

**WEST HANCOCK COMMUNITY SCHOOL DISTRICT
BRITT, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2012

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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**West Hancock Community School District
Britt, Iowa**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Jay Burgardt	President	2013
Paul Kumsher	Vice President	2011
Darla Yeakel	Board Member	2011
Darin Eckels	Board Member	2011
Kristi Gast	Board Member	Resigned
Gary Chizek	Board Member	2013
Murray Quastad	Board Member	2013
Ryan Johnson	Board Member (Appointed)	2011

School Officials

Richard Keith	Superintendent	2011
Mona Buns	District Secretary/Treasurer and Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

(After September 2011 Election)

Jay Burgardt	President	2013
Paul Kumsher	Vice President	2015
Jill Carlson	Board Member	2015
Gary Chizek	Board Member	2013
Murray Quastad	Board Member	2013
Ryan Johnson	Board Member	2015
Leah Deutsch	Board Member	2015

School Officials

Wayne Kronemann	Superintendent	2012
Mona Buns	District Secretary/Treasurer and Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Hancock Community School District, Britt, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Hancock 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 February 15, 2013 on our consideration of West Hancock 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 14 and 45 through 48 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 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 West Hancock 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 years ended June 30, 2011 and 2010 and the four years ended June 30, 2008 (none of which is presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2009 (which is not presented herein) was audited by other auditors who expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 15, 2013

Management Discussion and Analysis

The West Hancock 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.

Financial Highlights

General Fund revenues for fiscal 2012 were \$6,339,012 while General Fund expenditures were \$6,112,766; this resulted in an increase in the District's General Fund balance from \$1,619,471 in fiscal 2011 to \$1,845,717 in fiscal 2012, or a \$226,246 increase from the prior year.

The increase in General Fund balance was attributable to the increase in certified enrollment, with that comes more state aid.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

The statements for *governmental funds* explain how basic services, such as regular and special education were financed in the *short term* as well as what remains for future spending.

The statement for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

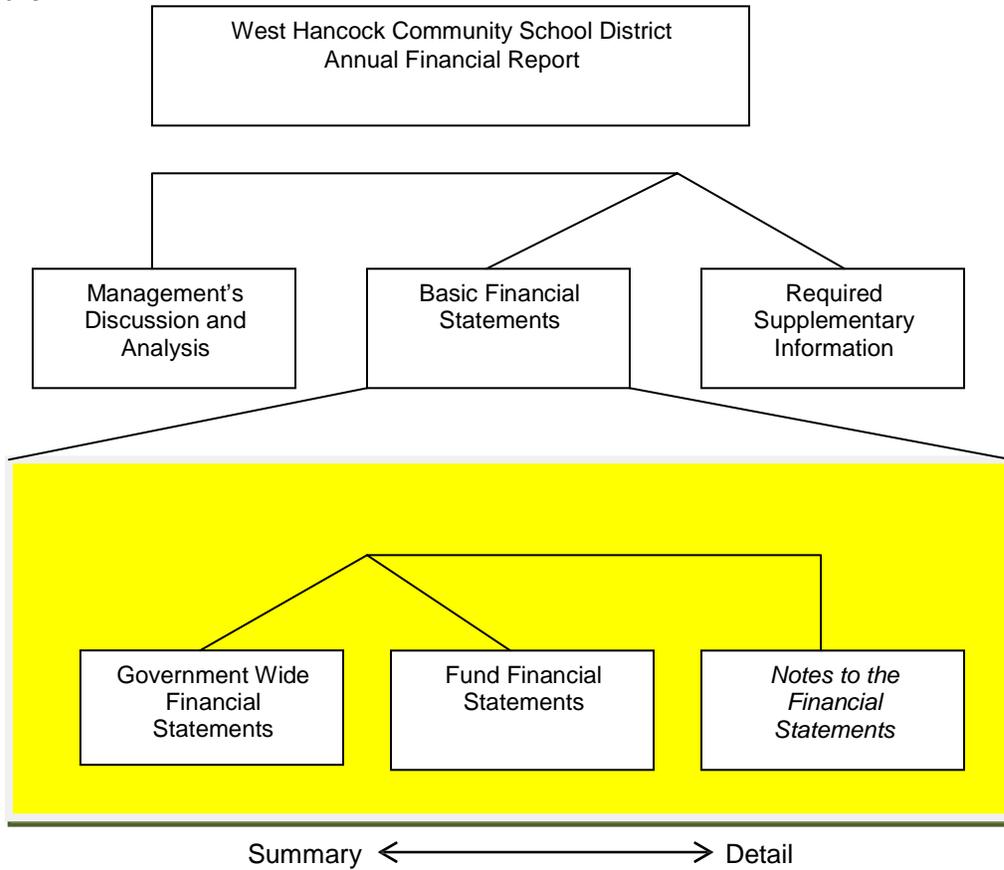


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the Government Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of cash flows Statement of revenues, expenses and changes in net assets	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 focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	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

Government-wide Financial Statements

The government-wide 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 statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these activities.

Business type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

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 statements.

- The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Financial Analysis of the District as a Whole

Net assets. - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012, compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets (in millions of dollars) June 30, 2012

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2011	2012	2011	2012	2011	2012
Current and other assets	12.025	6.887	.114	.096	12.139	6.983
Capital assets	9.643	9.952	.041	.037	9.684	9.989
Total assets	21.668	16.839	.155	.133	21.823	16.972
Long-term debt outstanding	11.479	6.653	-	-	11.479	6.653
Other liabilities	3.785	3.169	.008	.011	3.793	3.180
Total liabilities	15.264	9.822	.008	.011	15.272	9.833
Net assets						
Invested in capital assets, net of related debt	2.678	3.422	.41	.037	2.719	3.459
Restricted	1.381	1.304	-	-	1.381	1.304
Unrestricted	2.345	2.291	.106	.085	2.451	2.376
Total net assets	6.404	7.017	.147	.122	6.551	7.139

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2012.

