

**WEST SIOUX  
COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2012**

**WEST SIOUX COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2012  
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**WEST SIOUX COMMUNITY SCHOOL DISTRICT**

**LIST OF PRINCIPAL OFFICIALS**

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**Board of Education (After September 2011 Election)**

Susan Sharpe	President	2013
Gary Witt	Vice President	2013
Jeff Eilts	Board Member	2013
Dawn Hummel	Board Member	2015
Tim McKenney	Board Member	2015

**School Officials**

Gary Richardson	Superintendent	2012
Paula Bartunek	Treasurer and Business Manager	2012
Dani Gradert	District Secretary	2012
James Pickner	Attorney	2012



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## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
West Sioux Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the West Sioux Community School District 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 the West Sioux Community School District's management. 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 the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of West Sioux Community School District as of June 30, 2012 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2013, on our consideration of the West Sioux Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 37 through 39 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, who considers it to be an essential part of financial reporting for placing

the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Sioux Community School District's basic financial statements. The financial statements for the three years ended June 30, 2006, (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report and they expressed unqualified opinions on them. The financial statements for the five years ended June 30, 2011 (not presented) were audited by us in accordance with the standards referred to in the second paragraph of this report and we expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams + Company, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
January 5, 2013

## Management Discussion and Analysis

West Sioux 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**

- Both General Fund revenues and expenditures increased from fiscal year 2011 to fiscal year 2012. General Fund revenues increased from \$7,572,982 to \$7,737,426, and General Fund expenditures increased from \$6,516,141 to \$7,152,945. The District's General Fund balance increased dramatically from \$1,443,324 in fiscal year 2011 to \$2,055,716 in fiscal year 2012, a 42% increase.
- The increase in General Fund revenues was attributable to the Education Jobs Funding, which was one-time funding. Property taxes in general fund decreased by over \$125,000, due to a lower cash reserve levy. State Aid increased by over \$200,000, while federal revenues increased by \$65,000. In fiscal year 2011, a partial amount of State Aid was replaced by American Recovery and Reinvestment Act revenue. In fiscal year 2012, State Aid was fully funded and the District received federal Education Jobs revenue. A large portion of increased expenditures was due primarily to negotiated salary and benefit increases. The General Fund balance will be carefully monitored during the year keeping in mind the fluctuation in revenues caused by legislative action and student enrollments.

### **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 Sioux 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 Sioux Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

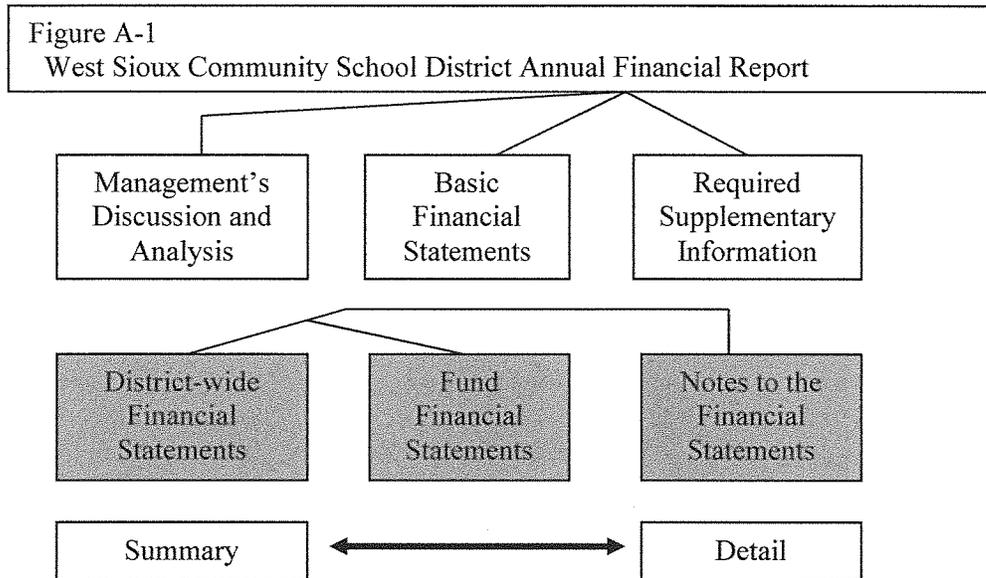


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2:	Major Features of the District Wide and Fund Financial Statements		
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	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 is included here
Required financial statements	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of revenues, expenditures, and changes in fund net assets</li> <li>Statement of cash flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 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 its financial position is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's Food Service and Before and After School/Daycare Programs would be 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 repay its long-term debts, 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 funds statements provide a detailed short-term view that helps the reader 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 governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

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

The required financial statements for governmental funds include a statement of net assets, a statement of revenues, expenditures 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 net assets at June 30, 2012 compared to June 30, 2011.

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

	June 30		June 30		June 30		June 30
	2011	2012	2011	2012	2011	2012	2011/2012
Current and Other Assests	\$ 6,832,398	\$ 8,466,016	\$ 129,974	\$ (72,872)	\$ 6,962,372	\$ 8,393,144	20.55%
Capital Assets	5,494,827	8,837,184	466,617	450,526	5,961,444	9,287,710	55.80%
<b>Total Assets</b>	<b>12,327,225</b>	<b>17,303,200</b>	<b>596,591</b>	<b>377,654</b>	<b>12,923,816</b>	<b>17,680,854</b>	<b>36.81%</b>
Current Liabilities	4,676,189	5,386,734	287,002	38,909	4,963,191	5,425,643	9.32%
Long-Term Liabilities	3,117,771	6,332,239	-	-	3,117,771	6,332,239	103.10%
<b>Total Liabilities</b>	<b>7,793,960</b>	<b>11,718,973</b>	<b>287,002</b>	<b>38,909</b>	<b>8,080,962</b>	<b>11,757,882</b>	<b>45.50%</b>
<b>Net Assets</b>							
Invested in Capital Assets	2,385,779	2,806,606	466,617	450,526	2,852,396	3,257,132	14.19%
Net of Related Debt							
Restricted	1,253,064	1,044,228	-	-	1,253,064	1,044,228	-16.67%
Unrestricted	894,422	1,733,393	(157,028)	(111,781)	737,394	1,621,612	119.91%
<b>Total Net Assets</b>	<b>\$ 4,533,265</b>	<b>\$ 5,584,227</b>	<b>\$ 309,589</b>	<b>\$ 338,745</b>	<b>\$ 4,842,854</b>	<b>\$ 5,922,972</b>	<b>22.30%</b>

