

Waverly-Shell Rock Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2012

## Table of Contents

	<u>Page</u>
<b>Officials</b>	1
<b>Independent Auditor’s Report</b>	2-3
<b>Management’s Discussion and Analysis</b>	4-13
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	<u>Exhibit</u>
Statement of Net Assets	A 14
Statement of Activities	B 15-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Nutrition Fund	H 23
Statement of Cash Flows-Nutrition Fund	I 24
Statement of Revenues, Expenses and Changes in Fund Net Assets –Internal Service Fund	J 25
Statement of Cash Flows-Internal Service Fund	K 26
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	L 27
Statement of Changes in Fiduciary Net Assets	M 28
Notes to Financial Statements	29-40
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses And Changes in Balances-Budget and Actual-All Governmental Funds and Proprietary Funds	41
Notes to Required Supplementary Information-Budgetary Reporting	42
Schedule of Funding Progress for the Retiree Health Plan	43
<b>Other Supplementary Information:</b>	
Non-major Funds:	<u>Schedule</u>
Combining Balance Sheet	1 44
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances	2 45
Capital Project Accounts:	
Combining Balance Sheet	3 46-49
Combining Schedule of Revenues, Expenditures and Changes in Balances	4 50
Schedule of Changes in Special Revenue Fund-Student Activity Account	5 51
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds-Summary	6 52
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds-Detail	7 53
Schedule of Fiduciary Net Assets-Private Purpose Trusts	8 54-57
Schedule of Changes in Fiduciary Net Assets-Private Purpose Trusts	9 58-61
Schedule of Revenues by Source and Expenditures by Function-All Governmental Funds	10 62
Schedule of Expenditures of Federal Awards	11 63
<b>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 <u>Government Auditing Standards</u></b>	64-65
<b>Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133</b>	66-67
<b>Schedule of Findings</b>	68-77



Independent Auditor's Report

To the Board of Education of  
Waverly-Shell Rock Community School District:

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

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Waverly-Shell Rock Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 29, 2013 on my consideration of Waverly-Shell Rock Community School District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waverly-Shell Rock Community School District's basic financial statements. A different accounting firm audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules I through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my 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 my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC  
Keith Oltrogge  
Certified Public Accountant

March 29, 2013

## **Waverly-Shell Rock Community School District**

### **Management's Discussion and Analysis**

#### **For the Fiscal Year Ended June 30, 2012**

Waverly-Shell Rock 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**

- The New W-SR Middle School began Classes in August 2011. Grades 5, 6, 7 and 8 attend that school. The students in W-SR Middle School started using iPads in August 2011. Each school had iPads to use.
- The District had General Fund revenues of \$19,465,540 and expenditures of \$20,126,031 during the fiscal year. The District's financial solvency ratio as June 30, 2012 was -12.2%. The financial solvency ratio as of June 30, 2011 was -15.7%.
- The District experienced a decrease in certified enrollment. The October 2010 enrollment was 1,888.5 while the October 1, 2011 enrollment was 1,883.72.
- The number of net open-enrolled students increased from 72 in FY2011 to 101 in FY2012.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District.
- The State of Iowa deducted a total of \$52,884 during the fiscal year 2012 from state aid payments.

#### **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 Waverly-Shell Rock 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 Waverly-Shell Rock 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 Waverly-Shell Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

**Figure A-1**  
**Waverly-Shell Rock Community School District Annual Financial Report**

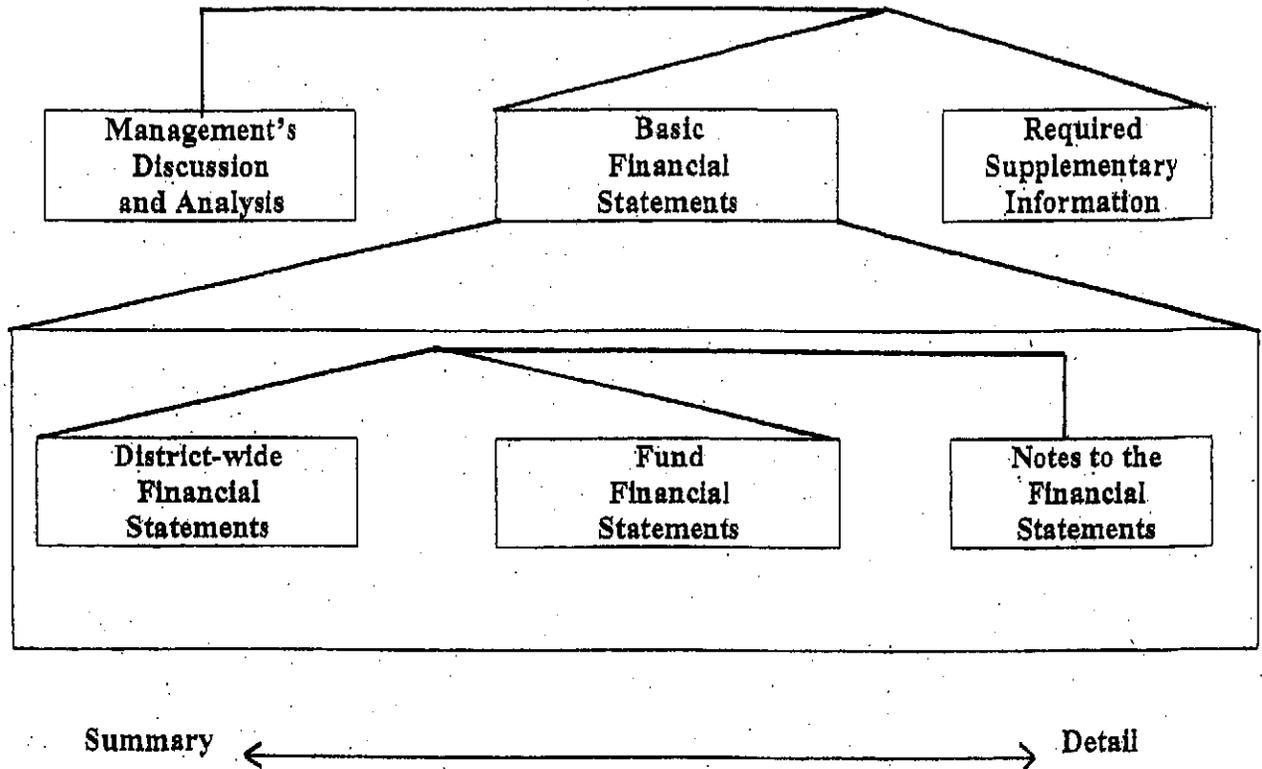


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets  Statement of activities	Balance sheet  Statement of revenues, expenditures and changes in fund balances	Statement of net assets  Statement of revenues, expenses and changes in fund net assets  Statement of cash flows	Statement of fiduciary net assets  Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

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

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These funds through which the District administers and accounts for certain federal and/or state grants on behalf of other District’s and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3  
Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$14,470	\$14,696	\$512	\$389	\$14,982	\$15,085	-0.7%
Capital assets	43,774	36,254	21	29	43,795	36,283	20.7%
<b>Total assets</b>	<b>\$58,244</b>	<b>\$50,950</b>	<b>\$533</b>	<b>\$418</b>	<b>\$58,777</b>	<b>\$51,368</b>	<b>14.4%</b>
Current liabilities	\$11,306	\$10,912	\$50	\$39	\$11,356	\$10,951	3.6%
Non-current liabilities	22,039	20,058	-	-	22,039	20,058	9.8%
<b>Total liabilities</b>	<b>\$33,345</b>	<b>\$30,970</b>	<b>\$50</b>	<b>\$39</b>	<b>\$33,395</b>	<b>\$31,009</b>	<b>7.6%</b>
<b>Net assets:</b>							
Invested in capital assets, net of related debt	\$21,949	\$16,449	\$21	\$29	\$21,970	\$16,478	33.3%
Restricted	5,641	5,965	-	-	5,641	5,965	-5.5%
Unrestricted	-2,637	-2,435	407	349	-2,230	-2,086	-6.9%
<b>Total net assets</b>	<b>\$24,953</b>	<b>\$19,979</b>	<b>\$428</b>	<b>\$378</b>	<b>\$25,381</b>	<b>\$20,357</b>	<b>24.6%</b>

The District’s combined net assets increased 24.6%, or approximately \$5,024,000, from the prior year. The largest portion of the District’s net assets is in the “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The increase is primarily due to construction of the new 5-8 building.

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 approximately \$324,000, or 5.5% over the prior year due to funds being used for construction.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$144,000, or 6.9%. This reduction in unrestricted net assets was primarily a result of the District’s decrease in the General fund.

**Changes in Net Assets** – Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**Figure A-4**  
**Changes in Net Assets**  
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$3,054	\$1,236	\$2,207	\$1,727	\$5,261	\$2,963	77.5%
Operating grants, contributions and restricted interest	2,788	4,331	330	375	3,118	4,706	-33.8%
Capital grants, contributions and restricted interest	699	7,144	-	-	699	7,144	-90.3%
General revenues:							
Property tax	8,592	7,947	-	-	8,592	7,947	8.1%
Statewide sales, service and use tax	1,423	1,197	-	-	1,423	1,197	18.8%
Unrestricted state grants	7,892	7,487	-	-	7,892	7,487	5.4%
Unrestricted investment earnings	24	1	4	-	28	1	280%
Other	98	119	-	-	98	119	-17.7%
Total revenues	<u>\$24,570</u>	<u>\$29,462</u>	<u>\$2,541</u>	<u>\$2,102</u>	<u>\$27,111</u>	<u>\$31,564</u>	<u>-14.2%</u>
Program expenses:							
Governmental activities:							
Instruction	\$16,552	\$15,123	\$1,340	\$1,252	\$17,892	\$16,375	9.2%
Support services	5,321	5,030	-	-	5,321	5,030	5.7%
Non-instructional programs	27	-	1,159	909	1,186	909	30.4%
Other expenses	-1,267	3,301	-	-	-1,267	3,301	38.3%
Total expenses	<u>\$20,633</u>	<u>23,454</u>	<u>\$2,499</u>	<u>\$2,161</u>	<u>\$23,132</u>	<u>\$25,615</u>	<u>-9.7%</u>
Change in net assets	<u>\$3,937</u>	<u>\$6,008</u>	<u>\$42</u>	<u>-\$59</u>	<u>\$3,979</u>	<u>\$5,949</u>	<u>-33.2%</u>

In fiscal year 2012, property tax and unrestricted state grants account for 6.7% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue.

The District's total revenues were approximately \$27.1 million, of which approximately \$24.6 million was for governmental activities and less than \$2.5 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 14.2% decrease in revenues and a 9.7% decrease in expenses. Property tax increased approximately \$645,000.

#### **Governmental Activities**

Revenues for governmental activities were \$24,569,565 and expenses were \$20,633,288 for the year ended June 30, 2012. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenditures, for the year ending 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 2011-2012	2012	2011	Change 2011-2012
Instruction	\$16,552	\$15,123	9.4%	\$10,949	\$8,649	26.5%
Support services	5,321	5,030	5.7%	5,101	4,570	11.6%
Non-instructional programs	27	-	100%	27	-	100%
Other expenses	-1,267	3,301	-38.3%	-1,985	-2,032	2.4%
<b>Totals</b>	<b>\$20,633</b>	<b>\$23,454</b>	<b>12.1%</b>	<b>\$14,092</b>	<b>\$11,187</b>	<b>25.9%</b>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$5,260,242.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,817,593.
- The net cost of governmental activities was financed with \$8,591,802 in property tax, \$7,891,856 in state foundation aid, and \$24,130 in interest income.

