

WEST MONONA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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West Monona Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Peter Alexander	President	2013
Hank Mason	Vice President	2013
Geri Johnson	Board Member	2013
Amy Maule	Board Member	2011
Allen Carrier	Board Member	2011
(After September 2011 Election)		
Peter Alexander	President	2013
Hank Mason	Vice President	2013
Geri Johnson	Board Member	2013
Christine Kennedy	Board Member	2015
Allen Carrier	Board Member	2015
School Officials		
Lyle Schwartz	Superintendent	2012
Roxane Bales	District Secretary/ Treasurer	2012
Ahlers Law Firm	Attorney	2012

WEST MONONA 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 Monona 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 Monona Community School District, Onawa, 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the West Monona Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof 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 March 8, 2013, on our consideration of the West Monona Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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 Findings Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the

basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in a appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Monona 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 eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,053,369 in fiscal 2011 to \$7,350,669 in fiscal 2012, while General Fund expenditures increased from \$7,059,067 in fiscal 2011 to \$7,413,643 in fiscal 2012. The District's General Fund balance decreased from \$1,030,596 in fiscal 2011 to \$967,622 in fiscal 2012.
- The increase in General Fund revenues was primarily attributable to an increase in state sources of revenue. Increased expenditures for instructional function represented the largest portion of the rise in expenditures.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Monona 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 Monona 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 Monona 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

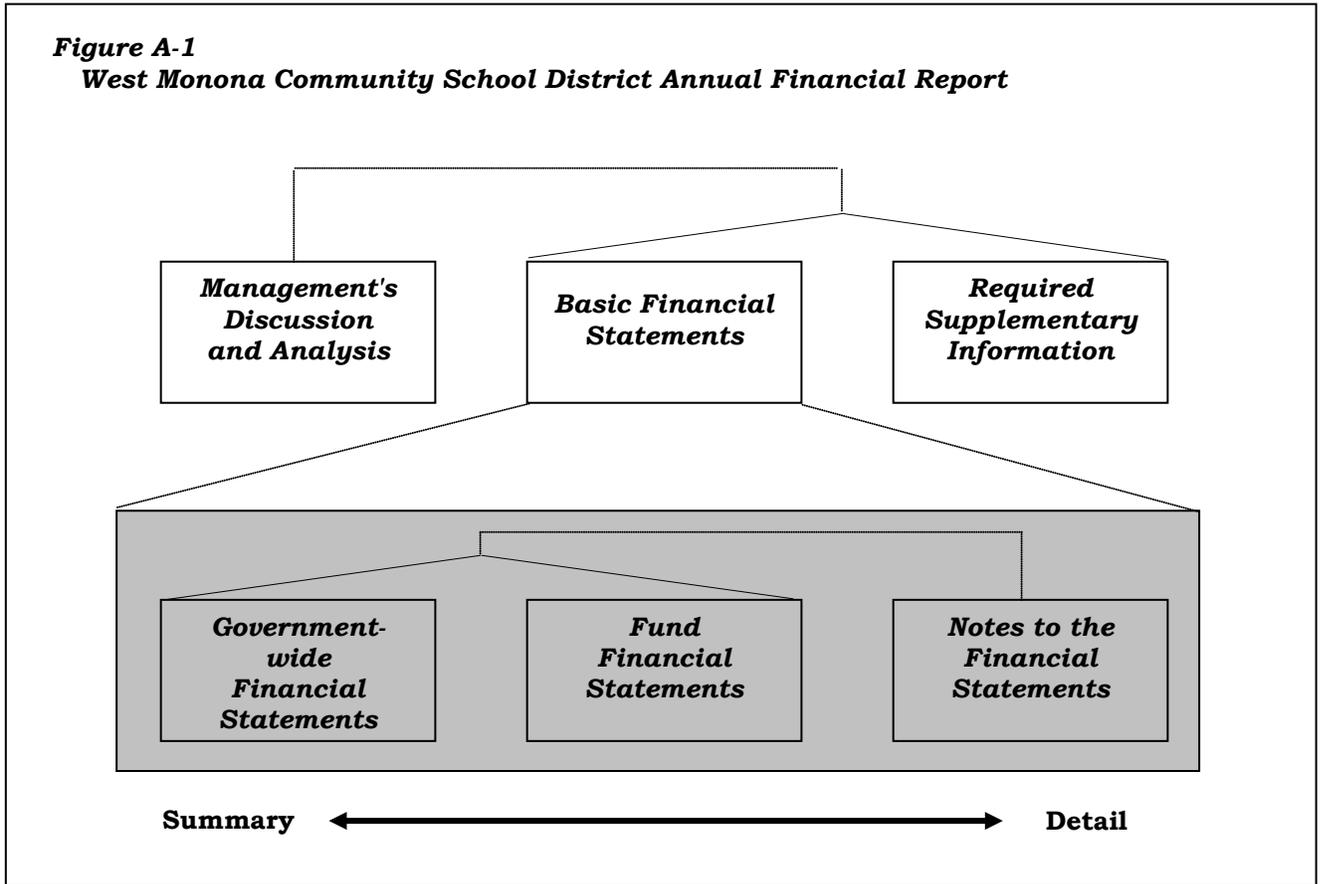


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
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
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
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

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 two 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 one Enterprise Fund, the School Nutrition Fund.

