

WALNUT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012

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Walnut Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 Election)		
Shannon Griffith	President	2011
Troy Schaben	Vice President	2013
Bryan Simonsen	Board Member	2011
Ron Hamilton	Board Member	2011
Todd Ehlers	Board Member	2013
(After September 2011 Election)		
Shannon Griffith	President	2015
Troy Schaben	Vice President (Resigned June 2012)	2013
Bryan Simonsen	Board Member	2015
Ron Hamilton	Board Member	2015
Todd Ehlers	Board Member	2013
<u>School Officials</u>		
James Hammrich	Superintendent	2012
Karli North	Board Secretary	2012
Mary Beth Fast	Business Manager	2012
Mundt, Franck & Schumacher	Attorney	2012

WALNUT COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Walnut Community School District:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Walnut Community School District at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof 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 the Walnut 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 Governmental 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, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 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 inquires, 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 an opinion on the financial statements that collectively comprise Walnut Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Walnut Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,292,070 in fiscal 2011 to \$2,562,144 in fiscal 2012, while General Fund expenditures increased from \$2,189,326 in fiscal 2011 to \$2,479,022 in fiscal 2012. The District's General Fund balance increased from \$448,815 at June 30, 2011 to \$531,937 at June 30, 2012.
- The increase in General Fund revenues was attributable to an increase in local sources. The increase in expenditures was due to the increase in instructional and support services expenditures.

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 Walnut 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 Walnut 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 Walnut Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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.

