
Special	1,022,076	-	-	-	1,022,076
Other	672,459	8,184	-	288,747	969,390
	<u>4,768,859</u>	<u>8,184</u>	<u>239,802</u>	<u>288,747</u>	<u>5,305,592</u>
Support services:					
Student	73,338	-	-	-	73,338
Instructional staff	227,223	327,395	-	-	554,618
Administration	603,423	23,897	940	-	628,260
Operation and maintenance of plant	530,395	20,855	73,951	-	625,201
Transportation	457,316	60,211	6,395	-	523,922
	<u>1,891,695</u>	<u>432,358</u>	<u>81,286</u>	<u>-</u>	<u>2,405,339</u>
Non-instructional programs	1,879	-	-	-	1,879
Other expenditures:					
Facilities acquisition	-	205,770	-	-	205,770
Long-term debt:					
Principal	-	-	-	147,479	147,479
Interest and fiscal charges	-	-	-	11,463	11,463
AEA flowthrough	263,495	-	-	-	263,495
	<u>263,495</u>	<u>205,770</u>	<u>-</u>	<u>158,942</u>	<u>628,207</u>
Total expenditures	<u>6,925,928</u>	<u>646,312</u>	<u>321,088</u>	<u>447,689</u>	<u>8,341,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>163,822</u>	<u>271,644</u>	<u>93,960</u>	<u>(187,879)</u>	<u>341,547</u>
Other financing sources (uses):					
Sales of equipment and real property	1,421	-	-	-	1,421
Operating transfers in	-	-	-	158,942	158,942
Operating transfers out	-	(158,942)	-	-	(158,942)
Total other financing sources (uses)	<u>1,421</u>	<u>(158,942)</u>	<u>-</u>	<u>158,942</u>	<u>1,421</u>
Net change in fund balances	165,243	112,702	93,960	(28,937)	342,968
Fund balances beginning of year	1,579,275	1,498,358	1,350,562	152,381	4,580,576
Fund balances end of year	<u>1,744,518</u>	<u>1,611,060</u>	<u>1,444,522</u>	<u>123,444</u>	<u>4,923,544</u>

AGWSR 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, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		342,968
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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, basis remaining in equipment disposed of and depreciation are as follows:		
Expenditures for capital assets	514,929	
Basis remaining in equipment disposed of	(5,200)	
Depreciation expense	<u>(394,895)</u>	114,834
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(283,154)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		147,479
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.		802
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:		
Termination benefits	239,804	
Other post employment benefits	<u>(35,263)</u>	<u>204,541</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>527,470</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	113,695
Accounts receivable	6,348
Due from other governments	818
Inventories	5,933
Capital assets, net of accumulated depreciation	<u>79,601</u>
Total assets	<u>206,395</u>
Liabilities	
Accounts payable	2,350
Salaries and benefits payable	10,795
Deferred revenue	4,459
Net OPEB liability	<u>436</u>
Total liabilities	<u>18,040</u>
Net assets	
Invested in capital assets	79,601
Unrestricted	<u>108,754</u>
Total net assets	<u><u>188,355</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>382,604</u>
Operating expenses:	
Non-instructional programs:	
Salaries	293,932
Benefits	46,826
Purchased services	8,711
Supplies	203,700
Depreciation	18,074
Other	1,887
Total operating expenses	<u>573,130</u>
Operating income (loss)	<u>(190,526)</u>
Non-operating revenues:	
State sources	2,479
Federal sources	153,497
Donations	27,895
Interest income	74
Total non-operating revenues	<u>183,945</u>
Change in net assets	(6,581)
Net assets beginning of year	<u>194,936</u>
Net assets end of year	<u><u>188,355</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	123,049
Cash received from daycare services	257,640
Cash payments to employees for services	(340,900)
Cash payments to suppliers for goods or services	<u>(187,735)</u>
Net cash used by operating activities	<u>(147,946)</u>
Cash flows from non-capital financing activities:	
Donations	27,895
State grants received	2,479
Federal grants received	<u>128,876</u>
Net cash provided by non-capital financing activities	<u>159,250</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(8,683)</u>
Cash flows from investing activities:	
Interest on investments	<u>74</u>
Net increase (decrease) in cash and cash equivalents	2,695
Cash and cash equivalents at beginning of year	<u>111,000</u>
Cash and cash equivalents at end of year	<u><u>113,695</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(190,526)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	24,550
Depreciation	18,074
Decrease (increase) in inventories	1,279
Decrease (increase) in accounts receivable	(2,656)
(Decrease) increase in accounts payable	734
(Decrease) increase in salaries and benefits payable	(142)
(Decrease) increase in deferred revenue	<u>741</u>
Net cash used by operating activities	<u><u>(147,946)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$24,550 of federal commodities.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	43,923	31,815
Liabilities		
Other payables	<u>-</u>	<u>31,815</u>
Net Assets		
Reserved for scholarships	<u><u>43,923</u></u>	<u><u>-</u></u>