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

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.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 6,872,583	7,627,269	103,077	95,705	6,975,660	7,722,974	-9.68%
Capital assets	6,159,847	4,684,172	45,704	39,756	6,205,551	4,723,928	31.36%
Total assets	<u>13,032,430</u>	<u>12,311,441</u>	<u>148,781</u>	<u>135,461</u>	<u>13,181,211</u>	<u>12,446,902</u>	5.90%
Long-term obligations	4,351,684	4,005,895	1,414	824	4,353,098	4,006,719	8.64%
Other liabilities	4,823,547	3,811,205	10,608	7,109	4,834,155	3,818,314	26.60%
Total liabilities	<u>9,175,231</u>	<u>7,817,100</u>	<u>12,022</u>	<u>7,933</u>	<u>9,187,253</u>	<u>7,825,033</u>	17.41%
Net assets:							
Invested in capital assets, net of related debt	2,459,847	1,396,467	45,704	39,756	2,505,551	1,436,223	74.45%
Restricted	1,649,290	2,362,865	0	0	1,649,290	2,362,865	-30.20%
Unrestricted	(251,938)	735,009	91,055	87,772	(160,883)	822,781	-119.55%
Total net assets	<u>\$ 3,857,199</u>	<u>4,494,341</u>	<u>136,759</u>	<u>127,528</u>	<u>3,993,958</u>	<u>4,621,869</u>	-13.59%

The District's combined net assets decreased by 13.59%, or \$627,911, from the prior year. A large portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$713,575, or 30.20% over the prior year. This was primarily the result of a decrease in the Capital Projects accounts fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$983,664 or 119.55%.

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

	Figure A-4							
	Changes of Net Assets							
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,		
2012	2011	2012	2011	2012	2011	2011-12		
Revenues:								
Program revenues:								
Charges for services	\$ 322,661	349,948	165,348	132,835	488,009	482,783	1.08%	
Operating grants, and contributions and restricted interest	796,074	847,329	204,621	182,087	1,000,695	1,029,416	-2.79%	
Capital grants, and contributions and restricted interest	0	12,920	0	0	0	12,920	-100.00%	
General revenues:								
Property tax	2,848,282	2,758,290	0	0	2,848,282	2,758,290	3.26%	
Income surtax	198,265	186,184	0	0	198,265	186,184	6.49%	
Statewide sales, services and use tax	518,435	461,780	0	0	518,435	461,780	12.27%	
Unrestricted state grants	3,550,639	3,082,622	0	0	3,550,639	3,082,622	15.18%	
Nonspecific program federal grants	2,065	230,243	0	0	2,065	230,243	-99.10%	
Unrestricted investment earnings	169	2,343	0	0	169	2,343	-92.79%	
Other	52,325	95,904	0	1,198	52,325	97,102	-46.11%	
Total revenues	8,288,915	8,027,563	369,969	316,120	8,658,884	8,343,683	3.78%	
Program expenses:								
Governmental activities:								
Instruction	5,911,790	4,905,495	0	0	5,911,790	4,905,495	20.51%	
Support services	2,430,734	2,319,455	0	0	2,430,734	2,319,455	4.80%	
Non-instructional programs	845	11,575	360,738	301,175	361,583	312,750	15.61%	
Other expenses	582,688	572,515	0	0	582,688	572,515	1.78%	
Total expenses	8,926,057	7,809,040	360,738	301,175	9,286,795	8,110,215	14.51%	
Changes in net assets	(637,142)	218,523	9,231	14,945	(627,911)	233,468	-368.95%	
Beginning net assets	4,494,341	4,275,818	127,528	112,583	4,621,869	4,388,401	5.32%	
Ending net assets	\$ 3,857,199	4,494,341	136,759	127,528	3,993,958	4,621,869	-13.59%	

In fiscal 2012, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 85.85% of the revenue from governmental activities while charges for services and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$8.66 million of which \$8.29 million was for governmental activities and \$0.37 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.78% increase in revenues and a 14.51% increase in expenses. The increase in expenses was related to increases in negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$8,288,915 and expenses were \$8,926,057 for the year ended June 30, 2012.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 5,911,790	4,905,495	20.51%	5,065,833	4,002,991	26.55%
Support services	2,430,734	2,319,455	4.80%	2,430,452	2,304,672	5.46%
Non-instructional programs	845	11,575	-92.70%	845	6,707	87.40%
Other expenses	582,688	572,515	1.78%	310,192	284,473	9.04%
Totals	\$ 8,926,057	7,809,040	14.30%	7,807,322	6,598,843	18.31%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$322,661.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$796,074.
- The net cost of governmental activities was financed with \$2,848,282 in property tax, \$198,265 in income surtax, \$518,435 in statewide sales, services and use tax, \$3,550,639 in unrestricted state grants, \$2,065 in nonspecific program federal grants, \$169 in interest income and \$52,325 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$369,969 and expenses were \$360,738. The District's business type activities include the School Nutrition Fund. Revenues of these activities were entirely comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,877,445 below last year's ending fund balances of \$3,723,122. The primary reason for the decrease was decreases in fund balances of the Capital Project accounts.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Increases during the year in local tax and State sources of revenue helped increase revenues. Although the District experienced an increase in revenues, the District also experienced an increase in expenditures; total revenues were less than expenses resulting in the District's General Fund balance decreasing by \$62,974.
- The General Fund balance decreased from \$1,030,596 in fiscal 2011 to \$967,622 in fiscal 2012.

- The Capital Projects Fund balance decreased from a balance of \$2,012,146 at the beginning of the fiscal year 2012 to \$412,491. This decrease was a result of the ongoing renovations throughout the District. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance decreased from 1,267,621 at June 30, 2011 to \$658,115 at June 30, 2012. The Capital Projects: General Obligation Bonds Fund decreased from a fund balance of \$0 at June 30, 2011 to a deficit balance of \$386,074 at June 30, 2012. The Capital Projects: Revenue Bonds fund balance decreased from \$657,295 at June 30, 2011 to a deficit balance of \$19,472 at June 30, 2012. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$87,230 at June 30, 2011 to \$159,922 at June 30, 2012.
- The Debt Service Fund balance decreased from \$499,370 at June 30, 2011 to \$317,082 at June 30, 2012.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$127,528 at June 30, 2011 to \$136,759 at June 30, 2012, representing an increase of 7.24%.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Monona Community School District amended its budget one time to reflect additional expenditures associated with the elementary building projects.