The District's combined net assets increased by 22.30% or approximately \$1,080,000 over the prior year. The largest portion of the District's net assets is the investment in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$209,000, or 16.67%, from the prior year. The decrease was primarily a result of decreased net asset restrictions for categorical funding and other special revenue purposes.

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 the legal requirements – increased approximately \$884,000 or 119.91%. This increase was due to state revenues from the operational sharing agreements and Education Jobs funding.

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 in Net Assets from Operations**

	Governmental Activities		Business -Type Activities		Total District		Change
	June 30		June 30		June 30		June 30
	2011	2012	2011	2012	2011	2012	2011/2012
Revenue:							
Program revenue							
Charges for services	\$ 468,562	\$ 460,672	\$ 263,179	\$ 278,989	\$ 731,741	\$ 739,661	1.08%
Operating grants and contributions	847,018	937,685	253,217	303,664	1,100,235	1,241,349	12.83%
Capital grants & contributions	-	-	9,191	-	9,191	-	-100.00%
General revenues:							
Property tax	2,840,773	2,817,021	-	-	2,840,773	2,817,021	-0.84%
Instruction support tax	205,551	153,925	-	-	205,551	153,925	-25.12%
Local option sales tax	560,543	572,951	-	-	560,543	572,951	2.21%
Unrestricted state grants	3,916,014	4,169,582	-	-	3,916,014	4,169,582	6.48%
Unrestricted investment earnings	59,544	91,786	116	-	59,660	91,786	53.85%
Gain on Disposal of Assets	105,588	2,275	-	-	105,588	2,275	-97.85%
Other	79,056	94,086	1,811	11,721	80,867	105,807	30.84%
Transfers	(7,108)	-	7,108	-	-	-	0.00%
Total Revenue	9,075,541	9,299,983	534,622	594,374	9,610,163	9,894,357	2.96%
Program expenses:							
Instruction	5,585,649	5,628,028	-	-	5,585,649	5,628,028	0.76%
Support service	2,089,229	1,956,476	-	-	2,089,229	1,956,476	-6.35%
Non-instructional programs	8,120	7,959	488,550	565,218	496,670	573,177	15.40%
Other expenses	506,832	656,558	-	-	506,832	656,558	29.54%
Total expenses	8,189,830	8,249,021	488,550	565,218	8,678,380	8,814,239	1.57%
Change in net assets	\$ 885,711	\$ 1,050,962	\$ 46,072	\$ 29,156	\$ 931,783	\$ 1,080,118	15.92%

In fiscal year 2012, property tax, local option sales tax, and unrestricted state grants account for 81.29% of the total revenue from governmental activities while charges for services and operating grants and contributions account for 98.03% of the revenue from business-type activities. The District's expenses primarily relate to instruction and support services, which account for 91.94% of the total expenses.

The District's total revenues were \$9,894,357 of which \$9,299,983 was for governmental activities and \$594,374 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.96% increase in revenues and a 1.57% increase in expenditures. Revenues increased due to operating grants and contributions, operational sharing revenue, and Education Jobs funding.

Charges for services in the business-type activities, which include the school nutrition and daycare programs, increased. Expenditures for the business-type activities increased due to increased costs associated with school nutrition and daycare programs.

## Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional, and other. The table also shows each activity's net cost (total cost less fees generated by activities and intergovernmental aid provided for specific programs.) The net cost shows the financial impact placed on the taxpayers by each function.

**Figure A-5 Total and Net Cost of Government Activities**

	Total Cost of Services			Net Cost of Services		
	June 30		Change 2011-2012	June 30		Change 2011-2012
	2011	2012		2011	2012	
Instruction	\$ 5,585,649	\$ 5,628,028	0.76%	\$ 4,618,292	\$ 4,542,203	-1.65%
Support services	2,089,229	1,956,476	-6.35%	2,048,920	1,917,816	-6.40%
Non-Instructional	8,120	7,959	-1.98%	8,120	7,959	-1.98%
Other	506,832	656,558	29.54%	198,918	382,686	92.38%
Totals	\$ 8,189,830	\$ 8,249,021	0.72%	\$ 6,874,250	\$ 6,850,664	-0.34%

- The cost financed by users of the District's programs was \$460,672.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$937,685.
- The net cost of governmental activities was financed with \$3,543,897 in property and other taxes and \$4,169,582 in unrestricted state grants.

## Business-Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$594,374, representing an 11.18% increase over the prior year, while expenses were \$565,218 a 15.69% increase over the prior year. The District's business-type activities include the School Nutrition Fund and the Before and After School/Daycare Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,536,925, \$1,076,365 ahead of last year's ending fund balances of \$2,460,560. The primary reason for the increase in combined fund balance in fiscal 2012 is due to the Education Jobs funding, revenue from the operational sharing agreements, and revenue from a revenue bond issue to finance improvements to the High School/Middle School building and to construct a transportation facility. Since this project is not yet completed, a balance remains in the capital project fund to pay the remaining expenses associated with the project.