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

Year ended June 30, 2012

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Interest	496
Deductions:	
Support services:	
Scholarships awarded	<u>482</u>
Change in net assets	14
Net assets beginning of year	<u>43,909</u>
Net assets end of year	<u><u>43,923</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

AGWSR 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 Cities of Ackley, Geneva, Wellsburg and Steamboat Rock, Iowa and the predominately agricultural territory in a portion of Grundy, Franklin and Butler 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, AGWSR 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 AGWSR 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 non-fiduciary 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 non-fiduciary 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 nonmajor governmental funds. Combining schedules are also included for the Capital Projects 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 Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund that is used to account for the food service operations of the District and the Enterprise, Daycare Fund that is used to account for a daycare and preschool programs in Ackley and Wellsburg that are run by 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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	20-50 years
Improvements other than buildings	20-25 years
Intangibles	3-10 years
Furniture and equipment	5-20 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. Employees are not paid for unused vacation and sick leave benefits when employment with the District terminates.

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.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in other 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 in banks at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$7,175 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental - Debt Service Fund	Capital Projects Fund	158,942

The transfers from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	52,000	42,000	-	94,000
Capital assets being depreciated:				
Buildings	6,777,341	61,529	-	6,838,870
Improvements other than buildings	1,008,819	-	-	1,008,819
Furniture and equipment	2,408,156	411,400	41,600	2,777,956
Total capital assets being deprec.	<u>10,194,316</u>	<u>472,929</u>	<u>41,600</u>	<u>10,625,645</u>

Less accumulated depreciation for:				
Buildings	3,791,606	130,255	-	3,921,861
Improvements other than buildings	605,372	29,980	-	635,352
Furniture and equipment	1,648,861	234,660	36,400	1,847,121
Total accumulated depreciation	<u>6,045,839</u>	<u>394,895</u>	<u>36,400</u>	<u>6,404,334</u>
Total capital assets being depreciated, net	<u>4,148,477</u>	<u>78,034</u>	<u>5,200</u>	<u>4,221,311</u>
Governmental activities capital assets, net	<u>4,200,477</u>	<u>120,034</u>	<u>5,200</u>	<u>4,315,311</u>
Business type activities:				
Furniture and equipment	256,369	8,681	-	265,050
Less accumulated depreciation	<u>167,377</u>	<u>18,072</u>	<u>-</u>	<u>185,449</u>
Business type activities capital assets, net	<u>88,992</u>	<u>(9,391)</u>	<u>-</u>	<u>79,601</u>

Depreciation expense was charged by the District as follows:

	\$
Governmental activities:	
Instruction:	
Regular	75,992
Other	14,461
Support services:	
Instructional staff	28,572
Administration services	1,655
Operation and maintenance of plant services	7,342
Transportation	<u>106,638</u>
	234,660
Unallocated depreciation	<u>160,235</u>
Total depreciation expense – governmental activities	<u>394,895</u>
Business type activities:	
Food service operations	15,794
Daycare operations	<u>2,278</u>
Total depreciation expense – business type activities	<u>18,072</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Capital loan notes	266,669	-	133,333	133,336	133,336
Capital lease	45,002	-	14,146	30,856	14,985
Termination benefits	374,332	-	239,804	134,528	134,528
Net OPEB liability	59,475	35,263	-	94,738	-
Total	745,478	35,263	387,283	393,4588	282,849
Business type activities:					
Net OPEB liability	436	-	-	436	-

Termination Benefits

The District offered a voluntary early retirement plan to employees during fiscal years 2009 and 2010. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 150% of the employee's annual regular salary, not including any supplemental payments received by the employee for extracurricular or co-curricular duties, in effect during the employee's last year of employment.