The District's revenues were \$323,265 less than budgeted revenues, a variance of 3.60%. The most significant variance resulted from the District receiving 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 disbursements 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 disbursements for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested approximately \$6.21 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 31.36% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$262,525.

The original cost of the District's capital assets was \$10,596,289. Governmental funds account for \$10,339,189 with the remainder of \$257,100 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings, totaled \$5,195,050 at June 30, 2012, compared to \$3,666,890 reported at June 30, 2011. This increase resulted from various renovation projects throughout the District being completed and capitalized in the District's capital asset listing.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 92,549	92,549	0	0	92,549	92,549	0.00%
Construction in progress	481,482	587,581	0	0	481,482	587,581	-18.06%
Buildings	5,195,050	3,666,890	0	0	5,195,050	3,666,890	41.67%
Land improvements	64,069	69,674	0	0	64,069	69,674	-8.04%
Machinery and equipment	326,697	267,478	45,704	39,756	372,401	307,234	21.21%
Total	\$ 6,159,847	4,684,172	45,704	39,756	6,205,551	4,723,928	31.36%

Long-Term Debt

At June 30, 2012, the District had \$4,353,098 in revenue bonds and other long-term debt outstanding. This represents an increase of 8.64% 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 Revenue Bonds payable of \$3,700,000 at June 30, 2012.

The District had computer lease payable of \$545,951 at June 30, 2012.

The District had a net OPEB liability payable of \$107,147 at June 30, 2012. Governmental Activities account for \$105,733 while Business Type Activities account for \$1,414.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Capital Loan Notes	\$ 0	45,000	0	0	0	45,000	-100.00%
Revenue Bonds	3,700,000	3,900,000	0	0	3,700,000	3,900,000	-5.13%
Computer Lease	545,951	0	0	0	545,951	0	100.00%
Net OPEB liability	105,733	60,895	1,414	824	107,147	61,719	73.60%
Total	\$ 4,351,684	4,005,895	1,414	824	4,353,098	4,006,719	8.64%

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 state's economy is continues to show signs of economic recovery. Despite this, funding from the state continues to be at lower levels than in the past.
- With the reduction in state revenues and our expenses exceeding our revenues during the past year, the Board of Education will determine what cost-saving measures will be implemented to improve the district's spending authority position and cash position.

- Historically, the District has entered into annual contracts with its collective bargaining units. The District will negotiate new agreements during fiscal 2013. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- Additional building and renovation projects are impacting the financial statements contained in this audit report. The completion of an addition, including a gymnasium and weight room during fiscal 2012 had an impact in the reduction of some fund balances. The passage of a General Obligation Bond and a second Revenue Bond in fiscal 2012 also impacted this report. Part of the impact was that the District incurred expenses for the project during fiscal 2012 but the proceeds of the General Obligation Bond and Revenue Bond were not received until fiscal 2013.

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 Roxane Bales, District Secretary/Treasurer, West Monona Community School District, 1314 15th St, Onawa, Iowa, 51040.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,954,505	90,692	3,045,197
Receivables:			
Property tax:			
Delinquent	37,023	0	37,023
Succeeding year	3,455,059	0	3,455,059
Income surtax	173,001	0	173,001
Accounts	1,450	7	1,457
Due from other governments	251,545	2,240	253,785
Inventories	0	10,138	10,138
Capital assets, net of accumulated depreciation	6,159,847	45,704	6,205,551
Total assets	13,032,430	148,781	13,181,211
Liabilities			
Accounts payable	619,107	264	619,371
Salaries and benefits payable	678,021	7,167	685,188
Deposits payable	69,950	0	69,950
Accrued interest payable	1,410	0	1,410
Deferred revenue:			
Succeeding year property tax	3,455,059	0	3,455,059
Unearned revenue	0	3,177	3,177
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	100,000	0	100,000
Computer lease payable	150,035	0	150,035
Portion due after one year:			
Revenue bonds payable	3,600,000	0	3,600,000
Computer lease payable	395,916	0	395,916
Net OPEB liability	105,733	1,414	107,147
Total liabilities	9,175,231	12,022	9,187,253
Net Assets			
Invested in capital assets, net of related debt	2,459,847	45,704	2,505,551
Restricted for:			
Categorical funding	333,921	0	333,921
School infrastructure	658,115	0	658,115
Physical plant and equipment levy	159,922	0	159,922
Management levy purposes	132,426	0	132,426
Student activities	47,824	0	47,824
Debt service	317,082	0	317,082
Unrestricted	(251,938)	91,055	(160,883)
Total net assets	\$ 3,857,199	136,759	3,993,958

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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 Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,942,222	163,701	98,056	(3,680,465)	0	(3,680,465)
Special	1,140,425	33,991	188,728	(917,706)	0	(917,706)
Other	829,143	124,969	236,512	(467,662)	0	(467,662)
	<u>5,911,790</u>	<u>322,661</u>	<u>523,296</u>	<u>(5,065,833)</u>	<u>0</u>	<u>(5,065,833)</u>
Support services:						
Student	231,247	0	282	(230,965)	0	(230,965)
Instructional staff	192,969	0	0	(192,969)	0	(192,969)
Administration	892,281	0	0	(892,281)	0	(892,281)
Operation and maintenance of plant	841,238	0	0	(841,238)	0	(841,238)
Transportation	272,999	0	0	(272,999)	0	(272,999)
	<u>2,430,734</u>	<u>0</u>	<u>282</u>	<u>(2,430,452)</u>	<u>0</u>	<u>(2,430,452)</u>
Non-instructional programs:						
Other enterprise operations	656	0	0	(656)	0	(656)
Community service operations	189	0	0	(189)	0	(189)
	<u>845</u>	<u>0</u>	<u>0</u>	<u>(845)</u>	<u>0</u>	<u>(845)</u>
Long-term debt interest	163,529	0	0	(163,529)	0	(163,529)
Other expenditures:						
AEA flowthrough	272,496	0	272,496	0	0	0
Depreciation (unallocated)*	146,663	0	0	(146,663)	0	(146,663)
	<u>419,159</u>	<u>0</u>	<u>272,496</u>	<u>(146,663)</u>	<u>0</u>	<u>(146,663)</u>
Total governmental activities	8,926,057	322,661	796,074	(7,807,322)	0	(7,807,322)
Business Type activities:						
Non-instructional programs:						
Nutrition services	360,738	165,348	204,621	0	9,231	9,231
Total	\$ 9,286,795	488,009	1,000,695	(7,807,322)	9,231	(7,798,091)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,710,528	0	2,710,528
Capital outlay				137,754	0	137,754
Income surtax				198,265	0	198,265
Statewide sales, services and use tax				518,435	0	518,435
Unrestricted state grants				3,550,639	0	3,550,639
Nonspecific program federal grants				2,065	0	2,065
Unrestricted investment earnings				169	0	169
Other				52,325	0	52,325
Total general revenues				<u>7,170,180</u>	<u>0</u>	<u>7,170,180</u>
Changes in net assets				(637,142)	9,231	(627,911)
Net assets beginning of year				4,494,341	127,528	4,621,869
Net assets end of year				\$ 3,857,199	136,759	3,993,958