Figure A-4
Changes in Net Assets from Operating Results (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District	
	2011	2012	2011	2012	2011	2012
Revenues						
Program revenues						
Charges for services	.552	.318	.120	.126	.672	.444
Operating Grants & Contributions	1.045	1.513	.174	.185	1.219	1.698
Capital Grants & Contributions	.026	.009	-	-	.026	.009
General revenues						
Property Taxes & Other Local Taxes	3.453	3.603	-	-	3.453	3.603
Unrestricted State Aid	1.990	2.235	-	-	1.990	2.235
Other	.186	.202	-	-	.186	.202
Total revenues	7.252	7.880	.294	.311	7.546	8.191
Expenses						
Instruction	4.265	4.438	-	-	4.265	4.438
Support Services	1.689	1.866	-	-	1.689	1.866
Non-instructional programs	.000	.000	.292	.335	.292	.335
Other	.1.005	.963	-	-	1.005	.963
Total expenses	0.000	7.267	.292	.335	7.251	7.602
Increase (decrease) in net assets	.000	.613	.002	(.024)	.295	.589

Property tax, income surtax, sales taxes and state foundation aid account for 74 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 86 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,880,327 and expenses were \$7,267,119. This resulted in an increased budget balance.

Figure A-5 The following graph presents the total Revenue for the District's major governmental activities: state aid, federal and state grants, property taxes, charges for services and other incomes.

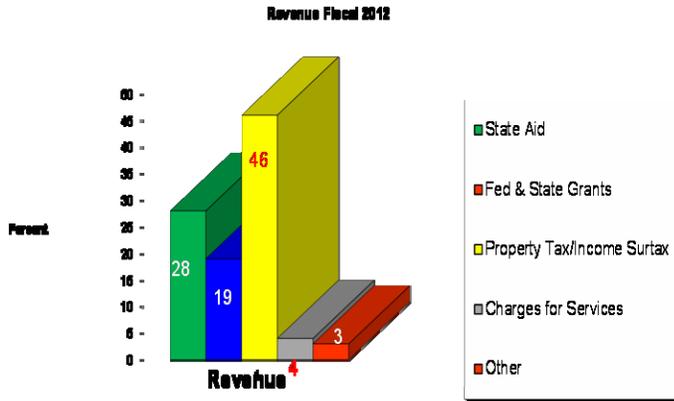


Figure A-6 The following graph presents the total Expenditures for the District's major governmental activities: instruction, student & instructional services, administration & business operations & maintenance, transportation and AEA flow thru.

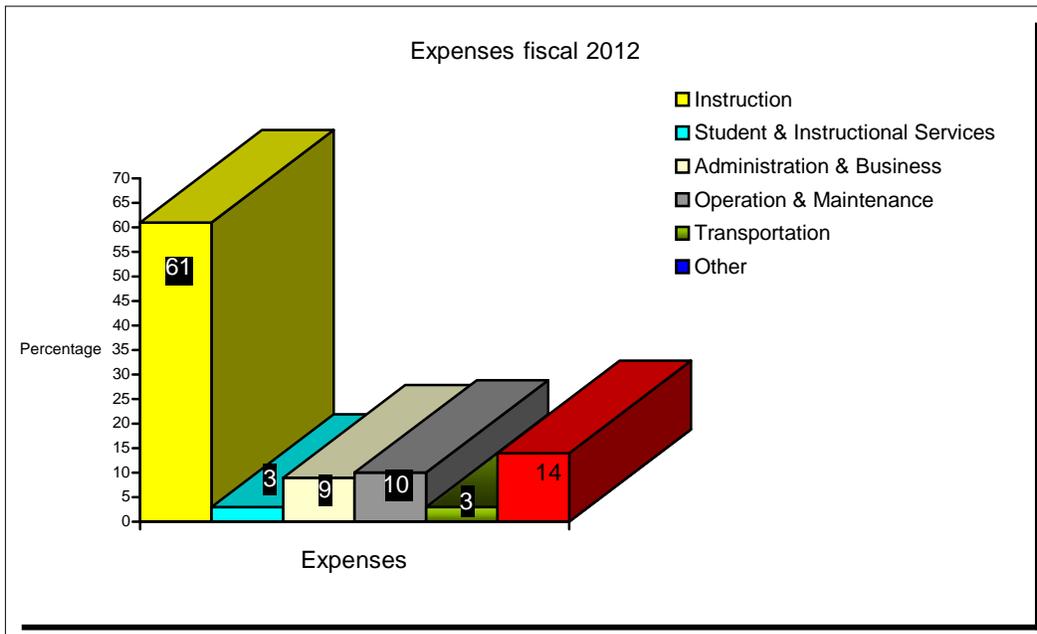


Figure A-7 presents the cost of six major district activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7
Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Instruction	\$4.438	\$ 2.959
Pupil & Instructional Services	.242	.239
Administrative & Business	.657	.561
Maintenance & operations	.719	.709
Transportation	.248	.239
Other	.963	.721
Total	\$ 7.267	\$ 5.428

The cost of all governmental activities this year was \$7,267,119

Some of the cost was financed by the users of the District's programs in the amount of \$317,693

The federal and state governments subsidized certain programs with grants and contributions \$1,521,842

Most of the District's costs were financed by District and state taxpayers.

This portion of governmental activities was financed with \$2,677,204 million in property taxes, \$293,069 of income surtax and 521,793 of sales tax \$12,235,216of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business Type Activities

Revenues from the District's business-type activities included charges for services in the amount of \$125,795 and \$185,032 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$335,635. The Hot Lunch program was the only Business Type Activity for the District during the 2012 school year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,486,970 which is \$4,560,572 below last year's ending fund balances of 8,047,542. The main reason this decreased substantially is due to the payoff of bonds.

Governmental Fund Highlights

The General Fund balance increased from \$1,619,471 to \$1,845,717 which was stable.

The Debt Service Fund balance decreased due to repayment of refunding bonds. See footnote #5 of the finance statements for additional details.

The Capital projects fund decreased \$428,643 due to construction costs of the geothermal project.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$147,042 at June 30, 2011 to \$122,457 June 30, 2012. This is basically due to increased food and salary/benefit costs.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is the aggregated functional level, not at the fund or fund type level. The budget did not get amended during the year to fully account for the repayment of the refunding bond payoff. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$913,693 more than that budgeted receipts, which is a 12.6% variance.

