

**WEST FORK COMMUNITY SCHOOL DISTRICT  
ROCKWELL, IOWA**

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

**YEAR ENDED JUNE 30, 2012**

## Table of Contents

|  |                | <u>Page</u> |
|--|----------------|-------------|
| Officials  |                | 1           |
| Independent Auditor’s Report   |                | 2-3         |
| Management’s Discussion and Analysis   |                | 4-14        |
| Basic Financial Statements:  | <u>Exhibit</u> |             |
| Government-wide Financial Statements:  |                |             |
| Statement of Net Assets  | A              | 15-16       |
| Statement of Activities  | B              | 17-18       |
| Governmental Fund Financial Statements:  |                |             |
| Balance Sheet  | C              | 19-20       |
| Reconciliation of the Balance Sheet – Governmental Funds to<br>the Statement of Net Assets   | D              | 21          |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances  | E              | 22          |
| Reconciliation of the Statement of Revenues, Expenditures<br>and Changes in Fund Balances – Governmental Funds to<br>the Statement of Activities                 | F              | 23-24       |
| Proprietary Fund Financial Statements:   |                |             |
| Statement of Net Assets  | G              | 25          |
| Statement of Revenues, Expenses and Changes in Fund<br>Net Assets  | H              | 26          |
| Statement of Cash Flows  | I              | 27-28       |
| Fiduciary Fund Financial Statements:   |                |             |
| Statement of Fiduciary Net Assets  | J              | 29          |
| Statement of Changes in Fiduciary Net Assets   | K              | 30          |
| Notes to Financial Statements  |                | 31-51       |
| Required Supplementary Information:  |                |             |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses<br>and Changes in Balances – Budget and Actual –<br>All Governmental Funds and Proprietary Fund |                | 52-53       |
| Notes to Required Supplementary Information – Budgetary Reporting  |                | 54          |
| Schedule of Funding Progress for the Retiree Health Plan   |                | 55          |

Table of Contents (continued)

|   | <u>Schedule</u> | <u>Page</u> |
|---|-----------------|-------------|
| Supplementary Information:  |                 |             |
| Nonmajor Governmental Funds:  |                 |             |
| Combining Balance Sheet   | 1               | 56          |
| Combining Schedule of Revenues, Expenditures<br>and Changes in Fund Balances  | 2               | 57          |
| Schedule of Changes in Special Revenue Fund, Student Activity<br>Accounts   | 3               | 58          |
| Capital Projects Accounts:  |                 |             |
| Combining Balance Sheet   | 4               | 59          |
| Combining Schedule of Revenue, Expenditures,<br>and Changes in Fund Balances  | 5               | 60          |
| Schedule of Revenues by Source and Expenditures by Function –<br>All Governmental Funds   | 6               | 61          |
| Independent Auditor’s Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an Audit<br>of Financial Statements Performed in Accordance with <u>Government<br/>Auditing Standards</u> |                 | 62-63       |
| Schedule of Findings  |                 | 64-69       |

West Fork Community School District  
Rockwell, Iowa

**Officials**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education**

|                  |                |      |
|------------------|----------------|------|
| Jim Tuttle       | President      | 2013 |
| Mary Ingham      | Vice President | 2013 |
| Rob Heimbuch     | Board Member   | 2015 |
| Mary Schlichting | Board Member   | 2013 |
| Mary Beth Sukup  | Board Member   | 2015 |

**School Officials**

|               |  |      |
|---------------|--|------|
| Darrin Strike | Superintendent                                       | 2012 |
| Lacey Weier   | District Secretary/Treasurer and<br>Business Manager | 2012 |
| Rick Engel    | Attorney   | 2012 |

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

## Certified Public Accountants

714 14th Avenue North  
Fort Dodge, IA 50501-7098  
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.  
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.  
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.  
jjmaher@frontiernet.net

### Independent Auditor's Report

To the Board of Education of  
West Fork 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 Fork Community School District, Rockwell, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

The financial statements of the West Fork Booster Club have not been audited, and we were not engaged to audit the Booster Club's financial statements as part of our audit of the West Fork Community School District's basic financial statements. West Fork Booster Club's financial statements are included in the District's financial statements as a discretely presented component unit.

Because West Fork Booster Club's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the West Fork Community School District, as of and for the year ended June 30, 2012. In addition, 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 Fork 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 March 21, 2013 on our consideration of West Fork 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 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Fork Community School District's basic financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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

March 21, 2013

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

West Fork 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.

West Fork Community School District was formed on July 1, 2011 as a result of a reorganization of the Sheffield Chapin Meservey Thornton Community School District and the Rockwell-Swaledale Community School District. Therefore, information is not easily comparable to prior years. In future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2012 FINANCIAL HIGHLIGHTS**

- Voters approved a reorganization of the Sheffield Chapin Meservey Thornton Community School District and the Rockwell-Swaledale Community School District on September 14, 2010, which was effective July 1, 2011. Each district approved the transfer of all assets and liabilities to the West Fork Community School District.
- Unless noted, the following financial information for FY11 is calculated by adding together FY11 results for Sheffield Chapin Meservey Thornton CSD and Rockwell-Swaledale CSD less inter-district transactions.
- General Fund revenues decreased from \$8,406,914 in fiscal 2011 to \$7,707,661 in fiscal 2012, while General Fund expenditures decreased from \$7,751,248 in fiscal 2011 to \$7,349,566 in fiscal 2012. The District's General Fund balance increased from \$1,475,109 in fiscal 2011 to \$1,834,879 in fiscal 2012, a 24.4% increase.
- The decrease in General Fund revenues was attributable to decreases in local tax and federal source revenues. The decrease in expenditures was due primarily to the District decreasing spending levels from the prior year to improve the financial condition of the District.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
West Fork  
Community School District  
Annual Financial Report

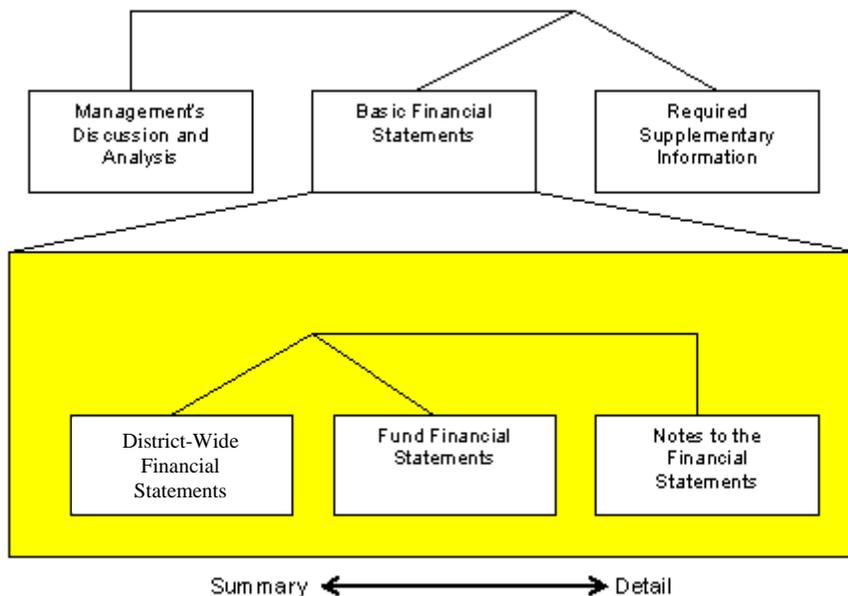


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

|  | Governmental<br>Activities | Business Type<br>Activities | Total<br>District |
|--|----------------------------|-----------------------------|-------------------|
|  | June 30, 2012              | June 30, 2012               | June 30, 2012     |
| Current and other assets                           | \$ 8,861                   | 46                          | 8,907             |
| Capital assets                                     | <u>6,382</u>               | <u>13</u>                   | <u>6,395</u>      |
| Total assets                                       | <u>15,243</u>              | <u>59</u>                   | <u>15,302</u>     |
| Long-term liabilities                              | 1,838                      | 2                           | 1,840             |
| Other liabilities                                  | <u>4,085</u>               | <u>5</u>                    | <u>4,090</u>      |
| Total liabilities                                  | <u>5,923</u>               | <u>7</u>                    | <u>5,930</u>      |
| Net assets:  |                            |                             |                   |
| Invested in capital assets,<br>net of related debt | 4,921                      | 13                          | 4,934             |
| Restricted   | 934                        | ---                         | 934               |
| Unrestricted                                       | <u>3,465</u>               | <u>39</u>                   | <u>3,504</u>      |
| Total net assets                                   | <u>\$ 9,320</u>            | <u>52</u>                   | <u>9,372</u>      |

The District's combined net assets were approximated \$9,372,000. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