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,785,148	491,118	497,222	181,017	2,954,505
Receivables:					
Property tax:					
Delinquent	33,964	1,754	0	1,305	37,023
Succeeding year	2,713,906	145,368	445,785	150,000	3,455,059
Income surtax	115,334	57,667	0	0	173,001
Accounts	1,390	60	0	0	1,450
Due from other funds	0	273,493	0	0	273,493
Due from other governments	101,679	149,862	0	4	251,545
Total assets	\$ 4,751,421	1,119,322	943,007	332,326	7,146,076
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ 0	273,493	0	0	273,493
Accounts payable	276,770	160,353	180,140	1,844	619,107
Salaries and benefits payable	677,789	0	0	232	678,021
Deposits payable	0	69,950	0	0	69,950
Deferred revenue:					
Succeeding year property tax	2,713,906	145,368	445,785	150,000	3,455,059
Income surtax	115,334	57,667	0	0	173,001
Total liabilities	3,783,799	706,831	625,925	152,076	5,268,631
Fund balances:					
Restricted for:					
Categorical funding	333,921	0	0	0	333,921
School infrastructure	0	658,115	0	0	658,115
Physical plant and equipment	0	159,922	0	0	159,922
Management levy purposes	0	0	0	132,426	132,426
Student activities	0	0	0	47,824	47,824
Debt service	0	0	317,082	0	317,082
Assigned for Wellness fund	22,229	0	0	0	22,229
Unassigned	611,472	(405,546)	0	0	205,926
Total fund balances	967,622	412,491	317,082	180,250	1,877,445
Total liabilities and fund balances	\$ 4,751,421	1,119,322	943,007	332,326	7,146,076

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 1,877,445
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,159,847
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	173,001
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.	(1,410)
Long-term liabilities, including computer leases, revenue bonds payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,351,684)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 3,857,199</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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	\$ 2,744,021	723,093	0	100,315	3,567,429
Tuition	197,692	0	0	0	197,692
Other	72,213	923	83	116,102	189,321
State sources	3,947,416	102	0	75	3,947,593
Federal sources	389,327	0	0	0	389,327
Total revenues	<u>7,350,669</u>	<u>724,118</u>	<u>83</u>	<u>216,492</u>	<u>8,291,362</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,214,181	697,554	0	0	3,911,735
Special	1,133,955	0	0	0	1,133,955
Other	721,659	0	0	117,903	839,562
	<u>5,069,795</u>	<u>697,554</u>	<u>0</u>	<u>117,903</u>	<u>5,885,252</u>
Support services:					
Student	226,458	0	0	0	226,458
Instructional staff	224,771	0	0	0	224,771
Administration	775,324	38,743	500	70,252	884,819
Operation and maintenance of plant	631,246	600	0	18,621	650,467
Transportation	212,708	80,785	0	10,476	303,969
	<u>2,070,507</u>	<u>120,128</u>	<u>500</u>	<u>99,349</u>	<u>2,290,484</u>
Non-instructional programs:					
Other enterprise operations	656	0	0	0	656
Community service operations	189	0	0	0	189
	<u>845</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>845</u>
Capital outlays	0	1,744,288	0	0	1,744,288
Long-term debt:					
Principal	0	0	245,000	0	245,000
Interest and fiscal charges	0	0	244,625	0	244,625
	<u>0</u>	<u>0</u>	<u>489,625</u>	<u>0</u>	<u>489,625</u>
Other expenditures:					
AEA flowthrough	272,496	0	0	0	272,496
Total expenditures	<u>7,413,643</u>	<u>2,561,970</u>	<u>490,125</u>	<u>217,252</u>	<u>10,682,990</u>
Deficiency of revenues under expenditures	(62,974)	(1,837,852)	(490,042)	(760)	(2,391,628)
Other financing sources(uses):					
Transfers in	0	0	307,754	0	307,754
Transfers out	0	(307,754)	0	0	(307,754)
Capital lease proceeds	0	545,951	0	0	545,951
Total other financing sources(uses)	<u>0</u>	<u>238,197</u>	<u>307,754</u>	<u>0</u>	<u>545,951</u>
Net change in fund balances	(62,974)	(1,599,655)	(182,288)	(760)	(1,845,677)
Fund balance beginning of year	1,030,596	2,012,146	499,370	181,010	3,723,122
Fund balance end of year	<u>\$ 967,622</u>	<u>412,491</u>	<u>317,082</u>	<u>180,250</u>	<u>1,877,445</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA 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) \$ (1,845,677)

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

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

Expenditures for capital assets	\$ 1,731,082	
Depreciation expense	<u>(255,407)</u>	1,475,675

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (2,447)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	(545,951)	
Repaid	<u>245,000</u>	(300,951)