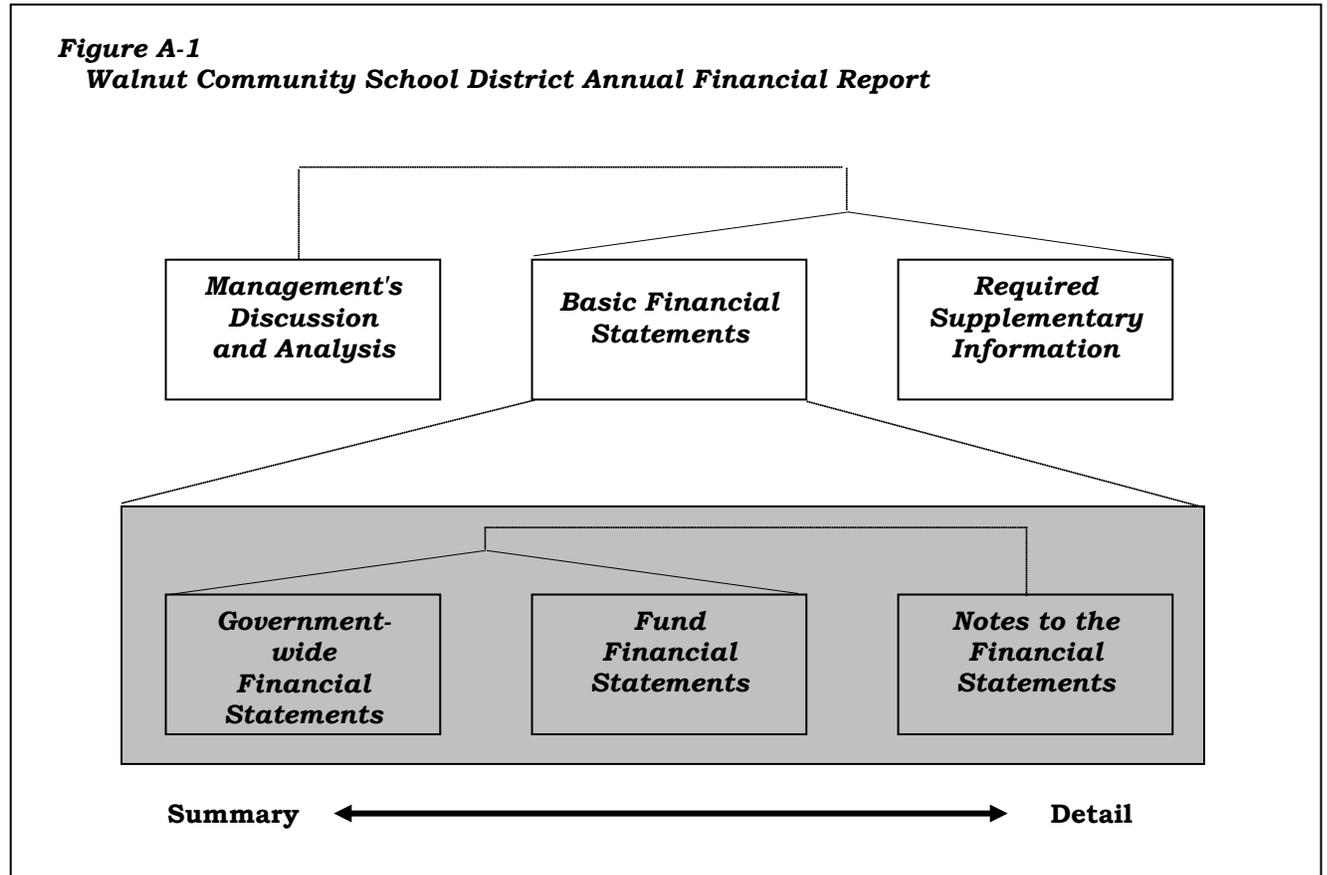


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for the 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 and Agency Funds.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - The District administers and accounts for revenues collected and expenditures paid for scholarships to students through the Walnut Education Association.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 3,162,539	3,602,574	706	7,651	3,163,245	3,610,225	-12.38%
Capital assets	1,793,139	1,818,257	24,004	27,124	1,817,143	1,845,381	-1.53%
Total assets	4,955,678	5,420,831	24,710	34,775	4,980,388	5,455,606	-8.71%
Long-term obligations	26,408	629,093	525	525	26,933	629,618	-95.72%
Other liabilities	1,709,323	1,825,459	71,195	71,735	1,780,518	1,897,194	-6.15%
Total liabilities	1,735,731	2,454,552	71,720	72,260	1,807,451	2,526,812	-28.47%
Net assets:							
Invested in capital assets, net of related debt	1,793,139	1,203,257	24,004	27,124	1,817,143	1,230,381	47.69%
Restricted	1,092,172	1,485,576	-	-	1,092,172	1,485,576	-26.48%
Unrestricted	334,636	277,446	(71,014)	(64,609)	263,622	212,837	23.86%
Total net assets	\$ 3,219,947	2,966,279	(47,010)	(37,485)	3,172,937	2,928,794	8.34%

The District's combined net assets increased by 8.34%, or \$244,143, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$393,404, or 26.48% from the prior year. The decrease in restricted net assets is a result of a decrease in the fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$50,785, or 23.86%. The increase in unrestricted net assets was a result of the District's increase in General Fund carryover balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4
Changes in Net Assets

	Governmental		Business Type		Total		Total Change 2011-12
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program revenues:							
Charges for services	\$ 125,176	125,444	77,711	88,879	202,887	214,323	-5.34%
Operating grants, contributions and restricted interest	254,123	291,329	57,830	52,638	311,953	343,967	-9.31%
Capital grants, contributions and restricted interest	-	750	-	-	-	750	-100.00%
General revenues:							
Property tax	1,617,203	1,332,572	-	-	1,617,203	1,332,572	21.36%
Income surtax	12,061	23,611	-	-	12,061	23,611	-48.92%
Statewide sales, services and use tax	186,956	187,078	-	-	186,956	187,078	-0.07%
Unrestricted state grants	861,868	847,813	-	-	861,868	847,813	1.66%
Non specific program federal grants	669	67,743	-	-	669	67,743	-99.01%
Unrestricted investment earnings	2,227	3,073	-	-	2,227	3,073	-27.53%
Other general revenues	57,180	65,240	4,524	5,962	61,704	71,202	-13.34%
Total revenues	3,117,463	2,944,653	140,065	147,479	3,257,528	3,092,132	5.35%
Program expenses:							
Governmental activities:							
Instruction	1,736,727	1,489,395	-	-	1,736,727	1,489,395	16.61%
Support services	981,432	833,687	1,710	6,325	983,142	840,012	17.04%
Non-instructional programs	-	-	147,880	165,535	147,880	165,535	-10.67%
Other expenses	145,636	160,707	-	-	145,636	160,707	-9.38%
Total expenses	2,863,795	2,483,789	149,590	171,860	3,013,385	2,655,649	13.47%
Changes in net assets	253,668	460,864	(9,525)	(24,381)	244,143	436,483	-44.07%
Net assets beginning of year	2,966,279	2,505,415	(37,485)	(13,104)	2,928,794	2,492,311	17.51%
Net assets end of year	\$ 3,219,947	2,966,279	(47,010)	(37,485)	3,172,937	2,928,794	8.34%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 85.91% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.77% of the revenue from business type activities.

The District's total revenues were approximately \$3.26 million of which approximately \$3.12 million was for governmental activities and approximately \$0.14 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.35% increase in revenues and a 13.47% increase in expenses. Property tax increased \$284,631 to help fund expenditures. The increase in expenses is related to an increase in instructional and support services expenses.

Governmental Activities

Revenues for governmental activities were \$3,117,463 and expenses were \$2,863,795.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 1,736,727	1,489,395	16.61%	1,434,999	1,162,026	23.49%
Support services	981,432	833,687	17.72%	981,432	831,438	18.04%
Other expenses	145,636	160,707	-9.38%	68,065	72,802	-6.51%
Totals	<u>\$ 2,863,795</u>	<u>2,483,789</u>	<u>15.30%</u>	<u>2,484,496</u>	<u>2,066,266</u>	<u>20.24%</u>

- The cost financed by users of the District's programs was \$125,176.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$254,123.
- The net cost of governmental activities was financed with \$1,617,203 in property tax, \$12,061 in income surtax, \$186,956 in statewide sales, services and use tax, \$861,868 in unrestricted state grants, \$669 in nonspecific program federal grants, \$2,227 in interest income and \$57,180 in other general revenues.

Business-Type Activities

Revenues of the District's business type activities were \$140,065 and expenses were \$149,590. The District's business type activities include the School Nutrition and Daycare Funds. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,435,422, which is less than last year's ending fund balances of \$1,755,165. The decrease in combined fund balances is primarily a result of the decrease in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Governmental Fund Highlights

- The General Fund balance increased from \$448,815 to \$531,937. The increase in General Fund balance is a result of increases in local source revenues to go along with an increase in instructional and support services expenditures.
- The Capital Projects Fund balance decreased from a balance of \$976,058 at the beginning of the fiscal year 2012 to \$607,331 at the end of fiscal 2012. This decrease was the result of the District using existing funds to call the general obligation bonds dated April 3, 2008.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from a deficit \$1,521 at June 30, 2011 to a deficit \$8,148 at June 30, 2012, representing a decrease of 435.70%. Decreases in revenues as compared to the previous year led to the decrease in net assets for the School Nutrition Fund.
- Overall, net assets for the Daycare Fund decreased from a deficit \$35,964 at June 30, 2011 to a deficit \$38,862 at June 30, 2012, representing a decrease of 8.06%. Decreases in revenues as compared to the previous year led to the decrease in net assets for the Daycare Fund.