## Governmental Fund Highlights

The District's improved General Fund financial position is the result of increased revenues from the Education Jobs funding and revenue from the sharing agreement with the MOC-Floyd Valley Community School District and the Akron-Westfield Community School District.

- The General Fund balance increased from \$1,443,324 to \$2,055,716, due largely to increased revenue from the Education Jobs funding and revenue from the operational sharing agreement.
- The Capital Projects and PPEL Fund balances ended fiscal year 2012 with a balance of \$1,009,421 compared to \$675,709 in fiscal year 2011, an increase of \$333,712. The district is

nearing completion of a building project. A new transportation facility has been constructed and major improvements are being made to the high school/middle school building. \$3,935,000 in sales tax revenue bonds were sold to finance this project.

**Proprietary Fund Highlights**

The Before and After School/Daycare fund net assets decreased from \$252,216 at June 30, 2011 to 227,200 at June 30, 2012. Charges for services increased from \$108,754 in fiscal year 2011 to \$114,889 in fiscal year 2012, while expenditures increased from \$135,994 in 2011 to \$150,717 in fiscal year 2012. The net operating loss in 2012 was \$25,016, compared to \$27,240 in 2011.

The school nutrition fund net assets increased from \$57,373 in 2011 to \$111,545 in 2012. This is a result of increased revenue from the continuation of an improved ala Carte program. The school nutrition fund paid off the remaining balance of a loan to the general fund in the amount of \$69,749.

**BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The 2012 budget was amended by the Board of Education in accordance with the Code of Iowa. The District’s budget is prepared on the accrual basis. During the year, expenditures in total did not exceed the total amended published budget amounts. However, the final costs for the non-instructional programs were higher than anticipated for FY12 by \$73,500. Detail can be found in the supplementary information section of this report as required.

The district amended the budget to allow for increased expenditures for the building project.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2012, the District had invested over \$14.7 million in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents an increase of 30.10% from last year. More detailed information about the District’s capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$262,153.

**Figure A-6 Capital Assets**

	Capital Assets, net of Depreciation					
	Governmental		Business type		Total	
	Activities		Activities		School District	
	June 30		June 30		June 30	
	2011	2012	2011	2012	2011	2012
Land	\$ 51,375	\$ 51,375	\$ -	\$ -	\$ 51,375	\$ 51,375
Construction in Progress	249,097	3,229,010	-	-	249,097	3,229,010
Buildings and Improvements	4,989,879	5,288,768	379,755	371,844	5,369,634	5,660,612
Furniture and Equipment	204,476	268,031	86,862	78,682	291,338	346,713
Totals	\$ 5,494,827	\$ 8,837,184	\$ 466,617	\$ 450,526	\$ 5,961,444	\$ 9,287,710

**Long-Term Debt**

At June 30, 2012, the District had \$2,705,000 in general obligation bonds outstanding, \$3,935,000 in sales tax revenue bonds, \$255,392 in capital lease obligations, \$143,135 in early retirement obligations, \$38,826 in net OPEB obligations and \$7,350 in accrued compensated absences. The total long term debt increased by \$3,393,669 due primarily to the sales tax revenue bond sale. Reductions were made to the

increased by \$3,393,669 due primarily to the sales tax revenue bond sale. Reductions were made to the general obligation bonds, capital lease obligation and the early retirement obligation. The District's long term debt is presented in Note 6 of the financial statements.

## **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 financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment has decreased in fiscal year 2012 by 10 students to a certified enrollment of 670. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2011-2012 school year, West Sioux students who open enrolled out to other districts decreased by 2 students, from 55 to 53. Because West Sioux is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation. The enrollment for the 2012-2013 school year increased significantly which will have a very positive bearing on the 2013-2014 budget.
- Allowable growth was set at two percent for the 2012-2013 fiscal year. However, allowable growth has not yet been set for the 2013-2014 fiscal year.
- The District annually negotiates a one-year contract with the West Sioux Education Teacher Association (WSETA). 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.
- During the 2011-2012 fiscal year, the district spent approximately \$150,000 of Federal Education Jobs funding which allowed the district to replace resigning teachers and add an additional part time teacher. Although this was one time funding, expenditures will continue, affecting future budgets.
- An operational sharing arrangement with the MOC-Floyd Valley Community School District began during the 2010-2011 fiscal year with the sharing of services for the superintendent and business management and continued into the 2011-2012 fiscal year. In addition, the district shared transportation director services with the Akron-Westfield Community School District. For fiscal year 2013, the operational sharing agreement has expanded with the Akron-Westfield Community School District to include shared superintendent, human resource, plant operation and maintenance and transportation positions. State funding for operational sharing will continue to increase revenues for the 2012-2013 and 2013-2014 budget years.
- The district is nearing completion of the building project at the high school/middle school facility. The new facility is currently occupied and in use. The transportation facility has been completed. The approximate cost was \$3,900,000.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Dani Gradert, Business Manager at the West Sioux Community School District, 1300 Falcon Drive, Hawarden, IA 51023 or 712-551-1461.

