

WEST HARRISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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West Harrison Community School District  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Jason Sherer	President	2011
Brent Olson	Vice-President	2011
Tammy Neill	Board Member	2013
David Baxter	Board Member	2013
Kandy Forbes	Board Member	2011
<b>(After September 2011 Election)</b>		
Brent Olson	President	2015
David Baxter	Vice-President	2013
Tammy Neill	Board Member	2013
Mary Cumming	Board Member	2015
Kandy Forbes	Board Member	2015
<b>School Officials</b>		
Dr. Tom Micek	Superintendent	2012
Jane Roden	Board Secretary/Treasurer	2012
Ahlers & Cooney, P.C.	Attorney	2012

West Harrison Community School District

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(A Professional Corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2013 on our consideration of West Harrison Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2013

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

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

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,688,673 in fiscal 2011 to \$5,486,047 in fiscal 2012, and General Fund expenditures decreased from \$5,305,221 in fiscal 2011 to \$5,297,337 in fiscal 2012. The District's General Fund balance increased from \$884,380 in fiscal 2011 to \$1,073,090 in fiscal 2012, a 21.34% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in federal revenue in fiscal 2012. The slight decrease in expenditures can be attributed to a decrease in the Regular instruction area.
- The District's solvency ratio (unassigned fund balance/general fund revenues-AEA flowthrough) increased from 15.57% at June 30, 2011 to 19.19% at June 30, 2012.

### **USING THIS ANNUAL REPORT**

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

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

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

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

Notes to the 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.

Supplementary Information provides detailed information about the non-major 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.

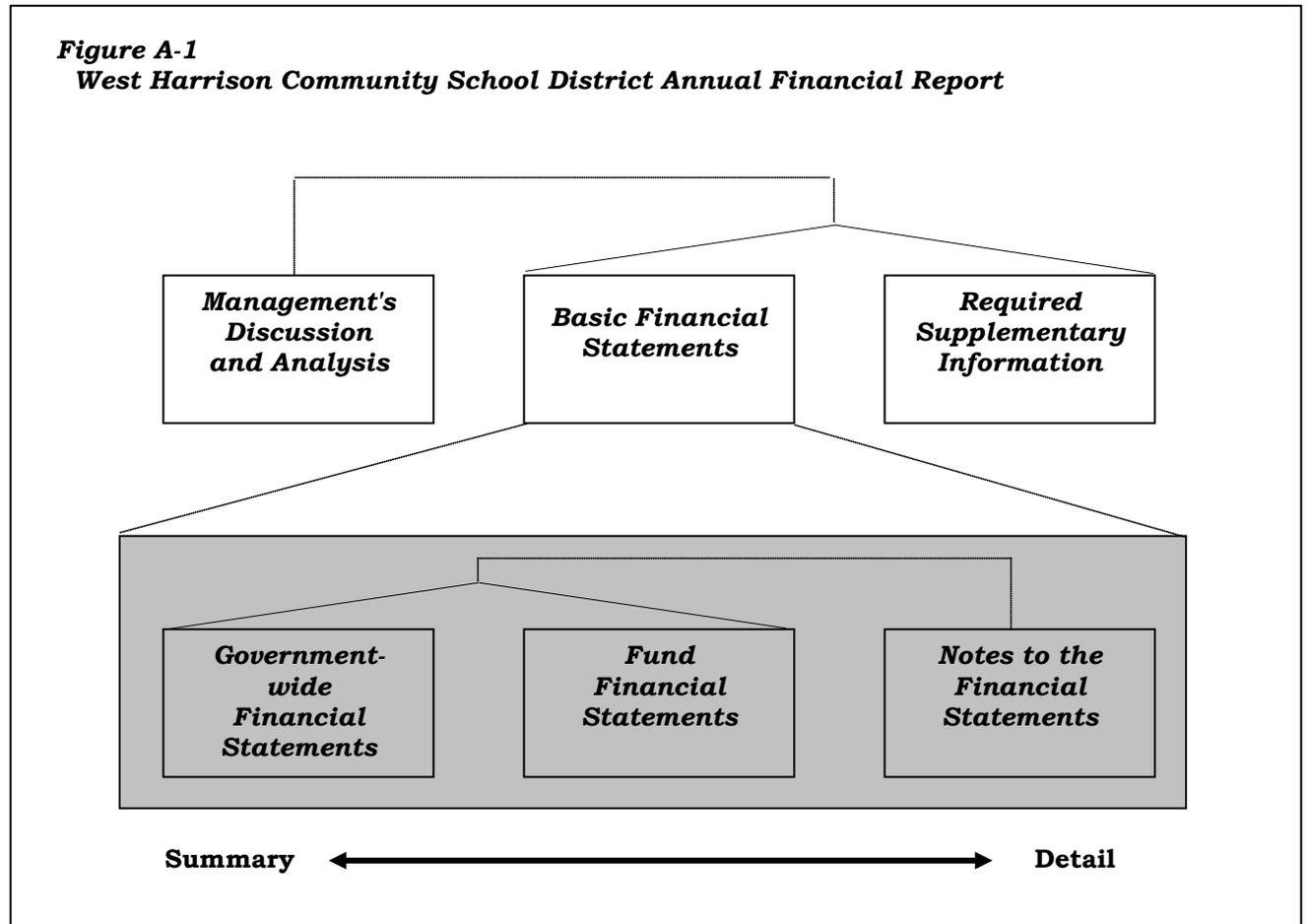


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 5,575,242	5,399,304	48,760	42,560	5,624,002	5,441,864	3.35%
Capital assets	5,530,101	5,319,373	7,374	4,512	5,537,475	5,323,885	4.01%
Total assets	11,105,343	10,718,677	56,134	47,072	11,161,477	10,765,749	3.68%
Long-term obligations	1,479,996	1,942,432	0	0	1,479,996	1,942,432	-23.81%
Other liabilities	3,288,829	3,383,641	3,432	3,064	3,292,261	3,386,705	-2.79%
Total liabilities	4,768,825	5,326,073	3,432	3,064	4,772,257	5,329,137	-10.45%
Net assets:							
Invested in capital assets, net of related debt	4,160,101	3,594,373	7,374	4,512	4,167,475	3,598,885	15.80%
Restricted	1,062,722	857,896	0	0	1,062,722	857,896	23.88%
Unrestricted	1,113,695	940,335	45,328	39,496	1,159,023	979,831	18.29%
Total net assets	\$ 6,336,518	5,392,604	52,702	44,008	6,389,220	5,436,612	17.52%