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. 81,096

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

Other postemployment benefits	<u>(44,838)</u>	
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Changes in net assets of governmental activities(page 19) \$ (637,142)

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

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents:	\$ 90,692
Accounts receivable	7
Due from other governments	2,240
Inventories	10,138
Capital assets, net of accumulated depreciation	45,704
Total assets	<u>148,781</u>
Liabilities	
Accounts payable	264
Salaries and benefits payable	7,167
Unearned revenues	3,177
Net OPEB liability	1,414
Total liabilities	<u>12,022</u>
Net Assets	
Invested in capital assets	45,704
Unrestricted	91,055
Total net assets	<u>\$ 136,759</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 165,348
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	121,666
Benefits	27,403
Services	1,569
Supplies	202,947
Other	35
Depreciation	7,118
TOTAL OPERATING EXPENSES	360,738
OPERATING LOSS	(195,390)
NON-OPERATING REVENUES:	
State sources	3,553
Federal sources	201,068
TOTAL NON-OPERATING REVENUES	204,621
Change in net assets	9,231
Net assets beginning of year	127,528
Net assets end of year	\$ 136,759

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 166,378
Cash payments to employees for services	(146,281)
Cash payments to suppliers for goods or services	(184,539)
Net cash used in operating activities	(164,442)
Cash flows from non-capital financing activities:	
State grants received	3,553
Federal grants received	177,864
Net cash provided by non-capital financing activities	181,417
Cash flows from capital financing activities:	
Acquisition of capital assets	(13,066)
Net increase in cash and cash equivalents	3,909
Cash and cash equivalents at beginning of year	86,783
Cash and cash equivalents at end of year	\$ 90,692
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (195,390)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,964
Depreciation	7,118
Increase in inventories	(1,216)
Increase in accounts receivable	(7)
Increase in accounts payable	264
Increase in salaries and benefits payable	2,198
Increase in unearned revenue	1,037
Increase in other postemployment benefits	590
Net cash used in operating activities	\$ (164,442)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received federal commodities valued at \$20,964.

SEE NOTES TO FINANCIAL STATEMENTS.

WEST MONONA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The West Monona Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, four-year old preschool and pre-school special education. 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 Onawa, Iowa, and the predominate agricultural territory in Monona and Harrison 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 Monona 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 Monona 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 Monona and Harrison County 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 interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's 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. Any unused revenue bond proceeds are added into invested in capital assets, net of related debt.

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 which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 and proprietary 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 funds:

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

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

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 Districts general long-term debt.

The District reports the following non-major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 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	\$ 0
Buildings	1,000
Land improvements	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 of depreciation 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	5-10 years

Salaries and Benefits Payable - Payroll and related expenditures for 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 in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Assigned - Amounts the Board intends to use for specific purposes.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures in the instructional function exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in the District's name, or by multiple financial institution

collateral pool 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 and the Treasurer of the State of Iowa; 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 \$35,496 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Sinking	Capital Projects: Statewide, Sales, Services and Use Tax	\$ 260,049
Debt Service	Capital Projects: Statewide, Sales, Services and Use Tax	30,038
Debt Service	Capital Projects: Physical Plant & Equipment Levy	17,667
Total		<u>\$ 307,754</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Sinking Fund was for principal and interest payments on the District's revenue bond indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was moving leftover construction money which will be used for a portion of the last payment.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was for principal and interest payments on the District's capital loan indebtedness.

(4) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Statewide, Sales Services and Use Tax	Capital Projects: General Obligation Bonds	\$ 260,049

The Capital Projects: General Obligation Bonds fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax fund for money borrowed to begin construction projects at the Elementary School.

(5) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,549	0	0	92,549
Construction in progress	587,581	1,555,946	1,662,045	481,482
Total capital assets not being depreciated	680,130	1,555,946	1,662,045	574,031
Capital assets being depreciated:				
Buildings	5,616,063	1,669,218	0	7,285,281
Land improvements	806,006	0	0	806,006
Machinery and equipment	1,505,908	167,963	0	1,673,871
Total capital assets being depreciated	7,927,977	1,837,181	0	9,765,158
Less accumulated depreciation for:				
Buildings	1,949,173	141,058	0	2,090,231
Land improvements	736,332	5,605	0	741,937
Machinery and equipment	1,238,430	108,744	0	1,347,174
Total accumulated depreciation	3,923,935	255,407	0	4,179,342
Total capital assets being depreciated, net	4,004,042	1,581,774	0	5,585,816
Governmental activities capital assets, net	\$ 4,684,172	3,137,720	0	6,159,847
Business type activities:				
Machinery and equipment	\$ 244,034	13,066	0	257,100
Less accumulated depreciation	204,278	7,118	0	211,396
Business type activities capital assets, net	\$ 39,756	5,948	0	45,704

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:		
Regular		\$ 7,169
Other		7,946
Support services:		
Support staff		3,653
Instructional support		30,480
Administration		4,150
Operation and maintenance of plant		6,163
Transportation		49,183
		<u>108,744</u>
Unallocated depreciation		<u>146,663</u>
		<u>\$ 255,407</u>
Business type activities:		
Food service operations		<u>\$ 7,118</u>

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital Loan Notes	\$ 45,000	0	45,000	0	0
Revenue Bonds	3,900,000	0	200,000	3,700,000	100,000
Computer Lease	0	545,951	0	545,951	150,035
Net OPEB liability	60,895	44,838	0	105,733	0
				<u>4,351,684</u>	<u>250,035</u>
Total	<u>\$ 4,005,895</u>	<u>590,789</u>	<u>245,000</u>	<u>4,351,684</u>	<u>250,035</u>
				<u>4,351,684</u>	<u>250,035</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 824	590	0	1,414	0
				<u>1,414</u>	<u>0</u>

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of June 03, 2010				
	Interest Rate	Principal	Interest	Total	
2013	4.00	% \$ 100,000	156,280	256,280	
2014	4.00	125,000	152,280	277,280	
2015	4.00	155,000	147,280	302,280	
2016	4.00	165,000	141,080	306,080	
2017	4.00	170,000	134,480	304,480	
2018-2022	4.00	980,000	563,600	1,543,600	
2023-2027	4.00-4.30	1,215,000	347,365	1,562,365	
2028-2030	4.50-4.80	790,000	66,540	856,540	
Total		\$ 3,700,000	1,708,905	5,408,905	

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,900,000 bonds issued in June 2010. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 49 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,408,905. For the current year \$200,000 of principal and \$242,420 of interest was paid on the bonds and statewide sales, services and use tax revenue were \$518,435.