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

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>West Sioux Educational Foundation</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,282,262	\$ 59,111	\$ 4,341,373	\$ 24,703
Investments	-	-	-	437,620
Receivables:				
Property Tax	48,386	-	48,386	-
Succeeding Year Property Tax	2,919,356	-	2,919,356	-
Income Surtax	166,269	-	166,269	-
Accounts	3,545	31,414	34,959	-
Internal Balances	170,344	(170,344)	-	-
Due from Other Governments	255,151	-	255,151	-
Restricted Assets:				
Cash and Cash Equivalents	531,738	-	531,738	-
Inventories	-	6,947	6,947	-
Bond Issue Costs	88,965	-	88,965	-
Land	51,375	-	51,375	-
Construction in Progress	3,229,010	-	3,229,010	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,556,799	450,526	6,007,325	-
Total Assets	<u>17,303,200</u>	<u>377,654</u>	<u>17,680,854</u>	<u>462,323</u>
<b>LIABILITIES</b>				
Accounts Payable	1,018,920	6,881	1,025,801	-
Salaries and Benefits Payable	669,281	29,781	699,062	-
Accrued Interest Payable	7,273	-	7,273	-
Unearned Revenue	19,440	2,247	21,687	-
Deferred Revenue - Succeeding Year Taxes	2,919,356	-	2,919,356	-
Noncurrent Liabilities:				
Due Within One Year:				
Bonds Payable	585,000	-	585,000	-
Lease Obligations Payable	127,124	-	127,124	-
Early Retirement Payable	40,340	-	40,340	-
Due in More Than One Year:				
Lease Obligations Payable	128,268	-	128,268	-
Accrued Compensated Absences	7,350	-	7,350	-
Early Retirement Payable	102,795	-	102,795	-
Bonds Payable	6,055,000	-	6,055,000	-
Net OPEB Liability	38,826	-	38,826	-
Total Liabilities	<u>11,718,973</u>	<u>38,909</u>	<u>11,757,882</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	2,806,606	450,526	3,257,132	-
Restricted for:				
Categorical Funding	234,133	-	234,133	-
Debt Service	596,878	-	596,878	-
Physical Plant and Equipment Levy	130,049	-	130,049	-
Other Special Revenue Purposes	83,168	-	83,168	-
Unrestricted	1,733,393	(111,781)	1,621,612	462,323
Total Net Assets	<u>\$ 5,584,227</u>	<u>\$ 338,745</u>	<u>\$ 5,922,972</u>	<u>\$ 462,323</u>

See Accompanying Notes to Financial Statements

WEST SIOUX COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 3,468,922	\$ 112,783	\$ 256,793	\$ -
Special Instruction	1,351,830	-	349,022	-
Other Instruction	807,276	337,412	29,815	-
Support Services:				
Student Services	130,023	10,063	-	-
Instructional Staff Services	248,690	-	-	-
Administration Services	669,285	-	-	-
Operation and Maintenance	597,516	414	-	-
Transportation Services	310,962	-	28,183	-
Non-instructional Programs	7,959	-	-	-
Other Expenditures:				
Facilities Acquisition and Construction Services	210,428	-	-	-
Long-term Debt Interest	172,258	-	-	-
AEA Flowthrough	273,872	-	273,872	-
Total governmental activities	<u>8,249,021</u>	<u>460,672</u>	<u>937,685</u>	<u>-</u>
<b>Business Type Activities:</b>				
Non-instructional Programs				
Before and After School Program	150,717	114,889	-	-
Food Service Operations	414,501	164,100	303,664	-
Total Business Type Activities	<u>565,218</u>	<u>278,989</u>	<u>303,664</u>	<u>-</u>
Total Primary Government	<u>8,814,239</u>	<u>739,661</u>	<u>1,241,349</u>	<u>-</u>
<b>Component Unit:</b>				
School Education Foundation	<u>\$ 16,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,218</u>
<b>General Revenues:</b>				
Property Tax Levied For:				
General Purposes				
Debt Service				
Management Levy				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Gain on Disposal of Assets				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business Type Activities	Total	Component Unit West Sioux Educational Foundation
\$ (3,099,346)		\$ (3,099,346)	
(1,002,808)		(1,002,808)	
(440,049)		(440,049)	
(119,960)		(119,960)	
(248,690)		(248,690)	
(669,285)		(669,285)	
(597,102)		(597,102)	
(282,779)		(282,779)	
(7,959)		(7,959)	
(210,428)		(210,428)	
(172,258)		(172,258)	
-		-	
<u>(6,850,664)</u>		<u>(6,850,664)</u>	
	\$ (35,828)	(35,828)	
	53,263	53,263	
	<u>17,435</u>	<u>17,435</u>	
<u>(6,850,664)</u>	<u>17,435</u>	<u>(6,833,229)</u>	
			<u>\$ 32,858</u>
2,257,840	-	2,257,840	-
183,371	-	183,371	-
100,660	-	100,660	-
275,150	-	275,150	-
153,925	-	153,925	-
572,951	-	572,951	-
4,169,582	-	4,169,582	-
91,786	-	91,786	-
2,275	-	2,275	-
94,086	11,721	105,807	-
<u>7,901,626</u>	<u>11,721</u>	<u>7,913,347</u>	<u>-</u>
1,050,962	29,156	1,080,118	32,858
<u>4,533,265</u>	<u>309,589</u>	<u>4,842,854</u>	<u>429,465</u>
<u>\$ 5,584,227</u>	<u>\$ 338,745</u>	<u>\$ 5,922,972</u>	<u>\$ 462,323</u>