#### **Business Type Activities**

Revenues for the District's School Nutrition Fund were \$1,114,077 and expenses were \$1,159,262. The revenues include: charges for services, contributions and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks, and checks brought in by retiree's that continue to stay on the plan.

#### **Fiduciary Funds**

The Trust Funds are funds given and designated by outside groups and people to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, and school employee groups such as the Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks when directed by the group. These funds are not to be used to support the regular operations of the District.

#### **INDIVIDUAL FUND ANALYSIS**

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balances of \$24,953,545, which is more than last year's ending adjusted fund balance of \$21,017,095.

## **Governmental Fund Highlights**

- The District has been controlling the decline of the General Fund balance by greatly reducing travel and field trips, and reducing staff slightly where possible.
- Increased open enrollments into the District have helped maintain instructional programs with the increased number of students and tuition-in dollars.
- The District used sales tax dollars to add a gym and auditorium to the senior high school.
- The District levied a cash reserve levy for FY2012 in the amount of \$965,000 to improve cash flow.
- The General Fund balance decreased from an adjusted balance of -\$1,116,722 to -\$1,777,040, due to an overall increase in expenditures.
- The Debt Service Fund balance increased from \$38,827 to \$1,226,003, due to the transfer of \$1,948,884 from the Capital Projects Fund.
- The Capital Project Funds balance decreased from an adjusted balance of \$5,266,607 to \$3,010,182, due to the transfer to Debt Service and the expenditures for facilities acquisition.

## **Proprietary Fund Highlights**

- School Nutrition Fund net assets decreased from an adjusted \$78,415 at June 30, 2011 to \$33,230 at June 30, 2012, representing a decrease of 45,185 or 57.7%.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Waverly-Shell Rock Community School District amended its budget one time to reflect additional revenue and expenditures associated with the building capital project activity.

The District's total revenues were \$6,683,982 less than total budgeted revenues, a variance of less than 20.9%. Even though local tax revenue increased in fiscal year 2012, a reduction in state resources caused the total amount received to be less than originally anticipated.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2012, the District had invested approximately \$43.8 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, transportation equipment and intangible assets. (See Figure A-6) This represents a net increase of 20.6% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation/amortization expense for the year was \$1,224,624.

The original cost of the District's capital assets was approximately \$53.7 million. Governmental funds account for approximately \$53.6 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The District had an appraisal done upon completion of the new middle school and high school addition.

**Figure A-6**  
**Capital Assets, net of Depreciation/Amortization**  
**(expressed in thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$678	\$678	\$-	\$-	\$678	\$678	-
Buildings	41,425	34,739	-	-	41,425	34,739	19.2%
Improvements other than buildings	806	144	-	-	806	144	459.7%
Furniture and equipment	865	722	21	27	886	749	18.2%
<b>Totals</b>	<b>\$43,774</b>	<b>\$36,283</b>	<b>\$21</b>	<b>\$27</b>	<b>\$43,795</b>	<b>\$36,310</b>	<b>20.6%</b>

**Long-Term Debt**

At June 30, 2012, the District had \$21,825,000 in total long-term debt outstanding. This represents an increase of approximately 10.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$48.9 million.

In September 2011, the District issued \$3,225,000 in general obligation bonds to finance the construction and renovation of certain school facilities within the District.

**Figure A-7**  
**Outstanding Long-term Obligations**  
**(expressed in thousands)**

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
General obligation bonds	\$17,855	\$15,270	16.9%
Revenue bonds	3,970	4,535	-12.5%
<b>Totals</b>	<b>\$21,825</b>	<b>\$19,805</b>	<b>10.1%</b>

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

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

- FEMA and Iowa Homeland Security provided the school significant financial help to build the new middle school.
- The Board of Education held a bond referendum on April 7, 2009 to build a new school for all district students in grades 5 through 8. This building would replace Washington Irving School that was totally ruined in the June 2008 flood and it also would replace the junior high school that is over 82 years old.
- The District levied \$178,317 allowable growth for dropout prevention.
- The District's employee group health insurance did not increase. This was welcome news to the employees and the Board.
- State Foundation Aid dollars to the District increased \$416,449 from FY2011 to FY2012. Property tax dollars for the General Fund increased \$832,914 from FY2011 to FY2012.
- The District began receiving payments in December 2005 for Instructional Support Income Surtax.
- The Greenview Alternative High School in Waverly is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School 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 accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community School District, 1415 4<sup>th</sup> Ave, SW, Waverly IA 50677.

## **Basic Financial Statements**

## Waverly-Shell Rock Community School District

## Statement of Net Assets

June 30, 2012

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,431,119	\$ 474,827	\$ 4,905,946
Receivables:			
Property tax:			
Delinquent	38,415	-	38,415
Succeeding year	8,101,944	-	8,101,944
Accounts	501,661	12,667	514,328
Due from other governments	1,396,536	-	1,396,536
Inventories	-	24,234	24,234
Capital assets, net of accumulated depreciation	43,774,197	21,284	43,795,481
<b>Total Assets</b>	<b>\$ 58,243,872</b>	<b>\$ 533,012</b>	<b>\$ 58,776,884</b>
<b>Liabilities</b>			
Bank overdrafts	\$ 308,311	\$ -	\$ 308,311
Accounts payable	562,849	2,269	565,118
Salaries and benefits payable	1,604,188	31,664	1,635,852
Accrued interest payable	59,155	-	59,155
Deferred revenue-succeeding year property tax	8,101,944	-	8,101,944
Deferred revenue-other	670,232	16,210	686,442
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	655,000	-	655,000
Revenue bonds	585,000	-	585,000
Early retirement	17,544	-	17,544
Portion due after one year:			
General obligation bonds	17,200,000	-	17,200,000
Revenue bonds	3,385,000	-	3,382,000
Early retirement	3,654	-	3,654
Net OPEB liability	192,450	-	192,450
<b>Total Liabilities</b>	<b>\$ 33,345,327</b>	<b>\$ 50,143</b>	<b>\$ 33,395,470</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 21,949,197	\$ 21,284	\$ 21,970,481
Restricted for:			
Categorical funding	608,130	-	608,130
Debt service	1,226,003	-	1,226,003
Debt service sinking	792,120	-	792,120
Management levy purposes	383,385	-	383,385
Student activities	413,423	-	413,423
Physical plant and equipment	960,394	-	960,394
Capital projects	1,257,668	-	1,257,668
Unrestricted	-2,636,775	406,585	-2,230,190
<b>Total Net Assets</b>	<b>\$ 24,953,545</b>	<b>\$ 427,869</b>	<b>\$ 25,381,414</b>

See notes to financial statements.

**Waverly-Shell Rock Community School District**

**Statement of Activities**

**Year Ended June 30, 2012**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Program Revenues</b>	
			<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 10,194,646	\$ 902,421	\$ 2,172,135	\$ -
Special instruction	3,661,037	763,765	386,336	-
Other instruction	2,695,919	1,204,651	173,376	-
	<u>\$ 16,551,602</u>	<u>\$ 2,870,837</u>	<u>\$ 2,731,847</u>	<u>\$ -</u>
<b>Support Services:</b>				
Student services	\$ 458,263	\$ -	\$ 13,189	\$ -
Instructional staff services	796,482	-	-	-
Administration services	1,687,291	-	-	-
Operation and maintenance of plant services	1,612,485	8,496	-	-
Transportation services	766,239	174,208	23,423	-
	<u>\$ 5,320,760</u>	<u>\$ 182,704</u>	<u>\$ 36,612</u>	<u>\$ -</u>
<b>Non-instructional programs</b>	<u>\$ 27,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Expenditures:</b>				
Facilities acquisition	\$ -2,744,713	\$ -	\$ 19,827	\$ 699,043
Long-term debt interest	696,620	-	-	-
AEA flow-through	781,384	-	-	-
	<u>\$ -1,266,709</u>	<u>\$ -</u>	<u>\$ 19,827</u>	<u>\$ 699,043</u>
<b>Total Governmental Activities</b>	<u>\$ 20,633,288</u>	<u>\$ 3,053,541</u>	<u>\$ 2,788,286</u>	<u>\$ 699,043</u>
<b>Business Type Activities:</b>				
<b>Instruction:</b>				
Benefits	\$ 1,339,515	\$ 1,422,888	\$ -	\$ -
<b>Non-Instructional Programs:</b>				
Food service operations	1,159,262	783,813	330,264	-
<b>Total business type activities</b>	<u>\$ 2,498,777</u>	<u>\$ 2,206,701</u>	<u>\$ 330,264</u>	<u>\$ -</u>
<b>Total</b>	<u>\$ 23,132,065</u>	<u>\$ 5,260,242</u>	<u>\$ 3,118,550</u>	<u>\$ 699,043</u>

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -7,120,090	\$ -	\$ -7,120,090
-2,510,936	-	-2,510,936
-1,317,892	-	-1,317,892
<u>\$ -10,948,918</u>	<u>\$ -</u>	<u>\$ -10,948,918</u>
\$ -445,074	\$ -	\$ -445,074
-796,482	-	-796,482
-1,687,291	-	-1,687,291
-1,603,989	-	-1,603,989
-568,608	-	-568,608
<u>\$ -5,101,444</u>	<u>\$ -</u>	<u>\$ -5,101,444</u>
\$ -27,635	\$ -	\$ -27,635
\$ 3,463,583	\$ -	\$ 3,463,583
-696,620	-	-696,620
-781,384	-	-781,384
<u>\$ 1,985,579</u>	<u>\$ -</u>	<u>\$ 1,985,579</u>
\$ -14,092,418	\$ -	\$ -14,092,418
\$ -	\$ 83,373	\$ 83,373
-	-45,185	-45,185
<u>\$ -</u>	<u>\$ 38,188</u>	<u>\$ 38,188</u>
<u>\$ -14,092,418</u>	<u>\$ 38,188</u>	<u>\$ -14,054,230</u>

**Waverly-Shell Rock Community School District**

**Statement of Activities**

**Year Ended June 30, 2012**

	<u>Program Revenues</u>		
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>	<u>Charges for Services</u>		

**General Revenues:**

Property Tax Levied For:  
  General purposes  
  Debt service  
  Capital outlay  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other

Total General Revenues

Change in net assets before other financing sources:

  Other financing sources:  
    Sale of assets

Net change in net assets

Net assets beginning of year

Prior period adjustment

Adjusted net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 7,208,079	\$ -	\$ 7,208,079
1,186,443	-	186,443
197,280	-	197,280
1,422,736	-	1,422,736
7,891,856	-	7,891,856
24,130	4,392	28,522
98,171	-	98,171
<hr/>		
\$ 18,028,695	\$ 4,392	\$ 18,033,087
<hr/>		
\$ 3,936,277	\$ 42,580	\$ 3,978,857
173	-	173
<hr/>		
3,936,450	42,580	3,979,030
<hr/>		
\$ 20,286,573	\$ 320,023	\$ 20,606,596
730,522	65,266	795,788
<hr/>		
\$ 21,017,095	\$ 385,289	\$ 21,402,384
<hr/>		
\$ 24,953,545	\$ 427,869	\$ 25,381,414