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

| <b>Figure A-4</b>                                       |                     |                      |                 |
|---|---------------------|----------------------|-----------------|
| <b>Changes in Net Assets</b>                            |                     |                      |                 |
| <b>(Expressed in Thousands)</b>                         |                     |                      |                 |
|   | <u>Governmental</u> | <u>Business Type</u> | <u>Total</u>    |
|   | <u>Activities</u>   | <u>Activities</u>    | <u>District</u> |
|   | <u>2012</u>         | <u>2012</u>          | <u>2012</u>     |
| Revenues:   |                     |                      |                 |
| Program revenues:                                       |                     |                      |                 |
| Charges for service                                     | \$ 451              | 189                  | 640             |
| Operating grants, contributions and restricted interest | 1,213               | 178                  | 1,391           |
| Capital grants, contributions and restricted interest   | ---                 | ---                  | ---             |
| General revenues:                                       |                     |                      |                 |
| Property tax  | 3,450               | ---                  | 3,450           |
| Statewide sales, services and use tax                   | 867                 | ---                  | 867             |
| Income surtax   | 381                 | ---                  | 381             |
| Unrestricted state grants                               | 3,226               | ---                  | 3,226           |
| Unrestricted investment earnings                        | 31                  | ---                  | 31              |
| Other   | 27                  | 1                    | 28              |
| Gain on sale of capital assets                          | <u>2</u>            | <u>---</u>           | <u>2</u>        |
| Total revenues  | <u>9,648</u>        | <u>368</u>           | <u>10,016</u>   |
| Program expenses:                                       |                     |                      |                 |
| Governmental activities:                                |                     |                      |                 |
| Instruction   | 5,463               | ---                  | 5,463           |
| Support services  | 2,287               | ---                  | 2,287           |
| Non-instructional programs                              | ---                 | 379                  | 379             |
| Other expenses  | <u>580</u>          | <u>---</u>           | <u>580</u>      |
| Total expenses  | <u>8,330</u>        | <u>379</u>           | <u>8,709</u>    |
| Increase (decrease) in net assets                       | 1,318               | (11)                 | 1,307           |
| Net assets beginning of year, (as restated)             | <u>8,002</u>        | <u>63</u>            | <u>8,065</u>    |
| Net assets end of year                                  | \$ 9,320            | 52                   | 9,372           |
|   | =====               | ====                 | =====           |

In fiscal 2012, property tax and unrestricted state grants account for 69.2% of the total governmental activities revenue while charges for service and operating grants account for 99.7% of business type activities revenue. The District's total revenues were approximately \$10 million, of which approximately \$9.6 million was for governmental activities and less than \$1 million was for business type activities.

## Governmental Activities

Revenues for governmental activities were \$9,648,067 and expenses were \$8,329,870 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses, for the year ended June 30, 2012.

| <b>Figure A-5</b>                                    |                        |                      |
|--|------------------------|----------------------|
| <b>Total and Net Cost of Governmental Activities</b> |                        |                      |
| <b>(Expressed in Thousands)</b>                      |                        |                      |
|  | Total Cost of Services | Net Cost of Services |
|  | <u>2012</u>            | <u>2012</u>          |
| Instruction  | \$ 5,463               | 4,156                |
| Support services                                     | 2,287                  | 2,241                |
| Other expenses                                       | <u>580</u>             | <u>268</u>           |
| Total  | \$ 8,330               | 6,665                |
|  | =====                  | =====                |

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$451,237.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,212,845.
- The net cost of governmental activities was financed with \$4,697,775 in property and other taxes and \$3,226,030 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$368,520, while expenses totaled \$379,429. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,423,944, above last year's ending fund balances of \$3,695,322.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,475,109 to \$1,834,879, due in part, to the consolidation of the two former Districts which resulted in a reduction of expenditures.
- The Debt Service Fund balance increased from \$73,707 in fiscal 2011 to \$84,044 in fiscal 2012. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund increased from \$1,842,822 in fiscal 2011 to \$2,267,345 in fiscal 2012, due in part to an increase in revenues and decreases in expenditures.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$63,128 at June 30, 2011 to \$52,219 at June 30, 2012, representing a decrease of approximately 17.3%.

### **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$321,347 more than total budgeted revenues, a variance of 3.3%.

Total expenditures were less than budgeted by \$1,739,725, due primarily to the District's budget for the General Fund. The District budgeted expenditures high to cover any unexpected expenditures during the year in the other expenditures functional area.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2012, the District had invested approximately \$6.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$412,076.

The original cost of the District's capital assets was approximately \$11.5 million. Governmental funds account for approximately \$11.3 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

|                                      | Governmental<br>Activities | Business Type<br>Activities | Total<br>District       |
|--------------------------------------|----------------------------|-----------------------------|-------------------------|
|                                      | June 30,<br><u>2012</u>    | June 30,<br><u>2012</u>     | June 30,<br><u>2012</u> |
| Land                                 | \$ 122                     | ---                         | 122                     |
| Buildings                            | 5,198                      | ---                         | 5,198                   |
| Improvements other than<br>buildings | 133                        | ---                         | 133                     |
| Furniture and equipment              | <u>929</u>                 | <u>13</u>                   | <u>942</u>              |
| Totals                               | <u>\$ 6,382</u>            | <u>13</u>                   | <u>6,395</u>            |
|                                      | =====                      | =====                       | =====                   |

### Long-Term Debt

At June 30, 2012, the District had \$1,837,595 in long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$23 million.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

|                          | Total<br>District<br>June 30,<br><u>2012</u> |
|--------------------------|--|
| General obligation bonds | \$ 920                                       |
| Revenue bonds            | 540  |
| Lease obligation         | 1  |
| Early retirement         | <u>332</u>                                   |
| Totals                   | <u>\$ 1,793</u>                              |
|                          | =====  |

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

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

The District reorganized with a neighboring school district beginning July 1, 2011.

We see the biggest issue for the future as enrollment. The following trend demonstrates the loss of enrollment at West Fork. Certified enrollment for FY 2012 was 769.3, FY 2013 was 721.6 and for budget year FY 2014 the certified enrollment is 709. This loss of 60.3 students over the past two years is significant to the financial picture. We have been able to keep expenditures under revenue for the past two years. This has been responsible for improving the overall financial picture for the District. Moving forward, we see expenditures slowly surpassing revenue which will force us to make some staffing reductions or face lowering our financial position. The future trend lines for enrollment show a plateau with a slight decline facing us for the next three years which demonstrates a drop of approximately 10 students per year. During the next three years, the district will need to explore grade alignments and student numbers. Opportunities to experience savings through attrition need to be explored as well as more streamlining of services and programs.

During FY 2013 we saw an increase in expenses of roughly \$230,000 through negotiations for our certified and noncertified staff. These expenses were countered with roughly \$150,000 in cost reductions. Moving forward, times of low or zero allowable growth will be difficult at current staffing levels. The West Fork Community School District will see (-\$200,124) in new money for the FY 2014 budget. This loss in revenue plus an expected increase in expenses through salary negotiations will put us in a financial position where we will need to decrease expenditures significantly in the next 1-3 years.

As for Capital Projects, some big changes are on the horizon for us with this account as we close out FY 2013 and move forward into FY 2014. We plan to replace the high school roof and the Rockwell Campus boiler at a cost of roughly \$240,000 and \$800,000 respectively. In addition, we are planning to expand our technology 1:1 initiative at some lower levels which will come at a cost of roughly \$150,000. The plan also shows us purchasing a school bus at \$90,000. The total estimate of these expenditures is approximately 1.3 million. On the horizon, we see the debt obligation for the Rockwell Campus ending this year which will free up an estimated \$280,000 of revenue each year to help rebuild this account.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lacey Weier, District Secretary/Treasurer and Business Manager, West Fork Community School District, 210 South 2<sup>nd</sup> Street, P.O. Box 60, Rockwell, Iowa 50469.

## **Basic Financial Statements**

West Fork Community School District  
Rockwell, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

|   | Primary Government         |                             |                   | Component                         |
|---|----------------------------|-----------------------------|-------------------|-----------------------------------|
|   | Governmental<br>Activities | Business Type<br>Activities | Total             | Unit<br>West Fork<br>Booster Club |
| <b>Assets</b>                                   |                            |                             |                   |                                   |
| Cash and cash equivalents                       |                            |                             |                   |                                   |
| Other   | \$ 3,825,646               | 25,952                      | 3,851,598         | 26,015                            |
| Cash with fiscal agent                          | 470,066                    | -                           | 470,066           | -                                 |
| Receivables:                                    |                            |                             |                   |                                   |
| Property tax:                                   |                            |                             |                   |                                   |
| Delinquent                                      | 47,258                     | -                           | 47,258            | -                                 |
| Succeeding year                                 | 3,867,000                  | -                           | 3,867,000         | -                                 |
| Accounts  | -                          | 2,093                       | 2,093             | -                                 |
| Due from other governments                      | 587,061                    | -                           | 587,061           | -                                 |
| Prepaid expenses                                | 47,740                     | 2,174                       | 49,914            | -                                 |
| Inventories                                     | -                          | 16,483                      | 16,483            | -                                 |
| Unamortized bond issuance costs                 | 15,838                     | -                           | 15,838            | -                                 |
| Capital assets, net of accumulated depreciation | 6,382,397                  | 13,014                      | 6,395,411         | -                                 |
| <b>Total assets</b>                             | <u>15,243,006</u>          | <u>59,716</u>               | <u>15,302,722</u> | <u>26,015</u>                     |
| <b>Liabilities</b>                              |                            |                             |                   |                                   |
| Accounts payable                                | 189,603                    | 5,069                       | 194,672           | -                                 |
| Salaries and benefits payable                   | 13,232                     | -                           | 13,232            | -                                 |
| Accrued interest payable                        | 15,549                     | -                           | 15,549            | -                                 |
| Deferred revenue:                               |                            |                             |                   |                                   |
| Succeeding year property tax                    | 3,867,000                  | -                           | 3,867,000         | -                                 |
| Long-term liabilities:                          |                            |                             |                   |                                   |
| Portion due within one year:                    |                            |                             |                   |                                   |
| General obligation bonds                        | 170,000                    | -                           | 170,000           | -                                 |
| Revenue bonds                                   | 265,000                    | -                           | 265,000           | -                                 |
| Lease purchase obligation                       | 537                        | -                           | 537               | -                                 |
| Early retirement                                | 105,920                    | -                           | 105,920           | -                                 |
| Portion due after one year:                     |                            |                             |                   |                                   |
| General obligation bonds                        | 750,000                    | -                           | 750,000           | -                                 |
| Revenue bonds                                   | 275,000                    | -                           | 275,000           | -                                 |
| Lease purchase obligation                       | 373                        | -                           | 373               | -                                 |
| Early retirement                                | 225,845                    | -                           | 225,845           | -                                 |
| Net OPEB liability                              | 44,920                     | 2,428                       | 47,348            | -                                 |
| <b>Total liabilities</b>                        | <u>5,922,979</u>           | <u>7,497</u>                | <u>5,930,476</u>  | <u>-</u>                          |