Capital Asset and Debt Administration

Capital Assets

By the end of 2012 the District had invested \$9.9 million, in a broad range of assets, including school buildings, school infrastructure, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-8) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year exceeded \$50,000.

Figure A-8
Capital Assets (net of depreciation, (in millions of dollars))

	Governmental Activities <u>2012</u>	Business Type Activities <u>2012</u>	Total School District <u>2012</u>
Land	0.013	0	0.013
Construction in progress	0.000	0	0.000
Buildings	9.135	0	9.135
Improvements	.173	0	.173
Equipment & Furniture	0.631	.037	0.668
	9.952	.037	9.989

Long-Term Debt

At year-end, the District had \$6,692,150 in general obligation bonds and other long-term debt outstanding. The district also paid \$4,195,000 of refunding bonds. This represents an decrease of 41.92% over the previous fiscal year as can be seen in Figure A-9 below.

Figure A-9
Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Total
	<u>2012</u>	<u>2011</u>	<u>Percentage</u>
			<u>Change</u>
			<u>2011-12</u>
General Obligation bonds & notes (financed with property tax)	6.569	11.450	42.63
Other general obligation debt	.123	.073	.68
Total	6.692	11.523	41.92

Factors Bearing on the District's Future

The following factors will have some impact on the district's financial future.

The district must expect and plan for a continued enrollment decline of approximately 5% over the next five years.

1. This was an unusual year of increased enrollment.
2. Small surrounding districts that may have to whole grade share or dissolve.
3. The number of farms in Hancock County continues to decline
4. Few new houses have been built in Britt or Kanawha in the past few years.

Future state funding will be a major factor in the district's future State and Federal unfunded mandates.

The degree to which the district will commit itself to effectively manage the fiscal matters of the district.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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, Mona Buns, Board Secretary/Business Manager, West Hancock Community School District, 510 9th Ave. SW., Britt, Iowa 50423

Basic Financial Statements

West Hancock Community School District
 Britt, Iowa
 Statement of Net Assets
 June 30, 2012

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	3,387,387	89,942	3,477,329
Receivables:			
Property tax:			
Delinquent	24,516	-	24,516
Succeeding year	2,949,048	-	2,949,048
Accounts	3,956	-	3,956
Accrued interest	3,119	-	3,119
Due from other governments	519,355	-	519,355
Inventories	-	6,597	6,597
Capital assets, net of accumulated depreciation	<u>9,952,338</u>	<u>36,681</u>	<u>9,989,019</u>
Total assets	<u>16,839,719</u>	<u>133,220</u>	<u>16,972,939</u>
 Liabilities			
Accounts payable	147,224	-	147,224
Salaries and benefits payable	2,711	-	2,711
Accrued interest payable	68,806	-	68,806
Deferred revenue - succeeding year property tax	2,949,048	-	2,949,048
Deferred revenue - other	1,898	5,466	7,364
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	500,000	-	500,000
Revenue bonds	100,000	-	100,000
Notes payable	81,488	-	81,488
Compensated absences	12,308	-	12,308
Portion due after one year:			
General obligation bonds (net of \$24,704 unamortized discount)	3,415,296	-	3,415,296
Revenue bonds (net of \$14,811 unamortized discount)	2,390,189	-	2,390,189
Notes payable	43,047	-	43,047
Net OPEB Liability	<u>110,307</u>	<u>5,297</u>	<u>115,604</u>
Total liabilities	<u>9,822,322</u>	<u>10,763</u>	<u>9,833,085</u>

West Hancock Community School District
 Britt, Iowa
 Statement of Net Assets
 June 30, 2012

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	3,422,318	36,681	3,458,999
Restricted for:			
Categorical funding	230,492	-	230,492
Management levy	589,914	-	589,914
Physical plant and equipment levy	117,319	-	117,319
Other special revenue purposes	148,557	-	148,557
Debt service	218,241	-	218,241
Unrestricted	<u>2,290,556</u>	<u>85,776</u>	<u>2,376,332</u>
Total net assets	<u>\$ 7,017,397</u>	<u>122,457</u>	<u>7,139,854</u>

See notes to financial statements.

West Hancock Community School District
 Britt, Iowa
 Statement of Activities
 Year ended June 30, 2012

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,713,347	18,060	880,734	-
Special instruction	604,369	-	147,488	-
Other instruction	1,119,994	298,698	133,637	-
	4,437,710	316,758	1,161,859	-
Support services:				
Student services	68,548	-	3,773	-
Instructional staff services	172,772	-	-	-
Administration services	657,376	-	96,591	-
Operation and maintenance of plant	719,527	935	-	9,124
Transportation services	248,076	-	8,671	-
	1,866,299	935	109,035	9,124
Other expenditures:				
Facilities acquisition	23,414	-	-	-
Community service	50	-	-	-
Long-term debt interest	357,144	-	-	-
AEA flowthrough	241,824	-	241,824	-
Depreciation (unallocated)*	340,678	-	-	-
	963,110	-	241,824	-
Total governmental activities	7,267,119	317,693	1,512,718	9,124
Business type activities:				
Non-instructional programs:				
Food service operations	335,635	125,795	185,032	-
Total	\$ 7,602,754	443,488	1,697,750	9,124

General Revenues:

Property tax levied for:

- General purposes
- Debt service
- Capital outlay

Statewide sales, service and use tax

Income surtaxes

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.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(1,814,553)	-	(1,814,553)
(456,881)	-	(456,881)
(687,659)	-	(687,659)
<u>(2,959,093)</u>	<u>-</u>	<u>(2,959,093)</u>
(64,775)	-	(64,775)
(172,772)	-	(172,772)
(560,785)	-	(560,785)
(709,468)	-	(709,468)
(239,405)	-	(239,405)
<u>(1,747,205)</u>	<u>-</u>	<u>(1,747,205)</u>
(23,414)	-	(23,414)
(50)	-	(50)
(357,144)	-	(357,144)
-	-	-
(340,678)	-	(340,678)
(721,286)	-	(721,286)
<u>(5,427,584)</u>	<u>-</u>	<u>(5,427,584)</u>
<u>-</u>	<u>(24,808)</u>	<u>(24,808)</u>
<u>(5,427,584)</u>	<u>(24,808)</u>	<u>(5,452,392)</u>
\$ 2,208,313	-	2,208,313
468,891	-	468,891
111,264	-	111,264
521,793	-	521,793
293,069	-	293,069
2,235,216	-	2,235,216
35,195	223	35,418
167,051	-	167,051
<u>6,040,792</u>	<u>223</u>	<u>6,041,015</u>
613,208	(24,585)	588,623
6,404,189	147,042	6,551,231
<u>\$ 7,017,397</u>	<u>122,457</u>	<u>7,139,854</u>

West Hancock Community School District
Britt, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Special Revenue Management</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets						
Cash and pooled investments	\$ 1,863,684	590,881	215,369	569,165	148,288	3,387,387
Receivables:						
Property tax:						
Delinquent	18,208	1,297	4,050	682	279	24,516
Succeeding year	2,211,349	150,000	471,783	82,263	33,653	2,949,048
Accounts	2,645	-	-	-	1,311	3,956
Accrued interest	3,119	-	-	-	-	3,119
Due from other governments	404,309	4	12	115,029	1	519,355
Total assets	<u>\$ 4,503,314</u>	<u>742,182</u>	<u>691,214</u>	<u>767,139</u>	<u>183,532</u>	<u>6,887,381</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 142,109	2,268	-	1,525	1,322	147,224
Salaries and benefits payable	2,711	-	-	-	-	2,711
Deferred revenue:						
Succeeding year property tax	2,211,349	150,000	471,783	82,263	33,653	2,949,048
Income surtax	299,530	-	-	-	-	299,530
Other	1,898	-	-	-	-	1,898
Total liabilities	<u>2,657,597</u>	<u>152,268</u>	<u>471,783</u>	<u>83,788</u>	<u>34,975</u>	<u>3,400,411</u>
Fund balances:						
Restricted for:						
Categorical funding	230,492	-	-	-	-	230,492
Debt service	-	-	219,431	218,241	-	437,672
School infrastructure	-	-	-	347,791	-	347,791
Physical plant and equipment	-	-	-	117,319	-	117,319
Student activities	-	-	-	-	104,662	104,662
Recreation levy purposes	-	-	-	-	43,895	43,895
Management levy purposes	-	589,914	-	-	-	589,914
Unassigned	1,615,225	-	-	-	-	1,615,225
Total fund balances	<u>1,845,717</u>	<u>589,914</u>	<u>219,431</u>	<u>683,351</u>	<u>148,557</u>	<u>3,486,970</u>
Total liabilities and fund balances	<u>\$ 4,503,314</u>	<u>742,182</u>	<u>691,214</u>	<u>767,139</u>	<u>183,532</u>	<u>6,887,381</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit D

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

June 30, 2012

Total fund balances of governmental funds (page 19) \$ 3,486,970

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 9,952,338

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 299,530

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. (68,806)

Long-term liabilities, including bonds and notes payable, compensated absences and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (6,652,635)

Net assets of governmental activities (page 16) \$ 7,017,397

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit E

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

Year ended June 30, 2012

	<u>General</u>	<u>Special Revenue Management</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:						
Local sources:						
Local tax	\$ 2,395,922	150,063	468,640	551,065	32,286	3,597,976
Tuition	302,572	-	-	-	-	302,572
Other	195,811	2,968	10,479	5,835	306,630	521,723
State sources	3,082,467	80	251	42	17	3,082,857
Federal sources	362,035	-	-	9,124	-	371,159
Total revenues	<u>6,338,807</u>	<u>153,111</u>	<u>479,370</u>	<u>566,066</u>	<u>338,933</u>	<u>7,876,287</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,814,798	5,100	-	-	143	2,820,041
Special	601,056	-	-	-	-	601,056
Other	833,481	-	-	-	284,778	1,118,259
	<u>4,249,335</u>	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>284,921</u>	<u>4,539,356</u>
Support services:						
Student	63,074	-	-	-	-	63,074
Instructional staff	172,272	-	-	-	-	172,272
Administration	624,320	-	-	-	20,315	644,635
Operation and maintenance of plant	504,548	140,434	-	74,995	-	719,977
Transportation	257,393	15,270	-	-	-	272,663
	<u>1,621,607</u>	<u>155,704</u>	<u>-</u>	<u>74,995</u>	<u>20,315</u>	<u>1,872,621</u>
Other expenditures:						
Facilities acquisition	-	-	-	512,182	4,705	516,887
Community services	-	-	-	-	5,354	5,354
Long-term debt:						
Principal	-	-	4,874,164	-	-	4,874,164
Interest and fiscal charges	-	-	386,858	-	-	386,858
AEA flowthrough	241,824	-	-	-	-	241,824
	<u>241,824</u>	<u>-</u>	<u>5,261,022</u>	<u>512,182</u>	<u>10,059</u>	<u>6,025,087</u>
Total expenditures	<u>6,112,766</u>	<u>160,804</u>	<u>5,261,022</u>	<u>587,177</u>	<u>315,295</u>	<u>12,437,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>226,041</u>	<u>(7,693)</u>	<u>(4,781,652)</u>	<u>(21,111)</u>	<u>23,638</u>	<u>(4,560,777)</u>
Other financing sources (uses):						
Proceeds from the disposal of property	205	-	-	-	-	205
Operating transfers in	-	-	407,532	-	-	407,532
Operating transfers out	-	-	-	(407,532)	-	(407,532)
Total other financing sources (uses)	<u>205</u>	<u>-</u>	<u>407,532</u>	<u>(407,532)</u>	<u>-</u>	<u>205</u>
Net change in fund balances	226,246	(7,693)	(4,374,120)	(428,643)	23,638	(4,560,572)
Fund balances beginning of year	1,619,471	597,607	4,593,551	1,111,994	124,919	8,047,542
Fund balances end of year	<u>\$ 1,845,717</u>	<u>589,914</u>	<u>219,431</u>	<u>683,351</u>	<u>148,557</u>	<u>3,486,970</u>

See notes to financial statements.