## Waverly-Shell Rock Community School District

Balance Sheet  
Governmental Funds

June 30, 2012

Assets	General	Debt Service	Capital Projects	Non-major Funds	Total
Cash and Pooled Investments	\$ -	\$ 1,219,913	\$ 2,348,762	\$ 862,444	\$ 4,431,119
Receivables:					
Property Tax:					
Delinquent	30,010	6,090	1,013	1,302	38,415
Succeeding year	6,402,639	1,209,195	210,108	280,002	8,101,944
Accounts	501,661	-	-	-	501,661
Due from other funds	81,000	-	280,811	-	361,811
Due from other governments	953,387	-	443,149	-	1,396,536
<b>Total Assets</b>	<b>\$ 7,968,697</b>	<b>\$ 2,435,198</b>	<b>\$ 3,283,843</b>	<b>\$ 1,143,748</b>	<b>\$ 14,831,486</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Bank overdrafts	\$ 308,311	\$ -	\$ -	\$ -	\$ 308,311
Accounts payable	506,756	-	37,553	18,540	562,849
Salaries and benefits payable	1,576,988	-	-	27,200	1,604,188
Due to other funds	280,811	-	26,000	-	306,811
Deferred Revenue:					
Succeeding year property tax	6,402,639	1,209,195	210,108	280,002	8,101,944
Other	670,232	-	-	-	670,232
<b>Total Liabilities</b>	<b>\$ 9,745,737</b>	<b>\$ 1,209,195</b>	<b>\$ 273,661</b>	<b>\$ 325,742</b>	<b>\$ 11,554,335</b>
Fund Balances:					
Restricted for:					
Categorical funding	\$ 608,130	\$ -	\$ -	\$ -	\$ 608,130
Debt service	-	1,226,003	-	-	1,226,003
Debt service-sinking	-	-	792,120	-	792,120
Management levy purposes	-	-	-	404,583	404,583
Student activities	-	-	-	413,423	413,423
School infrastructure	-	-	1,257,668	-	1,257,668
Physical plant and equipment	-	-	960,394	-	960,394
Unassigned	-2,385,170	-	-	-	-2,385,170
<b>Total Fund Balances</b>	<b>\$ -1,777,040</b>	<b>\$ 1,226,003</b>	<b>\$ 3,010,182</b>	<b>\$ 818,006</b>	<b>\$ 3,277,151</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,968,697</b>	<b>\$ 2,435,198</b>	<b>\$ 3,283,843</b>	<b>\$ 1,143,748</b>	<b>\$ 14,831,486</b>

See notes to financial statements.

## Waverly-Shell Rock Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2012

<b>Total fund balances of governmental funds (page 17)</b>	\$ 3,277,151
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	43,774,197
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds	-
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds	-59,155
Long-term liabilities, including bonds and notes payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds	<u>-22,038,648</u>
<b>Net assets of governmental activities (page 14)</b>	<u>\$ 24,953,545</u>

See notes to financial statements.

## Waverly-Shell Rock Community School District

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

Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Non-Major Funds	Total
<b>Revenues:</b>					
<b>Local Sources:</b>					
Local tax	\$ 6,937,526	\$ 1,186,443	\$ 1,620,016	\$ 270,553	\$ 10,014,538
Tuition	1,416,410	-	-	-	1,416,410
Other	452,248	56	117,955	1,209,000	1,779,259
Intermediate sources	-	-	-	-	-
State sources	10,200,339	677	210,888	169	10,412,073
Federal sources	459,017	-	488,268	-	947,285
<b>Total Revenues</b>	<b>\$ 19,465,540</b>	<b>\$ 1,187,176</b>	<b>\$ 2,437,127</b>	<b>\$ 1,479,722</b>	<b>\$ 24,569,565</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	\$ 9,190,962	\$ -	\$ -	\$ 59,211	\$ 9,260,173
Special instruction	3,661,644	-	-	-	3,661,644
Other instruction	1,546,760	-	-	1,152,713	2,699,473
	<b>\$ 14,399,366</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,221,924</b>	<b>\$ 15,621,290</b>
<b>Support Services:</b>					
Student services	\$ 457,869	\$ -	\$ -	\$ -	\$ 457,869
Instructional staff services	796,332	-	-	-	796,332
Administration services	1,544,053	-	-	151,298	1,695,351
Operation and maintenance of plant services	1,532,634	-	6,134	45,775	1,584,543
Transportation services	614,393	-	122,755	14,000	751,148
	<b>\$ 4,945,281</b>	<b>\$ -</b>	<b>\$ 128,889</b>	<b>\$ 211,073</b>	<b>\$ 5,285,243</b>
<b>Other Expenditures:</b>					
Facilities acquisition	\$ -	\$ -	\$ 5,808,087	\$ -	\$ 5,808,087
<b>Long-Term Debt:</b>					
Principal	-	1,205,000	-	-	1,205,000
Interest and fiscal charges	-	743,884	32,692	-	776,576
AEA flow-through	781,384	-	-	-	781,384
	<b>\$ 781,384</b>	<b>\$ 1,948,884</b>	<b>\$ 5,840,779</b>	<b>\$ -</b>	<b>\$ 8,571,047</b>
<b>Total Expenditures</b>	<b>\$ 20,126,031</b>	<b>\$ 1,948,884</b>	<b>\$ 5,969,668</b>	<b>\$ 1,432,997</b>	<b>\$ 29,477,580</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ -660,491</b>	<b>\$ -761,708</b>	<b>\$ -3,532,541</b>	<b>\$ 46,725</b>	<b>\$ -4,908,015</b>

Waverly-Shell Rock Community School District

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

Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Non-Major Funds	Total
Other Financing Sources (Uses):					
Sale of assets	\$ 173	\$ -	\$ -	\$ -	\$ 173
General obligation bonds issued	-	-	3,225,000	-	3,225,000
Operating transfers in	-	1,948,884	800,000	-	2,748,884
Operating transfers out	-	-	-2,748,884	-	-2,748,884
Total Other Financing Sources (Uses)	\$ 173	\$ 1,948,884	\$ 1,276,116	\$ -	\$ 3,225,173
Net change in fund balances	\$ -660,318	\$ 1,187,176	\$ -2,256,425	\$ 46,725	\$ -1,682,842
Fund balances beginning of year	\$ -1,225,299	\$ 38,827	\$ 5,518,979	\$ 769,797	\$ 5,102,304
Prior period adjustment	108,577	-	-252,372	1,484	-142,311
Adjusted fund balances beginning of year	\$ -1,116,722	\$ 38,827	\$ 5,266,607	\$ 771,281	\$ 4,959,993
Fund Balances End of Year	\$ -1,777,040	\$ 1,226,003	\$ 3,010,182	\$ 818,006	\$ 3,277,151

See notes to financial statements.

Waverly-Shell Rock 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 20) \$ -1,682,842

*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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 7,124,115	
Depreciation expense	-1,219,400	
Valuation adjustment	<u>1,615,318</u>	7,520,033

Proceeds from the issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ -3,225,000	
Repaid	<u>1,205,000</u>	-2,020,000

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

79,956

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

Early retirement	\$ 68,520	
Other postemployment benefits	<u>-29,217</u>	39,303

Change in Net Assets of Governmental Activities (page 16) \$ 3,936,450

Waverly-Shell Rock Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2012

Assets	Internal Service	School Nutrition
Cash and cash equivalents	\$ 394,639	\$ 80,188
Accounts receivable	-	12,667
Due from other funds	-	26,000
Inventories	-	24,234
Capital assets, net of accumulated depreciation	-	21,284
<b>Total Assets</b>	<b>\$ 394,639</b>	<b>\$ 164,373</b>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 2,269
Salaries and benefits payable	-	31,664
Due to other funds	-	81,000
Deferred revenue	-	16,210
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 131,143</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ -	\$ 21,284
Unrestricted	394,639	11,946
<b>Total Net Assets</b>	<b>\$ 394,639</b>	<b>\$ 33,230</b>

See notes to financial statements.

**Waverly-Shell Rock Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**

**Year Ended June 30, 2012**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 783,813
Non-instructional programs:	
Food service operations:	
Salaries	\$ 490,533
Benefits	86,493
Purchased services	10,151
Supplies	559,883
Depreciation	5,224
Other	6,978
Total operating expenses	<u>\$ 1,159,262</u>
Operating loss	<u>\$ -375,449</u>
Non-operating revenues:	
State sources	\$ 7,780
Federal sources	322,484
Total non-operating revenues	<u>\$ 330,264</u>
Decrease in net assets	<u>\$ -45,185</u>
Net assets beginning of year	\$ 13,149
Prior period adjustment	65,266
Adjusted net asset, beginning of year	<u>\$ 78,415</u>
Net Assets End of Year	<u>\$ 33,230</u>

See notes to financial statements.

## Waverly-Shell Rock Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 781,996
Cash paid to employees for services	-592,234
Cash paid to suppliers for goods or services	-509,095
Net cash used by operating activities	<u>\$ -319,333</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 7,780
Federal grants received	265,988
Net cash provided by non-capital financing activities	<u>\$ 273,768</u>
Cash flows from capital and related financing activities:	
Interfund loans	\$ 50,500
Net cash used by capital and related financing activities	<u>\$ 50,500</u>
Net increase in cash and cash equivalents	\$ 4,935
Cash and cash equivalents beginning of year	<u>75,253</u>
Cash and Cash Equivalents End of Year	<u>\$ 80,188</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -375,449
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	56,496
Depreciation	5,224
Decrease in inventories	31,121
(Increase) in accounts receivable	-11,162
(Decrease) in accounts payable	-20,310
(Decrease) in salaries and benefits payable	-15,208
Increase in deferred revenue	9,955
Net Cash Used by Operating Activities	<u>\$ -319,333</u>

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

During the year ended June 30, 2012, the District received \$56,496 of federal commodities.

**Waverly-Shell Rock Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2012**

	Internal Service
Operating revenues:	
Local sources:	
Other revenue	\$ 1,422,888
Operating expenses:	
Instruction:	
Benefits	1,339,515
Operating income	\$ 83,373
Non-operating revenues:	
Interest income	4,392
Change in net assets	\$ 87,765
Net assets beginning of year	306,874
Net Assets End of Year	\$ 394,639

See notes to financial statements.

## Waverly-Shell Rock Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2012

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from collections	\$ 1,422,888
Cash payments for employee benefits	-1,339,515
Total additions	<u>\$ 83,373</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 4,392</u>
Net increase in cash and cash equivalents	\$ 87,765
Cash and cash equivalents beginning of year	<u>306,874</u>
Cash and Cash Equivalents End of Year	<u>\$ 394,639</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 87,765
Adjustments to reconcile operating income to net cash used by operating activities	-
Net Cash Used by Operating Activities	<u>\$ 87,765</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:</b>	
Current Assets:	
Cash	<u>\$ 394,639</u>

See notes to financial statements.