West Fork Community School District  
Rockwell, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

|   | Primary Government                |                                    |                  | Component                                 |
|---|-----------------------------------|------------------------------------|------------------|---|
|   | Governmental<br><u>Activities</u> | Business Type<br><u>Activities</u> | <u>Total</u>     | Unit<br><u>West Fork<br/>Booster Club</u> |
| <b>Net assets</b>                               |                                   |                                    |                  |   |
| Invested in capital assets, net of related debt | 4,921,487                         | 13,014                             | 4,934,501        | -   |
| Restricted for:                                 |                                   |                                    |                  |   |
| Categorical funding                             | 219,444                           | -                                  | 219,444          | -   |
| Management levy purposes                        | 222,911                           | -                                  | 222,911          | -   |
| Physical plant and equipment                    | 483,096                           | -                                  | 483,096          | -   |
| Student activities                              | 8,305                             | -                                  | 8,305            | -   |
| Booster Club purposes                           | -                                 | -                                  | -                | 26,015                                    |
| Unrestricted                                    | 3,464,784                         | 39,205                             | 3,503,989        | -   |
| <b>Total net assets</b>                         | <u>\$ 9,320,027</u>               | <u>52,219</u>                      | <u>9,372,246</u> | <u>26,015</u>                             |

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa  
Statement of Activities  
Year ended June 30, 2012

|                                    | <u>Expenses</u>     | <u>Program Revenues</u>    |  |  |
|------------------------------------|---------------------|----------------------------|--|--|
|                                    |                     | <u>Charges for Service</u> | <u>Operating Grants, Contributions and Restricted Interest</u> | <u>Capital Grants, Contributions and Restricted Interest</u> |
| <b>Functions/Programs:</b>         |                     |                            |  |  |
| <b>Primary Government:</b>         |                     |                            |  |  |
| Governmental activities:           |                     |                            |  |  |
| Instruction:                       |                     |                            |  |  |
| Regular instruction                | \$ 3,515,552        | 196,133                    | 512,418  | -  |
| Special instruction                | 930,116             | -                          | 102,009  | -  |
| Other instruction                  | <u>1,017,047</u>    | <u>255,104</u>             | <u>240,623</u>   | <u>-</u>   |
|                                    | <u>5,462,715</u>    | <u>451,237</u>             | <u>855,050</u>   | <u>-</u>   |
| Support services:                  |                     |                            |  |  |
| Student                            | 190,676             | -                          | 17,694   | -  |
| Instructional staff                | 117,733             | -                          | 6,841  | -  |
| Administration                     | 947,524             | -                          | 12,042   | -  |
| Operation and maintenance of plant | 521,012             | 30                         | -  | -  |
| Transportation                     | <u>509,892</u>      | <u>-</u>                   | <u>9,227</u>   | <u>-</u>   |
|                                    | <u>2,286,837</u>    | <u>30</u>                  | <u>45,804</u>  | <u>-</u>   |
| Non-instructional programs         | <u>283</u>          | <u>-</u>                   | <u>-</u>   | <u>-</u>   |
| Other expenditures:                |                     |                            |  |  |
| Facilities acquisition             | 28,932              | -                          | -  | -  |
| Long-term debt interest            | 62,162              | -                          | -  | -  |
| AEA flowthrough                    | 311,991             | -                          | 311,991  | -  |
| Depreciation (unallocated)*        | <u>176,950</u>      | <u>-</u>                   | <u>-</u>   | <u>-</u>   |
|                                    | <u>580,035</u>      | <u>-</u>                   | <u>311,991</u>   | <u>-</u>   |
| Total governmental activities      | <u>8,329,870</u>    | <u>451,267</u>             | <u>1,212,845</u>   | <u>-</u>   |
| Business type activities:          |                     |                            |  |  |
| Support services:                  |                     |                            |  |  |
| Operation and maintenance of plant | 865                 | -                          | -  | -  |
| Non-instructional programs:        |                     |                            |  |  |
| Food service operations            | <u>378,564</u>      | <u>188,900</u>             | <u>178,147</u>   | <u>-</u>   |
| Total business type activities     | <u>379,429</u>      | <u>188,900</u>             | <u>178,147</u>   | <u>-</u>   |
| Total                              | <u>\$ 8,709,299</u> | <u>640,167</u>             | <u>1,390,992</u>   | <u>-</u>   |
| <b>Component Unit:</b>             |                     |                            |  |  |
| West Fork Booster Club             | <u>\$ 34,153</u>    | <u>34,080</u>              | <u>5,985</u>   | <u>-</u>   |

**General Revenues:**

|   |  |
|---|--|
| Property tax levied for:                    |  |
| General purposes                            |  |
| Debt service                                |  |
| Capital outlay                              |  |
| Statewide sales, services and use tax       |  |
| Income surtax                               |  |
| Unrestricted state grants                   |  |
| Unrestricted investment earnings            |  |
| Other                                       |  |
| Gain on sale of capital assets              |  |
| Total general revenues                      |  |
| Change in net assets                        |  |
| Net assets beginning of year, (as restated) |  |
| Net assets end of year                      |  |

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

See notes to financial statements.

| Net (Expense) Revenue<br>and Changes in Net Assets |                             |                    |                           |
|--|-----------------------------|--------------------|---------------------------|
| Primary Government                                 |                             |                    | Component Unit            |
| Governmental<br>Activities                         | Business Type<br>Activities | Total              | West Fork<br>Booster Club |
| (2,807,001)  | -                           | (2,807,001)        | -                         |
| (828,107)  | -                           | (828,107)          | -                         |
| (521,320)  | -                           | (521,320)          | -                         |
| <u>(4,156,428)</u>                                 | <u>-</u>                    | <u>(4,156,428)</u> | <u>-</u>                  |
| (172,982)  | -                           | (172,982)          | -                         |
| (110,892)  | -                           | (110,892)          | -                         |
| (935,482)  | -                           | (935,482)          | -                         |
| (520,982)  | -                           | (520,982)          | -                         |
| (500,665)  | -                           | (500,665)          | -                         |
| <u>(2,241,003)</u>                                 | <u>-</u>                    | <u>(2,241,003)</u> | <u>-</u>                  |
| <u>(283)</u>                                       | <u>-</u>                    | <u>(283)</u>       | <u>-</u>                  |
| (28,932)   | -                           | (28,932)           | -                         |
| (62,162)   | -                           | (62,162)           | -                         |
| -  | -                           | -                  | -                         |
| <u>(176,950)</u>                                   | <u>-</u>                    | <u>(176,950)</u>   | <u>-</u>                  |
| <u>(268,044)</u>                                   | <u>-</u>                    | <u>(268,044)</u>   | <u>-</u>                  |
| <u>(6,665,758)</u>                                 | <u>-</u>                    | <u>(6,665,758)</u> | <u>-</u>                  |
| -  | (865)                       | (865)              | -                         |
| <u>-</u>   | <u>(11,517)</u>             | <u>(11,517)</u>    | <u>-</u>                  |
| <u>-</u>   | <u>(12,382)</u>             | <u>(12,382)</u>    | <u>-</u>                  |
| <u>(6,665,758)</u>                                 | <u>(12,382)</u>             | <u>(6,678,140)</u> | <u>-</u>                  |
| <u>-</u>   | <u>-</u>                    | <u>-</u>           | <u>5,912</u>              |
| \$ 2,925,682                                       | -                           | 2,925,682          | -                         |
| 210,101  | -                           | 210,101            | -                         |
| 314,403  | -                           | 314,403            | -                         |
| 866,502  | -                           | 866,502            | -                         |
| 381,087  | -                           | 381,087            | -                         |
| 3,226,030  | -                           | 3,226,030          | -                         |
| 31,047   | 49                          | 31,096             | 89                        |
| 27,428   | 1,424                       | 28,852             | -                         |
| 1,675  | -                           | 1,675              | -                         |
| <u>7,983,955</u>                                   | <u>1,473</u>                | <u>7,985,428</u>   | <u>89</u>                 |
| 1,318,197  | (10,909)                    | 1,307,288          | 6,001                     |
| <u>8,001,830</u>                                   | <u>63,128</u>               | <u>8,064,958</u>   | <u>20,014</u>             |
| <u>\$ 9,320,027</u>                                | <u>52,219</u>               | <u>9,372,246</u>   | <u>26,015</u>             |

West Fork Community School District  
Rockwell, Iowa

Balance Sheet  
Governmental Funds

June 30, 2012

|  | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
|--|---------------------|-------------------------|-----------------------------|
| <b>Assets</b>                              |                     |                         |                             |
| Cash and pooled investments                | \$ 1,871,003        | 81,168                  | 1,637,765                   |
| Cash with fiscal agent                     | -                   | -                       | 470,066                     |
| Receivables:                               |                     |                         |                             |
| Property tax:                              |                     |                         |                             |
| Delinquent                                 | 36,104              | 2,876                   | 4,303                       |
| Succeeding year                            | 3,033,000           | 212,000                 | 322,000                     |
| Due from other governments                 | 430,070             | -                       | 156,991                     |
| Prepaid expenses                           | 41,280              | -                       | -                           |
| <b>Total assets</b>                        | <u>\$ 5,411,457</u> | <u>296,044</u>          | <u>2,591,125</u>            |
| <b>Liabilities and Fund Balances</b>       |                     |                         |                             |
| Liabilities:                               |                     |                         |                             |
| Accounts payable                           | \$ 179,354          | -                       | 1,780                       |
| Salaries and benefits payable              | 13,232              | -                       | -                           |
| Deferred revenue:                          |                     |                         |                             |
| Succeeding year property tax               | 3,033,000           | 212,000                 | 322,000                     |
| Income surtax                              | 350,992             | -                       | -                           |
| <b>Total liabilities</b>                   | <u>3,576,578</u>    | <u>212,000</u>          | <u>323,780</u>              |
| Fund balances:                             |                     |                         |                             |
| Nonspendable for:                          |                     |                         |                             |
| Prepaid expenditures                       | 41,280              | -                       | -                           |
| Restricted for:                            |                     |                         |                             |
| Categorical funding                        | 219,444             | -                       | -                           |
| Debt service                               | -                   | 84,044                  | -                           |
| Management levy purposes                   | -                   | -                       | -                           |
| Student activities                         | -                   | -                       | -                           |
| School infrastructure                      | -                   | -                       | 1,784,249                   |
| Physical plant and equipment               | -                   | -                       | 483,096                     |
| Unassigned                                 | 1,574,155           | -                       | -                           |
| <b>Total fund balances</b>                 | <u>1,834,879</u>    | <u>84,044</u>           | <u>2,267,345</u>            |
| <b>Total liabilities and fund balances</b> | <u>\$ 5,411,457</u> | <u>296,044</u>          | <u>2,591,125</u>            |

See notes to financial statements.