See Accompanying Notes to Financial Statements

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

	General	Debt Service
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,629,387	\$ 68,756
Receivables:		
Property Tax	38,196	3,639
Succeeding Year Property Tax	1,888,825	502,675
Income Surtax	166,269	-
Accounts	1,607	18
Due from Other Funds	172,672	-
Due from Other Governments	164,848	-
Restricted Assets:		
Cash and Cash Equivalents	-	232,673
Total Assets	<u>5,061,804</u>	<u>807,761</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	257,951	-
Due to Other Funds	-	-
Salaries and Benefits Payable	669,281	-
Early Retirement Payable	-	-
Deferred Revenue	23,762	1,050
Deferred Revenue - Income Surtax	166,269	-
Deferred Revenue - Succeeding Year Taxes	1,888,825	502,675
Total Liabilities	<u>3,006,088</u>	<u>503,725</u>
Fund Balances:		
Restricted for:		
Categorical Funding	234,133	-
Debt Service	-	304,036
Management Levy Purposes	-	-
Physical Plant and Equipment	-	-
School Infrastructure	-	-
Student Activities	-	-
Unassigned	1,821,583	-
Total Fund Balances	<u>2,055,716</u>	<u>304,036</u>
Total Liabilities and Equity	<u>\$ 5,061,804</u>	<u>\$ 807,761</u>

See Accompanying Notes to Financial Statements

<b>Capital Projects</b>							
<b>Statewide</b>		<b>Physical Plant</b>	<b>Other</b>	<b>Total</b>			
<b>Sales, Services</b>	<b>and Use Tax</b>	<b>and Equipment</b>	<b>Governmental</b>	<b>Governmental</b>			
		<b>Levy</b>	<b>Funds</b>	<b>Funds</b>			
\$	956,475	\$	401,433	\$	226,211	\$	4,282,262
	-		4,522		2,029		48,386
	-		297,856		230,000		2,919,356
	-		-		-		166,269
	-		-		1,920		3,545
	-		-		-		172,672
	90,303		-		-		255,151
	299,065		-		-		531,738
	1,345,843		703,811		460,160		8,379,379
	465,849		275,906		19,214		1,018,920
	-		-		2,328		2,328
	-		-		-		669,281
	-		-		40,340		40,340
	-		622		526		25,960
	-		-		-		166,269
	-		297,856		230,000		2,919,356
	465,849		574,384		292,408		4,842,454
	-		-		-		234,133
	299,065		-		-		603,101
	-		-		84,584		84,584
	-		129,427		-		129,427
	580,929		-		-		580,929
	-		-		83,168		83,168
	-		-		-		1,821,583
	879,994		129,427		167,752		3,536,925
\$	1,345,843	\$	703,811	\$	460,160	\$	8,379,379

See Accompanying Notes to Financial Statements

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

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$	3,536,925
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,837,184
Deferred revenues from the balance sheet that provide current financial resources for governmental activities.		172,789
Bond Issue Costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.		88,965
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.		(7,273)
Long-term liabilities, including bonds payable, lease obligations payable, early retirement payable, other post employment benefits payable, and accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Bonds Payable	(6,640,000)	
Lease Obligation	(255,392)	
Early Retirement Payable	(102,795)	
Net OPEB Obligation	(38,826)	
Accrued Compensated Absences	(7,350)	
	(7,044,363)	(7,044,363)
Total Net Assets - Governmental Activities (page 12)	\$	5,584,227

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

	General	Debt Service
<b>REVENUE:</b>		
Local Sources:		
Local Tax	\$ 2,437,395	\$ 182,200
Tuition	91,673	-
Other	122,352	4,203
State Sources	4,494,519	122
Federal Sources	591,487	-
Total Revenue	<u>7,737,426</u>	<u>186,525</u>
<b>EXPENDITURES:</b>		
Current:		
Instruction:		
Regular Instruction	3,271,537	-
Special Instruction	1,347,795	-
Other Instruction	416,466	-
Support Services:		
Student Services	128,239	-
Instructional Staff Services	237,237	-
Administration Services	643,313	-
Operation and Maintenance	510,993	-
Transportation Services	323,493	-
Non-instructional Programs	-	-
Other Expenditures:		
Facilities Acquisition and Construction Services	-	-
Long-term Debt:		
Principal	-	530,038
Interest and Fiscal Charges	-	165,409
AEA Flowthrough	273,872	-
Total Expenditures	<u>7,152,945</u>	<u>695,447</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>584,481</u>	<u>(508,922)</u>
Other Financing Sources (Uses):		
Transfers In	-	744,041
Transfers Out	-	-
Insurance Recovery	27,911	-
Issuance of Long-Term Debt	-	-
Premium on Bond Issuance	-	-
Total Other Financing Sources (Uses)	<u>27,911</u>	<u>744,041</u>
Net Change in Fund Balances	612,392	235,119
Fund Balances - Beginning of Year	<u>1,443,324</u>	<u>68,917</u>
Fund Balances - End of Year	<u>\$ 2,055,716</u>	<u>\$ 304,036</u>

See Accompanying Notes to Financial Statements

Capital Projects				
Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds	
\$ 572,951	\$ 274,344	\$ 100,067	\$ 3,566,957	
-	-	-	91,673	
31,117	3,182	340,689	501,543	
-	184	68	4,494,893	
-	-	-	591,487	
604,068	277,710	440,824	9,246,553	
5,250	-	52,927	3,329,714	
-	-	-	1,347,795	
-	-	398,581	815,047	
-	-	448	128,687	
4,980	-	6,170	248,387	
-	7	27,693	671,013	
-	57,533	33,160	601,686	
-	-	18,684	342,177	
-	-	7,959	7,959	
3,315,348	345,843	-	3,661,191	
-	-	-	530,038	
73,223	-	-	238,632	
-	-	-	273,872	
3,398,801	403,383	545,622	12,196,198	
(2,794,733)	(125,673)	(104,798)	(2,949,645)	
-	-	-	744,041	
(739,660)	(4,381)	-	(744,041)	
50,476	-	-	78,387	
3,935,000	-	-	3,935,000	
12,623	-	-	12,623	
3,258,439	(4,381)	-	4,026,010	
463,706	(130,054)	(104,798)	1,076,365	
416,288	259,481	272,550	2,460,560	
\$ 879,994	\$ 129,427	\$ 167,752	\$ 3,536,925	