Early retirement benefits will be paid in three equal installments beginning in July following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

At June 30, 2012, the District has obligations to five participants with a total liability of \$134,528. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$239,804.

Capital Loan Notes

The District issued \$1,200,000 of capital loan notes during the year ended June 30, 2004. These notes and the interest will be paid from the Capital Projects, Physical Plant and Equipment Levy Account. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.30	133,336	4,400	137,736

During the year the District paid \$142,133 of principal and interest on the notes.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2012.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2013	16,811
	2014	16,811
Minimum Lease Payments		<u>33,622</u>
Less Amount Representing Interest		<u>2,766</u>
Present Value of Minimum Lease Payments		<u><u>30,856</u></u>

6. 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$338,144, \$257,222, and \$282,426 respectively, equal to the required contributions for each year.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 68 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	40,446
Interest on net OPEB obligation	1,498
Adjustment to annual required contribution	<u>(3,319)</u>
Annual OPEB cost	38,625
Contributions made	<u>3,362</u>
Increase in net OPEB obligation	35,263
Net OPEB obligation beginning of year	<u>59,911</u>
 Net OPEB obligation end of year	 <u>95,174</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, 2012.

For the year ended June 30, 2012, the District contributed \$3,362 to the medical plan. Plan members eligible for benefits contributed \$39,885, or 92% of the premium costs.

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, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
June 30, 2010	34,730	16%	29,179
June 30, 2011	35,391	13%	59,911
June 30, 2012	38,625	9%	95,174

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$272,869, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$272,869. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,260,000, and the ratio of the UAAL to covered payroll was 8.4%. As of June 30, 2012, there were no trust fund assets.

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, will present 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 frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000.

The UAAL is being amortized over 30 years.

8. 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.

9. 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 \$263,495 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	63,372
Teacher salary supplement	34,740
Preschool	52,647
Home school assistance program	81,519
Educator quality, professional development	7,462
At risk	6,184
Returning dropout and dropout prevention	15,727
	<u>261,651</u>

11. Lease Commitment

The District entered into a five year contract to lease copiers during fiscal year 2010. The payments the District will make over the next three years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
	\$
2013	21,600
2014	21,600
2015	12,600

\$21,600 of lease payments were made during fiscal year 2012.

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,407,315	410,573	5,817,888	5,805,743	5,805,743	12,145
State sources	3,060,643	2,479	3,063,122	3,118,638	3,118,638	(55,516)
Federal sources	214,606	153,497	368,103	250,000	250,000	118,103
Total revenues	<u>8,682,564</u>	<u>566,549</u>	<u>9,249,113</u>	<u>9,174,381</u>	<u>9,174,381</u>	<u>74,732</u>
Expenditures/Expenses:						
Instruction	5,305,592	-	5,305,592	6,250,000	6,250,000	944,408
Support services	2,405,339	-	2,405,339	2,777,900	2,777,900	372,561
Non-instructional programs	1,879	573,130	575,009	821,000	821,000	245,991
Other expenditures	628,207	-	628,207	1,244,310	1,244,310	616,103
Total expenditures/expenses	<u>8,341,017</u>	<u>573,130</u>	<u>8,914,147</u>	<u>11,093,210</u>	<u>11,093,210</u>	<u>2,179,063</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	341,547	(6,581)	334,966	(1,918,829)	(1,918,829)	2,253,795
Other financing sources (uses) net	<u>1,421</u>	<u>-</u>	<u>1,421</u>	<u>(19,467)</u>	<u>(19,467)</u>	<u>20,888</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	342,968	(6,581)	336,387	(1,938,296)	(1,938,296)	2,274,683
Balance beginning of year	<u>4,580,576</u>	<u>194,936</u>	<u>4,775,512</u>	<u>4,452,739</u>	<u>4,452,739</u>	<u>322,773</u>
Balance end of year	<u><u>4,923,544</u></u>	<u><u>188,355</u></u>	<u><u>5,111,899</u></u>	<u><u>2,514,443</u></u>	<u><u>2,514,443</u></u>	<u><u>2,597,456</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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. The District did not amend its budget during the year.