The District's combined net assets increased by 17.52%, or \$952,608, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$204,826, or 23.88% over the prior year. The majority of the increase in restricted net assets is due to an increase in the fund balance of the Statewide Sales, Services and Use Tax Fund and Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements – increased \$179,192 or 18.29%. The majority of the increase in unrestricted net assets is due to an increase in the fund balance of the General Fund.

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

Figure A-4							
Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for services	\$ 283,281	275,185	117,016	117,684	400,297	392,869	1.89%
Operating grants, contributions and restricted interest	489,841	835,921	118,710	111,051	608,551	946,972	-35.74%
Capital Grants, Contributions and Restricted Interest	252,552	0	0	0	252,552	0	-
General revenues:							
Property tax	2,779,926	2,621,854	0	0	2,779,926	2,621,854	6.03%
Income surtax	208,005	196,886	0	0	208,005	196,886	5.65%
Statewide sales, services and use tax	348,993	356,666	0	0	348,993	356,666	-2.15%
Unrestricted state grants	2,306,894	1,988,273	0	0	2,306,894	1,988,273	16.03%
Nonspecific program federal funding grants	1,569	281,809	0	0	1,569	281,809	100.00%
Unrestricted investment earnings	6,976	9,273	26	18	7,002	9,291	-24.64%
Other	7,536	115,445	0	0	7,536	115,445	-93.47%
Total revenues	<u>6,685,573</u>	<u>6,681,312</u>	<u>235,752</u>	<u>228,753</u>	<u>6,921,325</u>	<u>6,910,065</u>	<u>0.16%</u>
Program expenses:							
Governmental activities:							
Instructional	3,666,148	3,834,416	0	0	3,666,148	3,834,416	-4.39%
Support services	1,738,349	1,680,207	0	0	1,738,349	1,680,207	3.46%
Non-instructional programs	0	0	227,058	206,423	227,058	206,423	10.00%
Other expenses	337,162	386,846	0	0	337,162	386,846	-12.84%
Total expenses	<u>5,741,659</u>	<u>5,901,469</u>	<u>227,058</u>	<u>206,423</u>	<u>5,968,717</u>	<u>6,107,892</u>	<u>-2.28%</u>
Change in net assets	943,914	779,843	8,694	22,330	952,608	802,173	18.75%
Net assets beginning of year, as restated	<u>5,392,604</u>	<u>4,612,761</u>	<u>44,008</u>	<u>21,678</u>	<u>5,436,612</u>	<u>4,634,439</u>	<u>17.31%</u>
Ending net assets	<u>\$ 6,336,518</u>	<u>5,392,604</u>	<u>52,702</u>	<u>44,008</u>	<u>6,389,220</u>	<u>5,436,612</u>	<u>17.52%</u>

Property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 84.42% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$6.92 million, of which approximately \$6.69 million was for governmental activities and approximately \$.23 million was for business type activities.

The District makes a continual effort to be a good steward of public funds and maintains a philosophy of providing the best education possible, exploring every avenue available to fund the programs, while making certain to keep watch for services that could be merged with other programs. The District saw a decrease in revenues and a decrease in expenditures, demonstrating sufficient cost control.

### Governmental Activities

Revenues for governmental activities were \$6,685,573 and expenses were \$5,741,659. 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 expenses.

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	\$ 3,666,148	3,834,416	-4.39%	3,073,880	2,935,446	4.72%
Support services	1,738,349	1,680,207	3.46%	1,485,541	1,673,459	-11.23%
Other expenses	337,162	386,846	-12.84%	156,564	181,458	-13.72%
Totals	<u>\$ 5,741,659</u>	<u>5,901,469</u>	<u>-2.71%</u>	<u>4,715,985</u>	<u>4,790,363</u>	<u>-1.55%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$283,281.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$742,393.
- The net cost of governmental activities was financed with \$2,779,926 in property tax, \$208,005 in income surtax, \$348,993 in statewide sales and services and use tax, \$2,306,894 in unrestricted state grants, \$1,569 in nonspecific program federal grants, \$6,976 in interest income and \$7,536 in other income.

### Business Type Activities

Revenues of the District's business type activities were \$235,752 and expenses were \$227,058. The District's business type activities include the School Nutrition and Wellness Center Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and membership fees.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balance of \$2,092,846, above last year's ending fund balances of a \$1,820,999. The primary reason for the increase in combined fund balances in fiscal 2012 is due to the increase in the Capital Project and General Fund.

### **Governmental Fund Highlights**

- The District's General Fund increased by \$188,710. The increase is due to revenues exceeding expenditures.
- The District's General Fund ending balance is \$1,073,090. Of that amount, \$54,925 is restricted for categorical funding and \$1,018,165 is unassigned.
- The District's Capital Projects Fund increased by \$288,264. The increase is due primarily to the addition of the Jimmy King Track Project money for the construction of a new track.
- The District's Debt Service Fund increased by \$58,742 due to the transfer for the QZAB bonds.

### **Proprietary Fund Highlights**

The Nutrition Fund net assets increased from \$34,318 at June 30, 2011 to \$48,042 at June 30, 2012, representing an increase of 40.0%. The Wellness Center ended the year at \$4,660, below last year's ending balance of \$9,690.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$856,533 less than budgeted revenues, a variance of 11.01%. The most significant variance resulted from the District receiving significantly less in local sources 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 ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2012, the District had invested \$5,537,475, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 4.01% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$261,198.