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 (page 21) \$ (4,560,572)

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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 810,411	
Depreciation expense	<u>(500,990)</u>	309,421

Income surtaxes and other receivables not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 3,835

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year issues exceeded repayments, as follows

Repaid	4,874,164	
Amortize bond discount costs	<u>(4,025)</u>	4,870,139

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. 33,739

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

Compensated absences	(2,762)	
Other postemployment benefits	<u>(40,592)</u>	<u>(43,354)</u>

Change in net assets of governmental activities (page 18) \$ 613,208

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2012

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 89,942
Inventories	6,597
Capital assets, net of accumulated depreciation	<u>36,681</u>
	<u>133,220</u>
Liabilities	
Net OPEB liability	5,297
Deferred revenue	<u>5,466</u>
Total liabilities	<u>10,763</u>
Net Assets	
Invested in capital assets	36,681
Unrestricted	<u>85,776</u>
Total net assets	<u>\$ 122,457</u>

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Exhibit H

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

Year ended June 30, 2012

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 125,795</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	153,159
Purchased services	2,112
Supplies	175,379
Depreciation	<u>4,985</u>
Total operating expenses	<u>335,635</u>
Operating loss	<u>(209,840)</u>
Non-operating revenues:	
State sources	3,396
Federal sources	181,636
Interest income	<u>223</u>
Total non-operating revenues	<u>185,255</u>
Decrease in net assets	(24,585)
Net assets beginning of year	<u>147,042</u>
Net assets end of year	<u>\$ 122,457</u>

See notes to financial statements.

West Hancock Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 126,406
Cash paid to employees for services	(151,218)
Cash paid to suppliers for goods or services	<u>(158,653)</u>
Net cash used by operating activities	<u>(183,465)</u>
Cash flows from non-capital financing activities:	
State grants received	3,396
Federal grants received	<u>169,503</u>
Net cash provided by non-capital financing activities	<u>172,899</u>
Cash flows from investing activities:	
Interest on investments	<u>223</u>
Net decrease in cash and cash equivalents	(10,343)
Cash and cash equivalents beginning of year	<u>100,285</u>
Cash and cash equivalents end of year	<u>\$ 89,942</u>

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (209,840)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	12,133
Depreciation	4,985
Decrease in inventories	6,906
(Decrease) in accounts payable	(201)
Increase in Net OPEB liability	1,942
Increase in deferred revenue	<u>610</u>
Net cash used by operating activities	<u>\$ (183,465)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$12,133 of federal commodities.

See notes to financial statements.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

West Hancock 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 Britt and Kanawha, Iowa, and the predominately agricultural territory in a portion of Hancock and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Hancock 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 to 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. West Hancock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Hancock and Wright County Assessor's Conference boards.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

B. Basis of Presentation

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

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. 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 Project Fund accounts.

The District reports the following major governmental funds:

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

The Management Fund is used to account for the revenues and expenditures on the taxes levied for insurance and early retirement.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

Capital Assets – Capital assets, which include property, furniture and equipment, 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	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5-15

Salaries and Benefits Payable – Payroll and related expenditures for hourly employees with hours worked in June have been accrued as liabilities.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

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 represents 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, as well as unspent grant proceeds.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

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

Unassigned – All amounts not included in other spendable classifications.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the support services, non-instructional programs and other expenditures functions.

(2) **Cash and Pooled Investments**

The District's deposits 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$438,706 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 407,532</u>

Transfers generally move 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
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 13,500	-	-	13,500
Construction in progress	<u>1,842,352</u>	<u>476,656</u>	<u>(2,319,008)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,855,852</u>	<u>476,656</u>	<u>(2,319,008)</u>	<u>13,500</u>
Capital assets being depreciated:				
Buildings	10,624,768	2,335,825	-	12,960,593
Improvements other than buildings	427,574	-	-	427,574
Furniture and equipment	<u>1,944,438</u>	<u>316,938</u>	<u>(32,250)</u>	<u>2,229,126</u>
Total capital assets being depreciated	<u>12,996,780</u>	<u>2,652,763</u>	<u>(32,250)</u>	<u>15,617,293</u>
Less accumulated depreciation for:				
Buildings	3,504,134	321,446	-	3,825,580
Improvements other than buildings	235,123	19,233	-	254,356
Furniture and equipment	<u>1,470,458</u>	<u>160,311</u>	<u>(32,250)</u>	<u>1,598,519</u>
Total accumulated depreciation	<u>5,209,715</u>	<u>500,990</u>	<u>(32,250)</u>	<u>5,678,455</u>
Total capital assets being depreciated, net	<u>7,787,065</u>	<u>2,151,773</u>	<u>-</u>	<u>9,938,838</u>
Governmental activities capital assets, net	<u>\$ 9,642,917</u>	<u>2,628,429</u>	<u>(2,319,008)</u>	<u>9,952,338</u>

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

<u>Business type activities:</u>	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Furniture and equipment	\$ 152,911	-	-	152,911
Less accumulated depreciation	<u>111,245</u>	<u>4,985</u>	-	<u>116,230</u>
Business type activities capital assets, net	<u>\$ 41,666</u>	<u>(4,985)</u>	<u>-</u>	<u>36,681</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 98,254
Special Education	708

Support Services:

Student Support	4,590
Administration	1,224
Operation and maintenance of plant	5,774
Transportation	49,762
Unallocated	<u>340,678</u>

Total depreciation expense - governmental activities \$ 500,990

Business type activities:

Food service operations	<u>\$ 4,985</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:					
General obligation bonds	\$ 4,195,000	-	4,195,000	-	-
General obligation refunding bonds	4,435,000	-	495,000	3,940,000	(1) 500,000
Revenue bonds	2,605,000	-	100,000	2,505,000	(2) 100,000
Notes payable	208,699	-	84,164	124,535	81,488
Compensated absences	9,546	12,308	9,546	12,308	12,308
Net OPEB liability	69,715	40,592	-	110,307	-
Total	<u>\$ 11,522,960</u>	<u>52,900</u>	<u>4,883,710</u>	<u>6,692,150</u>	<u>693,796</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2012 totaled \$24,704.