Exhibit C

| Nonmajor<br>Special<br><u>Revenue</u> | <u>Total</u>     |
|---------------------------------------|------------------|
| 235,710                               | 3,825,646        |
| -                                     | 470,066          |
| 3,975                                 | 47,258           |
| 300,000                               | 3,867,000        |
| -                                     | 587,061          |
| 6,460                                 | 47,740           |
| <u>546,145</u>                        | <u>8,844,771</u> |
| 8,469                                 | 189,603          |
| -                                     | 13,232           |
| 300,000                               | 3,867,000        |
| -                                     | 350,992          |
| <u>308,469</u>                        | <u>4,420,827</u> |
| -                                     | 41,280           |
| -                                     | 219,444          |
| -                                     | 84,044           |
| 222,911                               | 222,911          |
| 8,305                                 | 8,305            |
| -                                     | 1,784,249        |
| -                                     | 483,096          |
| 6,460                                 | 1,580,615        |
| <u>237,676</u>                        | <u>4,423,944</u> |
| <u>546,145</u>                        | <u>8,844,771</u> |

West Fork Community School District  
Rockwell, Iowa

Exhibit D

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

June 30, 2012

|   |                                   |
|---|-----------------------------------|
| <b>Total fund balances of governmental funds (page 20)</b>  | <b>\$ 4,423,944</b>               |
| <i>Amounts reported for governmental activities in the<br/>Statement of Net Assets are different because:</i>   |                                   |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.  | 6,382,397                         |
| Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.   | 350,992                           |
| Bond issuance costs are capitalized and expensed over the life of the bonds and, therefore, are not reported as assets in the governmental funds.   | 15,838                            |
| Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.  | (15,549)                          |
| Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. | <u>(1,837,595)</u>                |
| <b>Net assets of governmental activities (page 16)</b>  | <b><u><u>\$ 9,320,027</u></u></b> |

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2012

|  | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Special<br/>Revenue</u> | <u>Total</u>     |
|--|---------------------|-------------------------|-----------------------------|---|------------------|
| Revenues:  |                     |                         |                             |   |                  |
| Local sources:   |                     |                         |                             |   |                  |
| Local tax  | \$ 2,991,398        | 210,101                 | 1,310,441                   | 290,145                                 | 4,802,085        |
| Tuition  | 191,229             | -                       | -                           | -                                       | 191,229          |
| Other  | 86,592              | -                       | 42                          | 231,882                                 | 318,516          |
| State sources  | 4,190,268           | 111                     | 167                         | 154                                     | 4,190,700        |
| Federal sources  | <u>248,174</u>      | <u>-</u>                | <u>-</u>                    | <u>-</u>                                | <u>248,174</u>   |
| Total revenues   | <u>7,707,661</u>    | <u>210,212</u>          | <u>1,310,650</u>            | <u>522,181</u>                          | <u>9,750,704</u> |
|  |                     |                         |                             |   |                  |
| Expenditures:  |                     |                         |                             |   |                  |
| Current:   |                     |                         |                             |   |                  |
| Instruction:   |                     |                         |                             |   |                  |
| Regular  | 3,356,425           | -                       | -                           | 261,662                                 | 3,618,087        |
| Special  | 925,017             | -                       | -                           | -                                       | 925,017          |
| Other  | 793,228             | -                       | -                           | 220,181                                 | 1,013,409        |
|  | <u>5,074,670</u>    | <u>-</u>                | <u>-</u>                    | <u>481,843</u>                          | <u>5,556,513</u> |
| Support services:  |                     |                         |                             |   |                  |
| Student  | 189,531             | -                       | -                           | -                                       | 189,531          |
| Instructional staff  | 118,404             | -                       | 176,158                     | 522                                     | 295,084          |
| Administration   | 801,273             | -                       | 181,782                     | 61,702                                  | 1,044,757        |
| Operation and maintenance<br>of plant                        | 411,568             | -                       | 82,665                      | 43,255                                  | 537,488          |
| Transportation   | 442,129             | -                       | -                           | 584                                     | 442,713          |
|  | <u>1,962,905</u>    | <u>-</u>                | <u>440,605</u>              | <u>106,063</u>                          | <u>2,509,573</u> |
| Non-instructional programs                                   | <u>-</u>            | <u>-</u>                | <u>-</u>                    | <u>283</u>                              | <u>283</u>       |
| Other expenditures:  |                     |                         |                             |   |                  |
| Facilities acquisition                                       | -                   | -                       | 165,637                     | -                                       | 165,637          |
| Long-term debt:  |                     |                         |                             |   |                  |
| Principal  | -                   | 415,511                 | -                           | -                                       | 415,511          |
| Interest and fiscal charges                                  | -                   | 64,249                  | -                           | -                                       | 64,249           |
| AEA flowthrough  | 311,991             | -                       | -                           | -                                       | 311,991          |
|  | <u>311,991</u>      | <u>479,760</u>          | <u>165,637</u>              | <u>-</u>                                | <u>957,388</u>   |
| Total expenditures   | <u>7,349,566</u>    | <u>479,760</u>          | <u>606,242</u>              | <u>588,189</u>                          | <u>9,023,757</u> |
|  |                     |                         |                             |   |                  |
| Excess (deficiency) of revenues over (under)<br>expenditures | <u>358,095</u>      | <u>(269,548)</u>        | <u>704,408</u>              | <u>(66,008)</u>                         | <u>726,947</u>   |
|  |                     |                         |                             |   |                  |
| Other financing sources (uses):                              |                     |                         |                             |   |                  |
| Sale of capital assets                                       | 1,675               | -                       | -                           | -                                       | 1,675            |
| Operating transfers in                                       | -                   | 279,885                 | -                           | -                                       | 279,885          |
| Operating transfers out                                      | -                   | -                       | (279,885)                   | -                                       | (279,885)        |
| Total other financing sources (uses)                         | <u>1,675</u>        | <u>279,885</u>          | <u>(279,885)</u>            | <u>-</u>                                | <u>1,675</u>     |
| Net change in fund balances                                  | 359,770             | 10,337                  | 424,523                     | (66,008)                                | 728,622          |
|  |                     |                         |                             |   |                  |
| Fund balances beginning of year, as restated                 | <u>1,475,109</u>    | <u>73,707</u>           | <u>1,842,822</u>            | <u>303,684</u>                          | <u>3,695,322</u> |
| Fund balances end of year                                    | <u>\$ 1,834,879</u> | <u>84,044</u>           | <u>2,267,345</u>            | <u>237,676</u>                          | <u>4,423,944</u> |

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa

Exhibit F

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 22)** \$ 728,622

*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 | \$ 465,166       |        |
| Depreciation expense            | <u>(407,999)</u> | 57,167 |

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (104,312)

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 repayments are as follows:

|        |  |         |
|--------|--|---------|
| Repaid |  | 415,510 |
|--------|--|---------|

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 5,420

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:

|                               |                 |         |
|-------------------------------|-----------------|---------|
| Early retirement              | 264,042         |         |
| Other postemployment benefits | <u>(44,920)</u> | 219,122 |

West Fork Community School District  
Rockwell, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2012

Bond issuance costs are expensed when incurred in the governmental funds,  
but are capitalized and expensed over the life of the bonds in the  
Statement of Net Assets

(3,332)

**Change in net assets of governmental activities (page 18)**

\$ 1,318,197

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2012

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| <b>Assets</b>                                   |                             |
| Cash and cash equivalents                       | \$ 25,952                   |
| Accounts receivable                             | 2,093                       |
| Inventories                                     | 16,483                      |
| Prepaid expenses                                | 2,174                       |
| Capital assets, net of accumulated depreciation | <u>13,014</u>               |
| <b>Total assets</b>                             | <u>59,716</u>               |
| <b>Liabilities</b>                              |                             |
| Accounts payable                                | 5,069                       |
| Net OPEB liability                              | <u>2,428</u>                |
| <b>Total liabilities</b>                        | <u>7,497</u>                |
| <b>Net Assets</b>                               |                             |
| Invested in capital assets                      | 13,014                      |
| Unrestricted                                    | <u>39,205</u>               |
| <b>Total net assets</b>                         | <u>\$ 52,219</u>            |