The original cost of the District's capital assets were \$9,309,077. Governmental funds account for \$9,259,662 with the remainder of \$49,415 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the Construction in progress balance which was \$337,622 at June 30, 2012 compared to \$26,305 at June 30, 2011. The increase that occurred during the year is attributable to the District starting construction on a new athletic track.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 20,000	20,000	0	0	20,000	20,000	0.00%
Buildings	4,620,870	4,702,140	0	0	4,620,870	4,702,140	-1.73%
Improvements other than buildings	178,629	183,589	0	0	178,629	183,589	-2.70%
Machinery and equipment	372,980	387,339	7,374	4,512	380,354	391,851	-2.93%
Construction in progress	337,622	26,305	0	0	337,622	26,305	1183.49%
Total	<u>\$ 5,530,101</u>	<u>5,319,373</u>	<u>7,374</u>	<u>4,512</u>	<u>5,537,475</u>	<u>5,323,885</u>	<u>4.01%</u>

### Long-Term Debt

At June 30, 2012, the District had \$1,479,996 in general obligation and other long-term debt outstanding. This represents a decrease of 23.81% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$370,000 at June 30, 2012.

The District had outstanding QZAB bonds of \$1,000,000 at June 30, 2012.

The District had net OPEB liability of \$109,996 at June 30, 2012.

	Total School District		Total Change
	June 30,		June 30,
	2012	2011	2011-2012
QZAB	\$ 1,000,000	1,000,000	0.00%
General obligation bonds	370,000	725,000	-48.97%
Early retirement	0	143,212	-100.00%
Net OPEB liability	109,996	74,220	48.20%
Totals	<u>\$ 1,479,996</u>	<u>1,942,432</u>	<u>-23.81%</u>

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

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

- The district has experienced decreased enrollment over the last several years and the District is projecting a steady decline for the next several years.
- The Administration and the Board of Education will continue to reduce expenditures to offset the reduction of income due to declining enrollment.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane Roden, Business Manager, West Harrison Community School District, 410 Pine Street, Mondamin, Iowa, 51557.

**BASIC FINANCIAL STATEMENTS**

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,436,343	40,082	2,476,425
Receivables:			
Property tax:			
Delinquent	39,221	0	39,221
Succeeding year	2,635,270	0	2,635,270
Income surtax	194,723	0	194,723
Accounts	182	0	182
Due from other governments	269,503	0	269,503
Inventories	0	8,678	8,678
Capital assets, net of accumulated depreciation	5,530,101	7,374	5,537,475
<b>Total assets</b>	<b>11,105,343</b>	<b>56,134</b>	<b>11,161,477</b>
<b>Liabilities</b>			
Accounts payable	187,710	0	187,710
Salaries and benefits payable	464,693	0	464,693
Interest payable	1,156	0	1,156
Deferred revenue:			
Succeeding year property tax	2,635,270	0	2,635,270
Unearned revenue	0	3,432	3,432
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	370,000	0	370,000
Portion due after one year:			
QZAB bonds payable	1,000,000	0	1,000,000
Net OPEB liability	109,996	0	109,996
<b>Total liabilities</b>	<b>4,768,825</b>	<b>3,432</b>	<b>4,772,257</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	4,160,101	7,374	4,167,475
Restricted for:			
Categorical funding	54,925	0	54,925
Management levy purposes	83,188	0	83,188
Student activities	34,607	0	34,607
Construction	163,163	0	163,163
Expendable trusts	4,499	0	4,499
Debt service	123,222	0	123,222
School infrastructure	515,439	0	515,439
Physical plant and equipment	83,679	0	83,679
Unrestricted	1,113,695	45,328	1,159,023
<b>Total net assets</b>	<b>\$ 6,336,518</b>	<b>52,702</b>	<b>6,389,220</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted	Capital Grants, Contributions and Restricted	Governmental Activities	Business Type Activities	
			Interest	Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,211,247	142,409	54,249		(2,014,589)	0	(2,014,589)
Special	709,905	49,669	93,851	0	(566,385)	0	(566,385)
Other	744,996	90,947	161,143	0	(492,906)	0	(492,906)
	<u>3,666,148</u>	<u>283,025</u>	<u>309,243</u>	<u>0</u>	<u>(3,073,880)</u>	<u>0</u>	<u>(3,073,880)</u>
Support services:							
Student	154,460	0	0	0	(154,460)	0	(154,460)
Instructional staff	168,683	0	0	0	(168,683)	0	(168,683)
Administration	481,411	0	0	0	(481,411)	0	(481,411)
Operation and maintenance of plant	534,888	0	0	252,552	(282,336)	0	(282,336)
Transportation	398,907	256	0	0	(398,651)	0	(398,651)
	<u>1,738,349</u>	<u>256</u>	<u>0</u>	<u>252,552</u>	<u>(1,485,541)</u>	<u>0</u>	<u>(1,485,541)</u>
Other expenditures:							
Long-term debt interest	22,985	0	0	0	(22,985)	0	(22,985)
AEA flowthrough	180,598	0	180,598	0	0	0	0
Depreciation(unallocated)*	133,579	0	0	0	(133,579)	0	(133,579)
	<u>337,162</u>	<u>0</u>	<u>180,598</u>	<u>0</u>	<u>(156,564)</u>	<u>0</u>	<u>(156,564)</u>
Total governmental activities	5,741,659	283,281	489,841	252,552	(4,715,985)	0	(4,715,985)
Business Type activities:							
Support services:							
Operation and maintenance of plant services	5,217	0	0	0	0	(5,217)	(5,217)
Non-instructional programs:							
Wellness Center	4,213	4,400	0	0	0	187	187
Nutrition services	217,628	112,616	118,710	0	0	13,698	13,698
Total business type activities	<u>227,058</u>	<u>117,016</u>	<u>118,710</u>	<u>0</u>	<u>0</u>	<u>8,668</u>	<u>8,668</u>
Total	\$ 5,968,717	400,297	608,551	252,552	(4,715,985)	8,668	(4,707,317)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,344,400	0	2,344,400
Debt service					378,723	0	378,723
Capital outlay					56,803	0	56,803
Income surtax					208,005	0	208,005
Statewide sales, services and use tax					348,993	0	348,993
Unrestricted state grants					2,306,894	0	2,306,894
Nonspecific program federal funding					1,569	0	1,569
Unrestricted investment earnings					6,976	26	7,002
Other general revenue					7,536	0	7,536
Total general revenues					<u>5,659,899</u>	<u>26</u>	<u>5,659,925</u>
Changes in net assets					943,914	8,694	952,608
Net assets beginning of year					5,392,604	44,008	5,436,612
Net assets end of year					<u>\$ 6,336,518</u>	<u>52,702</u>	<u>6,389,220</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	1,433,390	762,677	117,879	122,397	2,436,343
Receivables:					
Property tax:					
Delinquent	32,018	802	5,343	1,058	39,221
Succeeding year	2,040,057	64,360	380,853	150,000	2,635,270
Income surtax	194,723	0	0	0	194,723
Accounts	182	0	0	0	182
Due from other governments	112,006	157,497	0	0	269,503
<b>Total assets</b>	<b>\$ 3,812,376</b>	<b>985,336</b>	<b>504,075</b>	<b>273,455</b>	<b>5,575,242</b>
<b>Liabilities and Fund Balances:</b>					
Liabilities:					
Accounts payable	\$ 41,030	142,680	0	4,000	187,710
Salaries and benefits payable	463,476	0	0	1,217	464,693
Deferred revenue:					
Succeeding year property tax	2,040,057	64,360	380,853	150,000	2,635,270
Income surtax	194,723	0	0	0	194,723
<b>Total liabilities</b>	<b>2,739,286</b>	<b>207,040</b>	<b>380,853</b>	<b>155,217</b>	<b>3,482,396</b>
Fund balances:					
Restricted for:					
Categorical funding	54,925	0	0	0	54,925
Management levy purposes	0	0	0	83,188	83,188
Student activities	0	0	0	34,607	34,607
Construction	0	163,163	0	0	163,163
Expendable trusts	0	0	0	4,499	4,499
Debt service	0	0	123,222	0	123,222
School infrastructure	0	531,454	0	0	531,454
Physical plant and equipment	0	83,679	0	0	83,679
Unassigned:					
General	1,018,165	0	0	0	1,018,165
Student activities	0	0	0	(4,056)	(4,056)
<b>Total fund balances</b>	<b>1,073,090</b>	<b>778,296</b>	<b>123,222</b>	<b>118,238</b>	<b>2,092,846</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,812,376</b>	<b>985,336</b>	<b>504,075</b>	<b>273,455</b>	<b>5,575,242</b>