BUDGETARY HIGHLIGHTS

The District's revenues were \$86,098 more than budgeted revenues, a variance of 2.71%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested approximately \$1.82 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.55% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$94,161.

The original cost of the District's capital assets was \$5.36 million. Governmental funds account for approximately \$5.28 million with the remainder of approximately \$0.08 million in the Proprietary, School Nutrition and Daycare Funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$127,802 at June 30, 2011, compared to \$108,369 reported at June 30, 2012. This decrease resulted from depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change 2011-12
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
Land	\$ 40,125	40,125	-	-	40,125	40,125	0.00%
Buildings	1,530,339	1,526,814	23,455	26,300	1,553,794	1,553,114	0.04%
Land improvements	114,855	124,340	-	-	114,855	124,340	-8.26%
Machinery and equipment	107,820	126,978	549	824	108,369	127,802	-17.93%
Total	\$ 1,793,139	1,818,257	24,004	27,124	1,817,143	1,845,381	-1.55%

Long-Term Debt

At June 30, 2012, the District had a net OPEB liability of \$27,391. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding Net OPEB liability at June 30, 2012 of \$27,391. Governmental activities account for \$26,408 while business type activities account for \$525.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change 2011-12
	Activities		Activities		School District		
	2012	2011	2012	2011	2012	2011	
General Obligation Bonds	\$ -	615,000	-	-	-	615,000	-100.00%
Net OPEB liability	26,408	14,093	983	525	27,391	14,618	87.38%
Totals	\$ 26,408	629,093	983	525	27,391	629,618	-95.65%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.
- Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
- The District continues to have issues with declining enrollment. The decline in enrollment means less state funding for the District.

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 Teresa Griffith, Board Secretary, Walnut Community School District, 415 Antique City Drive, Walnut, Iowa, 51577.

WALNUT COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

WALNUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,635,420	-	1,635,420
Receivables:			
Property tax:			
Delinquent	23,244	-	23,244
Succeeding year	1,374,597	-	1,374,597
Income surtax	17,794	-	17,794
Accounts	4,333	-	4,333
Due from other funds	62,827	-	62,827
Due from other governments	44,324	-	44,324
Inventories	-	706	706
Capital assets, net of accumulated depreciation			
Buildings	1,530,339	23,455	1,553,794
Land and improvements	154,980	-	154,980
Machinery and equipment	107,820	549	108,369
TOTAL ASSETS	4,955,678	24,710	4,980,388
LIABILITIES			
Due to other funds	-	62,827	62,827
Accounts payable	152,765	-	152,765
Salaries and benefits payable	181,961	7,716	189,677
Deferred revenue:			
Succeeding year property tax	1,374,597	-	1,374,597
Unearned revenue	-	194	194
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	26,408	983	27,391
TOTAL LIABILITIES	1,735,731	71,720	1,807,451
NET ASSETS			
Invested in capital assets, net of related debt	1,793,139	24,004	1,817,143
Restricted for:			
Categorical funding	188,687	-	188,687
School infrastructure	541,274	-	541,274
Physical plant and equipment	66,057	-	66,057
Debt service	33,113	-	33,113
Management levy purposes	240,056	-	240,056
Student activities	22,985	-	22,985
Unrestricted	334,636	(71,014)	263,622
TOTAL NET ASSETS	\$ 3,219,947	(47,010)	3,172,937