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

- a) \$317,070 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Computer Lease Payable

Details of the District's June 30, 2012 computer lease indebtedness are as follows:

Year Ending June 30,	Computer Lease of June 1, 2012			
	Interest Rate	Principal	Interest	Total
2013	3.10	% \$ 150,035	15,771	165,806
2014	3.10	154,722	11,084	165,806
2015	3.10	159,556	6,250	165,806
2016	3.10	81,638	1,265	82,903
Total		\$ 545,951	34,370	580,321

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$352,764, \$287,304, and \$258,446, 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 retirees and their spouses. There are 78 active and 9 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 ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level

of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 84,000
Interest on net OPEB obligation	2,777
Adjustment to annual required contribution	<u>(2,349)</u>
Annual OPEB cost	84,428
Contributions made	<u>(39,000)</u>
Increase in net OPEB obligation	45,428
Net OPEB obligation beginning of year	<u>61,719</u>
Net OPEB obligation end of year	<u><u>\$ 107,147</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.

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	\$ 84,000	63.10 %	\$ 31,000
2011	81,719	62.41	61,719
2012	84,428	46.19	107,147

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$683,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$683,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,637,764, and the ratio of the UAAL to covered payroll was 18.78%. As of June 30, 2011 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present

multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan for retirees are illustrated per month in the following table.

	Plan 11	Plan 13	Plan 29
Less than 65 years old	\$ 929.19	870.94	776.37

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The West Monona Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health, dental, vision, life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2012 were \$891,647.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are

covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(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 \$272,496 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) Deficit Fund Balances/Net Assets

The District had deficit unassigned fund balances in the Capital Projects Fund: General Obligation Bonds of \$386,074 and Capital Projects Fund: Revenue Bonds of \$19,472. Also, the District had unrestricted net assets in Governmental Activities of \$251,938.

(12) Categorical Funding

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

Program	Amount
Limited english proficient	\$ 9,442
Home school assistance program	24,048
Weighted at-risk programs	47,232
Gifted and talented programs	140,068
Dropout and dropout prevention programs	59,616
Four-year old preschool state aid	33,351
Beginning teacher mentoring and induction programs	3,201
Teacher salary supplement	16,963
Total restricted for categorical funding	\$ 333,921

(13) Construction Commitment

The District has entered into contracts totaling \$6,390,791 for the renovation of the District's buildings. As of June 30, 2012, costs \$365,564, had been incurred against the contract. The balance of \$6,025,227 remaining at June 30, 2012, will be paid as work on the project progresses.

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the instructional function exceeded the budgeted amount.

REQUIRED SUPPLEMENTARY INFORMATION

WEST MONONA 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 Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,954,442	165,348	4,119,790	4,475,596	4,475,596	(355,806)
State sources	3,947,593	3,553	3,951,146	3,997,000	3,997,000	(45,854)
Federal sources	389,327	201,068	590,395	512,000	512,000	78,395
Total revenues	8,291,362	369,969	8,661,331	8,984,596	8,984,596	(323,265)
Expenditures/Expenses:						
Instruction	5,885,252	0	5,885,252	5,252,000	5,252,000	(633,252)
Support services	2,290,484	0	2,290,484	3,100,689	3,100,689	810,205
Non-instructional programs	845	360,738	361,583	470,362	470,362	108,779
Other expenditures	2,506,409	0	2,506,409	2,734,241	3,234,241	727,832
Total expenditures/expenses	10,682,990	360,738	11,043,728	11,557,292	12,057,292	1,013,564
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,391,628)	9,231	(2,382,397)	(2,572,696)	(3,072,696)	690,299
Other financing sources, net	545,951	0	545,951	18,500	18,500	527,451
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,845,677)	9,231	(1,836,446)	(2,554,196)	(3,054,196)	1,217,750
Balance beginning of year	3,723,122	127,528	3,850,650	2,764,749	2,764,749	1,085,901
Balance end of year	\$ 1,877,445	136,759	2,014,204	210,553	(289,447)	2,303,651

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$500,000.

During the year ended June 30, 2012, expenditures in the instruction function exceeded the amounts budgeted.

WEST MONONA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 683,000	\$ 683,000	0.00 %	\$ 3,245,586	21.04 %
2011	July 1, 2009	0	683,000	683,000	0.00	3,390,288	20.15
2012	July 1, 2009	0	683,000	683,000	0.00	3,637,764	18.78

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 131,117	49,900	181,017
Receivables:			
Property tax:			
Delinquent	1,305	0	1,305
Succeeding year	150,000	0	150,000
Due from other governments	4	0	4
Total assets	\$ 282,426	49,900	332,326
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	1,844	1,844
Salaries and benefits payable	0	232	232
Deferred revenue:			
Succeeding year property tax	150,000	0	150,000
Total liabilities	150,000	2,076	152,076
Fund balances:			
Restricted for:			
Management levy purposes	132,426	0	132,426
Student activities	0	47,824	47,824
Total fund balances	132,426	47,824	180,250
Total liabilities and fund balances	\$ 282,426	49,900	332,326