(2) Bonds were sold at a discount; unamortized discount at June 30, 2012 totaled \$14,811.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 3,355	1,942	-	5,297	-
Total	\$ 3,355	1,942	-	5,297	-

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue May 4, 2011			
	Interest Rates	Principal	Interest	Total
2013	0.80%	\$ 500,000	71,283	571,283
2014	1.15	505,000	67,282	572,282
2015	1.45	510,000	61,475	571,475
2016	1.80	520,000	54,080	574,080
2017	2.05	530,000	44,720	574,720
2018-2020	2.30-2.70	1,375,000	62,850	1,437,850
Total		\$ 3,940,000	361,690	4,301,690

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

Energy Management Improvement Capital Loan Note

Details of the District's June 30, 2012 note payable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.00%	\$ 81,488	4,131	85,619
2014	4.00	43,047	840	43,887
Total		\$ 124,535	4,971	129,506

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
Bond Issue of Dec 1, 2009				
2013	4.00%	\$ 100,000	113,163	213,163
2014	4.00	100,000	109,162	209,162
2015	4.00	100,000	105,162	205,162
2016	4.00	105,000	101,063	206,063
2017	4.00	105,000	96,863	201,863
2018-2022	4.50	615,000	407,550	1,022,550
2023-2027	4.50-5.00	795,000	246,006	1,041,006
2028-2030	5.00	585,000	44,875	629,875
Total		\$ 2,505,000	1,223,844	3,728,844

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,705,000 of bonds issued in December 2009. The bonds were issued for the purpose of financing a school infrastructure improvement project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$3,728,844. For the current year, principal and interest paid and total statewide sales, services and use tax revenues were \$216,663 and \$472,146, respectively.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$218,163 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the Statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds fore the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(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 payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$275,309, \$235,613, and \$219,094, respectively, equal to the required contributions for each year.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 75 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 48,360
Interest on net OPEB obligation	1,827
Adjustment to annual required contribution	<u>(4,559)</u>
Annual OPEB cost	45,628
Contributions made	<u>(3,094)</u>
Increase in net OPEB obligation	42,534
Net OPEB obligation beginning of year	<u>73,070</u>
Net OPEB obligation end of year	<u><u>\$ 115,604</u></u>

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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 \$3,094 to the medical plan. Plan members eligible for the benefits contributed \$57,614 or 95% 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:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 41,225	13.7%	\$ 35,565
2011	41,704	10.1	73,070
2012	45,628	6.8	115,604

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$327,510 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$327,510. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,857,800 and the ratio of the UAAL to covered payroll was 11.5%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

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

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

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$687 per month for retirees less than age 65 and \$687 per month for retirees who have attained age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(8) Risk Management

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

West Hancock Community School District
Britt, Iowa

Notes to Financial Statements

June 30, 2012

(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 \$241,824 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 reserved fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 25,788
Preschool program	75,943
Homeschool assistance program	1,770
Professional development – core curriculum	14,378
Professional development	11,865
Dropout prevention	54,841
Limited English proficient	37,950
Beginning teacher mentoring	1,452
Market factor funds	<u>6,505</u>
Total	<u>\$ 230,492</u>

(11) Subsequent Events

Subsequent events have been evaluated through February 15, 2013, which is the date the financial statements were available to be issued.

In August 2012, the District approved the purchase of real estate for a purchase price of \$125,000.

Required Supplementary Information

West Hancock 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 <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,422,271	126,018
State sources	3,082,857	3,396
Federal sources	371,159	181,636
Total revenues	<u>7,876,287</u>	<u>311,050</u>
Expenditures/Expenses:		
Instruction	4,539,356	-
Support services	1,872,621	-
Non-instructional programs	-	335,635
Other expenditures	6,025,087	-
Total expenditures/expenses	<u>12,437,064</u>	<u>335,635</u>
Excess (deficiency) of revenues over (under) expenditures	(4,560,777)	(24,585)
Other financing sources, net	<u>205</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(4,560,572)	(24,585)
Balances beginning of year	<u>8,047,542</u>	<u>147,042</u>
Balances end of year	<u>\$ 3,486,970</u>	<u>122,457</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts Original & Final</u>	<u>Final to Actual Variance</u>
4,548,289	3,917,315	630,974
3,086,253	3,119,329	(33,076)
<u>552,795</u>	<u>237,000</u>	<u>315,795</u>
<u>8,187,337</u>	<u>7,273,644</u>	<u>913,693</u>
4,539,356	4,810,143	270,787
1,872,621	1,793,753	(78,868)
335,635	320,000	(15,635)
<u>6,025,087</u>	<u>1,690,605</u>	<u>(4,334,482)</u>
<u>12,772,699</u>	<u>8,614,501</u>	<u>(4,158,198)</u>
(4,585,362)	(1,340,857)	(3,244,505)
<u>205</u>	<u>-</u>	<u>205</u>
(4,585,157)	(1,340,857)	(3,244,300)
<u>8,194,584</u>	<u>3,698,795</u>	<u>4,495,789</u>
<u>3,609,427</u>	<u>2,357,938</u>	<u>1,251,489</u>

West Hancock Community School District
Britt, Iowa

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 Standards 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 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

West Hancock Community School District
Britt, Iowa

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	Jul 1, 2009	-	\$353,917	353,917	0.0%	\$2,636,500	13.4%
2011	Jul 1, 2009	-	345,130	345,130	0.0%	2,760,700	12.5%
2012	Jul 1, 2009	-	327,510	327,510	0.0%	2,857,800	11.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