## Waverly-Shell Rock Community School District

Statement of Fiduciary Net Assets  
Fiduciary Fund

Year Ended June 30, 2012

	Private Purpose Trust Scholarship	Internal Service
<b>Assets</b>		
Cash and pooled investments	\$ 114,995	\$ 82,300
Total assets	<u>\$ 114,995</u>	<u>\$ 82,300</u>
<b>Liabilities</b>		
Bank overdrafts	\$ 231	\$ -
Accounts payable	-	79,268
Due to other accounts payable	-	3,032
	<u>\$ 231</u>	<u>\$ 82,300</u>
<b>Net assets</b>		
Reserved for scholarships/other	<u>\$ 114,764</u>	<u>\$ -</u>

See notes to financial statements.

**Waverly-Shell Rock Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**Year Ended June 30, 2012**

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 77,470
Interest income	1,444
Total additions	\$ 78,914
Deductions:	
Instruction:	
Regular:	
Scholarships awarded/other	\$ 70,982
Change in net assets	\$ 7,932
Net assets beginning of year	106,832
Net Assets End of Year	\$ 114,764

See notes to financial statements.

## Waverly-Shell Rock Community School District

### Notes to the Financial Statements

June 30, 2012

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

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly, and Shell Rock, Iowa and the predominately agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

##### A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock 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. Waverly-Shell Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

##### B. Basis of Presentation

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

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Services Fund is used to account for the District's medical insurance plan.

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 and liabilities, and does not involve measurements of results of operations.

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary funds of the District apply 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 Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for support staff corresponding to the current school year, which were paid in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(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.

The District had no investments at June 30, 2012.

(3) **Due From and Due To Other Funds**

The detail of inter-fund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise – School Nutrition	\$ 81,000
Enterprise – School Nutrition	Capital Projects	26,000
Capital Projects	General Fund	280,812
		<u>\$ 387,812</u>

The Enterprise – School Nutrition Fund owes the General Fund for loan advances made during the year.

The Capital Projects Fund owes the Enterprise – School Nutrition Fund for loan advances made during the year.

The General Fund owes the Capital Projects Fund for loan advances made during the year.

(4) **Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,948,884
Physical Plant and Equipment Levy	Capital Projects	800,000
		<u>2,748,884</u>

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

(5) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2011-2012A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2011-2012A and taxable Series 2011-2012B warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	6/30/11	6/23/12	\$-	\$1,920,001	\$1,920,001	\$-
Total			\$-	\$1,920,001	\$1,920,001	\$-

During the year ended June 30, 2012, the District paid \$11,027 of interest on the ISCAP warrants.

(6) **Capital Assets**

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

	Balance Beginning Of Year	Increase	Decreases	Appraised Variation Adjustment	Balance End Of Year
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 678,470	\$ -	\$ -	\$ -	\$ 678,470
Total capital assets not being depreciated	\$ 678,470	\$ -	\$ -	\$ -	\$ 678,470
Capital assets being depreciated:					
Buildings	\$ 42,018,418	\$ 5,309,116	\$ -	\$ 575,096	\$ 47,902,630
Improvements other than buildings	498,876	1,628,367	-	-171,640	1,955,603
Furniture and equipment	3,098,069	186,632	-	-219,368	3,065,333
Total capital assets being depreciated	\$ 45,615,363	\$ 7,124,115	\$ -	\$ 184,088	\$ 52,923,566
Less accumulated depreciation for:					
Buildings	\$ 7,279,104	\$ 973,130	\$ -	\$ -1,774,933	\$ 6,477,301
Improvements other than buildings	354,626	66,598	-	728,620	1,149,844
Furniture and equipment	2,376,629	179,672	-	-355,607	2,200,694
Total accumulated depreciation	\$ 10,010,359	\$ 1,219,400	\$ -	\$ -1,401,920	\$ 9,827,839
Total capital assets being depreciated, net	\$ 35,605,004	\$ 5,904,715	\$ -	\$ 1,586,008	\$ 43,095,727
Governmental Activities Capital Assets, Net	\$ 36,283,474	\$ 5,904,715	\$ -	\$ 1,586,008	\$ 43,774,197

	Balance Beginning Of Year	Increase	Decreases	Appraised Variation Adjustment	Balance End Of Year
<b>Business type activities:</b>					
Furniture and equipment	\$ 72,691	\$ -	\$ 10,000	\$ -	\$ 62,691
Less accumulated depreciation	46,183	5,224	10,000	-	41,407
<b>Business Type Activities Capital Assets, Net</b>	<b>\$ 26,508</b>	<b>\$ -5,224</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,284</b>

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

\$ 1,001,331

Other

10,128

Support services:

Administration

14,717

Operation and maintenance of plant

29,807

Transportation

136,570

Non instructional

26,847

Total Depreciation Expense – Governmental Activities

\$ 1,219,400

Business Type Activities:

Food service operations

\$ 5,224

(7) Long-term Liabilities

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 15,270,000	\$ 3,225,000	\$ 640,000	\$ 17,855,000	\$ 655,000
Revenue bonds	4,535,000	-	565,000	3,970,000	585,000
Early retirement	89,718	-	68,520	21,198	17,544
Net OPEB liability	122,313	70,137	-	192,450	-
<b>Total</b>	<b>\$ 20,017,031</b>	<b>\$ 3,295,137</b>	<b>\$ 1,273,520</b>	<b>\$ 22,038,648</b>	<b>\$ 1,257,544</b>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2012 totaled \$68,520.

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of February 1, 2010			
	Interest Rate	Principal	Interest	Total
2013	3.00%	\$ 655,000	\$ 524,669	\$ 1,179,669
2014	3.00%	665,000	505,019	1,170,019
2015	3.00%	680,000	485,069	1,165,069
2016	3.00%	700,000	464,668	1,164,668
2017-2021	3.25-3.50%	3,880,000	1,963,619	5,843,619
2022-2026	3.50-3.875%	4,705,000	1,222,181	5,927,181
2027-2029	4.00-4.125%	3,345,000	275,969	3,620,969
		<u>\$ 14,630,000</u>	<u>\$ 5,441,194</u>	<u>\$ 20,071,194</u>

Year Ending June 30,	Bond Issue of September 2, 2011			
	Interest Rate	Principal	Interest	Total
2013	0.550%	\$ -	\$ 17,738	\$ 17,738
2014	0.550%	3,225,000	17,737	3,242,737
		<u>\$ 3,225,000</u>	<u>\$ 35,475</u>	<u>\$ 3,260,475</u>

During 2010, the District issued \$15.7 million in general obligation bonds for the construction of a new school building.

During 2011, the District issued \$3.225 million in general obligation bonds for the construction and renovation of certain school facilities.

For the current year \$1,183,868 principal and interest was paid on the bonds.

Revenue Bonds Payable

Details of the District's June 30, 2012 revenue bonded are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rate	Principal	Interest	Total
2013	3.56%	\$ 585,000	\$ 42,364	\$ 627,364
2014	3.56%	605,000	21,538	626,538
		<u>\$ 1,190,000</u>	<u>\$ 63,902</u>	<u>\$ 1,253,902</u>

Year Ending June 30,	Bond Issue of September 1, 2007			
	Interest Rate	Principal	Interest	Total
2013	4.50%	\$ -	\$ 125,100	\$ 125,100
2014	4.50%	-	125,100	125,100
2015	4.50%	400,000	125,100	525,100
2016	4.50%	390,000	107,100	497,100
2017-2021	4.50%	1,700,000	287,550	1,987,550
2022	4.50%	290,000	13,050	303,050
		<u>\$ 2,780,000</u>	<u>\$ 783,000</u>	<u>\$ 3,563,000</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in May 2006 and September 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,816,902. For the current year, \$752,578 principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,422,737.

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

- a) \$678,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account. That account currently has a balance of \$792,120.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District is in compliance with all of these items.

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the years ended June 30, 2012, 2011 and 2010. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$870,687, \$740,959 and \$726,681, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 212 active, 53 waived coverage, one died, and 21 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 104,417
Interest on net OPEB obligation	3,058
Adjustment to annual required contribution	-12,901
Annual OPEB cost	<u>\$ 94,574</u>
Contributions made	24,437
Increase in net OPEB obligation	<u>\$ 70,137</u>
Net OPEB obligation beginning of year	<u>122,313</u>
Net OPEB obligation end of year	<u>\$ 192,450</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$916,887 to the medical plan. Plan members eligible for benefits contributed \$392,650, or 30% 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
2009	\$65,671	0.0%	\$65,671
2010	\$70,634	72.8%	\$85,133
2011	\$78,100	0.0%	\$163,233
2012	\$94,524	25.8%	\$192,450

**Funded Status and Funding Progress** – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$438,609, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$438,609. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,506,708 and the ratio of the UAAL to covered payroll was 5.2%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$482.37 per month for retirees less than age 65 and \$368.06 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

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

**(11) 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 \$781,384 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.

**(12) Categorical Funding**

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

Program	Amount
Dropout Prevention	\$ 175,601
4 Year Old Preschool	65,210
Teacher Mentoring	857
Market Factor	7,715
Core Curriculum	97,854
Professional Development	255,848
Market Factor	5,045
Total	<u>\$ 608,130</u>

**(13) Subsequent Events**

The District has evaluated subsequent events through March 29, 2013 which is the date that the financial statement were available to be issued.

**(14) Related Party Activity**

The District had transactions totaling \$18,894 with District officials or employees.

**(15) Financial Condition**

The General Fund had a deficit balance of \$1,777,041 at June 30, 2012. The Activity Fund had four student activity accounts with deficit balances at June 30, 2012.

(16) **Prior Period Adjustments**

All funds had prior period adjustments as follows:

<u>Funds</u>		<u>Amount</u>
General Fund	\$	108,577
Management Levy		1,484
Capital Projects – Statewide Sales, Services and Use Tax		-252,372
School Nutrition		65,266

**Required Supplementary Information**

**Waverly-Shell Rock Community School District**

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

**Required Supplementary Information**

**Year Ended June 30, 2012**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 13,210,207	\$ 783,813
Intermediate sources	-	-
State sources	10,412,073	7,780
Federal sources	947,285	322,484
Total Receipts	<u>\$ 24,569,565</u>	<u>\$ 1,114,077</u>
Disbursements:		
Instruction	\$ 15,621,290	\$ -
Support services	5,285,243	-
Non-instructional programs	-	1,159,262
Other expenditures	8,571,047	-
Total Disbursements	<u>\$ 29,477,580</u>	<u>\$ 1,159,262</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ -4,908,015	\$ -45,185
Other financing sources (uses), net	<u>3,225,173</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources (uses)	\$ -1,682,842	\$ -45,185
Balances beginning of year	\$ 5,102,304	\$ 13,149
Prior period adjustment	-142,311	65,266
Adjusted balances beginning of year	<u>\$ 4,959,993</u>	<u>\$ 78,415</u>
Balances End of Year	<u>\$ 3,277,151</u>	<u>\$ 33,230</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	13,994,020	\$ 20,554,558	\$ 20,554,558	\$ -6,560,538
	-	-	-	-
	10,419,853	11,047,734	11,047,734	-627,881
	1,269,769	765,332	765,332	504,437
\$	25,683,642	\$ 32,367,624	\$ 32,367,624	\$ -6,683,982
\$	15,621,290	\$ 15,670,600	\$ 15,670,600	\$ 49,310
	5,285,243	5,805,959	5,805,959	520,716
	1,159,262	1,942,000	1,942,000	782,738
	8,571,047	8,297,401	9,284,754	713,707
\$	30,636,842	\$ 31,715,960	\$ 32,703,313	\$ 2,066,471
\$	-4,953,200	\$ 651,664	\$ -335,689	\$ -4,617,511
	3,225,173	-	-	3,225,173
\$	-1,728,027	\$ 651,664	\$ -335,689	\$ -1,392,338
\$	5,115,453	\$ 517,953	\$ 517,953	\$ 4,597,500
	-77,045	-	-	-77,045
\$	5,038,408	\$ 517,953	\$ 517,953	\$ 4,520,455
\$	3,310,381	\$ 1,169,617	\$ 182,264	\$ 3,128,117

**Waverly-Shell Rock Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2012**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$987,353.