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa

Exhibit H

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

Year ended June 30, 2012

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| Operating revenues:                       |                             |
| Local sources:                            |                             |
| Charges for service                       | \$ 187,579                  |
| Miscellaneous                             | <u>2,746</u>                |
| Total operating revenue                   | <u>190,325</u>              |
| Operating expenses:                       |                             |
| Support services:                         |                             |
| Operation and maintenance of plant        | <u>865</u>                  |
| Non-instructional programs:               |                             |
| Food service operations:                  |                             |
| Salaries                                  | 113,745                     |
| Benefits                                  | 46,213                      |
| Purchased services                        | 2,958                       |
| Supplies                                  | 211,571                     |
| Depreciation                              | <u>4,077</u>                |
|   | <u>378,564</u>              |
| Total operating expenses                  | <u>379,429</u>              |
| Operating loss                            | <u>(189,104)</u>            |
| Non-operating revenues:                   |                             |
| State sources                             | 3,781                       |
| Federal sources                           | 174,365                     |
| Interest income                           | <u>49</u>                   |
| Total non-operating revenues              | <u>178,195</u>              |
| Decrease in net assets                    | (10,909)                    |
| Net assets beginning of year, as restated | <u>63,128</u>               |
| Net assets end of year                    | <u>\$ 52,219</u>            |

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2012

School  
Nutrition

Cash flows from operating activities:

|   |                  |
|---|------------------|
| Cash received from sale of lunches and breakfasts     | \$ 186,522       |
| Cash received from miscellaneous operating activities | 2,746            |
| Cash paid to employees for services                   | (157,837)        |
| Cash paid to suppliers for goods or services          | <u>(201,909)</u> |
| Net cash used by operating activities                 | <u>(170,478)</u> |

Cash flows from non-capital financing activities:

|   |                |
|---|----------------|
| State grants received                                 | 3,781          |
| Federal grants received                               | <u>153,277</u> |
| Net cash provided by non-capital financing activities | <u>157,058</u> |

Cash flows from investing activities:

|                         |           |
|-------------------------|-----------|
| Interest on investments | <u>49</u> |
|-------------------------|-----------|

Net decrease in cash and cash equivalents (13,371)

Cash and cash equivalents beginning of year 39,323

Cash and cash equivalents end of year \$ 25,952

West Fork Community School District  
Rockwell, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2012

School  
Nutrition

**Reconciliation of operating loss to net cash used by  
operating activities:**

|  |                     |
|--|---------------------|
| Operating loss   | \$ (189,104)        |
| Adjustments to reconcile operating loss<br>to net cash used by operating activities: |                     |
| Commodities used   | 21,088              |
| Depreciation   | 4,077               |
| (Increase) in inventories  | (7,073)             |
| (Increase) in accounts receivable  | (285)               |
| (Increase) in prepaid expenses   | (530)               |
| Increase in OPEB liability   | 2,428               |
| (Decrease) in accounts payable   | <u>(1,079)</u>      |
| Net cash used by operating activities  | <u>\$ (170,478)</u> |

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received \$21,088 of federal commodities.

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa

Exhibit J

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

|                             | <u>Private<br/>Purpose<br/>Trust<br/>Scholarship</u> |
|-----------------------------|--|
| <b>Assets</b>               |  |
| Cash and pooled investments | \$ 4,882   |
| <b>Liabilities</b>          | <u>-</u>   |
| <b>Net Assets</b>           |  |
| Reserved for scholarships   | <u>\$ 4,882</u>                                      |

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2012

|   | <u>Private<br/>Purpose<br/>Trust<br/>Scholarship</u> |
|---|--|
| Additions:                                |  |
| Local sources:                            |  |
| Gifts and contributions                   | \$ 18,110  |
| Total additions                           | <u>18,110</u>  |
| Deductions:                               |  |
| Instruction:                              |  |
| Regular:                                  |  |
| Scholarships awarded                      | <u>17,310</u>  |
| Total deductions                          | <u>17,310</u>  |
| Change in net assets                      | 800  |
| Net assets beginning of year, as restated | <u>4,082</u>   |
| Net assets end of year                    | <u><u>\$ 4,882</u></u>                               |

See notes to financial statements.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

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

West Fork 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 Chapin, Meservey, Rockwell, Sheffield, Swaledale and Thornton, Iowa, and the predominate agricultural territory in Cerro Gordo, Franklin, 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 Fork Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

The financial statements present the West Fork Community School District and its component unit, the West Fork Booster Club. The component unit, discussed below, is included in the District's reporting entity because of the nature and significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The West Fork Booster Club is a separate nonprofit organization whose purpose is to help defray athletic costs of the West Fork Community School District by helping finance the cost of uniforms and equipment.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

The records are maintained on the basis of cash receipts and disbursements. The West Fork Booster Club meets the definition of a component unit which should be discretely presented. The Booster Club's financial statements have not been audited and we do not express an opinion on them.

Jointly Governed Organization – 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 Franklin and Cerro Gordo County Assessor's Conference boards.

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.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

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

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

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

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 are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds 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 Fork Community School District  
Rockwell, 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                              | \$ 300        |
| Buildings                         | 300           |
| Improvements other than buildings | 300           |
| Intangibles                       | 300           |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | 500           |
| Other furniture and equipment     | 300           |

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

| <u>Asset Class</u>                | <u>Estimated<br/>Useful Lives<br/>(In Years)</u> |
|-----------------------------------|--|
| Buildings                         | 25-50 years                                      |
| Improvements other than buildings | 20 years   |
| Furniture and equipment           | 5-20 years                                       |

Salaries and Benefits Payable – Payroll and related expenditures for hourly employees corresponding to the current school year, which are payable in July, have been accrued as liabilities.

West Fork Community School District  
Rockwell, 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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.

Compensated Absences – District employees accumulate a limited amount of earned but unused sick leave, personal and vacation benefits. Sick leave can only be used for time off for illness or injury. Employees that have accumulated the maximum number of allowable sick days and have used less than half of their yearly allotment and employees that have not used any sick days during the year receive a payment at year end. An accrual for earned but unused sick leave is not recorded in these financial statements because earned amounts have been paid at year end.

Employees may accumulate a limited number of personal days. Personal leave may be used for any purpose at the discretion of the employee with advanced notice to their principal. Employees are allowed to carry over half of their unused days to the next contract year and will be compensated per diem, per day for the other half of their unused personal leave. An accrual for earned but unused personal leave is not recorded in these financial statements because earned amounts have been paid at year end and any remaining personal leave will not be paid if the employee leaves during the year.

Vacation leave is earned by administration and office personnel and custodians. Office personnel may take their unused vacation in pay or carry it to the next year. Other employees may carry over half of their unused vacation. An accrual for earned but unused vacation leave is not recorded in these financial statements because amounts have been paid at year end and the remaining vacation leave will not be paid if the employee leaves during the next year.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

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:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purpose 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 the preceding classifications.

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 did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

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 Diversified Fund which are valued at an amortized cost of \$491,731 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

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

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u>     |
|--------------------|----------------------|-------------------|
| Debt Service       | Capital Projects     | \$ <u>279,885</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

**(4) Capital Assets**

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

|  | Balance<br>Beginning of<br>Year, as restated | Increases      | Decreases       | Balance<br>End<br>of Year |
|--|--|----------------|-----------------|---------------------------|
| <b>Governmental activities:</b>              |  |                |                 |                           |
| Capital assets not being depreciated:        |  |                |                 |                           |
| Land   | \$ <u>122,322</u>                            | ---            | ---             | <u>122,322</u>            |
| Capital assets being depreciated:            |  |                |                 |                           |
| Buildings                                    | 8,498,992                                    | 102,652        | ---             | 8,601,644                 |
| Improvements other than buildings            | 455,095                                      | 75,885         | ---             | 530,980                   |
| Furniture and equipment                      | <u>2,025,391</u>                             | <u>286,629</u> | <u>(10,000)</u> | <u>2,302,020</u>          |
| Total capital assets being depreciated       | <u>10,979,478</u>                            | <u>465,166</u> | <u>(10,000)</u> | <u>11,434,644</u>         |
| Less accumulated depreciation for:           |  |                |                 |                           |
| Buildings                                    | 3,247,338                                    | 156,655        | ---             | 3,403,993                 |
| Improvements other than buildings            | 384,748                                      | 13,310         | ---             | 398,058                   |
| Furniture and equipment                      | <u>1,144,484</u>                             | <u>238,034</u> | <u>(10,000)</u> | <u>1,372,518</u>          |
| Total accumulated depreciation               | <u>4,776,570</u>                             | <u>407,999</u> | <u>(10,000)</u> | <u>5,174,569</u>          |
| Total capital assets being depreciated, net  | <u>6,202,908</u>                             | <u>57,167</u>  | ---             | <u>6,260,075</u>          |
| Governmental activities capital assets, net  | \$ <u>6,325,230</u>                          | <u>57,167</u>  | ---             | <u>6,382,397</u>          |
|  | =====  | =====          | =====           | =====                     |
| <b>Business type activities:</b>             |  |                |                 |                           |
| Furniture and equipment                      | \$ 229,349                                   | ---            | ---             | 229,349                   |
| Less accumulated depreciation                | <u>212,258</u>                               | <u>4,077</u>   | ---             | <u>216,335</u>            |
| Business type activities capital assets, net | \$ <u>17,091</u>                             | <u>(4,077)</u> | ---             | <u>13,014</u>             |
|  | =====  | =====          | =====           | =====                     |

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

|         |            |
|---------|------------|
| Regular | \$ 119,379 |
| Other   | 1,232      |

Support services:

|                                    |               |
|------------------------------------|---------------|
| Instructional staff                | 7,880         |
| Administration                     | 25,342        |
| Operation and maintenance of plant | 10,279        |
| Transportation                     | <u>66,937</u> |

231,049

Unallocated

176,950

Total depreciation expense – governmental activities

\$ 407,999

=====

Business type activities:

Food service operations

\$ 4,077

=====

**(5) Long-Term Liabilities**

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

|                           | Balance<br>Beginning<br>of Year | Additions     | Reductions  | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|---------------------------|---------------------------------|---------------|-------------|---------------------------|---------------------------|
| Governmental activities:  |                                 |               |             |                           |                           |
| General obligation bonds  | \$ 1,080,000                    | ---           | 160,000     | 920,000                   | 170,000                   |
| Revenue bonds             | 795,000                         | ---           | 255,000     | 540,000                   | 265,000                   |
| Lease obligation          | 1,420                           | ---           | 510         | 910                       | 537                       |
| Early retirement          | 595,807                         | ---           | 264,042     | 331,765                   | 105,920                   |
| Net OPEB liability        | <u>---</u>                      | <u>44,920</u> | <u>---</u>  | <u>44,920</u>             | <u>---</u>                |
| <br>Total                 | <br>\$ 2,472,227                | <br>44,920    | <br>679,552 | <br>1,837,595             | <br>541,457               |
|                           | =====                           | =====         | =====       | =====                     | =====                     |
|                           |                                 |               |             |                           |                           |
| Business type activities: |                                 |               |             |                           |                           |
| Net OPEB liability        | \$ ---                          | 2,428         | ---         | 2,428                     | ---                       |
|                           | =====                           | =====         | =====       | =====                     | =====                     |

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District and one of its predecessor Districts. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement benefits paid to retirees of the former Meservey-Thornton Community School District were equal to a percentage, based on age at the time of retirement, of the employee's base salary calculated by using the current year regular salary, less any additional pay.

Early retirement benefits paid to retirees of the former Sheffield-Chapin Community School District were based on a percentage of annual health insurance benefits paid at the time of retirement.

Early retirement benefits paid to employees retiring in fiscal year 2008 of the former Sheffield Chapin Meservey Thornton Community School District are equal to a percentage of present health insurance costs based on two times the years employed with the district until they are eligible for Medicare.

Early retirement benefits paid to fiscal year 2009, 2010, and 2011 retirees of the former Sheffield Chapin Meservey Thornton Community School District are equal to the employee's monthly single health insurance premium at the time of retirement, for a period not to exceed five years or until eligible for Medicare, whichever is less.

Early retirement benefits paid to retirees of the former Rockwell-Swaledale Community School District were based on 40% of their current salary to be paid in the following year plus an amount equal to the monthly insurance premium at the time of their retirement paid over 60 months.

At June 30, 2012, the District has obligations to 17 participants with a total liability of \$331,765. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$270,035.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

General Obligation Bonds

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

Refunding Bond Issue of April 2007

| Year Ending     |                       |                   |                 |                  |
|-----------------|-----------------------|-------------------|-----------------|------------------|
| <u>June 30,</u> | <u>Interest Rates</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>     |
| 2013            | 3.60%                 | \$ 170,000        | 33,646          | 203,646          |
| 2014            | 3.625%                | 175,000           | 27,526          | 202,526          |
| 2015            | 3.65%                 | 185,000           | 21,183          | 206,183          |
| 2016            | 3.70%                 | 190,000           | 14,430          | 204,430          |
| 2017            | 3.70%                 | <u>200,000</u>    | <u>7,400</u>    | <u>207,400</u>   |
| Total           |                       | \$ <u>920,000</u> | <u>104,185</u>  | <u>1,024,185</u> |

During the year ended June 30, 2012, the District made principal and interest payments totaling \$199,374 under the agreement.

Revenue Bonds

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

Bond Issue of November 2004

| Year Ending     |                       |                   |                 |                |
|-----------------|-----------------------|-------------------|-----------------|----------------|
| <u>June 30,</u> | <u>Interest Rates</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>   |
| 2013            | 3.60%                 | \$ 265,000        | 15,082          | 280,082        |
| 2014            | 3.75%                 | <u>275,000</u>    | <u>5,156</u>    | <u>280,156</u> |
| Total           |                       | \$ <u>540,000</u> | <u>20,238</u>   | <u>560,238</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in November 2004. The bonds were issued for the purpose of financing a portion of the costs of remodeling the school buildings and industrial tech building. 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 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 33 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$560,238. For the current year principal and interest of \$279,315 were paid on the bonds and total statewide sales, services and use tax revenues were \$866,502.

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

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) Bonds maturing after July 1, 2011 may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- c) \$195,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- d) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose. The sinking fund is part of the Capital Projects Fund.

Capital Lease Purchase Obligations

In March 2009, the District entered into a capital lease-purchase agreement with Iowa Office Supply Inc. to finance the purchase of a printer totaling \$2,378. The lease is financed for five years at an interest rate of 5%. The following is a schedule of the future minimum lease payments, including interest per annum, and the present value of net minimum lease payments under the agreement at June 30, 2012:

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

| <u>Year ending June 30,</u>                 | <u>Amount</u> |
|---|---------------|
| 2013  | \$ 570        |
| 2014  | <u>380</u>    |
| Total minimum lease payments                | 950           |
| Less amount representing interest           | <u>(40)</u>   |
| Present value of net minimum lease payments | \$ <u>910</u> |

Payments under the agreement totaled \$570 for the year ended June 30, 2012.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the year ended June 30, 2012 was \$360,714 equal to the required contributions for year.

**(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 78 active and 11 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.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

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                | \$ 115,019              |
| Interest on net OPEB obligation             | ---                     |
| Adjustment to annual required contributions | <u>---</u>              |
| Annual OPEB cost                            | 115,019                 |
| Contributions made                          | <u>(67,671)</u>         |
| Increase in net OPEB obligation             | 47,348                  |
| Net OPEB obligation beginning of year       | <u>---</u>              |
| Net OPEB obligation end of year             | \$ <u><u>47,348</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$67,671 to the medical plan. Plan members eligible for benefits contributed \$39,101, or 36.6% 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      | Annual           | Percentage of           | Net         |
|-----------------|------------------|-------------------------|-------------|
| <u>June 30,</u> | <u>OPEB Cost</u> | <u>Cost Contributed</u> | <u>OPEB</u> |
| 2012            | \$ 115,019       | 58.8%                   | \$ 47,348   |

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$569,919, with no actuarial value of assets, resulting in an unfunded actuarial accrued

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

liability (UAAL) of \$569,919. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,646,000 and the ratio of the UAAL to covered payroll was 15.6%. 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2011 actuarial valuation date, the frozen entry age 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, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$519 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

**(8) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the fiscal year ended 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 \$311,991 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) Lease Commitments**

The District entered into a five-year operating lease for two copy machines in fiscal 2007. The amount paid during the fiscal year ended June 30, 2012 was \$4,853. There are no future payments on this lease.

The District entered into an operating lease with Fiala Office Products, Ltd. for the rental of four copiers and five multi-functional printers on October 10, 2011 for a period of 48 months. The monthly payment amount is \$910 plus a charge for copies. The amount paid for the fiscal year ended June 30, 2012 was \$7,763. The fixed future rentals are as follows:

| <u>Years Ending June 30,</u> | <u>Lease Payment</u> |
|------------------------------|----------------------|
| 2013                         | \$ 10,920            |
| 2014                         | 10,920               |
| 2015                         | 10,920               |
| 2016                         | <u>5,460</u>         |
| Total                        | \$ <u>38,220</u>     |

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

**(11) Categorical Funding**

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

| <u>Program</u>                             | <u>Amount</u>       |
|--|---------------------|
| Teacher salary supplement                  | \$ 82,141           |
| Professional development – core curriculum | 26,964              |
| Professional development                   | 2,261               |
| Gifted and Talented                        | 10,053              |
| Dropout prevention program                 | <u>98,025</u>       |
| Total                                      | \$ 219,444<br>===== |

**(12) Combination of Sheffield Chapin Meservey Thornton and Rockwell-Swaledale School Districts**

The Districts of Sheffield Chapin Meservey Thornton and Rockwell-Swaledale combined to form a new district, West Fork Community School District, effective July 1, 2011. Assets and liabilities were assumed by the newly formed district. The beginning balances of West Fork Community School District have been derived from the ending balances of the Sheffield Chapin Meservey Thornton and Rockwell-Swaledale districts at June 30, 2011 as follows:

**Government-wide Financial Statements:**

(Governmental activities)

|   | <u>Sheffield Chapin<br/>Meservey Thornton</u> | <u>Rockwell-<br/>Swaledale</u> | <u>West Fork</u>      |
|---|---|--------------------------------|-----------------------|
| Net assets, June 30, 2011   | \$ 5,488,666                                  | 3,723,431                      | 9,212,097             |
| Restate balance for:  |   |                                |                       |
| Capital Assets  |   |                                | (1,229,758)           |
| Net OPEB Liability  |   |                                | <u>19,491</u>         |
| Net assets, July 1, 2011, restated<br>for West Fork Community School District |   |                                | \$ 8,001,830<br>===== |

West Fork Community School District  
Rockwell, Iowa

Notes to Financial Statements

June 30, 2012

Beginning net assets were restated due to a new capital asset inventory being completed and a new OPEB liability being calculated due to the reorganizing of the district.