West Hancock Community School District
Britt, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue			
	Student	Recreation	Riebsamen	
	<u>Activity</u>	<u>Levy</u>	<u>Memorial</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 104,673	43,615	-	148,288
Receivables:				
Property tax:				
Delinquent	-	279	-	279
Succeeding year	-	33,653	-	33,653
Accounts	1,311	-	-	1,311
Due from other governments	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total assets	<u>\$ 105,984</u>	<u>77,548</u>	<u>-</u>	<u>183,532</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 1,322	-	-	1,322
Deferred revenue:				
Succeeding year property tax	<u>-</u>	<u>33,653</u>	<u>-</u>	<u>33,653</u>
Total liabilities	<u>1,322</u>	<u>33,653</u>	<u>-</u>	<u>34,975</u>
Fund balances:				
Restricted for:				
Student activities	104,662	-	-	104,662
Recreation levy purposes	<u>-</u>	<u>43,895</u>	<u>-</u>	<u>43,895</u>
Total fund balances	<u>104,662</u>	<u>43,895</u>	<u>-</u>	<u>148,557</u>
Total liabilities and fund balances	<u>\$ 105,984</u>	<u>77,548</u>	<u>-</u>	<u>183,532</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 2

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

Year ended June 30, 2012

	Special Revenue			
	Student	Playground Equipment/ Recreation	Riebsamen	Total
	<u>Activity</u>	<u>Levy</u>	<u>Memorial</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ -	32,286	-	32,286
Other	299,033	7,597	-	306,630
State sources	-	17	-	17
Total revenues	299,033	39,900	-	338,933
Expenditures:				
Current:				
Instruction:				
Regular	-	-	143	143
Other	284,778	-	-	284,778
Support services:				
Administration	-	20,315	-	20,315
Other expenditures:				
Community services	-	5,354	-	5,354
Facilities acquisition	-	4,705	-	4,705
Total expenditures	284,778	30,374	143	315,295
Excess (deficiency) of revenues over expenditures	14,255	9,526	(143)	23,638
Fund balances beginning of year	90,407	34,369	143	124,919
Fund balances end of year	\$ 104,662	43,895	-	148,557

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Athletics	\$ 7,099	121,404	124,517	3,986
Class of 2011	6,043	-	-	6,043
Class of 2012	10,722	614	6,519	4,817
Class of 2013	100	40,793	30,465	10,428
FFA	4,626	13,891	15,648	2,869
FCCLA	225	27	71	181
SES	213	-	-	213
Student Council	5,843	3,371	3,343	5,871
Vocal Music	486	1,251	1,462	275
Cheerleaders	(151)	11,135	9,286	1,698
Band	280	703	565	418
Band Trip	255	-	-	255
Drama	2,518	2,761	1,267	4,012
Pep Club	504	-	-	504
Uniforms	9,626	29,756	26,810	12,572
Yearbook	5,874	4,431	5,479	4,826
Girls Basketball	(823)	823	-	-
Mat Maids	100	-	-	100
Wrestling	562	444	709	297
Weight Lifting	1,850	6,998	7,128	1,720
Weight Room	1,562	-	-	1,562
Boys Basketball	(32)	100	-	68
North Iowa Conference	-	10,672	6,693	3,979
Baseball	1,314	315	183	1,446
Interest	6,691	309	80	6,920
Spanish Club	1,072	-	-	1,072
Speech	668	1,150	1,049	769

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Volleyball	3,000	2,867	3,257	2,610
Junior High Student Council	1,387	987	2,374	-
Business Club	204	-	-	204
Softball	16	1,790	570	1,236
Junior High Athletics	-	2,574	2,195	379
Junior High Cheerleaders	527	-	527	-
Junior High Interest	1,326	27	-	1,353
Golf Co-Ed	20	-	-	20
Renaissance	2,326	-	-	2,326
Junior High Student Projects	3,445	16,508	13,113	6,840
Junior High Music	94	893	838	149
Elementary Accelerated Reading	7,395	18,940	14,679	11,656
High School Student Projects	3,775	2,766	5,590	951
Sunshine Fund	(335)	1,068	696	37
Total	<u>\$ 90,407</u>	<u>299,368</u>	<u>285,113</u>	<u>104,662</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide	Physical	
	Sales, Service	Plant and	
	<u>and Use Tax</u>	Equipment	<u>Total</u>
Assets	<u>Levy</u>	<u>Levy</u>	
Cash and pooled investments	\$ 479,900	89,265	569,165
Receivables:			
Property tax:			
Delinquent	-	682	682
Succeeding year	-	82,263	82,263
Due from other governments	<u>87,657</u>	<u>27,372</u>	<u>115,029</u>
Total assets	<u>\$ 567,557</u>	<u>199,582</u>	<u>767,139</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,525	-	1,525
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>82,263</u>	<u>82,263</u>
Total liabilities	<u>1,525</u>	<u>82,263</u>	<u>83,788</u>
Fund balances:			
Restricted for:			
Debt service	218,241	-	218,241
School infrastructure	347,791	-	347,791
Physical plant and equipment	<u>-</u>	<u>117,319</u>	<u>117,319</u>
Total fund balances	<u>566,032</u>	<u>117,319</u>	<u>683,351</u>
Total liabilities and fund balances	<u>\$ 567,557</u>	<u>199,582</u>	<u>767,139</u>

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

Schedule 5

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 472,146	78,919	551,065
Other	5,317	518	5,835
State sources	-	42	42
Federal sources	-	9,124	9,124
Total revenues	477,463	88,603	566,066
Expenditures:			
Support services:			
Operation and maintenance of plant	-	74,995	74,995
Other expenditures:			
Facilities acquisition	494,848	17,334	512,182
Total expenditures	494,848	92,329	587,177
Deficiency of revenues over expenditures	(17,385)	(3,726)	(21,111)
Other financing sources (uses):			
Operating transfers out	(407,532)	-	(407,532)
Deficiency of revenues and other financing sources over expenditures and other financing uses	(424,917)	(3,726)	(428,643)
Fund balances beginning of year	990,949	121,045	1,111,994
Fund balances end of year	\$ 566,032	117,319	683,351

See accompanying independent auditor's report.