**Waverly-Shell Rock Community School District**

**Schedule of Funding Progress for the  
Retiree Health Plan**

**Required Supplementary Information**

**June 30, 2012**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$546	\$546	0.0%	\$10,095	5.4%
2010	July 1, 2008	-	\$541	\$541	0.0%	\$11,120	4.9%
2011	July 1, 2008	-	\$541	\$541	0.0%	\$10,380	5.2%
2012	July 1, 2011	-	\$439	\$439	0.0%	\$8,567	5.2%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

## Waverly-Shell Rock Community School District

Combining Balance Sheet  
Non-Major Governmental Funds

June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 436,159	\$ 426,285	\$ 862,444
Receivables:			
Property Tax:			
Delinquent	1,302	-	1,302
Succeeding year	280,002	-	280,002
<b>Total Assets</b>	<b>\$ 717,463</b>	<b>\$ 426,285</b>	<b>\$ 1,143,748</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 5,678	\$ 12,862	\$ 18,540
Salaries and benefits payable	27,200	-	27,200
Deferred revenue:			
Succeeding year property tax	280,002	-	280,002
<b>Total Liabilities</b>	<b>\$ 312,880</b>	<b>\$ 12,862</b>	<b>\$ 325,742</b>
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 404,583	\$ -	\$ 404,583
Student activities	-	413,423	413,423
<b>Total fund balances</b>	<b>\$ 404,583</b>	<b>\$ 413,423</b>	<b>\$ 818,006</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 717,463</b>	<b>\$ 426,285</b>	<b>\$ 1,143,748</b>

See accompanying independent auditor's report.

## Waverly-Shell Rock Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Funds

Year Ended June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local Sources:			
Local tax	\$ 270,553	\$ -	\$ 270,553
Other	3,666	1,205,334	1,209,000
State sources	169	-	169
Total Revenues	\$ 274,388	\$ 1,205,334	\$ 1,479,722
Expenditures:			
Current:			
Instruction:			
Regular	\$ 69,211	\$ -	\$ 69,211
Other	-	1,152,713	1,152,713
Support Services:			
Administration	151,298	-	151,298
Operation and maintenance of plant	45,775	-	45,775
Transportation	14,000	-	14,000
Total Expenditures	\$ 280,284	\$ 1,152,713	\$ 1,432,997
Excess (deficiency) of revenues over (under) expenditures	\$ -5,896	\$ 52,621	\$ 46,725
Fund balances beginning of year	\$ 408,995	\$ 360,802	\$ 769,797
Prior period adjustment	1,484	-	1,484
Adjusted fund balances, beginning of year	\$ 410,479	\$ 360,802	\$ 771,281
Fund Balances End of Year	\$ 404,583	\$ 413,423	\$ 818,006

See accompanying independent auditor's report.

## Waverly-Shell Rock Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2012

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Vocal Music	\$ 12,916	\$ 17,474	\$ 19,245	\$ -	\$ 11,145
JH Variety Vocal	8,164	10,270	7,249	-	11,185
Instrumental Music	2,839	13,824	17,021	-	-358
Elementary Band	3,801	2,988	1,875	-	4,914
Miscellaneous Sports	4,706	24,393	27,560	-	1,539
JH Track	41	730	340	-	431
Cross Country	458	5,881	3,142	-	3,197
Boys Basketball	-	40,562	37,002	-2,817	743
JH Boys Basketball	267	1,813	1,813	-	267
Football	559	58,554	58,831	-	282
Boys Soccer	-	5,211	3,063	-2,148	-
Baseball	124	12,337	12,043	-	418
Boys Track	2,755	28,078	32,474	-	-1,641
Boys Tennis	1,355	7,334	8,602	-	87
Boys Golf	70	750	234	-	586
Wrestling	-	2,501	2,298	-33	170
Weightlifting	302	39,312	45,366	-	-5,752
JH Wrestling	2,300	625	2,768	-	157
Girls Basketball	45	990	1,035	-	-
JH Girls Basketball	718	20,879	21,597	-	-
Girls Volleyball	-	1,780	1,400	-201	179
JH Girls Volleyball	283	21,022	21,077	-	228
Girls Soccer	49	2,456	2,429	-	76
Girls Softball	-	21,166	19,636	-476	1,054
Girls Track	4,686	18,011	20,551	-	2,146
Girls Tennis	-	9,597	8,021	-1,516	60
Girls Golf	-	3,656	3,171	-6	479
Dance Team	321	650	445	-	526
Masquers	2,086	12,981	11,361	-	3,706
Art Club	7,407	6,237	7,313	-	6,331
Boys W Club	5,915	1,281	-	-	7,196
Science Club	699	-	-	-	699
Energy Team	8,389	2,424	1,047	-	9,766
National Honor Society	273	-	-	-	273
Publications	1,041	374	970	-	445
Student Senate	1,724	-	-	-	1,724
Student Lounge	3,165	3,858	3,210	-	3,813
SADD	-	10	-	-	10
Class of 2013	250	280	438	-	92
Class of 2014	383	2,129	954	-	1,558
Class of 2011	-	1,860	-	-1,860	-
Class of 2012	-	2,192	-	-2,192	-
Varsity Club	1,236	590	305	-	1,521
	-	4,267	3,930	-337	-

See accompanying independent auditor's report.

## Waverly-Shell Rock Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2012

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Annual	\$ 15,761	\$ 28,171	\$ 32,770	\$ -	\$ 11,162
Guidance Transcripts	3,942	203	-	-	4,145
French Club	386	1,843	664	-	1,565
Spanish Club Student Accounts	7,073	13,849	15,548	-	5,374
Spanish Club Operating Accounts	5,286	4,874	666	-	9,494
FFA	1,754	43,367	38,893	-	6,228
German Club	1,039	1,107	854	-	1,292
DECA	5,430	12,395	12,982	-	4,843
String Music	3,055	3,717	2,914	-	3,858
HS Football Cheerleaders	1,751	9,967	11,650	-	68
Band Uniform Cleaning	11,906	17,148	25,309	-	3,745
HS Basketball Cheerleaders	440	1,716	1,680	-	476
HS Wrestling Cheerleaders	10	2,331	2,280	-	61
JH Cheerleaders	475	900	1,018	-	357
JH Student Council	-	4,019	960	-1,258	1,801
JH Activity	20,790	66,962	87,622	-	130
JH Annual	198	4,331	4,168	-	361
JH Cookie Sales	673	532	1,205	-	-
Trapshooting	300	12,994	9,157	-	4,137
Junior High Band Rental & Repair	2,169	2,605	1,601	-	3,173
Irving Account	1,259	20	75	-	1,204
Buxton Tag	1,573	-	700	-	873
Shell Rock Activity Fund	5,347	5,461	7,683	-	3,125
Carey Account	909	1,754	2,497	-	166
Carey Second Grade – Mrs Howell	50	-	-	-	50
West Cedar Account	559	1,014	707	-	866
MOC	128	-	-	-	128
Elementary Chorus – Hansen	705	113	96	-	722
Athletic Director	1,523	28,448	29,971	-	-
Wizard of Oz	2,636	3,511	4,361	-	1,786
Middle School Popcorn	-	182	148	-	34
5-8 Grade Special Account	-	32,585	27,192	-	5,393
German Club Obligation	2,784	1,160	1,439	-	2,505
Other Activities	5,211	1,668	5,410	-	1,469
Pictures*	26,049	62,309	10,632	26,439	104,165
Christmas Card	4,145	2,265	1,200	-	5,210
Change Fund	-	7,065	4,580	-2,485	-
Books	24,472	70,437	80,428	-	14,481
Activity Tickets	4,547	20,327	24,834	-	40
Water to Thrive	-	2,970	2,970	-	-
School Lunch	11,426	59,693	70,058	-	1,061
Transportation Pop	2,594	636	-	-	3,230
W-SR Wilderness	3,018	2,963	4,194	-	1,787
Instrumental Repair	-	4,101	1,913	-2,188	-
HS Strings Fundraising	859	-	-	-	859

See accompanying independent auditor's report.

## Waverly-Shell Rock Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2012

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
PE Stores	\$ -	\$ 3,286	\$ 767	\$ -1,223	\$ 1,296
String Music Stores	-	968	101	-867	-
Band Stores – High School	-	2,300	1,072	-1,003	225
Calculators – HS Math Dept	44	2,393	911	-	1,526
SH Band Fundraiser	5,732	55,215	22,476	-	38,471
Home Ec Stores	-	5,625	2,570	-2,509	546
Ind Tech Stores – HS	2,265	8,931	10,638	-	558
HS Pop	5,345	9,633	15,065	-	-87
High School Library	893	1,204	2,097	-	-
JH Courtesy	1,834	620	2,364	-	90
JH Band Stores	-	1,285	844	-339	102
JH Tech Stores	851	-	541	-	310
JH Library	229	252	382	703	802
Shop Group Shell Rock	169	8,818	536	-	8,451
JH Industrial Technology	2,304	-	1,296	-	1,008
MS Concessions	-	7,382	5,637	-	1,745
JH Video Club	60	-	-	-60	-
Shell Rock Pop	657	579	589	-	647
Entrepreneurship Class	691	12,735	13,426	-	-
Recycling – Carlson	-	9	-	-9	-
Friends of the WSR High School Library	74	3,516	3,590	-	-
Bus Buddies	-	8	-	-8	-
IT Vehicle Fund	142	2,908	1,304	-	1,746
JH Home Economics	10,577	10,208	9,189	-	11,596
Southeast Library	208	25	10	-	223
Carey Library	211	96	134	-	173
Irving Library	643	-	-	-643	-
Shell Rock Library	147	-	-	-	147
JH Art	-	3,424	1,968	-416	1,040
West Cedar Library	234	566	335	-	465
Southeast School	8,866	6,405	6,306	-	8,965
Middle School Reading	3	-	-	-	3
Business Office – Miscellaneous	-	6,260	4,951	-1,103	206
TAG Award	1,676	100	-	-	1,776
JH Plus Program	-	817	-	-256	561
B & K Homeroom	286	-	-	-	286
HS Technology Grants	-	1,046	1,000	-46	-
Irving Transportation Donation	2,282	-	1,394	-	888
Mr Winter's Account	4,864	971	5,081	-	754
HS Character Counts	330	-	-	-	330
HS Vocal Music Fund Raising	702	-	702	-	-
Human Rights Group	-	1,550	440	-	1,110
HS Vocal Music Cheese and Sausage	1,000	9,340	8,582	-	1,758

See accompanying independent auditor's report.