AGWSR 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	-	274,321	274,321	0.0%	3,095,000	8.9%
2011	July 1, 2009	-	272,869	272,869	0.0%	3,220,000	8.5%
2012	July 1, 2009	-	264,845	272,869	0.0%	3,260,000	8.4%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Fund	Debt Service	Total
	Student Activity		
	\$	\$	\$
Cash and pooled investments	125,308	-	125,308
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	1,864	-	1,864
Fund balances:			
Restricted for:			
Student activities	123,444	-	123,444
Total liabilities and fund balances	<u>125,308</u>	<u>-</u>	<u>125,308</u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Fund		Total
	Student Activity	Debt Service	
	\$	\$	\$
Revenues:			
Local sources:			
Other	259,810	-	259,810
Expenditures:			
Current:			
Instruction:			
Other	288,747	-	288,747
Other expenditures:			
Long-term debt:			
Principal	-	147,479	147,479
Interest and fiscal charges	-	11,463	11,463
Total expenditures	288,747	158,942	447,689
Excess (deficiency) of revenues over (under) expenditures	(28,937)	(158,942)	(187,879)
Other financing sources (uses):			
Operating transfers in	-	158,942	158,942
Net change in fund balances	(28,937)	-	(28,937)
Fund balances beginning of year	152,381	-	152,381
Fund balances end of year	123,444	-	123,444

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	29,874	83,821	113,695
Accounts receivable	-	6,348	6,348
Due from other governments	-	818	818
Inventories	5,933	-	5,933
Capital assets, net of accumulated depreciation	58,309	21,292	79,601
Total assets	<u>94,116</u>	<u>112,279</u>	<u>206,395</u>
Liabilities			
Accounts payable	-	2,350	2,350
Salaries and benefits payable	-	10,795	10,795
Deferred revenue	4,459	-	4,459
Net OPEB liability	-	436	436
Total liabilities	<u>4,459</u>	<u>13,581</u>	<u>18,040</u>
Net assets			
Invested in capital assets	58,309	21,292	79,601
Unrestricted	31,348	77,406	108,754
Total net assets	<u>89,657</u>	<u>98,698</u>	<u>188,355</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	122,308	260,296	382,604
Operating expenses:			
Non-instructional programs:			
Salaries	97,091	196,841	293,932
Benefits	15,369	31,457	46,826
Purchased services	120	8,591	8,711
Supplies	153,449	50,251	203,700
Depreciation	15,796	2,278	18,074
Other	1,246	641	1,887
	<u>283,071</u>	<u>290,059</u>	<u>573,130</u>
Operating income (loss)	<u>(160,763)</u>	<u>(29,763)</u>	<u>(190,526)</u>
Non-operating revenues:			
State sources	2,479	-	2,479
Federal sources	137,730	15,767	153,497
Donations	-	27,895	27,895
Interest income	74	-	74
Total non-operating revenues	<u>140,283</u>	<u>43,662</u>	<u>183,945</u>
Change in net assets	(20,480)	13,899	(6,581)
Net assets beginning of year	<u>110,137</u>	<u>84,799</u>	<u>194,936</u>
Net assets end of year	<u><u>89,657</u></u>	<u><u>98,698</u></u>	<u><u>188,355</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds		
	School		
	Nutrition	Daycare	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	123,049	-	123,049
Cash received from daycare services	-	257,640	257,640
Cash payments to employees for services	(112,460)	(228,440)	(340,900)
Cash payments to suppliers for goods or services	(128,986)	(58,749)	(187,735)
Net cash used by operating activities	<u>(118,397)</u>	<u>(29,549)</u>	<u>(147,946)</u>
Cash flows from non-capital financing activities:			
Donations	-	27,895	27,895
State grants received	2,479	-	2,479
Federal grants received	113,180	15,696	128,876
Net cash provided by non-capital financing activities	<u>115,659</u>	<u>43,591</u>	<u>159,250</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(1,671)</u>	<u>(7,012)</u>	<u>(8,683)</u>
Cash flows from investing activities:			
Interest on investments	<u>74</u>	<u>-</u>	<u>74</u>
Net increase (decrease) in cash and cash equivalents	(4,335)	7,030	2,695
Cash and cash equivalents at beginning of year	<u>34,209</u>	<u>76,791</u>	<u>111,000</u>
Cash and cash equivalents at end of year	<u>29,874</u>	<u>83,821</u>	<u>113,695</u>
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	(160,763)	(29,763)	(190,526)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	24,550	-	24,550
Depreciation	15,796	2,278	18,074
Decrease (increase) in inventories	1,279	-	1,279
Decrease (increase) in accounts receivable	-	(2,656)	(2,656)
(Decrease) increase in accounts payable	-	734	734
(Decrease) increase in salaries and benefits payable	-	(142)	(142)
(Decrease) increase in deferred revenue	741	-	741
Net cash used by operating activities	<u>(118,397)</u>	<u>(29,549)</u>	<u>(147,946)</u>