**Fund Financial Statements:**

|  | <u>Sheffield Chapin<br/>Meservey Thornton</u> | <u>Rockwell-<br/>Swaledale</u> | <u>Restatement</u> | <u>West Fork</u> |
|--|---|--------------------------------|--------------------|------------------|
| <b>Governmental Funds:</b>               |   |                                |                    |                  |
| General Fund                             | \$ 902,357                                    | 572,752                        | ---                | 1,475,109        |
| Student Activity                         | 6,495   | 1,313                          | ---                | 7,808            |
| Management Levy                          | 215,152                                       | 80,724                         | ---                | 295,876          |
| Statewide Sales, Services<br>and Use Tax | 797,556                                       | 624,484                        | ---                | 1,422,040        |
| Physical Plant and<br>Equipment Levy     | 270,781                                       | 150,001                        | ---                | 420,782          |
| Debt Service                             | <u>73,707</u>                                 | <u>---</u>                     | <u>---</u>         | <u>73,707</u>    |
| Total Governmental Funds                 | <u>\$ 2,266,048</u>                           | <u>1,429,274</u>               | <u>---</u>         | <u>3,695,322</u> |
| <br>                                     |   |                                |                    |                  |
| <b>Proprietary Funds:</b>                |   |                                |                    |                  |
| Nutrition Fund                           | <u>\$ 52,797</u>                              | <u>19,475</u>                  | <u>(9,144)</u>     | <u>63,128</u>    |
| <br>                                     |   |                                |                    |                  |
| <b>Fiduciary Funds:</b>                  |   |                                |                    |                  |
| Private Purpose Trust                    | <u>\$ 2,218</u>                               | <u>1,864</u>                   | <u>---</u>         | <u>4,082</u>     |

The Nutrition Fund balance was restated due to a new capital asset inventory being completed and a new OPEB liability being calculated due to the reorganizing of the district.

**(13) Subsequent Event**

Subsequent events have been evaluated through March 21, 2013, which is the date the financial statements were available to be issued.

On December 17, 2012 the board approved a bid for engineering services to proceed with the Rockwell boiler project for \$55,000.

On March 21, 2013 the board approved a bid for a new roof for \$75,000.

**Required Supplementary Information**

West Fork Community School District  
Rockwell, Iowa

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<br>Funds<br><u>Actual</u> | Proprietary<br>Fund<br><u>Actual</u> |
|---|--|--------------------------------------|
| Revenues:   |  |                                      |
| Local sources   | \$ 5,311,830                           | 190,374                              |
| Intermediary sources  | -                                      | -                                    |
| State sources   | 4,190,700                              | 3,781                                |
| Federal sources   | <u>248,174</u>                         | <u>174,365</u>                       |
| Total revenues  | <u>9,750,704</u>                       | <u>368,520</u>                       |
| Expenditures/Expenses:  |  |                                      |
| Instruction   | 5,556,513                              | -                                    |
| Support services  | 2,509,573                              | -                                    |
| Non-instructional programs  | 283                                    | 379,429                              |
| Other expenditures  | <u>957,388</u>                         | <u>-</u>                             |
| Total expenditures/expenses   | <u>9,023,757</u>                       | <u>379,429</u>                       |
| Excess (deficiency) of revenues over (under) expenditures/expenses  | 726,947                                | (10,909)                             |
| Other financing sources, net  | <u>1,675</u>                           | <u>-</u>                             |
| Excess (deficiency) of revenues and other financing<br>sources over (under) expenditures/expenses and other<br>financing uses | 728,622                                | (10,909)                             |
| Balances beginning of year  | <u>3,695,322</u>                       | <u>63,128</u>                        |
| Balances end of year  | <u>\$ 4,423,944</u>                    | <u>52,219</u>                        |

See accompanying independent auditor's report.

| <u>Total<br/>Actual</u> | <u>Budgeted Amounts</u> |                   | <u>Final to<br/>Actual<br/>Variance</u> |
|-------------------------|-------------------------|-------------------|---|
|                         | <u>Original</u>         | <u>Final</u>      |   |
| 5,502,204               | 5,185,053               | 5,185,053         | 317,151                                 |
| -                       | 3,500                   | 3,500             | (3,500)                                 |
| 4,194,481               | 4,255,624               | 4,255,624         | (61,143)                                |
| <u>422,539</u>          | <u>353,700</u>          | <u>353,700</u>    | <u>68,839</u>                           |
| <u>10,119,224</u>       | <u>9,797,877</u>        | <u>9,797,877</u>  | <u>321,347</u>                          |
| 5,556,513               | 5,990,000               | 5,990,000         | 433,487                                 |
| 2,509,573               | 2,733,000               | 2,733,000         | 223,427                                 |
| 379,712                 | 384,000                 | 384,000           | 4,288                                   |
| <u>957,388</u>          | <u>2,035,911</u>        | <u>2,035,911</u>  | <u>1,078,523</u>                        |
| <u>9,403,186</u>        | <u>11,142,911</u>       | <u>11,142,911</u> | <u>1,739,725</u>                        |
| 716,038                 | (1,345,034)             | (1,345,034)       | 2,061,072                               |
| <u>1,675</u>            | <u>-</u>                | <u>-</u>          | <u>1,675</u>                            |
| 717,713                 | (1,345,034)             | (1,345,034)       | 2,062,747                               |
| <u>3,758,450</u>        | <u>3,516,707</u>        | <u>3,516,707</u>  | <u>241,743</u>                          |
| <u>4,476,163</u>        | <u>2,171,673</u>        | <u>2,171,673</u>  | <u>2,304,490</u>                        |

West Fork Community School District  
Rockwell, 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted.

West Fork Community School District

Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 2012                | July 1, 2011             | -                             | 569,919                               | 569,919                   | 0.0%               | 3,646,000           | 15.6%   |

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.

See accompanying independent auditor's report.

## **Supplementary Information**

West Fork Community School District  
Rockwell, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

|  | Special Revenue                |  |                |
|--|--------------------------------|--|----------------|
|  | Manage-<br>ment<br><u>Levy</u> | Student<br>Activity<br><u>Activity</u> | <u>Total</u>   |
| <b>Assets</b>                              |                                |  |                |
| Cash and pooled investments                | \$ 227,405                     | 8,305                                  | 235,710        |
| Receivables:                               |                                |  |                |
| Property tax:                              |                                |  |                |
| Delinquent                                 | 3,975                          | -                                      | 3,975          |
| Succeeding year                            | 300,000                        | -                                      | 300,000        |
| Prepaid expenses                           | 6,460                          | -                                      | 6,460          |
| <b>Total assets</b>                        | <b>\$ 537,840</b>              | <b>8,305</b>                           | <b>546,145</b> |
| <b>Liabilities and Fund Balances</b>       |                                |  |                |
| Liabilities:                               |                                |  |                |
| Accounts payable                           | \$ 8,469                       | -                                      | 8,469          |
| Deferred revenue:                          |                                |  |                |
| Succeeding year property tax               | 300,000                        | -                                      | 300,000        |
| Total liabilities                          | 308,469                        | -                                      | 308,469        |
| Fund balances:                             |                                |  |                |
| Nonspendable for:                          |                                |  |                |
| Prepaid expenses                           | 6,460                          | -                                      | 6,460          |
| Restricted for:                            |                                |  |                |
| Management levy purposes                   | 222,911                        | -                                      | 222,911        |
| Student activities                         | -                              | 8,305                                  | 8,305          |
| Total fund balances                        | 229,371                        | 8,305                                  | 237,676        |
| <b>Total liabilities and fund balances</b> | <b>\$ 537,840</b>              | <b>8,305</b>                           | <b>546,145</b> |

See accompanying independent auditor's report.

West Fork Community School District  
Rockwell, Iowa

Schedule 2

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

Year ended June 30, 2012

|   | Special Revenue                |  |              |
|---|--------------------------------|--|--------------|
|   | Manage-<br>ment<br><u>Levy</u> | Student<br>Activity<br><u>Activity</u> | <u>Total</u> |
| Revenues:   |                                |  |              |
| Local sources:  |                                |  |              |
| Local tax   | \$ 290,145                     | -                                      | 290,145      |
| Other   | 11,204                         | 220,678                                | 231,882      |
| State sources   | 154                            | -                                      | 154          |
| Total revenues  | 301,503                        | 220,678                                | 522,181      |
| Expenditures:   |                                |  |              |
| Current:  |                                |  |              |
| Instruction:  |                                |  |              |
| Regular   | 261,662                        | -                                      | 261,662      |
| Other   | -                              | 220,181                                | 220,181      |
| Support services:   |                                |  |              |
| Instructional staff                                       | 522                            | -                                      | 522          |
| Administration  | 61,702                         | -                                      | 61,702       |
| Operation and maintenance of plant                        | 43,255                         | -                                      | 43,255       |
| Transportation  | 584                            | -                                      | 584          |
| Non-instructional programs                                | 283                            | -                                      | 283          |
| Total expenditures  | 368,008                        | 220,181                                | 588,189      |
| Excess (deficiency) of revenues over (under) expenditures | (66,505)                       | 497                                    | (66,008)     |
| Fund balances beginning of year, as restated              | 295,876                        | 7,808                                  | 303,684      |
| Fund balances end of year                                 | \$ 229,371                     | 8,305                                  | 237,676      |

See accompanying independent auditor's report.