## Waverly-Shell Rock Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2012

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
HS Vocal Music Account	\$ 8,324	\$ 1,678	\$ 5,085	\$ -	\$ 4,917
HS Vocal Trips	3,442	34,712	35,511	-	2,643
HS Musical	6,282	12,497	12,136	-	6,643
Florida Band Trip	2,016	-	-	-	2,016
HS Vocal Music Uniform Account	2,129	-	-	-	2,129
High School Jazz	2,146	1,400	2,361	-	1,185
String Rental	-	105	-	-105	-
Transportation – West Cedar	3,078	4,060	3,666	-	3,472
Advisor/Advisor	590	38	183	-	445
Elem Art Contest	944	-	-	-	944
Elem Art	115	-	-	-	115
Chemistry Stores	-	473	-	-	473
Biology Stores	-	380	183	-	197
Science Stores	-	767	58	-	709
5 <sup>th</sup> Grade	-	195	-	-	195
6 <sup>th</sup> Grade	-	333	100	-	233
Soeder Classroom	-	44	44	-	-
HS Physics	-	451	451	-	-
HS Anatomy	-	260	-	-	260
5 <sup>th</sup> Grade Math and Science	-	900	-	-	900
Mrs Ribich Class Project	39	-	-	-	39
Elem and JH String Rentals	3,318	761	1,172	-	2,907
Elem and JH Strings Stores	-	1,300	1,108	-192	-
MS ASAP	-	340	-	-340	-
JH Math	145	-	-	-	145
8 <sup>th</sup> Grade History Project	99	100	-	-	199
PLUS Program Math Competition	1,104	1,245	1,281	-	1,068
SH Transportation Monies	129	-	-	-	129
HS Front Door Donations	500	-	-	-	500
Prairie Project	5,878	-	-	-	5,878
Team Sigma	695	1,132	624	-	1,203
Team GR8	276	930	641	-	565
Dream Team	1,366	1,466	1,191	-	1,641
Team Axis	930	-	200	-	730
JH Teachers Associates	-	41	-	-41	-
JH SLI	-	836	171	-465	200
HS Advance Placement	2,334	4,087	4,438	-	1,983
JH Juice	-	6,312	5,979	-	333
Bowling Account	45	1,853	1,864	-	34
National French Contest	-	-	-	-	-
National Honor Society Banquet	-	5,123	5,123	-	-
<b>Total</b>	<b>\$ 360,802</b>	<b>\$ 1,205,334</b>	<b>\$ 1,152,713</b>	<b>\$ -</b>	<b>\$ 413,423</b>

See accompanying independent auditor's report.

## Waverly-Shell Rock 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
<b>Assets</b>			
Cash and pooled investments	\$ 1,379,994	\$ 968,768	\$ 2,348,762
Receivables:			
Property Tax:			
Delinquent	-	1,013	1,013
Succeeding year	-	210,108	210,108
Due from other governments	443,149	-	443,149
Due from other funds	280,811	-	280,811
<b>Total Assets</b>	<b>\$ 2,103,954</b>	<b>\$ 1,179,889</b>	<b>\$ 3,283,843</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 28,166	\$ 9,387	\$ 37,553
Due to other funds	26,000	-	26,000
Deferred revenue:			
Succeeding year property tax	-	210,108	210,108
<b>Total Liabilities</b>	<b>\$ 54,166</b>	<b>\$ 219,495</b>	<b>\$ 273,661</b>
<b>Fund Balances:</b>			
Restricted for:			
Debt service -- Sinking	\$ 792,120	\$ -	\$ 792,120
School infrastructure	1,257,668	-	1,257,668
Physical plant and equipment	-	960,394	960,394
<b>Total fund balances</b>	<b>\$ 2,049,788</b>	<b>\$ 960,394</b>	<b>\$ 3,010,182</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,103,954</b>	<b>\$ 1,179,889</b>	<b>\$ 3,283,843</b>

## Waverly-Shell Rock 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	\$ 1,422,736	\$ 197,280	\$ 1,620,016
Other	114,540	3,415	117,955
State sources	210,775	113	210,888
Federal sources	449,829	38,439	488,268
Total Revenues	<u>\$ 2,197,880</u>	<u>\$ 239,247</u>	<u>\$ 2,437,127</u>
Expenditures:			
Support services:			
Operation and maintenance of plant	\$ -	\$ 6,134	\$ 6,134
Transportation	-	122,755	122,755
Other Expenditures:			
Facilities acquisition	5,754,990	53,097	5,808,087
Long-Term Debt:			
Interest and fees	32,692	-	32,692
Total Expenditures	<u>\$ 5,787,682</u>	<u>\$ 181,986</u>	<u>\$ 5,969,668</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -3,589,802</u>	<u>\$ 57,261</u>	<u>\$ -3,532,541</u>
Other Financing Sources (Uses):			
General obligation bonds issued	\$ 3,225,000	\$ -	\$ 3,225,000
Operating transfers in (out)	-2,748,884	800,000	-1,948,884
Total other financing sources (uses)	<u>\$ 476,116</u>	<u>\$ 800,000</u>	<u>\$ 1,276,116</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -3,113,686</u>	<u>\$ 857,261</u>	<u>\$ -2,256,425</u>
Fund balances beginning of year	\$ 5,415,846	\$ 103,133	\$ 5,518,979
Prior period adjustment	-252,372	-	-252,372
Adjusted Fund balances, beginning of year	<u>\$ 5,163,474</u>	<u>\$ 103,133</u>	<u>\$ 5,266,607</u>
Fund Balances End of Year	<u>\$ 2,049,788</u>	<u>\$ 960,394</u>	<u>\$ 3,010,182</u>

See accompanying independent auditor's report.

## Waverly-Shell Rock Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –  
Agency Fund

June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 62,318	\$ 263,089	\$ 243,107	\$ 82,300
<b>Total Assets</b>	<b>\$ 62,318</b>	<b>\$ 263,089</b>	<b>\$ 243,107</b>	<b>\$ 82,300</b>
<b>Liabilities</b>				
Accounts payable	\$ 62,318	\$ 243,107	\$ 226,157	\$ 79,268
Due to other accounts payable	-	3,032	-	3,032
<b>Total Liabilities</b>	<b>\$ 62,318</b>	<b>\$ 246,139</b>	<b>\$ 226,157</b>	<b>\$ 82,300</b>

## Waverly-Shell Rock Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –  
Agency Funds – Detail

June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Transfers	Balance End of Year
Catch the Spirit Foundation	\$ 242	\$ 6,901	\$ 2,457	\$ -	\$ 4,686
HS Benevolent	204	160	285	-	79
Irving Social Fund	118	85	203	-	-
HS Food Drive	350	-	-	-	350
Maintenance Courtesy	-	25	25	-	-
Transportation Courtesy	65	253	164	-	154
Irving Parent Account	4,023	4,549	4,815	-	3,757
Junior High Athletics	8,224	3,093	11,317	-	-
Secretary Courtesy	73	8	81	-	-
Concessions – Athletic Booster	40,840	124,152	121,357	-	43,635
Membership – Athletic Booster	1,154	55,747	55,161	-	1,740
Athletic Booster – Fac/Equip	913	-	-	-	913
Athletic Booster – Additional Events	2,563	30,609	18,502	-	14,670
Athletic Booster – Resale	2,504	17,079	13,678	-	5,905
Athletic Booster – Budgeted	100	280	-	-	380
Athletic Booster – Wish List	113	-	-	-	113
Athletic Booster – Operational	100	-	48	-	52
Employee Wellness	720	-	-	-	720
CPR/AED Fund	12	-	-	-	12
HS Choir Boosters	-	20,148	18,046	-	2,102
	<u>\$ 62,318</u>	<u>\$ 263,089</u>	<u>\$ 246,139</u>	<u>\$ -</u>	<u>\$ 79,268</u>

See accompanying independent auditor's report.

**Waverly-Shell Rock Community School District**

**Combining Balance Sheet  
Private Purpose Trusts  
Scholarships**

**June 30, 2012**

	Diercks Scholarship	Wm Wood Scholarship	Kenneth Stumme Scholarship	HS Math Science
<b>Assets</b>				
Cash	\$ 1,079	\$ -	\$ 2,562	\$ 371
Investment	50,000	1,658	20,088	-
<b>Total Assets</b>	<b>\$ 51,079</b>	<b>\$ 1,658</b>	<b>\$ 22,650</b>	<b>\$ 371</b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Bank overdrafts	\$ -	\$ 231	\$ -	\$ -
<b>Fund equity:</b>				
Fund Balances:				
Unreserved, undesignated	51,079	1,427	22,650	371
<b>Total Liabilities and Fund Equity</b>	<b>\$ 51,079</b>	<b>\$ 1,658</b>	<b>\$ 22,650</b>	<b>\$ 371</b>

See accompanying independent auditor's report.

Elem PE Jana B	DECA Student Account	Carey Parents	Southeast Parents	West Cedar Parents
\$ 130	\$ 1,233	\$ 8,577	\$ 7,677	\$ 14,424
-	-	-	-	-
\$ 130	\$ 1,233	\$ 8,577	\$ 7,677	\$ 14,424
\$ -	\$ -	\$ -	\$ -	\$ -
130	1,233	8,577	7,677	14,424
\$ 130	\$ 1,233	\$ 8,577	\$ 7,677	\$ 14,424

**Waverly-Shell Rock Community School District**

**Combining Balance Sheet  
Private Purpose Trusts  
Scholarships**

**June 30, 2012**

	HS Special Education Maria Peth		Hirst T Knights of Columbus		JH Kevin Rhone		Kline K Knights of Columbus
<b>Assets</b>							
Cash	\$ 24	\$	162	\$	603	\$	426
Investment	-		-		-		-
<b>Total Assets</b>	<b>\$ 24</b>	<b>\$</b>	<b>162</b>	<b>\$</b>	<b>603</b>	<b>\$</b>	<b>426</b>
<b>Liabilities and Fund Equity</b>							
<b>Liabilities</b>							
Bank overdrafts	\$ -	\$	-	\$	-	\$	-
<b>Fund equity:</b>							
Fund Balances:							
Unreserved, undesignated	24		162		603		426
<b>Total Liabilities and Fund Equity</b>	<b>\$ 24</b>	<b>\$</b>	<b>162</b>	<b>\$</b>	<b>603</b>	<b>\$</b>	<b>426</b>

See accompanying independent auditor's report.

	Carey J Clausing		Shell Rock G Huberg		Johnston N Knights of Columbus		Obemeier H Knights of Columbus		Junior High J Boerigter
\$	228	\$	455	\$	624	\$	387	\$	548
	-		-		-		-		-
\$	228	\$	455	\$	624	\$	387	\$	548
\$	-	\$	-	\$	-	\$	-	\$	-
	228		455		624		387		548
\$	228	\$	455	\$	624	\$	387	\$	548

**Waverly-Shell Rock Community School District**

**Combining Balance Sheet  
Private Purpose Trusts  
Scholarships**

**June 30, 2012**

	Junior High L Jamison	Junior High Patty Harrell	Crandall L Knights of Columbus	Buskohl L Knights of Columbus
<b>Assets</b>				
Cash	\$ 256	\$ 511	\$ 186	\$ 111
Investment	-	-	-	-
<b>Total Assets</b>	<b>\$ 256</b>	<b>\$ 511</b>	<b>\$ 186</b>	<b>\$ 111</b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Bank overdrafts	\$ -	\$ -	\$ -	\$ -
<b>Fund equity:</b>				
Fund Balances:				
Unreserved, undesignated	256	511	186	111
<b>Total Liabilities and Fund Equity</b>	<b>\$ 256</b>	<b>\$ 511</b>	<b>\$ 186</b>	<b>\$ 111</b>

See accompanying independent auditor's report.