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds		
	Manage-	Student	Total
	Levy	Activity	
REVENUES:			
Local sources:			
Local tax	\$ 100,315	0	100,315
Other	0	116,102	116,102
State sources	75	0	75
TOTAL REVENUES	<u>100,390</u>	<u>116,102</u>	<u>216,492</u>
EXPENDITURES:			
Current:			
Instruction:			
Other	0	117,903	117,903
Support services:			
Administration	70,252	0	70,252
Operation and maintenance of plant	18,621	0	18,621
Transportation	10,476	0	10,476
TOTAL EXPENDITURES	<u>99,349</u>	<u>117,903</u>	<u>217,252</u>
Net change in fund balances	1,041	(1,801)	(760)
Fund balances beginning of year	<u>131,385</u>	<u>49,625</u>	<u>181,010</u>
Fund balances end of year	<u>\$ 132,426</u>	<u>47,824</u>	<u>180,250</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2012

	Capital Projects Funds				
	Statewide Sales, Services and Use Tax	General Obligation Bonds	Revenue Bonds	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments	\$ 302,056	30,449	450	158,163	491,118
Receiveables:					
Property tax:					
Delinquent	0	0	0	1,754	1,754
Succeeding year	0	0	0	145,368	145,368
Income surtax	0	0	0	57,667	57,667
Accounts	60	0	0	0	60
Due from other funds	273,493	0	0	0	273,493
Due from other governments	149,857	0	0	5	149,862
Total Assets	\$ 725,466	30,449	450	362,957	1,119,322
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ 0	273,493	0	0	273,493
Accounts payable	67,351	83,530	9,472	0	160,353
Deposits payable	0	59,500	10,450	0	69,950
Deferred revenue:					
Succeeding year property tax	0	0	0	145,368	145,368
Income surtax	0	0	0	57,667	57,667
Total liabilities	67,351	416,523	19,922	203,035	706,831
Fund balances:					
Restricted for:					
School infrastructure	658,115	0	0	0	658,115
Physical plant and equipment	0	0	0	159,922	159,922
Unassigned	0	(386,074)	(19,472)	0	(405,546)
Total fund balances	658,115	(386,074)	(19,472)	159,922	412,491
Total Liabilities and Fund Balances	\$ 725,466	30,449	450	362,957	1,119,322

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2012

	Capital Projects Funds				Total
	Statewide Sales and Services Tax	General Obligation Bonds	Revenue Bonds	Physical Plant and Equipment Levy	
REVENUES:					
Local sources:					
Local tax	\$ 518,435	0	0	204,658	723,093
Other	866	0	57	0	923
State sources	0	0	0	102	102
TOTAL REVENUES	519,301	0	57	204,760	724,118
EXPENDITURES:					
Current:					
Instruction:					
Regular	637,519	0	0	60,035	697,554
Support services:					
Administration	750	23,000	10,750	4,243	38,743
Operation and maintainance of plant	0	0	0	600	600
Transportation	80,785	0	0	0	80,785
Capital outlays	665,617	363,074	666,074	49,523	1,744,288
TOTAL EXPENDITURES	1,384,671	386,074	676,824	114,401	2,561,970
Excess(deficiency) of revenues over(under) expenditures	(865,370)	(386,074)	(676,767)	90,359	(1,837,852)
Other financing uses:					
Transfers out	(290,087)	0	0	(17,667)	(307,754)
Capital lease proceeds	545,951	0	0	0	545,951
Total other financing uses	255,864	0	0	(17,667)	238,197
Change in fund balances	(609,506)	(386,074)	(676,767)	72,692	(1,599,655)
Fund balance beginning of year	1,267,621	0	657,295	87,230	2,012,146
Fund balance end of year	\$ 658,115	(386,074)	(19,472)	159,922	412,491

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 DEBT SERVICE FUNDS
 JUNE 30, 2012

	Debt Service Funds		
	Debt Reserve	Debt Sinking	Total
Assets			
Cash and pooled investments	\$ 0	497,222	497,222
Receiveables:			
Property tax:			
Succeeding year	445,785	0	445,785
Total Assets	\$ 445,785	497,222	943,007
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 0	180,140	180,140
Deferred revenue:			
Succeeding year property tax	445,785	0	445,785
Total liabilities	445,785	180,140	625,925
Fund balances:			
Restricted for:			
Debt Service	0	317,082	317,082
Total fund balances	0	317,082	317,082
Total Liabilities and Fund Balances	\$ 445,785	497,222	943,007

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 YEAR ENDED JUNE 30, 2012

	Debt Service Funds		
	Debt Service	Debt Sinking	Total
REVENUES:			
Local sources:			
Other	\$ 0	83	83
TOTAL REVENUES	0	83	83
EXPENDITURES:			
Current:			
Support services:			
Administration	500	0	500
Long-term debt:			
Principal	45,000	200,000	245,000
Interest and fiscal charges	2,205	242,420	244,625
TOTAL EXPENDITURES	47,705	442,420	490,125
Deficiency of revenues under expenditures	(47,705)	(442,337)	(490,042)
Other financing uses:			
Transfer in	47,705	260,049	307,754
Change in fund balances	0	(182,288)	(182,288)
Fund balance beginning of year	0	499,370	499,370
Fund balance end of year	\$ 0	317,082	317,082