WEST HARRISON 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 20)</b>	\$ 2,092,846
 <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,530,101
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	194,723
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,156)
Long-term liabilities, including general obligation bonds QZAB, and other postemployment benefits, are not due and payable in the current period and, therefore , are not reported as liabilities in the governmental funds.	<u>(1,479,996)</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 6,336,518</u></u>

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,479,609	405,796	378,723	74,959	3,339,087
Tuition	138,032	0	0	0	138,032
Other	67,345	219,006	1,377	98,899	386,627
State sources	2,547,323	28	190	38	2,547,579
Federal sources	250,023	0	0	26,388	276,411
Total revenues	<u>5,482,332</u>	<u>624,830</u>	<u>380,290</u>	<u>200,284</u>	<u>6,687,736</u>
Expenditures:					
Instruction:					
Regular	2,190,262	0	0	54,263	2,244,525
Special	709,697	0	0	0	709,697
Other	656,207	0	0	95,569	751,776
	<u>3,556,166</u>	<u>0</u>	<u>0</u>	<u>149,832</u>	<u>3,705,998</u>
Support services:					
Student	153,186	0	0	0	153,186
Instructional staff	148,078	32,511	0	0	180,589
Administration	522,950	0	0	0	522,950
Operation and maintenance of plant	407,048	3,691	0	67,735	478,474
Transportation	329,311	48,075	0	13,058	390,444
	<u>1,560,573</u>	<u>84,277</u>	<u>0</u>	<u>80,793</u>	<u>1,725,643</u>
Capital Outlay	0	428,314	0	0	428,314
Long-term debt:					
Principal	0	0	355,000	0	355,000
Interest and fiscal charges	0	0	24,051	0	24,051
Total Long term debt	<u>0</u>	<u>0</u>	<u>379,051</u>	<u>0</u>	<u>379,051</u>
Other expenditures:					
AEA flowthrough	180,598	0	0	0	180,598
	<u>180,598</u>	<u>428,314</u>	<u>379,051</u>	<u>0</u>	<u>1,367,014</u>
Total expenditures	<u>5,297,337</u>	<u>512,591</u>	<u>379,051</u>	<u>230,625</u>	<u>6,419,604</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>184,995</u>	<u>112,239</u>	<u>1,239</u>	<u>(30,341)</u>	<u>268,132</u>
Other financing sources(uses):					
Sale of Equipment	3,715	0	0	0	3,715
Transfer in	0	233,528	57,503	0	291,031
Transfer out	0	(57,503)	0	(233,528)	(291,031)
Total other financing sources(uses)	<u>3,715</u>	<u>176,025</u>	<u>57,503</u>	<u>(233,528)</u>	<u>3,715</u>
Net change in fund balances	188,710	288,264	58,742	(263,869)	271,847
Fund balance beginning of year	884,380	490,032	64,480	382,107	1,820,999
Fund balance end of year	<u>\$ 1,073,090</u>	<u>778,296</u>	<u>123,222</u>	<u>118,238</u>	<u>2,092,846</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

Net change in fund balances - total governmental funds(page 22) \$ 271,847

**Amounts reported for governmental activities in the  
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 469,832	
Depreciation expense	(259,104)	210,728

Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 355,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,066

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (2,163)

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.