High School Knights of Columbus	HS Inclusion Marie Peth	Steinbronn Brenda Knights of Columbus	Stensland G Knights of Columbus	Goodrich D Knights of Columbus
\$ 1,176	\$ 748	\$ 196	\$ 39	\$ 111
-	-	-	-	-
\$ 1,176	\$ 748	\$ 196	\$ 39	\$ 111
\$ -	\$ -	\$ -	\$ -	\$ -
1,176	748	196	39	111
\$ 1,176	\$ 748	\$ 196	\$ 39	\$ 111

**Waverly-Shell Rock Community School District**

**Combining Balance Sheet  
Private Purpose Trusts  
Scholarships**

**June 30, 2012**

	Pierce Knight of Columbus	Brandel Knights of Columbus	Pepsi Donation for Athletics	Globe Project Scott Severson
<b>Assets</b>				
Cash	\$ 111	\$ 88	\$ 40	\$ 38
Investment	-	-	-	-
<b>Total Assets</b>	<b>\$ 111</b>	<b>\$ 88</b>	<b>\$ 40</b>	<b>\$ 38</b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Bank overdrafts	\$ -	\$ -	\$ -	\$ -
<b>Fund equity:</b>				
Fund Balances:				
Unreserved, undesignated	111	88	40	38
<b>Total Liabilities and Fund Equity</b>	<b>\$ 111</b>	<b>\$ 88</b>	<b>\$ 40</b>	<b>\$ 38</b>

See accompanying independent auditor's report.

	Joan Greenlee's Walmart Acct		Shell Rock Jessia Johnson		Sand D Knights of Columbus		Total
\$	21	\$	75	\$	32	\$	43,249
	-		-		-		71,746
\$	21	\$	75	\$	32	\$	114,995
\$	-	\$	-	\$	-	\$	231
	21		75		32		114,764
\$	21	\$	75	\$	32	\$	114,995

**Waverly-Shell Rock Community School District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts  
Scholarships**

**Year Ended June 30, 2012**

	Diercks Scholarship	Wm Wood Scholarship	Kenneth Stumme Scholarship	HS Math Science
Revenues:				
Local Sources:				
Interest on investment	\$ 1,197	\$ 18	\$ 229	\$ -
Contributions/Other	-	-	-	-
Total Revenues	<u>\$ 1,197</u>	<u>\$ 18</u>	<u>\$ 229</u>	<u>\$ -</u>
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ 1,000	\$ 100	\$ 1,000	\$ -
Total Expenditures	<u>\$ 1,000</u>	<u>\$ 100</u>	<u>\$ 1,000</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 197	\$ -82	\$ -771	\$ -
Fund balances beginning of year	<u>50,882</u>	<u>1,509</u>	<u>23,421</u>	<u>371</u>
Fund Balances End of Year	<u>\$ 51,079</u>	<u>\$ 1,427</u>	<u>\$ 22,650</u>	<u>\$ 371</u>

See accompanying independent auditor's report.

Elem PE Jana B	DECA Student Account	Carey Parents	Southeast Parents	West Cedar Parents
\$ -	\$ -	\$ -	\$ -	\$ -
-	3,030	16,762	11,081	26,354
\$ -	\$ 3,030	\$ 16,762	\$ 11,081	\$ 26,354
<hr/>				
\$ -	\$ 1,797	\$ 14,642	\$ 10,783	\$ 21,389
\$ -	\$ 1,797	\$ 14,642	\$ 10,783	\$ 21,389
<hr/>				
\$ -	\$ 1,233	\$ 2,120	\$ 298	\$ 4,965
130	-	6,457	7,379	9,459
\$ 130	\$ 1,233	\$ 8,577	\$ 7,677	\$ 14,424

**Waverly-Shell Rock Community School District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts  
Scholarships**

**Year Ended June 30, 2012**

	HS Spec Ed Maria Peth	Hirst T Knights of Columbus	JH Kevin Rohne	Kline K Knights of Columbus
Revenues:				
Local Sources:				
Interest on investment	\$ -	\$ -	\$ -	\$ -
Contributions/Other	90	32	748	32
Total Revenues	\$ 90	\$ 32	\$ 748	\$ 32
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ 66	\$ -	\$ 289	\$ -
Total Expenditures	\$ 66	\$ -	\$ 289	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ 24	\$ 32	\$ 459	\$ 32
Fund balances beginning of year	-	130	144	394
Fund Balances End of Year	\$ 24	\$ 162	\$ 603	\$ 426

See accompanying independent auditor's report.

	Carey J Clausing	Shell Rock G Huberg	Johnston N Knights of Columbus	Obemeier H Knights of Columbus	Junior High J Boerigter
\$	-	\$ -	\$ -	\$ -	\$ -
	32	32	32	32	689
\$	32	\$ 32	\$ 32	\$ 32	\$ 689
\$	46	\$ -	\$ -	\$ -	\$ 281
\$	46	\$ -	\$ -	\$ -	\$ 281
\$	-14	\$ 32	\$ 32	\$ 32	\$ 408
	242	423	592	355	140
\$	228	\$ 455	\$ 624	\$ 387	\$ 548

**Waverly-Shell Rock Community School District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts  
Scholarships**

**Year Ended June 30, 2012**

	Junior High L Jamison	Junior High Patty Harrell	Crandall L Knights of Columbus	Buskohol L Knights of Columbus
Revenues:				
Local Sources:				
Interest on investment	\$ -	\$ -	\$ -	\$ -
Contributions/Other	134	460	186	32
Total Revenues	<u>\$ 134</u>	<u>\$ 460</u>	<u>\$ 186</u>	<u>\$ 32</u>
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ 21	\$ 444	\$ -	\$ -
Total Expenditures	<u>\$ 21</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 113	\$ 16	\$ 186	\$ 32
Fund balances beginning of year	<u>143</u>	<u>495</u>	<u>-</u>	<u>79</u>
Fund Balances End of Year	<u>\$ 256</u>	<u>\$ 511</u>	<u>\$ 186</u>	<u>\$ 111</u>

See accompanying independent auditor's report.

	High School Knights of Columbus	HS Inclusion Marie Peth	Steinbronn B Knights of Columbus	Stensland G Knights of Columbus	Goodrich D Knights of Columbus
\$	-	\$ -	\$ -	\$ -	\$ -
	224	110	205	32	32
\$	224	\$ 110	\$ 205	\$ 32	\$ 32
\$	880	\$ 120	\$ 87	\$ 72	\$ -
\$	880	\$ 120	\$ 87	\$ 72	\$ -
\$	-656	\$ -10	\$ 118	\$ -40	\$ 32
	1,832	758	78	79	79
\$	1,176	\$ 748	\$ 196	\$ 39	\$ 111

**Waverly-Shell Rock Community School District**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts  
Scholarships**

**Year Ended June 30, 2012**

	Pierce Knights of Columbus	Brandel Knights of Columbus	Pepsi Donation For Athletics	Global Project Scott Severson
Revenues:				
Local Sources:				
Interest on investment	\$ -	\$ -	\$ -	\$ -
Contributions/Other	32	32	800	-
Total Revenues	\$ 32	\$ 32	\$ 800	\$ -
Expenditures:				
Instruction:				
Regular Instruction:				
Scholarships/Other	\$ -	\$ 80	\$ 800	\$ -
Total Expenditures	\$ -	\$ 80	\$ 800	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ 32	\$ -48	\$ -	\$ -
Fund balances beginning of year	79	136	40	38
Fund Balances End of Year	\$ 111	\$ 88	\$ 40	\$ 38

See accompanying independent auditor's report.

	Joan Greenlee's Walmart Acct	Shell Rock Jessia Johnson	Sand D Knights of Columbus	National Deca Trip	Donation to West Cedar	Total
\$	- \$	- \$	- \$	- \$	- \$	1,444
	-	-	32	16,213	-	77,470
\$	- \$	- \$	32 \$	16,213 \$	- \$	78,914
\$	- \$	- \$	- \$	16,993 \$	92 \$	70,982
\$	- \$	- \$	- \$	16,993 \$	92 \$	70,982
\$	- \$	- \$	32 \$	-780 \$	-92 \$	7,932
	21	75	-	780	92	106,832
\$	21 \$	75 \$	32 \$	- \$	- \$	114,764

**Waverly-Shell Rock Community School District**

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

**For the Last Nine Years**

	Modified Accrual Basis			
	2012	2011	2010	2009
<b>Revenues:</b>				
<b>Local Sources:</b>				
Local tax	\$ 10,014,538	\$ 9,041,122	\$ 7,842,434	\$ 7,670,444
Tuition	1,416,410	1,049,102	968,240	807,288
Other	1,779,259	2,714,181	1,865,455	1,463,780
Intermediate sources	-	-	-	-
State sources	10,412,073	9,784,985	8,319,827	9,264,724
Federal sources	947,285	1,078,784	1,598,254	516,035
<b>Total</b>	<b>\$ 24,569,565</b>	<b>\$ 23,668,174</b>	<b>\$ 20,594,210</b>	<b>\$ 19,722,271</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 9,260,143	\$ 15,122,534	\$ 14,074,567	\$ 13,650,217
Special instruction	3,661,644	*	*	*
Other instruction	2,699,473	*	*	*
<b>Support services:</b>				
Student services	457,869	387,765	391,926	373,380
Instructional staff services	796,332	668,934	592,436	609,775
Administrative services	1,695,351	1,659,660	1,834,695	1,535,002
Operation and maintenance of plant services	1,584,543	1,660,045	1,622,878	3,519,618
Transportation services	751,148	827,750	594,974	824,863
Non-instructional programs	-	-	-	-
<b>Other expenditures:</b>				
Facilities acquisition	5,808,087	15,671,194	7,871,906	800,562
Long-term debt:				
Principal	1,205,000	975,000	525,000	910,000
Interest and other charges	776,576	950,031	261,043	254,238
AEA flow-through	781,384	850,882	834,410	688,570
<b>Total</b>	<b>\$ 29,477,580</b>	<b>\$ 38,773,795</b>	<b>\$ 28,603,835</b>	<b>\$ 23,166,225</b>

\*Included in regular instruction.