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business type Activities		
Expenses						
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,306,412	102,146	94,374	(1,109,892)	-	(1,109,892)
Special	224,520	-	10,635	(213,885)	-	(213,885)
Other	205,795	23,030	71,543	(111,222)	-	(111,222)
	<u>1,736,727</u>	<u>125,176</u>	<u>176,552</u>	<u>(1,434,999)</u>	<u>-</u>	<u>(1,434,999)</u>
Support services:						
Student	11,628	-	-	(11,628)	-	(11,628)
Instructional staff	236,084	-	-	(236,084)	-	(236,084)
Administration	281,666	-	-	(281,666)	-	(281,666)
Operation and maintenance of plant	376,351	-	-	(376,351)	-	(376,351)
Transportation	75,703	-	-	(75,703)	-	(75,703)
	<u>981,432</u>	<u>-</u>	<u>-</u>	<u>(981,432)</u>	<u>-</u>	<u>(981,432)</u>
Long-term debt interest	17,486	-	-	(17,486)	-	(17,486)
Other expenses:						
AEA flowthrough	77,571	-	77,571	-	-	-
Depreciation(unallocated)*	50,579	-	-	(50,579)	-	(50,579)
	<u>128,150</u>	<u>-</u>	<u>77,571</u>	<u>(50,579)</u>	<u>-</u>	<u>(50,579)</u>
Total governmental activities	<u>2,863,795</u>	<u>125,176</u>	<u>254,123</u>	<u>(2,484,496)</u>	<u>-</u>	<u>(2,484,496)</u>
Business type activities:						
Support services:						
Administration	220	-	-	-	(220)	(220)
Operation and maintenance of plant	1,490	-	-	-	(1,490)	(1,490)
	<u>1,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,710)</u>	<u>(1,710)</u>
Non-instructional programs:						
Food service operations	97,709	37,782	52,823	-	(7,104)	(7,104)
Other enterprise operations	50,171	39,929	5,007	-	(5,235)	(5,235)
	<u>147,880</u>	<u>77,711</u>	<u>57,830</u>	<u>-</u>	<u>(12,339)</u>	<u>(12,339)</u>
Total business type activities	<u>149,590</u>	<u>77,711</u>	<u>57,830</u>	<u>-</u>	<u>(14,049)</u>	<u>(14,049)</u>
Total primary government	<u>\$ 3,013,385</u>	<u>202,887</u>	<u>311,953</u>	<u>(2,484,496)</u>	<u>(14,049)</u>	<u>(2,498,545)</u>
General Revenues:						
Property tax levied for:						
General purposes			\$ 1,324,385	-		1,324,385
Debt service			182,124	-		182,124
Capital outlay			110,694	-		110,694
Income surtax			12,061	-		12,061
Statewide sales, services and use tax			186,956	-		186,956
Unrestricted state grants			861,868	-		861,868
Nonspecific program federal grants			669	-		669
Unrestricted investment earnings			2,227	-		2,227
Other general revenues			57,180	4,524		61,704
Total general revenues			<u>2,738,164</u>	<u>4,524</u>		<u>2,742,688</u>
Changes in net assets			253,668	(9,525)		244,143
Net assets beginning of year			<u>2,966,279</u>	<u>(37,485)</u>		<u>2,928,794</u>
Net assets end of year			<u>\$ 3,219,947</u>	<u>(47,010)</u>		<u>3,172,937</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 768,103	573,627	31,369	262,321	1,635,420
Receivables:					
Property tax					
Delinquent	19,117	1,792	1,744	591	23,244
Succeeding year	1,224,959	129,638	-	20,000	1,374,597
Income surtax	17,794	-	-	-	17,794
Accounts	4,055	-	-	278	4,333
Due from other funds	62,827	-	-	-	62,827
Due from other governments	12,412	31,912	-	-	44,324
TOTAL ASSETS	\$ 2,109,267	736,969	33,113	283,190	3,162,539
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 152,616	-	-	149	152,765
Salaries and benefits payable	181,961	-	-	-	181,961
Deferred revenue:					
Succeeding year property tax	1,224,959	129,638	-	20,000	1,374,597
Income surtax	17,794	-	-	-	17,794
Total liabilities	1,577,330	129,638	-	20,149	1,727,117
Fund balances:					
Restricted for:					
Categorical funding	188,687	-	-	-	188,687
School infrastructure	-	541,274	-	-	541,274
Physical plant and equipment	-	66,057	-	-	66,057
Debt service	-	-	33,113	-	33,113
Management levy purposes	-	-	-	240,056	240,056
Student activities	-	-	-	22,985	22,985
Unassigned	343,250	-	-	-	343,250
Total fund balances	531,937	607,331	33,113	263,041	1,435,422
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,109,267	736,969	33,113	283,190	3,162,539

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances of governmental funds(page 20)	\$	1,435,422
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		1,793,139
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		17,794
Long-term liabilities, including other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds		<u>(26,408)</u>
Net assets of governmental activities(page 18)	\$	<u><u>3,219,947</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,292,134	297,650	182,124	50,052	1,821,960
Tuition	28,571	-	-	-	28,571
Other	165,325	1,775	62	29,278	196,440
Intermediate sources	3,855	-	-	-	3,855
State sources	981,461	38	63	17	981,579
Federal sources	90,798	-	-	-	90,798
Total revenues	<u>2,562,144</u>	<u>299,463</u>	<u>182,249</u>	<u>79,347</u>	<u>3,123,203</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,293,829	-	-	-	1,293,829
Special	223,739	-	-	-	223,739
Other	169,849	-	-	31,791	201,640
	<u>1,687,417</u>	<u>-</u>	<u>-</u>	<u>31,791</u>	<u>1,719,208</u>
Support services:					
Student	11,628	-	-	-	11,628
Instructional staff	167,688	60,670	-	-	228,358
Administration	279,552	-	-	834	280,386
Operation and maintenance of plant	183,577	140,884	-	44,114	368,575
Transportation	68,521	-	-	-	68,521
	<u>710,966</u>	<u>201,554</u>	<u>-</u>	<u>44,948</u>	<u>957,468</u>
Capital outlay	-	54,629	-	-	54,629
Long-term debt:					
Principal	-	-	615,000	-	615,000
Interest and fiscal charges	-	-	19,070	-	19,070
	<u>-</u>	<u>-</u>	<u>634,070</u>	<u>-</u>	<u>634,070</u>
Other expenditures:					
AEA flowthrough	77,571	-	-	-	77,571
Total expenditures	<u>2,475,954</u>	<u>256,183</u>	<u>634,070</u>	<u>76,739</u>	<u>3,442,946</u>
Excess(Deficiency) of revenues over(under) expenditures	86,190	43,280	(451,821)	2,608	(319,743)
Other financing sources(uses):					
Transfers in	-	3,068	415,075	-	418,143
Transfers out	(3,068)	(415,075)	-	-	(418,143)
Total other financing sources(uses)	<u>(3,068)</u>	<u>(412,007)</u>	<u>415,075</u>	<u>-</u>	<u>-</u>
Net change in fund balances	83,122	(368,727)	(36,746)	2,608	(319,743)
Fund balances beginning of year	<u>448,815</u>	<u>976,058</u>	<u>69,859</u>	<u>260,433</u>	<u>1,755,165</u>
Fund balances end of year	<u>\$ 531,937</u>	<u>607,331</u>	<u>33,113</u>	<u>263,041</u>	<u>1,435,422</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ (319,743)