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	1,209,919	559,674	1,769,593
Receivables:			
Property tax:			
Delinquent	-	1,609	1,609
Succeeding year	-	138,156	138,156
Accrued interest	-	278	278
Due from other governments	118,857	273,368	392,225
Total assets	1,328,776	973,085	2,301,861
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	276,167	3,110	279,277
Deferred revenue:			
Succeeding year property tax	-	138,156	138,156
Income surtax	-	273,368	273,368
Total liabilities	276,167	414,634	690,801
Fund balances:			
Restricted for:			
School infrastructure	1,052,609	-	1,052,609
Physical plant and equipment	-	558,451	558,451
Total fund balances	1,052,609	558,451	1,611,060
Total liabilities and fund balances	1,328,776	973,085	2,301,861

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	473,904	424,189	898,093
Other	6,079	13,719	19,798
State sources	-	65	65
Total revenues	<u>479,983</u>	<u>437,973</u>	<u>917,956</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	-	8,184	8,184
Support services:			
Instructional staff services	290,963	36,432	327,395
Administration services	-	23,897	23,897
Operation and maintenance of plant	-	20,855	20,855
Transportation services	60,211	-	60,211
Other expenditures:			
Facilities acquisition	176,990	28,780	205,770
Total expenditures	<u>528,164</u>	<u>118,148</u>	<u>646,312</u>
Excess (deficiency) of revenues over (under) expenditures	(48,181)	319,825	271,644
Other financing sources (uses):			
Operating transfers out	<u>(16,811)</u>	<u>(142,131)</u>	<u>(158,942)</u>
Net change in fund balance	(64,992)	177,694	112,702
Fund balances beginning of year	<u>1,117,601</u>	<u>380,757</u>	<u>1,498,358</u>
Fund balance end of year	<u><u>1,052,609</u></u>	<u><u>558,451</u></u>	<u><u>1,611,060</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2012