Early retirement	143,212	
Other postemployment benefits	(35,776)	107,436

**Changes in net assets of governmental activities(page 19) \$ 943,914**

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

	School Nutrition	Wellness Center	Total
<b>Assets</b>			
Cash and pooled investments	\$ 35,422	4,660	40,082
Inventories	8,678	0	8,678
Capital assets, net of accumulated depreciation	7,374	0	7,374
<b>Total assets</b>	<b>51,474</b>	<b>4,660</b>	<b>56,134</b>
<b>Liabilities</b>			
Unearned revenue	3,432	0	3,432
<b>Total liabilities</b>	<b>3,432</b>	<b>0</b>	<b>3,432</b>
<b>Net Assets</b>			
Invested in capital assets	7,374	0	7,374
Unrestricted	40,668	4,660	45,328
<b>Total net assets</b>	<b>\$ 48,042</b>	<b>4,660</b>	<b>52,702</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	School Nutrition	Wellness Center	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 112,616	0	112,616
Miscellaneous	0	4,400	4,400
Total operating revenues	<u>112,616</u>	<u>4,400</u>	<u>117,016</u>
Operating expenses:			
Operation and maintenance of plant services:			
Supplies	0	5,217	5,217
Non-instructional programs:			
Salaries	77,766	3,640	81,406
Benefits	12,144	573	12,717
Supplies	125,354	0	125,354
Purchased Services	270	0	270
Depreciation	2,094	0	2,094
Total operating expenses	<u>217,628</u>	<u>4,213</u>	<u>221,841</u>
Total operating expenses	<u>217,628</u>	<u>9,430</u>	<u>227,058</u>
Operating loss	(105,012)	(5,030)	(110,042)
Non-operating revenues:			
State sources	1,847	0	1,847
Federal sources	116,863	0	116,863
Interest on investments	26	0	26
Total non-operating revenues	<u>118,736</u>	<u>0</u>	<u>118,736</u>
Change in net assets	13,724	(5,030)	8,694
Net assets beginning of year	<u>34,318</u>	<u>9,690</u>	<u>44,008</u>
Net assets end of year	<u>\$ 48,042</u>	<u>4,660</u>	<u>52,702</u>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition	Wellness Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 112,984	0	112,984
Cash received from miscellaneous	0	4,400	4,400
Cash payments to employees for services	(89,910)	(3,640)	(93,550)
Cash payments to suppliers for goods or services	(106,905)	(5,790)	(112,695)
Net cash used in operating activities	<u>(83,831)</u>	<u>(5,030)</u>	<u>(88,861)</u>
Cash flows from non-capital financing activities:			
State grants received	1,847	0	1,847
Federal grants received	96,603	0	96,603
Net cash provided by non-capital financing activities	<u>98,450</u>	<u>0</u>	<u>98,450</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(4,956)	0	(4,956)
Cash flows from investing activities:			
Interest on investments	26	0	26
Net increase(decrease) in cash and cash equivalents	9,689	(5,030)	4,659
Cash and cash equivalents at beginning of year	25,733	9,690	35,423
Cash and cash equivalents at end of year	<u>\$ 35,422</u>	<u>4,660</u>	<u>40,082</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (105,012)	(5,030)	(110,042)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	20,260	0	20,260
Depreciation	2,094	0	2,094
Increase in inventories	(1,541)	0	(1,541)
Increase in unearned revenue	368	0	368
Net cash used in operating activities	<u>\$ (83,831)</u>	<u>(5,030)</u>	<u>(88,861)</u>
Non-cash investing, capital and related financing activities:			
During the year ended June 30, 2012, the District received Federal commodities valued at \$20,260.			

SEE NOTES TO FINANCIAL STATEMENTS

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

	Private Purpose Trust	Scholarship
<b>Assets</b>		
Cash and pooled investments	\$ 25,619	
<b>Liabilities</b>		0
<b>Net assets</b>		
Restricted for scholarships	\$ 25,619	

SEE NOTES TO FINANCIAL STATEMENTS

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 21,800
Deductions:	
Instruction:	
Scholarships awarded	12,650
Change in net assets	9,150
Net assets beginning of year	16,469
Net assets end of year	\$ 25,619

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

The West Harrison 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Mondamin, Iowa, and the predominate agricultural territory in Harrison and Monona Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Harrison Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The West Harrison Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison and Monona Counties Assessors' 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 support.

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

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

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

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

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

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

The District reports the following major governmental fund:

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

The 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 proprietary funds include the non-major enterprise School Nutrition and Wellness Center Funds. The

Nutrition fund that is used to account for the food service operations of the District.

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

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

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

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

less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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
Land improvements	20 years
Intangibles	5-20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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 Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$861,558 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Inter-fund Transfers**

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

Transfer to	Transfer from	Amount
Capital Projects: Jimmy King Track Project	Expendable Trust: Jimmy King Performing Arts Center	\$ 233,528
Debt Service Fund	Capital Projects: Statewide Sales Services & Use Tax	57,503
Total		\$ 291,031

The transfer from the Expendable Trust: Jimmy King Performing Arts Center to the Capital Projects: Jimmy King Track Project was to build an athletic track for the district.

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to Debt Service was needed for the QZAB bond payment.

**(4) 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 payments 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 interest rate on the Series 2010-2011A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. 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
2010-11A	6/30/10	6/23/12	\$ 0	30,001	30,001	0

During the year ended June 30, 2012, the District paid \$48 of interest on the ISCAP warrants.