*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. Depreciation expense, capital outlay expenditures and loss on disposal in the current year are as follows:

Capital outlays	\$	101,744	
Depreciation expense		(91,041)	
Loss on disposal		(35,821)	
		(35,821)	(25,118)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds (5,740)

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 615,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,584

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.

Other postemployment benefits			(12,315)

Changes in net assets of governmental activities(page 19) \$ 253,668

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	Business Type Activities: Enterprise Funds		
	School Nutrition	Daycare Fund	Total
<u>ASSETS</u>			
Current assets:			
Inventories	\$ 706	-	706
Non-current assets:			
Capital assets being depreciated, net of: accumulated depreciation			
Building	-	23,455	23,455
Machinery and equipment	549	-	549
Total non-current assets	549	23,455	24,004
TOTAL ASSETS	1,255	23,455	24,710
<u>LIABILITIES</u>			
Current liabilities:			
Due to other funds	510	62,317	62,827
Salaries and benefits payable	7,716	-	7,716
Unearned revenue	194	-	194
Total current liabilities	8,420	62,317	70,737
Long-term liabilities:			
Net OPEB liability	983	-	983
TOTAL LIABILITIES	9,403	62,317	71,720
<u>NET ASSETS</u>			
Invested in capital assets	549	23,455	24,004
Unrestricted	(8,697)	(62,317)	(71,014)
Total net assets	\$ (8,148)	(38,862)	(47,010)

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Daycare Fund	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 37,782	39,929	77,711
Miscellaneous	477	4,047	4,524
TOTAL OPERATING REVENUES	38,259	43,976	82,235
OPERATING EXPENSES:			
Support services:			
Administration:			
Services	-	220	220
Operation and maintenance of plant:			
Services	-	526	526
Supplies	-	964	964
	-	1,490	1,490
Total support services	-	1,710	1,710
Non-instructional programs:			
Food service operations:			
Salaries	34,012	-	34,012
Benefits	11,014	-	11,014
Services	1,035	-	1,035
Supplies	51,373	-	51,373
Depreciation	275	-	275
	97,709	-	97,709
Other enterprise operations			
Salaries	-	34,254	34,254
Benefits	-	4,663	4,663
Supplies	-	8,409	8,409
Depreciation	-	2,845	2,845
	-	50,171	50,171
Total non-instructional programs	97,709	50,171	147,880
TOTAL OPERATING EXPENSES	97,709	51,881	149,590
OPERATING LOSS	(59,450)	(7,905)	(67,355)
NON-OPERATING REVENUES:			
State sources	823	-	823
Federal sources	52,000	5,007	57,007
TOTAL NON-OPERATING REVENUES	52,823	5,007	57,830
Change in net assets	(6,627)	(2,898)	(9,525)
Net assets beginning of year	(1,521)	(35,964)	(37,485)
Net assets end of year	\$ (8,148)	(38,862)	(47,010)

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2012

	Business Type Activities: Enterprise Fund		
	School Nutrition	Daycare Fund	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 38,021	-	38,021
Cash received from fees for daycare services	-	39,929	39,929
Cash received from miscellaneous operating activities	477	4,047	4,524
Cash payments to employees for services	(45,115)	(43,925)	(89,040)
Cash payments to suppliers for goods or services	(46,884)	(10,119)	(57,003)
Net cash used in operating activities	<u>(53,501)</u>	<u>(10,068)</u>	<u>(63,569)</u>
Cash flows from non-capital financing activities:			
Borrowings from the General Fund	510	62,317	62,827
State grants received	823	-	823
Federal grants received	46,675	5,364	52,039
Net cash provided by non-capital financing activities	<u>48,008</u>	<u>67,681</u>	<u>115,689</u>
Net increase(decrease) in cash and cash equivalents	(5,493)	57,613	52,120
Cash and cash equivalents at beginning of year	5,493	(57,613)	(52,120)
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (59,450)	(7,905)	(67,355)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	5,325	-	5,325
Depreciation	275	2,845	3,120
Decrease in inventories	199	-	199
Decrease in accounts receivable	896	-	896
Decrease in salaries and benefits payable	(547)	(5,008)	(5,555)
Decrease in unearned revenue	(657)	-	(657)
Increase in other postemployment benefits	458	-	458
Net cash used in operating activities	<u>\$ (53,501)</u>	<u>(10,068)</u>	<u>(63,569)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$5,325.

SEE NOTES TO FINANCIAL STATEMENTS.

WALNUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	<u>\$ 718</u>	<u>\$ 3,236</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>3,236</u>
NET ASSETS		
Unrestricted	<u>718</u>	<u>-</u>
TOTAL NET ASSETS	<u><u>\$ 718</u></u>	<u><u>\$ -</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

WALNUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,380
Deductions:	
Instructional:	
Scholarships awarded	<u>6,650</u>
Change in net assets	(3,270)
Net assets beginning of year	<u>3,988</u>
Net assets end of year	<u><u>\$ 718</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

WALNUT COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1. Summary of Significant Accounting Policies

The Walnut Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors a daycare program for residents of the District. The geographic area served includes the City of Walnut, Iowa, and the predominate agricultural territory in Pottawattamie, Shelby and Cass 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Walnut 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 Walnut Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie, Shelby and Cass County Assessors' 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 activities of the District, with omission of the fiduciary funds. 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/ammortization 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 assest consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The 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 District also reports the following nonmajor proprietary funds:

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

The Enterprise, Day Care Fund is used to account for the daycare operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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

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

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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 the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The Enterprise Fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-25 years
Intangibles	5-20 years
Machinery and equipment	3-20 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2012, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2012.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal 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.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Budgeting and Budgetary Control - The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2012, the District had no investments.

Note 3. Transfers

The detail of 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: Statewide Sales, Services and Use Tax	\$ 415,075
Capital Projects: Statewide Sales, Services and Use Tax	General	2,425
Capital Projects: Physical Plant and Equipment Levy	General	643
		<u>\$ 418,143</u>

The General Fund transferred funds to the Capital Projects: Statewide Sales, Services and Use Tax Levy and Capital Projects: Physical Plant and Equipment Levy Fund for expenses improperly coded to the respective funds in the prior year.

The Capital Projects: Statewide Sales, Services and Use Tax Levy Fund transferred funds to the Debt Service Fund for payment on General Obligation Bond indebtedness.

Note 4. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 40,125	-	-	40,125
Total capital assets not being depreciated	<u>40,125</u>	<u>-</u>	<u>-</u>	<u>40,125</u>
Capital assets being depreciated:				
Buildings	4,233,457	47,500	-	4,280,957
Land improvements	141,775	32,940	42,644	132,071
Machinery and equipment	880,378	21,304	78,120	823,562
Total capital assets being depreciated	<u>5,255,610</u>	<u>101,744</u>	<u>120,764</u>	<u>5,236,590</u>
Less accumulated depreciation for:				
Buildings	2,706,643	43,975	-	2,750,618
Land improvements	17,435	6,604	6,823	17,216
Machinery and equipment	753,400	40,462	78,120	715,742
Total accumulated depreciation	<u>3,477,478</u>	<u>91,041</u>	<u>84,943</u>	<u>3,483,576</u>
Total capital assets being depreciated, net	<u>1,778,132</u>	<u>10,703</u>	<u>35,821</u>	<u>1,753,014</u>
Governmental activities capital assets, net	<u>\$ 1,818,257</u>	<u>10,703</u>	<u>35,821</u>	<u>1,793,139</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 42,645	-	-	42,645
Machinery and equipment	37,913	-	-	37,913
Total capital assets being depreciated	80,558	-	-	80,558
Less accumulated depreciation for:				
Buildings	16,345	2,845	-	19,190
Machinery and equipment	37,089	275	-	37,364
Total accumulated depreciation	53,434	3,120	-	56,554
Total capital assets being depreciated, net	27,124	(3,120)	-	24,004
Business type activities capital assets, net	\$ 27,124	(3,120)	-	24,004

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 3,590
Other				3,721
Support services:				
Instructional staff				7,726
Operation and maintenance of plant services				1,496
Transportation				23,929
				40,462
Unallocated depreciation				50,579
Total governmental activities depreciation expense				\$ 91,041
Business type activities:				
Food services				\$ 275
Day care operations				2,845
Total business type activities depreciation expense				\$ 3,120

Note 5. Long-Term Debt

A summary of changes in long-term debt for business type activities and governmental activities for the year ended June 30, 2012 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 615,000	-	615,000	-	-
Net OPEB Liability	14,093	12,315	-	26,408	-
Total	\$ 629,093	12,315	615,000	26,408	-
Business Type Activities:					
Net OPEB Liability	\$ 525	458	-	983	-

Note 6. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 24 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 16,904
Interest on net OPEB obligation	363
Adjustment to annual required contribution	(1,672)
Annual OPEB cost	<u>15,595</u>
Contributions made	<u>(2,822)</u>
Increase in net OPEB obligation	12,773
Net OPEB obligation beginning of year	<u>14,618</u>
Net OPEB obligation end of year	<u><u>\$ 27,391</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$2,822 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 14,479	48.30 %	\$ 7,486
2011	14,510	50.85	14,618
2012	15,595	18.10	27,391

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$81,649 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$81,649. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,140,225, and the ratio of the UAAL to covered payroll was 7.2%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Post age 65 expected claims cost are assumed to equal retiree contributions. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. 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 salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$91,625, \$66,929, and \$81,713 respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa.

The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2012 were \$149,088.

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

Note 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 \$77,571 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.

Note 10. Deficit Unrestricted Net Assets

The District had deficit unrestricted net assets in the Enterprise, School Nutrition Fund of \$8,697 and deficit unrestricted net assets in the Enterprise, Daycare Fund of \$62,317.

Note 11. Operating Lease Obligation

On September 25, 2010 the District entered into a lease agreement with Sovereign Leasing for two buses. The lease contract extends through December 15, 2012. Annual lease payments are \$19,636.