Account	Balance	Revenues	Expenditures	Balance
	Beginning of			End of Year
	Year			
	\$	\$	\$	\$
Football	14,583	12,614	14,996	12,201
Volleyball	3,269	4,923	4,064	4,128
Boys basketball	9,515	13,318	15,902	6,931
Girls basketball	19,703	6,909	5,600	21,012
Wrestling	1,316	18,866	17,489	2,693
Boys track	30	4,192	4,222	-
Girls track	29	2,387	2,416	-
Boys golf	-	238	238	-
Girls golf	-	1,394	1,394	-
Boys bowling	768	308	210	866
Baseball	(172)	5,156	4,984	-
Softball	-	6,906	6,906	-
Tennis	-	796	796	-
Flag football	585	87	-	672
MS baseball	173	-	173	-
Youth basketball	630	685	1,074	241
Volleyball camp	1,792	1,604	1,670	1,726
Youth football	1,484	374	1,400	458
Cross country	554	-	5	549
Speech	30	2,164	785	1,409
After prom	1,498	16,311	16,599	1,210
Art club	207	391	264	334
Clay targeting club	-	150	-	150
Music trip fund	13,823	6,946	3,615	17,154
Cheerleaders	1,609	2,663	3,958	314
Drama	751	-	-	751
Drill Team	172	1,097	1,114	155
Elementary music fundraiser	376	-	-	376
FFA	8,099	47,099	47,630	7,568
FCCLA	108	1,793	1,756	145
National Honor Society	56	373	410	19
Foreign language club	370	82	-	452
Mat club	141	-	-	141
Student council	1,689	7,190	7,109	1,770
Cougar impact	12,516	-	12,516	-
MS cheerleaders	213	-	161	52
MS student council	160	-	-	160
MS drama	563	106	231	438
Booster club donations	35,024	62,123	66,125	31,022

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance	Revenues	Expenditures	Balance
	Beginning of			End of Year
	Year			
	\$	\$	\$	\$
Fall musical	964	2,661	2,643	982
Torch	306	13,349	9,572	4,083
Material for resale	-	406	406	-
Nurse	2,072	150	2,072	150
PTA	15,590	-	15,590	-
Athletics	318	3,228	3,537	9
Class of 2012	1,467	300	820	947
Class of 2013	-	9,744	8,295	1,449
Class of 2014	-	727	-	727
	<u>152,381</u>	<u>259,810</u>	<u>288,747</u>	<u>123,444</u>
Total				

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2012

	Elementary Employee Vending	HS Employee Vending	Cougar Impact	Cougar Connection	Total
	\$	\$	\$	\$	\$
Balance beginning of year	2,001	1,348	-	-	3,349
Additions:					
Miscellaneous	<u>336</u>	<u>826</u>	<u>13,883</u>	<u>16,244</u>	31,289
Deductions:					
Miscellaneous	<u>440</u>	<u>768</u>	<u>921</u>	<u>694</u>	<u>2,823</u>
Balance end of year	<u><u>1,897</u></u>	<u><u>1,406</u></u>	<u><u>12,962</u></u>	<u><u>15,550</u></u>	<u><u>31,815</u></u>

AGWSR COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	4,784,546	4,759,307	4,762,974	4,872,510	4,830,275	4,757,060	4,275,824	4,144,623	3,298,949
Tuition	187,371	322,770	240,815	237,111	252,150	232,604	343,758	215,062	219,653
Other	435,398	537,635	471,441	453,238	423,310	464,362	568,551	497,507	442,158
State sources	3,060,643	2,838,624	2,539,863	3,169,761	3,143,861	3,220,655	3,326,912	3,151,878	3,145,204
Federal sources	214,606	380,354	667,676	222,826	192,547	209,234	250,051	354,977	262,743
Total revenues	<u>8,682,564</u>	<u>8,838,690</u>	<u>8,682,769</u>	<u>8,955,446</u>	<u>8,842,143</u>	<u>8,883,915</u>	<u>8,765,096</u>	<u>8,364,047</u>	<u>7,368,707</u>
Expenditures:									
Instruction:									
Regular	3,314,126	3,274,789	3,005,112	3,333,739	3,162,690	3,199,790	3,317,628	3,349,177	3,236,274
Special	1,022,076	998,301	1,058,571	1,084,424	1,014,283	1,026,015	1,008,315	985,460	1,333,434
Other	969,390	976,873	977,139	1,071,314	1,054,820	918,241	1,106,578	1,029,519	616,771
Support services:									
Student	73,338	89,139	95,915	48,586	58,624	87,292	106,019	137,762	120,982
Instructional staff	554,618	460,026	288,953	283,863	352,093	460,685	288,477	179,666	135,529
Administration	628,260	613,090	742,988	760,376	697,426	758,660	764,416	721,870	631,133
Operation and maintenance	625,201	643,880	623,404	608,118	622,784	601,767	564,602	530,142	480,841
Transportation	523,922	505,955	605,266	582,492	474,441	540,451	531,060	433,654	346,131
Non-instructional programs	1,879	-	968	-	-	22,699	4,829	21,978	20,287
Other expenditures:									
Facilities acquisition	205,770	239,347	264,197	434,232	441,775	262,830	89,747	1,285,886	668,407
Long-term debt:									
Principal	147,479	150,144	133,333	133,333	133,333	133,333	133,333	133,333	-
Interest and other charges	11,463	13,200	17,600	22,000	26,546	30,800	35,200	38,280	-
AEA flowthrough	263,495	296,938	295,137	260,298	253,638	251,670	246,678	244,405	250,842
Total expenditures	<u>8,341,017</u>	<u>8,261,682</u>	<u>8,108,583</u>	<u>8,622,775</u>	<u>8,292,453</u>	<u>8,294,233</u>	<u>8,196,882</u>	<u>9,091,132</u>	<u>7,840,631</u>