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 20,000	0	0	20,000
Construction in progress	26,305	311,317	0	337,622
Total capital assets not being depreciated	46,305	311,317	0	357,622
Capital assets being depreciated:				
Buildings	6,830,768	47,349	0	6,878,117
Improvements other than buildings	365,047	0	5,221	359,826
Machinery and equipment	1,552,931	111,166	0	1,664,097
Total capital assets being depreciated	8,748,746	158,515	5,221	8,902,040
Less accumulated depreciation for:				
Buildings	2,128,628	128,619	0	2,257,247
Improvements other than buildings	181,458	4,960	5,221	181,197
Machinery and equipment	1,165,592	125,525	0	1,291,117
Total accumulated depreciation	3,475,678	259,104	5,221	3,729,561
Total capital assets being depreciated, net	5,273,068	(100,589)	0	5,172,479
Governmental activities capital assets, net	\$ 5,319,373	210,728	0	5,530,101
<b>Business type activities:</b>				
Machinery and equipment	\$ 44,459	4,956	0	49,415
Less accumulated depreciation	39,947	2,094	0	42,041
Business type activities capital assets, net	\$ 4,512	2,862	0	7,374

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 17,281
Special	208
Other	8,572

Support services:

Instructional staff	23,129
Administration	340
Operation and maintenance of plant	22,457
Transportation	53,538

125,525

Unallocated

133,579

Total depreciation expense - governmental activities

\$ 259,104

Business type activities:

Food service operations	<u>\$ 2,094</u>
-------------------------	-----------------

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance beginning of Year	Additions	Deletions	Balance end of Year	Due within One Year
QZAB	\$ 1,000,000	0	0	1,000,000	0
General obligation bonds	725,000	0	355,000	370,000	370,000
Early Retirement	143,212	0	143,212	0	0
Net OPEB liability	74,220	35,776	0	109,996	0
Total	<u>\$ 1,942,432</u>	<u>35,776</u>	<u>498,212</u>	<u>1,479,996</u>	<u>370,000</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of April 1, 2003			
	Interest Rates	Principal	Interest	Total
2013	3.80	% \$ 370,000	10,452	<u>380,452</u>

Qualified Zone Academy Bonds

During the year ended June 30, 2010, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Money is set aside within the Capital Projects fund by making annual deposits into a Bankers Trust escrow account that will be used to pay the indebtedness due December 1, 2025 of \$1,000,000.

## Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the difference of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay and the current year BA Step I hiring base rate of pay. No liability for early retirement benefits is recorded in the financial statements because it is calculated as an explicit subsidy in the OPEB liability.

### **(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$254,953, \$214,340, and \$201,405, respectively, equal to the required contributions for each year.

### **(8) Other Postemployment Benefits**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for the retirees and their spouses. There are 50 active and 3 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. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit rate subsidy to the 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, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 41,980
Interest on net OPEB obligation	1,856
Adjustment to annual required contribution	(3,558)
Annual OPEB cost	<u>40,278</u>
Contributions made	(4,502)
Increase in net OPEB obligation	<u>35,776</u>
Net OPEB obligation beginning of year	<u>74,220</u>
 Net OPEB obligation end of year	 <u><u>\$ 109,996</u></u>

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

For the year ended June 30, 2012, the District contributed \$4,502 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	40,293	7.14%	37,416
2011	40,443	9.00%	74,220
2012	40,278	11.18%	109,996

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$385,423, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$385,423. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,422,596 and the ratio of the UAAL to covered payroll was 15.9%.

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, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6% per year.

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, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$435 per month. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

**(10) 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 \$180,598 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.

**(11) Construction Commitments**

The District has entered into a contract for the construction of a new track totaling \$409,313. As of June 30, 2012, costs of \$273,820 have been incurred against the contract. The balance of \$135,493 will be paid as work progresses. The total cost of the track will be added to the District's capital asset listing upon completion.

**(12) Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Teacher Salary Supplement	\$ 21,810
Model, Core Curriculum	17,057
Professional Development	16,058
Total	<u>\$ 54,925</u>

West Harrison Community School District

REQUIRED SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON 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	Proprietary	Total	Budgeted Amounts		Final to
	Fund Actual	Fund Actual	Actual	Original	Final	Actual Variance
<b>Revenues:</b>						
Local sources	\$ 3,863,746	117,042	3,980,788	4,957,051	4,957,051	(976,263)
State sources	2,547,579	1,847	2,549,426	2,692,970	2,692,970	(143,544)
Federal sources	276,411	116,863	393,274	130,000	130,000	263,274
Total revenues	6,687,736	235,752	6,923,488	7,780,021	7,780,021	(856,533)
<b>Expenditures/Expenses:</b>						
Instruction	3,705,998	0	3,705,998	4,266,807	4,266,807	560,809
Support services	1,725,643	5,217	1,730,860	2,287,456	2,287,456	556,596
Non-instructional programs	0	221,841	221,841	305,483	305,483	83,642
Other expenditures	987,963	0	987,963	1,382,208	1,382,208	394,245
Total expenditures/expenses	6,419,604	227,058	6,646,662	8,241,954	8,241,954	1,595,292
Excess(deficiency) of revenues over(under) expenditures/expenses	268,132	8,694	276,826	(461,933)	(461,933)	738,759
Other financing sources, net	3,715	0	3,715	0	0	3,715
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	271,847	8,694	280,541	(461,933)	(461,933)	742,474
Balance beginning of year	1,820,999	44,008	1,865,007	988,219	988,219	876,788
Balance end of year	\$ 2,092,846	52,702	2,145,548	526,286	526,286	1,619,262

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON 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 comparison for the General Fund and each major Special Revenue Fund.