See Accompanying Notes to Financial Statements

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

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

Net change in fund balances - total governmental funds (page 19) \$ 1,076,365

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation in the current year as follows:

Expenditures for capital assets	\$ 3,584,476	
Depreciation expense	<u>(242,119)</u>	3,342,357

Accrued interest expense that does not require current financial resources. 800

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues. (32,307)

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

Long term portion of early retirement liability		28,700
Other post employment benefits		<u>(12,942)</u>

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities. 52,951

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt was as follows:

Revenue bonds payable		<u>(3,935,000)</u>
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	400,000	
Lease obligations payable	<u>130,038</u>	<u>530,038</u>

Change in net assets of governmental activities (page 14) \$ 1,050,962

**WEST SIOUX COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012**

	Before & After School Fund	Non-Major School Nutrition Fund	Total Proprietary Funds
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 7,897	\$ 51,214	\$ 59,111
Accounts Receivable	1,666	29,748	31,414
Inventories	-	6,947	6,947
Total Current Assets	<u>9,563</u>	<u>87,909</u>	<u>97,472</u>
<b>Noncurrent Assets:</b>			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	401,082	49,444	450,526
Total Noncurrent Assets	<u>401,082</u>	<u>49,444</u>	<u>450,526</u>
Total Assets	<u>410,645</u>	<u>137,353</u>	<u>547,998</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	362	6,519	6,881
Due To Other Funds	170,344	-	170,344
Salaries and Benefits Payable	12,739	17,042	29,781
Unearned Revenue	-	2,247	2,247
Total Current Liabilities	<u>183,445</u>	<u>25,808</u>	<u>209,253</u>
Total Liabilities	<u>183,445</u>	<u>25,808</u>	<u>209,253</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	401,082	49,444	450,526
Unrestricted	(173,882)	62,101	(111,781)
Total Net Assets	<u>\$ 227,200</u>	<u>\$ 111,545</u>	<u>\$ 338,745</u>

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Before & After School Fund	Non-Major School Nutrition Fund	Total Proprietary Funds
Operating Revenues:			
Charges for services	\$ 114,889	\$ 164,100	\$ 278,989
Miscellaneous	10,812	909	11,721
<b>Total Operating Revenue</b>	<b>125,701</b>	<b>165,009</b>	<b>290,710</b>
Operating Expenditures:			
Non-Instructional Programs:			
Salaries	97,152	115,586	212,738
Benefits	32,100	62,154	94,254
Purchased Services	252	1,155	1,407
Supplies	11,183	225,171	236,354
Depreciation	9,599	10,435	20,034
Other	431	-	431
<b>Total Operating Expenses</b>	<b>150,717</b>	<b>414,501</b>	<b>565,218</b>
<b>Operating (Loss)</b>	<b>(25,016)</b>	<b>(249,492)</b>	<b>(274,508)</b>
Non-Operating Revenues :			
State Lunch Reimbursements	-	3,620	3,620
National School Lunch Program	-	272,146	272,146
Federal Food Commodities Received	-	27,898	27,898
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>303,664</b>	<b>303,664</b>
Change in net assets	(25,016)	54,172	29,156
Net Assets - beginning	252,216	57,373	309,589
<b>Net Assets - ending</b>	<b>\$ 227,200</b>	<b>\$ 111,545</b>	<b>\$ 338,745</b>

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	Before & After School Fund	Non-Major School Nutrition Fund	Total Proprietary Funds
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ 114,957	\$ 162,723	\$ 277,680
Cash received from miscellaneous operating activities	10,812	796	11,608
Cash paid to employees for services	(127,962)	(176,034)	(303,996)
Cash paid to suppliers for goods or services	(11,892)	(206,048)	(217,940)
Total cash (used) by operating activities	<u>(14,085)</u>	<u>(218,563)</u>	<u>(232,648)</u>
<b>Cash flows from noncapital financing activities:</b>			
State grants received	-	3,620	3,620
Federal grants received	-	270,576	270,576
Decrease in due from other funds	-	(69,749)	(69,749)
Total cash provided by noncapital financing activities	<u>-</u>	<u>204,447</u>	<u>204,447</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	<u>-</u>	<u>(3,943)</u>	<u>(3,943)</u>
Net (decrease) in cash and cash equivalents	(14,085)	(18,059)	(32,144)
Cash and cash equivalents - beginning of year	<u>21,982</u>	<u>69,273</u>	<u>91,255</u>
Cash and cash equivalents - end of year	<u>7,897</u>	<u>51,214</u>	<u>59,111</u>
<b>Reconciliation of operating income (loss) to net cash (used) in operating activities:</b>			
Operating (loss)	(25,016)	(249,492)	(274,508)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:			
Depreciation expense	9,599	10,435	20,034
Commodities used	-	27,898	27,898
(Increase) decrease in assets and increase (decrease) in liabilities:			
Accounts Receivable	68	(113)	(45)
Inventory	-	1,974	1,974
Accounts Payable	(26)	(9,594)	(9,620)
Salaries and benefits payable	1,290	1,706	2,996
Unearned Revenue	-	(1,377)	(1,377)
Net cash (used) in operating activities	<u>\$ (14,085)</u>	<u>\$ (218,563)</u>	<u>\$ (232,648)</u>
<b>Non-cash investing, capital and financing activities:</b>			
Federal food commodities received	<u>\$ -</u>	<u>\$ 27,898</u>	<u>\$ 27,898</u>

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The West Sioux Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Hawarden and Ireton, Iowa, and predominately agricultural territory in Sioux and Plymouth Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, West Sioux 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. There is one discretely presented component unit included with this financial report.