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
AGWSR 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 AGWSR Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 2, 2013. 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

The management of AGWSR Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered AGWSR 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 AGWSR Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of AGWSR 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 12-I-A, 12-I-B, 12-I-C, 12-I-D and 12-I-E to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AGWSR 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, 2012 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.

AGWSR 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 AGWSR 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 AGWSR Community School District and other parties to whom AGWSR 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 AGWSR 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

January 2, 2013

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-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, payroll processing, preparing and posting general journal entries, preparing bank reconciliations, 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.

12-I-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the computer center. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

12-I-C 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 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.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements (continued):

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.

12-I-D Financial Reporting: During the audit, we identified material amounts of accounts payable that were overstated and enterprise fund accrual adjustments that were not posted at June 30, 2012. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to compare all balance sheet balances to the lists of receivables, payables, inventories and depreciation schedules that support the year-end balances

District Response: We will double check these in the future to avoid missing any receivables, payables or other transactions.

Conclusion: Response accepted.

12-I-E Cash Transactions: During our testing we noted \$8,385 of checks to cash for the following purposes:

	\$
Change for student activity events	2,350
Student meals at state tournaments	1,002
Coach meals at state tournaments	18
For booster club	300
After prom bus drivers	150
After prom gift cards/prizes	2,731
Reimburse fuel and supplies	19
Postage	351
Field trip lunches	264
Family fun night	1,200
Total	8,385

To control expenditures, the only time the district should obtain cash is for change for cash boxes at school events that charge an admission. All other payments should be made by checks payable to the vendor or to the person being reimbursed for the expenditure. Payment should be made only after supporting documentation for the expenditure is obtained by the school. School employees may not receive cash advances for travel expenses.

Recommendation: The District should refrain from writing checks to cash.

District Response: We will change our procedures.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements (continued):

Conclusion: Response accepted.

Instances of Noncompliance

No matters were reported.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012 did not exceed the amounts budgeted.

12-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.

12-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. As explained in comment 12-I-E we noted advances to District employees for travel.

Recommendation: School officials and employees may not receive advances for travel expenses. They may be reimbursed for expenditures if they submit receipts or other supporting documentation supporting the travel expenses.

District Response: We will change our procedures.

Conclusion: Response accepted.

12-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> \$
Darren Janssen, board member, vice-president of local bank	School banking	

Recommendation: The District should be aware of potential conflicts when making decisions about school banking and should consult their attorney before proceeding with any banking decisions.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

12-II-E 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.

12-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

12-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

- 12-II-I Deposits and Investments: We noted 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.

- 12-II-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

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

- 12-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, 2012, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

	\$	\$
Beginning balance		1,117,601
Revenues/transfers in:		
Statewide sales, services and use tax revenue	473,904	
Interest	6,079	479,983
Expenditures/transfers out:		
School infrastructure construction	19,358	
Land	29,183	
Equipment	424,103	
Other	55,520	
Transfers to debt service fund	16,811	544,975
Ending balance		1,052,609

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.