Note 12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 13,784
Four year old preschool state aid	33,150
Gifted and talented	1,610
Dropout and dropout prevention	130,029
Professional development	3,208
Teacher salary supplement	6,535
Market factor incentives	371
Total	<u>\$ 188,687</u>

Required Supplementary Information

WALNUT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,046,971	82,235	2,129,206	2,054,556	2,054,556	74,650
Intermediate sources	3,855	-	3,855	2,000	2,000	1,855
State sources	981,579	823	982,402	1,013,614	1,013,614	(31,212)
Federal sources	90,798	57,007	147,805	107,000	107,000	40,805
Total revenues	3,123,203	140,065	3,263,268	3,177,170	3,177,170	86,098
Expenditures/Expenses:						
Instruction	1,719,208	-	1,719,208	2,283,890	2,283,890	564,682
Support services	957,468	1,710	959,178	1,231,000	1,231,000	271,822
Non-instructional programs	-	147,880	147,880	177,501	177,501	29,621
Other expenditures	766,270	-	766,270	1,197,715	1,197,715	431,445
Total expenditures/expenses	3,442,946	149,590	3,592,536	4,890,106	4,890,106	1,297,570
Excess(Deficiency) of revenues over(under) expenditures/expenses	(319,743)	(9,525)	(329,268)	(1,712,936)	(1,712,936)	1,383,668
Balance beginning of year	1,755,165	(37,485)	1,717,680	1,728,720	1,728,720	(11,040)
Balance end of year	\$ 1,435,422	(47,010)	1,388,412	15,784	15,784	1,372,628

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

WALNUT 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 84,995	\$ 84,995	0.0 %	\$ 1,100,000	7.7 %
2011	July 1, 2009	-	81,649	81,649	0.0	1,115,190	7.3
2012	July 1, 2009		81,649	81,649	0.0	1,140,225	7.2

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

WALNUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 239,465	22,856	262,321
Receivables:			
Property tax:			
Delinquent	591	-	591
Succeeding year	20,000	-	20,000
Accounts	-	278	278
TOTAL ASSETS	\$ 260,056	23,134	283,190
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	149	149
Deferred revenue:			
Succeeding year property tax	20,000	-	20,000
Total liabilities	20,000	149	20,149
Fund balances:			
Restricted for:			
Management levy purposes	240,056	-	240,056
Student activities	-	22,985	22,985
Total fund balances	240,056	22,985	263,041
TOTAL LIABILITIES AND FUND BALANCES	\$ 260,056	23,134	283,190

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 50,052	-	50,052
Other	5,235	24,043	29,278
State sources	17	-	17
TOTAL REVENUES	55,304	24,043	79,347
EXPENDITURES:			
Current:			
Instruction			
Other	-	31,791	31,791
Support services:			
Administration	834	-	834
Operation and maintenance of plant	44,114	-	44,114
TOTAL EXPENDITURES	44,948	31,791	76,739
Net change in fund balances	10,356	(7,748)	2,608
Fund balances beginning of year	229,700	30,733	260,433
Fund balances end of year	\$ 240,056	22,985	263,041

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS

JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 509,362	64,265	\$ 573,627
Receivables:			
Property tax:			
Delinquent	-	1,792	1,792
Succeeding year	-	129,638	129,638
Due from other governments	31,912	-	31,912
TOTAL ASSETS	\$ 541,274	195,695	736,969
LIABILITIES AND FUND BALANCES			
Liabilities:			
Succeeding year property tax	\$ -	129,638	129,638
Fund balances:			
Restricted for:			
School infrastructure	541,274	-	541,274
Physical plant and equipment	-	66,057	66,057
	541,274	66,057	607,331
TOTAL LIABILITIES AND FUND BALANCES	\$ 541,274	195,695	736,969

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 186,956	110,694	297,650
Other	767	1,008	1,775
State sources	-	38	38
TOTAL REVENUES	187,723	111,740	299,463
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	37,340	23,330	60,670
Operation and maintenance of plant	-	140,884	140,884
Capital outlay	558	54,071	54,629
TOTAL EXPENDITURES	37,898	218,285	256,183
Excesss(Deficiency) of revenues over (under) expenditures	149,825	(106,545)	43,280
OTHER FINANCING (SOURCES) USES:			
Transfer in	2,425	643	3,068
Transfer out	(415,075)	-	(415,075)
Total other financing (sources) uses	(412,650)	643	(412,007)
Net change in fund balances	(262,825)	(105,902)	(368,727)
Fund balances beginning of year	804,099	171,959	976,058
Fund balances end of year	\$ 541,274	66,057	607,331

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Class Play	\$ 1,458	403	554	1,307
Athletics	5,793	5,580	1,059	10,314
Cheerleaders	48	63	46	65
Basketball	1,479	3,944	4,543	880
Baseball	-	2,038	1,890	148
Volleyball	227	1,744	1,346	625
Softball	208	2,102	2,110	200
Student Services	7,846	12	7,846	12
Class of 2012	1,172	1,402	2,353	221
Class of 2013	256	1,516	1,401	371
Class of 2014	1,808	231	-	2,039
Class of 2015	426	-	-	426
Class of 2016	511	-	-	511
Class of 2017	2,462	-	2,055	407
Class of 2018	250	-	55	195
National Honor Society	126	-	125	1
Student Council	4,199	1,078	4,386	891
Annual	-	1,469	1,326	143
Academic Programs	9	-	-	9
DARE	571	-	113	458
PBS Program	1,404	1,736	-	3,140
K-2 Classroom	480	725	583	622
TOTALS	\$ 30,733	24,043	31,791	22,985