Discretely Presented Component Unit

West Sioux Education Foundation - In December of 1988, the District established the West Sioux Educational Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The Foundation devotes itself exclusively to the improvement, aid, and promotion of public programs and projects within the District. The Foundation's financial data as of and for the year ended December 31, 2011 is reported in a separate column to emphasize that it is legally separate from the District. The West Sioux Educational Foundation does not issue separate financial statements.

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 Sioux County Assessor's Conference Board.

**B. Basis of Presentation**

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

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

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Capital Project – Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales and services tax to be expended for school infrastructure purposes.

The Capital Project – Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

The District reports the following major proprietary fund:

Before and After School fund is used to account for the Before and After School (Daycare) operations of the District.

**C. Basis of Accounting/Measurement Focus**

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

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, with the exception of expenditure driven grants for which a one-year availability period is used.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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.

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

The following accounting policies are followed in preparing the balance sheet:

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

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 for governmental capital assets and \$500 for school nutrition capital assets.

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

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

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

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, and unspent grant proceeds.

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 classification.

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. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the non-instructional functional area exceeded the amounts budgeted.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 2 – CASH AND POOLED INVESTMENTS**

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

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

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less.

At December 31, 2011, the discretely presented component unit had the following investments:

	<b>Fair Value</b>	<b>Credit Risk</b>
Mutual Fund – AIM Investments	\$ 4,746	★
Mutual Fund – Oppenheimer Investments	12,241	★★
Mutual Fund – Mainstay Investments	12,039	★★
Mutual Fund – United Planners	47,143	★★★
	\$ 76,169	

These credit ratings were obtained from Morningstar.

	<b>Par Value</b>	<b>Credit Risk</b>
U.S. Treasury Note	\$ 15,000	Not Rated

The discretely presented component unit also held \$346,451 in certificates of deposits with the latest maturity extending to January, 2016.

**NOTE 3 – INTERFUND TRANSFERS**

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

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>
Non-Major Governmental Fund	Non-Major Governmental Fund	\$ 4,381
Non-Major Governmental Fund	Statewide Sales, Service, and Use Tax	739,660
Total		\$ 744,041

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

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS**

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

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Student Activity Fund	\$ 2,328
General Fund	Before and After School	170,344

The Before and After School Fund is repaying the General Fund for payroll that was paid out of the General Fund. The remaining amounts are for the reimbursement of various expenses.

**NOTE 5 – CAPITAL ASSETS**

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

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,375	\$ -	\$ -	\$ 51,375
Construction in Progress	249,097	3,439,456	459,543	3,229,010
Total capital assets not being depreciated	<u>300,472</u>	<u>3,439,456</u>	<u>459,543</u>	<u>3,280,385</u>
Capital assets being depreciated:				
Buildings	9,097,668	459,543	70,664	9,486,547
Improvements other than buildings	376,869	18,274	-	395,143
Furniture and equipment	944,537	126,746	110,284	960,999
Total capital assets being depreciated	<u>10,419,074</u>	<u>604,563</u>	<u>180,948</u>	<u>10,842,689</u>
Less: Accumulated Depreciation for:				
Buildings & Improvements	4,484,658	178,926	70,664	4,592,920
Furniture and equipment	740,061	63,193	110,284	692,970
Total Accumulated Depreciation	<u>5,224,719</u>	<u>242,119</u>	<u>180,948</u>	<u>5,285,890</u>
Total capital assets being depreciated, net	<u>5,194,355</u>	<u>362,444</u>	<u>-</u>	<u>5,556,799</u>
Governmental activities capital assets, net	<u>\$ 5,494,827</u>	<u>\$ 3,801,900</u>	<u>\$ 459,543</u>	<u>\$ 8,837,184</u>

Construction in progress at June 30, 2012 consisted of costs associated with the Middle School–High School construction project and bleacher project.

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
<b>Business-type Activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 395,579	\$ -	\$ -	\$ 395,579
Furniture and equipment	204,168	3,943	-	208,111
Total capital assets being depreciated	<u>599,747</u>	<u>3,943</u>	<u>-</u>	<u>603,690</u>
Less: Accumulated Depreciation				
Buildings	15,824	7,912	-	23,736
Furniture and Equipment	117,306	12,122	-	129,428
Total Accumulated Depreciation	<u>133,130</u>	<u>20,034</u>	<u>-</u>	<u>153,164</u>
Total capital assets being depreciated, net	<u>466,617</u>	<u>(16,091)</u>	<u>-</u>	<u>450,526</u>
Business-type activity capital assets, net	<u>\$ 466,617</u>	<u>\$ (16,091)</u>	<u>\$ -</u>	<u>\$ 450,526</u>

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the functions as follows:

**Governmental Activities:**

Regular Instruction	\$ 164,024
Other Instruction	25,289
Transportation Services	42,490
Administration Services	2,328
Total depreciation expense – governmental activities	<u>\$ 242,119</u>

**Business-type Activities:**

Food Service Operations	\$ 10,435
Before and After School Daycare	9,599
Total depreciation expense – business-type activities	<u>\$ 20,034</u>

The discretely presented component unit had no capital assets as of December 31, 2011.