West Fork Community School District  
Rockwell, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

| <u>Account</u>                  | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Revenues<br/>and Interfund<br/>Transfers</u> | <u>Expenditures</u> | <u>Intra-<br/>Fund<br/>Transfers</u> | <u>Balance<br/>End<br/>of Year</u> |
|---------------------------------|--|---|---------------------|--------------------------------------|------------------------------------|
| Annual - High School            | \$ (6,379)                               | 10,225  | 8,074               | -                                    | (4,228)                            |
| Annual - Middle School          | 1,309                                    | 1,175   | 2,636               | 1,225                                | 1,073                              |
| Athletics - High School         | (37,174)                                 | 106,718   | 105,070             | (675)                                | (36,201)                           |
| Athletics - Middle School       | (1,642)                                  | 1,781   | 4,085               | (546)                                | (4,492)                            |
| Band Club                       | 2,833                                    | 23,705  | 25,032              | -                                    | 1,506                              |
| Cheerleaders                    | 674                                      | 6,173   | 5,908               | -                                    | 939                                |
| Class of 2012                   | 3,915                                    | 810   | 4,954               | 229                                  | -                                  |
| Class of 2013                   | 3,123                                    | 15,639  | 11,831              | (213)                                | 6,718                              |
| Class of 2014                   | 1,503                                    | 12  | 140                 | -                                    | 1,375                              |
| Concessions - Middle School     | 387                                      | 3,718   | 2,486               | -                                    | 1,619                              |
| Cornbowl                        | 4  | -   | -                   | (4)                                  | -                                  |
| Dance team                      | -  | 3,564   | 2,959               | -                                    | 605                                |
| Drama                           | 4,482                                    | 1,011   | 549                 | -                                    | 4,944                              |
| FFA                             | 6,276                                    | 26,238  | 21,274              | -                                    | 11,240                             |
| Interest - High School          | -  | 44  | -                   | -                                    | 44                                 |
| Music - Middle School           | 101                                      | -   | -                   | -                                    | 101                                |
| Music Trip - Middle School      | 181                                      | -   | -                   | -                                    | 181                                |
| National Honor Society          | 1,086                                    | 1,833   | 1,600               | -                                    | 1,319                              |
| Speech                          | 307                                      | 16  | 344                 | 21                                   | -                                  |
| Student Council - Elementary    | 21,468                                   | 12,354  | 15,993              | 124                                  | 17,953                             |
| Student Council - Middle School | 973                                      | 3,971   | 4,071               | -                                    | 873                                |
| Student Council - High School   | 4,381                                    | 1,691   | 3,175               | (161)                                | 2,736                              |
| Total                           | <u>\$ 7,808</u>                          | <u>220,678</u>                                  | <u>220,181</u>      | <u>-</u>                             | <u>8,305</u>                       |

See accompanying independent auditor's report.

West Fork Community School District  
Rockwell, Iowa

Schedule 4

Combining Balance Sheet  
Capital Projects Accounts

Year ended June 30, 2012

| Assets                                     | Capital Projects                                     |  |              |
|--|--|--|--------------|
|  | <u>Statewide<br/>Sales, Services<br/>and Use Tax</u> | <u>Physical Plant<br/>and Equipment<br/>Levy</u> | <u>Total</u> |
| Cash and pooled investments                | \$ 1,157,192   | 480,573  | 1,637,765    |
| Cash with fiscal agent                     | 470,066  | -  | 470,066      |
| Receivables:                               |  |  |              |
| Property tax:                              |  |  |              |
| Delinquent                                 | -  | 4,303  | 4,303        |
| Succeeding year                            | -  | 322,000  | 322,000      |
| Due from other governments                 | 156,991  | -  | 156,991      |
| <b>Total assets</b>                        | 1,784,249  | 806,876  | 2,591,125    |
| <b>Liabilities and Fund Balances</b>       |  |  |              |
| Liabilities:                               |  |  |              |
| Accounts payable                           | -  | 1,780  | 1,780        |
| Deferred revenue:                          |  |  |              |
| Succeeding year property tax               | -  | 322,000  | 322,000      |
| Total liabilities                          | -  | 323,780  | 323,780      |
| Fund balances:                             |  |  |              |
| Restricted for:                            |  |  |              |
| School infrastructure                      | 1,784,249  | -  | 1,784,249    |
| Physical plant and equipment               | -  | 483,096  | 483,096      |
| Total fund balances                        | 1,784,249  | 483,096  | 2,267,345    |
| <b>Total liabilities and fund balances</b> | \$ 1,784,249   | 806,876  | 2,591,125    |

See accompanying independent auditor's report.

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances  
Capital Projects Accounts

Year ended June 30, 2012

|   | Capital Projects                            |   |           |
|---|---|---|-----------|
|   | Statewide<br>Sales, Services<br>and Use Tax | Physical Plant<br>and Equipment<br>Levy | Total     |
| Revenues:   |   |   |           |
| Local sources:  |   |   |           |
| Local tax   | \$ 866,502                                  | 443,939                                 | 1,310,441 |
| Other   | 42  | -                                       | 42        |
| State sources   | -   | 167                                     | 167       |
| Total revenues  | 866,544                                     | 444,106                                 | 1,310,650 |
| Expenditures:   |   |   |           |
| Support services:   |   |   |           |
| Instructional staff   | 176,158                                     | -                                       | 176,158   |
| Administration  | 4,750                                       | 177,032                                 | 181,782   |
| Operation and maintenance of plant                            | 7,687                                       | 74,978                                  | 82,665    |
| Other expenditures:   |   |   |           |
| Facilities acquisition  | 36,425                                      | 129,212                                 | 165,637   |
| Total expenditures  | 225,020                                     | 381,222                                 | 606,242   |
| Excess of revenues over expenditures                          | 641,524                                     | 62,884                                  | 704,408   |
| Other financing sources (uses):                               |   |   |           |
| Transfer out  | (279,315)                                   | (570)                                   | (279,885) |
| Total other financing sources (uses)                          | (279,315)                                   | (570)                                   | (279,885) |
| Excess of revenues over expenditures and other financing uses | 362,209                                     | 62,314                                  | 424,523   |
| Fund balances beginning of year, as restated                  | 1,422,040                                   | 420,782                                 | 1,842,822 |
| Fund balances end of year                                     | \$ 1,784,249                                | 483,096                                 | 2,267,345 |

See accompanying independent auditor's report.

West Fork Community School District  
Rockwell, Iowa

Schedule 6

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

For the Year Ended June 30, 2012

|                                    | <u>Modified</u><br><u>Accrual Basis</u><br><u>2012</u> |
|------------------------------------|--|
| Revenues:                          |  |
| Local sources:                     |  |
| Local tax                          | \$ 4,802,085   |
| Tuition                            | 191,229  |
| Other                              | 318,516  |
| State sources                      | 4,190,700  |
| Federal sources                    | <u>248,174</u>   |
| Total                              | <u>\$ 9,750,704</u>                                    |
| Expenditures:                      |  |
| Instruction:                       |  |
| Regular                            | \$ 3,618,087   |
| Special                            | 925,017  |
| Other                              | 1,013,409  |
| Support services:                  |  |
| Student                            | 189,531  |
| Instructional staff                | 295,084  |
| Administration                     | 1,044,757  |
| Operation and maintenance of plant | 537,488  |
| Transportation                     | 442,713  |
| Non-instructional programs         | 283  |
| Other expenditures:                |  |
| Facilities acquisition             | 165,637  |
| Long-term debt:                    |  |
| Principal                          | 415,511  |
| Interest and other charges         | 64,249   |
| AEA flowthrough                    | <u>311,991</u>   |
| Total                              | <u>\$ 9,023,757</u>                                    |

See accompanying independent auditor's report.

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

## Certified Public Accountants

714 14th Avenue North  
Fort Dodge, IA 50501-7098  
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.  
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.  
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.  
jjmaher@frontiernet.net

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 Fork 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 Fork 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 March 21, 2013. Our report expressed unqualified opinions on the financial statements except for the component unit, West Fork Booster Club, which was not audited. 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 Fork Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered West Fork Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Fork Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Fork 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, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

### Compliance and Other Matters

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

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

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

March 21, 2013

West Fork Community School District  
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-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 are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes. We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-12 Preparation of Financial Statements – The District does not have an internal control system designed to provide for 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 Fork 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.

West Fork Community School District  
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2012

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.

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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

West Fork Community School District  
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2012

**Part II: Other Findings Related To Required Statutory Reporting:**

- II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 did not exceed the amounts budgeted.
- II-B-12 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-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.
- II-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| <u>Name, Title and<br/>Business Connection</u>                    | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Mary Schlichting, Board Member,<br>Owns Country Designs           | Flowers                            | \$ 100        |
| Lacey Weier, Board Secretary,<br>Father owns Weier’s Lawn Service | Lawn care services                 | \$ 3,670      |

The transaction with Board Member, Schlichting, does not appear to violate Chapter 279.7A as the transaction is less than \$2500 in a fiscal year. In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction with the Board Secretary’s father, does not appear to represent a conflict of interest.

- II-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-12 Board Minutes – No transactions requiring board approval that had been approved by the board were noted.

West Fork Community School District  
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2012

II-G-12 Certified Enrollment – One variance in the basic enrollment data certified to the Department of Education was noted. The District did not count one student that was living in the District but open enrolled in another District.

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

Response – In the future, the school will review student counts to ensure all students living in the District but attending another District are properly included in the enrollment data certified to the Iowa Department of Education.

Conclusion – Response accepted.

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

II-I-12 Deposits and Investments –No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District’s investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. The District exceeded its approved maximum depository amount stated in its depository resolution.

Recommendation - The District should review for sufficiency the maximum amount to be deposited at its depositories and increase the amount if needed.

Response - We have reviewed and increased the maximum amount stated in the depository resolution.

Conclusion-Response accepted.

II-J-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

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

West Fork Community School District  
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2012

- II-L-12 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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                  |                | \$ 1,422,040        |
| Revenues:                          |                |                     |
| Sales tax revenues                 | \$ 866,502     |                     |
| Other local revenues               | <u>42</u>      | <u>866,544</u>      |
|                                    |                | 2,288,584           |
| Expenditures:                      |                |                     |
| School infrastructure construction | \$ 36,425      |                     |
| Equipment                          | 187,095        |                     |
| Other                              | 1,500          |                     |
| Transfers to debt service fund     | <u>279,315</u> | <u>504,335</u>      |
| Ending balance                     |                | \$ <u>1,784,249</u> |

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.

- II-M-12 Deficit Balances – Three student activity accounts had deficit balances at June 30, 2012.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

West Fork Community School District  
Rockwell, Iowa

Schedule of Findings

Year ended June 30, 2012

II-N-12 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.