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES
AGENCY FUND

YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 2,268	968	-	3,236
LIABILITIES				
Due to other groups	\$ 2,268	968	-	3,236

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WALNUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 1,821,960	1,537,448	1,482,793	1,437,711	1,430,486	1,391,325	1,353,605	1,181,776	1,223,342
Tuition	28,571	77,225	36,229	84,835	89,027	110,488	101,699	103,592	102,756
Other	196,440	178,631	145,404	141,314	424,473	312,915	136,432	157,984	217,241
Intermediate sources	3,855	1,539	2,365	8,252	-	3,712	-	-	8,653
State sources	981,579	988,835	833,860	1,176,420	1,242,027	1,186,901	1,163,532	1,156,676	947,343
Federal sources	90,798	155,162	233,474	79,413	63,513	69,375	101,510	96,168	62,578
Total	\$ 3,123,203	2,938,840	2,734,125	2,927,945	3,249,526	3,074,716	2,856,778	2,696,196	2,561,913
Expenditures:									
Instruction:									
Regular	\$ 1,293,829	1,200,556	1,096,495	1,198,812	1,164,182	1,069,698	985,505	1,047,186	1,068,045
Special	223,739	154,628	108,949	156,365	283,397	259,215	283,536	214,994	186,190
Other	201,640	195,250	247,113	278,411	245,763	232,989	241,488	307,833	326,994
Support services:									
Student	11,628	5,532	73,830	54,112	51,170	42,422	41,132	7,010	6,922
Instructional staff	228,358	187,664	150,714	119,007	63,013	64,883	53,640	61,268	72,740
Administration	280,386	347,415	335,613	330,948	307,244	282,857	255,348	316,334	329,441
Operation and maintenance of plant	368,575	207,655	233,365	256,598	374,956	325,228	213,562	173,457	182,263
Transportation	68,521	67,009	67,524	63,398	105,085	81,249	90,836	57,201	56,063
Central support	-	-	-	-	-	-	-	-	33,251
Non-instructional programs	-	-	-	-	-	-	-	35	-
Capital outlay	54,629	65,031	65,480	26,562	75,589	177,857	62,000	41,530	67,185
Long-term debt:									
Principal	615,000	160,000	150,000	140,000	1,180,000	120,000	131,310	120,315	114,380
Interest and fiscal charges	19,070	23,568	27,768	36,887	78,349	63,303	71,108	78,552	84,194
Other expenditures:									
AEA flow-through	77,571	87,905	87,316	81,788	79,750	77,505	73,640	74,175	71,495
Total	\$ 3,442,946	2,702,213	2,644,167	2,742,888	4,008,498	2,797,206	2,503,105	2,499,890	2,599,163

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Walnut 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 Walnut 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. 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 Walnut Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Walnut Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Walnut Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Walnut 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 that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walnut 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.

Walnut 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 Walnut 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 Walnut Community School District and other parties to whom Walnut Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2013

WALNUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. Also vouchers are processed, disbursements are recorded and checks are prepared by the same person. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-12 Payroll Procedures - We noted during our audit that the District is not having supervisors approve timesheets of the hours worked by employees.

Recommendation - Better internal controls are achieved if supervisors sign-off on timesheets to ensure that the amounts paid to employees were actual hours worked.

Response - The District has implemented procedures whereas the employee is required to obtain their supervisors signature on all timesheets.

Conclusion - Response accepted.

I-C-12 Timely Deposits - We noted during our audit that deposits for the School Nutrition Fund were taken to the bank for deposit on a weekly basis.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - The District has implemented procedures, so that deposits are now being made in a timelier manner.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-12 Outside Organizations Purchasing From School Vendors - We noted during the audit that within the Enterprise, School Nutrition Fund there were checks from outside organizations submitted to vendors for items included on invoices made to the school district.

Recommendation - The District should not allow outside organizations to purchase items and subsequently pay through school vendors' payments; however, the vendors could set up an account for such purchases. When the District pays the vendor, the invoice needs to agree to the amount paid. Any instances of invoices differing from the amount to be paid must be documented and attached to the paid invoice as support for payment.

Response - The District has notified the outside organizations that they are no longer able to order items through the school District.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, did not exceed the amount budgeted.
- II-B-12 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 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 - No business transactions between the District and District officials were noted.
- 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 insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- 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 - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Financial Condition - At June 30, 2012, the District had deficit unrestricted net assets in the Enterprise, School Nutrition Fund of \$8,697 and deficit unrestricted net assets in the Enterprise, Daycare Fund of \$62,317.

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

Response - The District is monitoring the School Nutrition Fund deficit and is investigate alternative to bring the fund to a solvent position. The District has closed the Daycare program and will consult the Department of Education as to how to eliminate this deficit.

Conclusion - Response accepted.

II-M-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 804,099
Revenues:		
Sales tax revenues	\$ 186,956	
Other local revenues	767	
Transfers from other funds	<u>2,425</u>	<u>190,148</u>
		994,247
Expenditures:		
Equipment	37,898	
Transfer to other funds:		
Debt service fund	<u>415,075</u>	<u>452,973</u>
Ending balance		<u>\$ 541,274</u>

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