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEST MONONA 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	Balance End of Year
Speech	\$ 1,725	2,382	2,903	1,204
Fall play	2,942	0	0	2,942
Vocal	6,856	2,682	3,077	6,461
Instrumental	5,502	1,133	903	5,732
Band Uniform	853		278	575
Boys Basketball Camp	132	636	0	768
Girls Basketball Camp	874	3,385	3,356	903
General Athletics	7,565	57,022	64,587	0
Girls Golf Camp	0	350	0	350
Boys Golf Camp	303	100	250	153
Baseball Camp	905	145	308	742
Boys Track Camp	92	0	0	92
Volleyball Club	237	1,252	1,408	81
Class of 2009	207	0	207	0
Class of 2010	333	0	333	0
Class of 2011	608	0	608	0
Class of 2012	1,777	96	1,398	475
Class of 2013	0	6,936	5,936	1,000
NHS-National Honor Societ	121	0	0	121
Pep Club	208	0	186	22
HS Student Council	1,634	315	1,527	422
MS Student Council	1,962	882	1,355	1,489
MS Science Club	170	3,743	3,769	144
Art Club	134	507	61	580
Dance Team	326	2,094	1,245	1,175
Cheerleaders	134	0	0	134
BB Cheerleaders	790	1,073	224	1,639
FB Cheerleaders	169	3,024	2,167	1,026
WR Cheerleaders	188	0	0	188
Yearbook	4,118	9,709	5,924	7,903
Quiz Bowl	0	117	0	117
FCCLA	1,147	2,835	2,179	1,803
Raffle Tax	14	0	0	14
Pop/Juice	1,747	8,621	7,040	3,328
HS Science Club	0	252	80	172
Industrial Arts	114	0	0	114
Football Camp	846	3,245	2,983	1,108
Wrestling Club	175	0	139	36
Softball Camp	1,843	705	0	2,548
Weightlifting Club	579	0	0	579
HS Reward Trips	500	0	0	500
MS Reward Trips	1,791	2,622	3,357	1,056
Key Club	4	239	115	128
Total	\$ 49,625	116,102	117,903	47,824

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,567,429	3,335,386	3,074,799	2,951,000	2,822,147	2,814,782	2,365,190	2,064,037	2,087,616
Tuition	197,692	202,493	260,940	219,910	218,935	216,278	198,350	191,256	254,964
Other	189,321	252,873	245,931	331,617	394,558	434,636	286,709	305,143	137,331
Intermediate sources	0	0	0	0	0	0	0	6,510	0
State sources	3,947,593	3,545,702	2,961,720	3,503,916	3,629,585	3,360,010	3,353,141	3,177,181	3,012,213
Federal sources	389,327	620,241	720,883	359,789	308,242	267,709	262,205	287,310	225,846
Total	\$ 8,291,362	7,956,695	7,264,273	7,366,232	7,373,467	7,093,415	6,465,595	6,031,437	5,717,970
Expenditures:									
Instruction:									
Regular	\$ 3,911,735	3,025,453	2,710,565	2,753,050	2,643,890	2,602,390	2,336,293	2,229,304	1,938,166
Special	1,133,955	1,261,123	1,106,529	1,210,575	1,030,248	928,939	1,103,664	815,682	962,651
Other	839,562	650,873	644,863	477,573	438,408	573,321	391,394	406,183	371,246
Support services:									
Student	226,458	215,089	187,909	149,180	123,745	138,931	158,054	147,026	202,449
Instructional staff	224,771	224,553	205,744	164,642	152,569	97,840	115,974	82,558	92,142
Administration	884,819	781,674	695,376	735,429	800,031	857,651	845,949	709,071	730,528
Operation and maintenance of plant	650,467	672,281	614,026	599,037	566,107	610,037	743,790	645,090	574,575
Transportation	303,969	256,772	288,531	238,617	207,478	185,799	310,363	220,778	252,215
Non-instructional programs	845	11,575	12,507	8,585	14,827	9,142	10,199	12,046	8,031
Capital outlays	1,744,288	2,601,708	970,751	36,097	116,079	101,649	60,255	71,774	40,659
Long-term debt:									
Principal	245,000	45,000	200,352	180,000	170,000	160,000	150,000	145,000	146,168
Interest	244,625	101,395	12,024	21,887	30,308	39,353	48,075	58,890	67,320
Other expenditures:									
AEA flow-through	272,496	288,042	278,577	251,829	247,241	225,407	219,765	210,935	208,975
Total	\$ 10,682,990	10,135,538	7,927,754	6,826,501	6,540,931	6,530,459	6,493,775	5,754,337	5,595,125

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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

To the Board of Education of the
West Monona 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 Monona Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Monona 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

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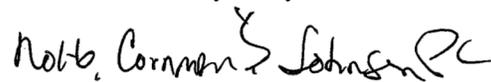
not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2013

WEST MONONA 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 DEFICIENCY:

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. One individual has control over cash receipts, and bank deposits while another individual handles receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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

Response - We will continue to utilize the office personnel and attempt to spread the duties further than we have in the past.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012 exceeded the certified budget amounts in the instruction functional area.

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

Response – We amended the budget for the other expenditures functional area and did not think we needed to do so for the instructional area. We will make every effort to amend as necessary.

Conclusion - Response accepted.

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

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

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

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

II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-12 Supplementary Weighting - No variance 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 - We noted no instances of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Financial Condition - At June 30, 2012, the District had deficit unassigned fund balance in the Capital Projects: General Obligation Bonds Fund of \$386,074. The District had deficit unassigned fund balance in the Capital Projects: Revenue Bonds Fund of \$19,472. Also, the Governmental Activities had deficit unrestricted net assets of \$251,938.

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

Response – These concerns are mostly due to the timing of beginning a major construction project that had required expenses during fiscal 2012. The proceeds from the General Obligation Bond and Revenue Bond were not received until the beginning of fiscal 2013. Therefore, there were deficits in the two Capital Projects funds at the end of fiscal 2012. The District also entered a computer lease during fiscal 2012, but the computers were below the Districts capitalization threshold and were counted against unrestricted net assets. These two factors lead to the deficit unrestricted net assets, but should be resolved in fiscal 2013 when the General Obligation Bond and Revenue Bond monies are received.

Conclusion - Response accepted.

II-M-12 Statewide Sales, Service and Use Tax - During our audit, there was no instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	1,267,621
Revenues:			
Sales tax revenues	\$	518,435	
Other local revenues		866	
Sale of long-term debt		545,951	1,065,252
			<u>2,332,873</u>
Expenditures/Transfers Out:			
School Infrastructure Construction		497,776	
Equipment		777,332	
Other		109,563	
Transfers to other funds			
Debt service fund		290,087	1,674,758
			<u>1,674,758</u>
Ending Balance		\$	<u>658,115</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.