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

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

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

year Ended June 30,	Actuarial Valuation Date	Actuarial value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)
2010	July 1, 2009	-	\$ 385,423	385,423	0.0%	\$ 2,479,066
2011	July 1, 2009	-	385,423	385,423	0.0%	2,537,623
2012	July 1, 2009	-	385,423	385,423	0.0%	2,422,596

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding

SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue			
	Manage- ment Levy	Student Activity	Support Trust	Total
<b>Assets</b>				
Cash and pooled investments	\$ 87,347	30,551	4,499	122,397
Receivables:				
Property tax:				
Delinquent	1,058	0	0	1,058
Succeeding year	150,000	0	0	150,000
<b>Total assets</b>	<b>\$ 238,405</b>	<b>30,551</b>	<b>4,499</b>	<b>273,455</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 4,000	0	0	4,000
Salaries and benefits payable	1,217	0	0	1,217
Deferred revenue:				
Succeeding year property tax	150,000	0	0	150,000
Total liabilities	155,217	0	0	155,217
Fund balances:				
Restricted for:				
Management levy purposes	83,188	0	0	83,188
Student activities	0	34,607	0	34,607
Expendable trusts	0	0	4,499	4,499
Unassigned	0	(4,056)	0	(4,056)
Total fund balances	83,188	30,551	4,499	118,238
<b>Total liabilities and fund balances</b>	<b>\$ 238,405</b>	<b>30,551</b>	<b>4,499</b>	<b>273,455</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue				Total
	Management Levy	Student Activity	Support Trust	Disaster Recovery	
Revenues:					
Local sources:					
Local tax	\$ 74,959	0	0	0	74,959
Other	7,557	90,965	377	0	98,899
State sources	38	0	0	0	38
Federal sources	0	0	0	26,388	26,388
Total revenues	<u>82,554</u>	<u>90,965</u>	<u>377</u>	<u>26,388</u>	<u>200,284</u>
Expenditures:					
Current:					
Instruction:					
Regular	54,263	0	0	0	54,263
Other	0	93,067	2,502	0	95,569
Support services:					
Operation and maintenance of plant	57,985	0	0	9,750	67,735
Transportation	13,058	0	0	0	13,058
Total expenditures	<u>125,306</u>	<u>93,067</u>	<u>2,502</u>	<u>9,750</u>	<u>230,625</u>
Excess(Deficiency) of revenues over(under) expenditures	(42,752)	(2,102)	(2,125)	16,638	(30,341)
Other financing uses:					
Transfer out	0	0	(233,528)	0	(233,528)
Net change in fund balances	(42,752)	(2,102)	(235,653)	16,638	(263,869)
Fund balances beginning of year	125,940	32,653	240,152	(16,638)	382,107
Fund balances end of year	<u>\$ 83,188</u>	<u>30,551</u>	<u>4,499</u>	<u>0</u>	<u>118,238</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax	Jimmy King Track Project	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 373,957	305,843	82,877	762,677
Receivables:				
Property tax:				
Delinquent	0	0	802	802
Succeeding year	0	0	64,360	64,360
Due from other governments	157,497	0	0	157,497
<b>Total assets</b>	<b>\$ 531,454</b>	<b>305,843</b>	<b>148,039</b>	<b>985,336</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 0	142,680	0	142,680
Deferred revenue:				
Succeeding year property tax	0	0	64,360	64,360
Total liabilities	0	142,680	64,360	207,040
Fund balances:				
Restricted for:				
Construction	0	163,163	0	163,163
School infrastructure	531,454		0	531,454
Physical plant and equipment	0		83,679	83,679
Total fund balances	531,454	163,163	83,679	778,296
<b>Total liabilities and fund balances</b>	<b>\$ 531,454</b>	<b>305,843</b>	<b>148,039</b>	<b>985,336</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Jimmy King Track Project	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 348,993	0	56,803	405,796
Other	120	218,700	186	219,006
State sources	0	0	28	28
Total revenues	<u>349,113</u>	<u>218,700</u>	<u>57,017</u>	<u>624,830</u>
Expenditures:				
Current:				
Support services:				
Instructional staff	32,511	0	0	32,511
Operation and maintenance of plant	0	0	3,691	3,691
Transportation	48,075	0	0	48,075
Other expenditures:				
Capital Outlay	119,410	273,820	35,084	428,314
Total expenditures	<u>199,996</u>	<u>273,820</u>	<u>38,775</u>	<u>512,591</u>
Excess(Deficiency) of revenues over(under) expenditures	149,117	(55,120)	18,242	112,239
Other financing sources (uses):				
Transfer in	15,245	218,283	0	233,528
Transfer out	(57,503)	0	0	(57,503)
Total other financing sources(uses)	<u>(42,258)</u>	<u>218,283</u>	<u>0</u>	<u>176,025</u>
Net change in fund balances	106,859	163,163	18,242	288,264
Fund balances beginning of year	424,595	0	65,437	490,032
Fund balances end of year	<u>\$ 531,454</u>	<u>163,163</u>	<u>83,679</u>	<u>778,296</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Change	Balance End of Year
Drama	\$ 2,091	944	1,360	0	1,675
Drama Donations	250	0	0	0	250
Instrumental Music	357	2,944	3,219	0	82
Cross Country	0	362	189	0	173
Boys Basketball	503	0	0	0	503
Football	1,658	1,487	137	0	3,008
Baseball	855	823	708	0	970
Boys Track	0	203	203	0	0
Volleyball	1,763	354	794	0	1,323
Girls Track	368	150	264	0	254
Restricted Fund Balance	0	1,200	0	0	1,200
Interest	0	29	0	(29)	0
Dance Team	617	15	0	0	632
Yearbook	147	4,693	8,896	0	(4,056)
Athletic Fundraiser	167	36,381	36,144	29	433
Pop/Snack/Pen/Pencil	0	8,816	8,484	0	332
Cheerleaders	120	2,465	2,465	0	120
Red Cross Club	55	43	64	0	34
FCCLA	181	6,878	6,069	0	990
FFA	972	1,636	1,915	0	693
Basketball Cheerleading	709	0	(762)	0	1,471
C.O.R.E. Fundraiser	46	0	0	0	46
Communications Video	90	0	90	0	0
Vocational Fundraiser	133	0	0	0	133
Choral & Senior Gowns	211	0	0	2,455	2,666
Science Bowl	150	0	0	0	150
National Honor Society	80	332	237	0	175
Ind Arts Marketing	157	10	143	0	24
Class of 2012	4,755	0	1,961	0	2,794
Class of 2013	43	11,751	7,723	0	4,071
Class of 2014	1,356	0	0	(1,356)	0
Class of 2011	1,099	0	0	(1,099)	0
WH Secret Angels	25	0	0	0	25
Student Council	870	3,426	2,296	0	2,000
JH VB T-Shirt Account	1,314	20	1,334	0	0
Lift-A-Thon	7,026	3,649	7,400	0	3,275
Dr. Seuss Celebration	205	0	0	0	205
Elementary AR Awards	89	0	0	0	89
Experiment in Intern. Living	9	0	0	0	9
MS Student Council	2,153	1,488	1,205	0	2,436
Middle School Fundraiser	1,882	0	47	0	1,835
Elem. Fundraiser	147	0	0	0	147
SH Fundraiser	0	866	482	0	384
<b>Total</b>	<b>\$ 32,653</b>	<b>90,965</b>	<b>93,067</b>	<b>0</b>	<b>30,551</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -  
 SUPPORT TRUSTS  
 FOR YEAR ENDED JUNE 30, 2012