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	
\$ 7,251,512	\$ 7,048,847	\$ 6,376,517	\$ 5,495,828	\$ 5,065,151	
799,477	942,258	909,463	783,604	709,076	
1,751,178	1,809,680	1,825,532	1,501,415	1,265,994	
-	-	-	-	-	
8,592,584	8,162,461	7,780,538	7,529,667	7,174,426	
393,148	417,334	449,712	328,804	464,678	
<u>\$ 18,787,899</u>	<u>\$ 18,380,580</u>	<u>\$ 17,341,762</u>	<u>\$ 15,639,318</u>	<u>\$ 14,679,325</u>	
\$ 12,106,920	\$ 11,343,858	\$ 11,075,422	\$ 10,234,785	\$ 9,190,226	
*	*	*	*	*	
*	*	*	*	*	
348,133	342,361	344,924	334,727	323,479	
597,333	563,623	545,859	562,566	581,294	
1,459,945	1,374,027	1,323,877	1,397,024	1,392,269	
1,674,624	1,361,334	1,451,174	1,170,050	1,077,131	
702,297	663,258	549,698	519,403	547,643	
-	-	-	-	-	
2,640,810	4,686,356	2,643,509	455,770	356,576	
880,000	855,000	470,000	460,000	455,000	
259,853	179,660	21,697	42,743	57,221	
633,205	596,701	546,568	544,101	541,453	
<u>\$ 21,303,120</u>	<u>\$ 21,966,178</u>	<u>\$ 18,972,728</u>	<u>\$ 15,721,169</u>	<u>\$ 14,522,292</u>	

## Waverly-Shell Rock Community School District

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	\$ 25,331
National School Lunch Program	10.555	FY12	295,986 *
Special Milk Program for Children	10.556	FY12	36
State Administrative Expense	10.560	FY12	210
Team Nutrition	10.574	FY12	921
			<u>\$ 322,484</u>
U.S. Department of Environmental Protection Agency:			
Iowa Department of Natural Resources:			
State Clean Diesel Grant Program	66.040	FY12	\$ 38,439
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY12	\$ 161,358
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	FY12	54,609
			<u>\$ 215,967</u>
Career and Technical Education – Basic Grants to States	84.048	FY12	\$ 7,113
Improving Teacher Quality State Grants	84.367	FY12	\$ 126,082
Grants for State Assessments and Related Activities	84.369	FY12	\$ 20,249
Education Jobs Funds	84.410	FY12	\$ 5,716
Area Education Agency 267:			
Special Education – Grants to States	84.027	FY12	\$ 97,244
U.S. Department of Homeland Security:			
Iowa Department of Education:			
Hazard Mitigation Grant	97.039	FY12	\$ 449,829
Total			<u>\$ 1,283,123</u>

\*- Includes \$56,496 of non-cash awards.

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

See accompanying independent auditor's report.

**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**

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  
Waverly-Shell Rock Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Waverly-Shell Rock 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 my report thereon dated March 29, 2013. I conducted my 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 Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Waverly-Shell Rock Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I 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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-12 thru II-E-12 to be material weaknesses.

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. I consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-F-12 to be a significant deficiency.

## Compliance and Other Matters

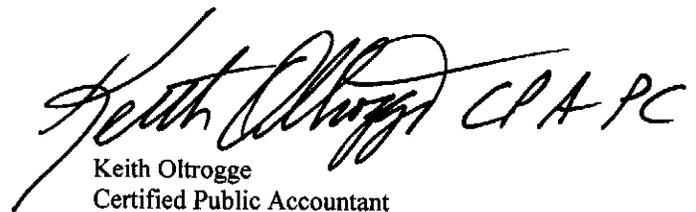
As part of obtaining reasonable assurance about whether Waverly-Shell Rock Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance or other matters that are described in Part IV 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 my audit of the financial statements of the District. Since my 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.

Waverly-Shell Rock Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Waverly-Shell Rock Community School District's responses and, accordingly, I 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 Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Waverly-Shell Rock Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

March 29, 2013

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

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

To the Board of Education of  
Waverly-Shell Rock Community School District

**Compliance**

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

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

In my opinion, Waverly-Shell Rock Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

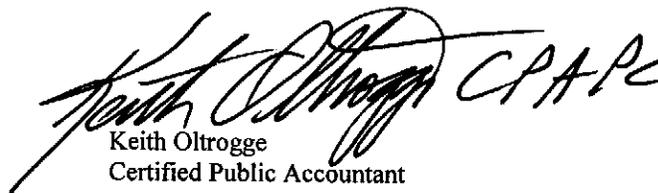
The management of Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered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

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified deficiencies in internal control over compliance that I consider to be material weaknesses.

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

Waverly-Shell Rock Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I expressed my conclusions on the District's responses, I did not audit Waverly-Shell Rock Community School District's responses and, accordingly, I 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 Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock 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.



Keith Oltrogge  
Certified Public Accountant

March 29, 2013

**Waverly-Shell Rock Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part I – Summary of the Independent Auditor’s Results:**

- a) Unqualified opinions were issued on the financial statements.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit did not disclose any findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510 (a).
- g) Major program was as follows:
  - Child Nutrition Cluster:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.556 – Special Milk Program for Children
    - CFDA Number 10.560 – State Administrative Expense
    - CFDA Number 10.574 – Team Nutrition
  - Hazard Mitigation Grant – CFDA Number 97.039
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2012

**Part II – Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation – We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has a large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response – We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion – Response accepted.

II-B-12 Financial Reporting – During the audit, I identified material amounts of receivables and payables not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and payables are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables or payables transactions.

Conclusion – Response accepted.

II-C-12 Coding – I noted during my audit, that some expenditures were not always properly posted to the correct account. Adjustments were subsequently made to the District to properly code these expenditures.

Recommendation – The District should review the coding of bills, to ensure that all bills paid are properly coded. The Uniform Financial Accounting for Iowa LEAs and AEAs should be used. The purpose of governmental fund accounting is to facilitate that the District is demonstrating compliance with the use of designated or restricted revenue by segregating the revenue and related expenditures.

Response – The District will review the coding bills, to ensure that the expenditures are all properly coded.

Conclusion – Response accepted.

Waverly-Shell Rock Community School District

Schedule of Findings

Year Ended June 30, 2012

**Part II – Findings Related to the Financial Statements (continued):**

**INTERNAL CONTROL DEFICIENCIES:**

II-D-12 Disbursements – Credit card purchases did not always have supporting receipts attached prior to a check being released for payment.

Recommendation – All disbursements should have adequate support by an invoice, receipt or other written documentation prior the check being released for payment.

Response – All future disbursements including credit card payments will have proper support.

Conclusion – Response accepted.

II-E-12 Bank Reconciliation – Monthly bank statements are reconciled to the District’s monthly financial report. However, immaterial variances existed in the reconciliation at June 30, 2012 which were not resolved. In addition, the monthly bank reconciliations are not reviewed and approved by an independent person.

Recommendation – All bank reconciliation variances should be investigated and resolved timely. An independent person should review the reconciliations for propriety and document the review by signing or initialing and dating the reconciliations.

Response – Variances will be investigated and resolved. A Board member will receive monthly bank reconciliations and bank statements to review and will evidence review through initialing and dating the reconciliations.

Conclusions – Response accepted.

II-F-12 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

**Waverly-Shell Rock Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part II - Other Findings Related to Statutory Reporting:**

**INSTANCES OF NON-COMPLIANCE:**

II-G-12 Interfund Loan – The District entered into several interfund receivables and payables between the General Fund School Nutrition Fund and the Capital Projects Fund, which appears to be an interfund loan/borrowing, that may not be in compliance with a revised Declaratory Order issued by the Iowa Department of Education dated October 22, 2011.

The Declaratory Order requires interfund loans be repaid by October 1<sup>st</sup> of the fiscal year following the loan origination date, interest to be charged to the borrowing fund based on rates pursuant to Iowa Code section 74A.6, and a resolution approved by the Board of Education stating from which fund and to which fund the transfer will be made. It appears that the District did not comply with these requirements.

Recommendation – We recommend that the District proceed under the provisions of Iowa Code Chapter 74 to issue anticipatory warrants or seek approval of the voters pursuant to Iowa Codes Section 278.1(5).

Response – The District is working on repaying the loans and will proceed with measures to become compliant.

Conclusion – Response acknowledged.

**Waverly-Shell Rock Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part III – Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**CFDA Number 10.556: Special Milk Program for Children**  
**CFDA Number 10.560: State Administrative Expense**  
**CFDA Number 10.574: Team Nutrition**  
**Federal Award Year: 2012**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

**CFDA Number 97.039: Hazard Mitigation Grant**  
**Federal Award Year: 2012**  
**U.S. Department of Homeland Security**  
**Passed through the Iowa Department of Education**

III-A-12 Segregation of Duties – One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation – We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has a large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response – We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion – Response accepted.

**Waverly-Shell Rock Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part III – Findings and Questioned Costs for Federal Awards (continued):**

III-B-12 Grants – I noted during my audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation – The District should review the coding bills, to ensure that all bills paid for a specific grant or project, are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The purposes of governmental fund accounting is to facilitate the District's demonstrating compliance with the use of designated or restricted revenues by segregating the revenue and related expenditures.

Response – The District will review the coding bills, to ensure that so bills paid for a specific grant or project are properly coded.

Conclusion – Response accepted.

**Waverly-Shell Rock Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part IV - Other Findings Related to Required Statutory Reporting:**

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 did not exceed the amended certified budget amounts.

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

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

IV-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Cyndi Ecker-Campbell – Board Member Owner of Ecker Flowers & Gifts	Supplies	\$638
Judy Strotman – Employee Spouse to Owner Strotman Building Center	Repairs & supplies	\$1,256
Mary Taylor – Employee Spouse to Owner Taylor Physical Therapy Assoc	Services	\$17,000

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Taylor Physical Therapy Assoc may represent a conflict of interest for the athletic/training services since the total purchase exceeded \$1,500 for the year and was not entered into through competitive bidding in accordance with Chapter 362.5(4).

Recommendation – The District should use a competitive bidding process for amounts over \$1,500.

Response – We will use competitive bidding in the future.

Conclusion – Response accepted.

IV-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 the coverage is adequate for current operations.

IV-F-12 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings with all disbursements to be published within two weeks of each meeting.

Response – All minutes will be published as required.

Conclusion – Response accepted.

**Waverly-Shell Rock Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part IV - Other Findings Related to Required Statutory Reporting (continued):**

IV-G-12 Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted.

Recommendation – A letter must be sent to the Department of Management to report this discrepancy.

Response – This has been done.

Conclusion – Response accepted.

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

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

IV-J-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education. Certain adjustments were made to the District's records for audit purposes subsequent to the submission of the Certified Annual Report.

Recommendation – The District should reflect the adjustments made to the fiscal year 2012 Certified Annual Report as upward and downward adjustments to the fiscal year 2013 beginning fund balances.

Response – We will reflect this as soon as the audit is issued. The report will be given to the auditor for the next year.

Conclusion – Response accepted.

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

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

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

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

Conclusion – Response accepted.

**Waverly-Shell Rock Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part IV - Other Findings Related to Required Statutory Reporting (continued):**

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

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

Beginning balance		\$ 5,163,474
Revenues/transfers in:		
Sales tax revenues	\$ 1,114,974	
Other local revenues	114,540	
School infrastructure supplemental amount	307,763	
Other state revenues	210,775	
Federal revenues	449,829	
Sale of long-term debt	3,225,000	
		<u>5,422,881</u>
		\$ 10,586,355
Expenditures/transfers out:		
School infrastructure	\$ 5,754,991	
Other	32,692	
Transfers to other funds:		
Debt service fund	1,948,884	
Other transfers	800,000	
		<u>8,536,567</u>
Ending balance		<u>\$ 2,049,788</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.76838299	\$ 1,422,737
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-

**Waverly-Shell Rock Community School District**

**Schedule of Findings**

**Year Ended June 30, 2012**

**Part IV - Other Findings Related to Required Statutory Reporting (continued):**

IV-M-12 Deficit Balance – Four student activity accounts had deficit balances at June 30, 2012. The General Fund had a deficit balance of \$1,777,040 at June 30, 2012

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

Response – The deficit balances in the Activity Funds was due to accounts payable not taken into consideration at year end. We are working on the General Fund deficit balance.

Conclusion – Response accepted.