West Hancock Community School District
Britt, Iowa

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

For the Last Eight Years

	Modified Accrual Basis		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:			
Local sources:			
Local tax	\$ 3,597,976	3,438,226	3,282,467
Tuition	302,572	283,030	202,630
Other	521,723	458,126	366,189
Intermediate sources	-	-	-
State sources	3,082,857	2,745,614	2,293,532
Federal sources	371,159	313,497	430,173
Total	<u>\$ 7,876,287</u>	<u>7,238,493</u>	<u>6,574,991</u>
Expenditures:			
Instruction:			
Regular	\$ 2,820,041	2,510,670	2,419,690
Special	601,056	674,734	759,839
Other	1,118,259	1,157,142	1,054,860
Support services:			
Student	63,074	54,060	50,028
Instructional staff	172,272	130,159	136,107
Administration	644,635	546,221	520,011
Operation and maintenance of plant	719,977	622,477	602,443
Transportation	272,663	297,098	269,376
Other support	-	-	-
Non-instructional programs	-	-	-
Other expenditures:			
Community services	5,354	20,119	-
Facilities acquisition	516,887	1,551,652	649,370
Long-term debt:			
Principal	4,874,164	464,237	346,354
Interest and other charges	386,858	346,669	231,337
AEA flowthrough	241,824	258,771	253,004
Total	<u>\$ 12,437,064</u>	<u>8,634,009</u>	<u>7,292,419</u>

See accompanying independent auditor's report.

Schedule 6

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
3,188,365	3,247,797	3,498,064	3,171,524	3,124,363
297,986	244,737	342,215	247,043	150,372
488,352	442,352	264,035	423,495	355,892
1,748	-	-	-	-
2,881,183	2,697,853	2,702,514	2,819,160	2,811,629
194,666	153,903	205,533	141,044	195,169
<u>7,052,300</u>	<u>6,786,642</u>	<u>7,012,361</u>	<u>6,802,266</u>	<u>6,637,425</u>
2,249,274	2,128,263	2,220,720	2,137,232	2,073,955
752,191	795,804	920,024	686,697	1,053,412
1,067,698	992,975	594,807	651,426	342,178
46,998	42,210	71,626	87,727	113,202
134,296	103,088	102,827	135,273	100,670
523,030	541,014	522,641	526,669	622,136
679,686	673,542	645,838	682,518	698,966
363,139	269,509	244,828	273,447	301,623
-	-	-	-	156,634
12,650	-	-	139	50,296
-	17,028	861	-	-
229,686	124,880	365,207	386,909	364,656
341,002	320,847	307,800	291,200	273,535
243,862	256,109	266,931	275,020	284,673
221,704	208,064	203,795	197,990	193,975
<u>6,865,216</u>	<u>6,473,333</u>	<u>6,467,905</u>	<u>6,332,247</u>	<u>6,629,911</u>

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	\$ 37,207
National School Lunch Program	10.555	FY12	<u>144,429</u> *
			<u>181,636</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY12	<u>78,820</u>
Career and Technical Education - Basic Grants to States	84.048	FY12	<u>4,223</u>
Fund For the Improvement of Education	84.215	FY 12	<u>9,124</u>
Improving Teacher Quality State Grants	84.367	FY12	<u>28,025</u>
Grants for State Assessments	84.369	FY12	<u>4,082</u>
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY12	64,764
ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	FY12	<u>28,214</u>
			<u>92,978</u>
Education Jobs Fund	84.410	FY12	<u>120,075</u>

(continued)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY12	<u>33,832</u> **
 Total			 <u>\$ 552,795</u>

* - Includes \$12,133 of non-cash awards.

** - Total for Special Education Cluster (IDEA) is \$33,832

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

See accompanying independent auditor's report.

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Hancock 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 February 15, 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 West Hancock Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered West Hancock 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 our opinion on the effectiveness of West Hancock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Hancock Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned costs as item II-A-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12 and II-C-12 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Hancock 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 15, 2013

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

Cornwell, Frideres, Maher & Associates, P.L.C.

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited West Hancock Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of West Hancock Community School District's major federal programs for the year ended June 30, 2012. West Hancock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Hancock Community School District's management. Our responsibility is to express an opinion on West Hancock Community School District's compliance based on our audit.

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

In our opinion, West Hancock Community School District compiled, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of West Hancock Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered West Hancock Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Hancock Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

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

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

Cornwell, Frideres, Maher & Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

February 15, 2013

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553– School Breakfast Program
 - CFDA Number 10.555– National School Lunch Program
 - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Hancock Community School District did not qualify as a low-risk auditee.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We are doing everything we can with the limited number of staff we have. We are also going to have an outside party come periodically to review selected transactions

Conclusion – Response acknowledged.

II-B-12 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to West Hancock Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

II-C-12 Disbursement Approval – Of 19 disbursements tested, there were 3 activity fund transactions where there was no evidence that the Superintendent approved the expenditures for advance payment in accordance with the District's policy.

Recommendation – The District should ensure all expenditures are properly approved for payments made in advance of Board meetings. The District should maintain documentation of the Superintendent's approval of claims for payment.

Response – We will ensure all expenditures are properly approved in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
Federal Award Year: 2012
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2012
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We are doing everything we can with the limited number of staff we have. We are also going to have an outside party come periodically to review selected transactions.

Conclusion – Response acknowledged.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the support services, non-instructional programs and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response acknowledged.

IV-B-12 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-12 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations

IV-F-12 Board Minutes – No transactions requiring Board approval were found that had not been approved by the Board.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-G-12 Certified Enrollment – Two variances in the basic enrollment data certified to the Iowa Department of Education were noted. The District counted one student who was not enrolled and one student was funded as regularly enrolled but was CPI dual enrolled.

Recommendation – The District should develop procedures to ensure accurate counts are taken throughout the year to and accurate enrollment data is certified to the Department of Education.

Response – The District will carefully track students to ensure that accurate enrollment data is certified.

Conclusion – Response accepted.

IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-12 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

West Hancock Community School District
Britt, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-L-12 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 990,949
Revenues:		
Sales tax revenues	\$ 472,146	
Other local revenues	5,317	477,463
		1,468,412
Expenditures/transfer out:		
School infrastructure construction	494,848	
Transfer to other funds:		
Debt Service fund	407,532	902,380
Ending Balance		\$ 566,032

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.