	Special Olympics Trust	Jimmy King Performing Arts Center	Total Support Trust
Revenues:			
Local sources:			
Other	\$ 75	302	377
Expenditures:			
Instruction:			
Other	2,502	0	2,502
Excess (Deficiency) of revenues over (under) expenditures	(2,427)	302	(2,125)
Other financing uses:			
Transfer out	0	(233,528)	(233,528)
Net change in fund balances	(2,427)	(233,226)	(235,653)
Fund balance beginning of year	6,926	233,226	240,152
Fund balance end of year	\$ 4,499	0	4,499

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:								
Local sources:								
Local tax	\$ 3,339,087	3,169,834	2,835,110	2,731,262	2,594,053	2,565,657	2,359,915	2,263,627
Tuition	138,032	150,334	181,055	202,318	213,257	174,225	256,689	282,570
Other	386,627	266,966	286,338	341,926	287,556	367,891	364,802	308,453
Intermediate sources	0	500	0	0	0	0	4,925	0
State sources	2,547,579	2,566,826	2,238,144	2,650,853	2,607,724	2,402,446	2,301,134	2,359,487
Federal sources	276,411	521,280	457,960	251,618	214,495	191,337	315,908	298,610
<b>Total</b>	<b>\$ 6,687,736</b>	<b>6,675,740</b>	<b>5,998,607</b>	<b>6,177,977</b>	<b>5,917,085</b>	<b>5,701,556</b>	<b>5,603,373</b>	<b>5,512,747</b>
Expenditures:								
Current:								
Instruction:								
Regular	\$ 2,244,525	2,424,187	2,418,362	2,488,267	2,379,525	2,093,567	1,880,985	1,850,542
Special	709,697	721,665	608,499	549,359	540,021	538,012	609,976	887,368
Other	751,776	770,941	430,823	443,525	401,250	532,667	523,656	386,208
Support services:								
Student	153,186	56,729	132,452	169,778	109,852	114,488	146,616	122,347
Instructional staff	180,589	217,960	222,471	131,851	147,795	152,391	198,741	130,832
Administration	522,950	509,364	500,506	589,944	625,889	589,785	545,057	561,189
Operation and maintenance of plant	478,474	470,549	420,794	368,060	414,043	383,166	379,808	416,196
Transportation	390,444	480,894	289,510	387,122	455,095	387,849	473,378	357,111
Non-instructional programs	0	0	0	0	0	0	0	24,719
Capital Outlay	428,314	666,448	504,959	434,653	94,638	25,225	117,046	329,026
Other expenditures:								
Long term debt:								
Principal	355,000	345,000	330,000	320,000	315,000	305,000	300,000	295,000
Interest	24,051	36,165	47,380	57,703	67,191	75,382	82,283	87,976
AEA flow-through	180,598	205,388	198,572	180,983	171,160	160,022	154,145	154,609
<b>Total</b>	<b>\$ 6,419,604</b>	<b>6,905,290</b>	<b>6,104,328</b>	<b>6,121,245</b>	<b>5,721,459</b>	<b>5,357,554</b>	<b>5,411,691</b>	<b>5,603,123</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

West Harrison Community School District

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(A Professional Corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Harrison Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Harrison Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Harrison Community School District's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Harrison Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other

matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2013

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. Vouchers are processed, disbursements are recorded and checks are prepared by the same person. Also we noted that contracts are entered in the system by one person and not reviewed by an independent person.

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

Response - The business office has put in place a three person system for internal control of all business activities.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 did not exceed the certified amounts in the functional areas.

II-B-12 Questionable Disbursements - We noted during our audit a disbursement for magazine fundraiser prizes being awarded. Giving prizes for a fundraiser does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The district will no longer participate in the giving of prizes for any fundraisers.

Conclusion - Response accepted.

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

II-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows.

Name, Title and Business Connection	Transaction Description	Amount
Beverly Hutchinson, Teacher Husband	Repair musical instruments	\$ 188

In Accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the teacher's husband and the music department do not appear to represent a conflict of interests.

- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - No instances of non-compliance with regards to section 279.35 of the Code of Iowa were noted.
- II-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 1.3.
- Recommendation - The Iowa Department of Education and Department of Management should be contracted to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.
- Conclusion - Response accepted.
- II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services 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 and services tax. 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 including adjustments identified during the fiscal year 2012 audit.

Beginning Balance		\$	424,595
Revenues:			
Sales tax revenues	\$	348,993	
Other local revenues		120	
Transfer from Other Funds		15,245	364,358
			<u>788,953</u>
Expenditures/transfers out:			
Equipment		80,586	
Other		119,410	
Transfers to other funds:			
Debt service fund	\$	57,503	257,499
			<u>257,499</u>
Ending Balance		\$	<u><u>531,454</u></u>

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