**Reconciliation of Invested in Capital Assets:**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>
Land	\$ 51,375	\$ -
Construction in Process	3,229,010	-
Capital Assets (net of accumulated depreciation)	5,556,799	450,526
Less: Bonds Payable	6,640,000	-
Add: Unspent Bond Proceeds	609,422	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 2,806,606</u>	<u>\$ 450,526</u>

**NOTE 6 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2012 was as follows

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Primary Government:					
Governmental Activities:					
Revenue Bonds	\$ -	\$ 3,935,000	\$ -	\$ 3,935,000	\$ 170,000
General Obligation Bonds	3,105,000	-	400,000	2,705,000	415,000
Capital Lease Obligation	385,430	-	130,038	255,392	127,124
Early Retirement	174,720	-	31,585	143,135	40,340
Net OPEB Obligation	25,884	12,942	-	38,826	-
Accrued Compensated Absences	-	7,350	-	7,350	-
Governmental Activities Long-Term Liabilities	<u>\$ 3,691,034</u>	<u>\$ 3,955,292</u>	<u>\$ 561,623</u>	<u>\$ 7,084,703</u>	<u>\$ 752,464</u>

**Revenue Bonds**

The District has pledged future statewide sales, services, and use tax revenues to repay the revenue bonds issued in fiscal year 2012. 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. Annual principal and interest payments

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

on the bonds are expected to require the majority of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the note is \$5,372,084. For the current year, \$62,619 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$572,951.

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

1. \$299,065 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
2. All proceeds from the statewide sales, services, and use tax shall be placed in a Revenue Account.
3. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements each month of the fiscal year. The Sinking Account is shown as a restricted asset in the Debt Service Fund.
4. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2012.

Revenue bonds as of June 30, 2012 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Statewide Sales, Services, and Use Tax Revenue Bonds	2.0-4.25%	<u>\$ 3,935,000</u>

**General Obligation Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2012 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – 2009 Series - Refunding	2.55-3.8%	<u>2,705,000</u>
		<u>\$ 2,705,000</u>

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

**NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)**

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending <u>June 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 585,000	\$ 210,813
2014	595,000	196,830
2015	615,000	181,480
2016	630,000	164,340
2017	655,000	145,548
2018-2022	1,470,000	496,421
2023-2027	1,135,000	306,405
2028-2030	955,000	69,880
Total	<u>\$ 6,640,000</u>	<u>\$ 1,771,716</u>

**Capital Leases**

On May 18, 2011, the District entered into a four-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Initiative. This initiative was approved by the District to provide laptops for students and faculty use. The laptops and accessories included in this capital lease agreement individually fall below the District's capitalization policy and therefore, none of these items were capitalized.

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2012.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 127,124	\$ 2,298	\$ 129,422
2014	128,268	1,154	<u>129,422</u>
Minimum Lease Payments			258,844
Less: Amount Representing Interest			<u>(3,452)</u>
Present Value of Minimum Lease Payments			<u>\$ 255,392</u>

**Early Retirement**

The District offered a voluntary early retirement plan to its certified employees, which was discontinued as of June 30, 2012. Teachers and administrators who were at least 55 years of age and who had 15 years of continuous service with the District were eligible for Board approved early retirement compensation. Employees making application for early retirement were allowed to remain on the group's health insurance plan at a rate of \$455 per month for individual coverage paid for by the District to end when the employee is Medicare eligible. Early retirement benefits paid, during the year ended June 30, 2012, totaled \$31,585 for the eight current recipients. The cost of early retirement payments liquidated within the next accounting cycle is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement liability is recorded in the government-wide financial statements.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 7 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that 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% 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 \$332,772, \$266,707, and \$281,095 respectively, equal to the required contributions for each year.

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS**

*Plan Description.* The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. Participants must be age 55 or older at retirement.

*Funding Policy.* 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

Annual required contribution	\$ 14,079
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	<u>14,079</u>
Contributions made	<u>(1,137)</u>
Increase in net OPEB obligation	12,942
Net OPEB obligation – beginning of year	25,884
Net OPEB obligation – end of year	<u>\$ 38,826</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2012	\$ 14,079	8.08%	\$ 38,826
June 30, 2011	\$ 14,079	8.08%	\$ 25,884
June 30, 2010	\$ 14,079	8.08%	\$ 12,942

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$81,659, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$81,659. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,005,000 and the ratio of the UAAL to covered payroll was 2%.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare 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 the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. Mortality rates are from the RP2000 Group Annuity Mortality Tables, applied on a gender-specific basis. Assumptions include a 3.5% growth in payroll per annum. The participation assumed is 15% for actives electing coverage. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**NOTE 9 – RISK MANAGEMENT**

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

**NOTE 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 \$273,872 for the year ended June 30, 2012 and is recorded in the General Fund.

**NOTE 11 – CONSTRUCTION COMMITMENTS**

The District has entered into various contracts totaling \$3,382,331 for construction at Ireton Elementary and the High School – Middle School construction projects. As of June 30, 2012, costs of \$2,907,333 had been incurred against the contracts. The balance of \$474,998 will be paid as work on the projects progresses.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN BALANCES**  
**BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Governmental	Proprietary	Total Actual	Final to Actual Variance
	Original	Final	Funds Actual	Funds Actual		
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 2,998,359	\$ 2,998,359	\$ 3,566,957	\$ -	\$ 3,566,957	\$ 568,598
Tuition	127,400	127,400	91,673	-	91,673	(35,727)
Other	4,182,382	4,182,382	501,543	290,710	792,253	(3,390,129)
State Sources	4,582,981	4,582,981	4,494,893	3,620	4,498,513	(84,468)
Federal Sources	634,570	634,570	591,487	300,044	891,531	256,961
<b>Total Revenue</b>	<b>12,525,692</b>	<b>12,525,692</b>	<b>9,246,553</b>	<b>594,374</b>	<b>9,840,927</b>	<b>(2,684,765)</b>
<b>EXPENDITURES/EXPENSES:</b>						
Current:						
Instruction	5,980,673	5,980,673	5,492,556	-	5,492,556	488,117
Support Services	2,155,104	2,155,104	1,991,950	-	1,991,950	163,154
Non-instructional Programs	499,677	499,677	7,959	565,218	573,177	(73,500)
Other Expenditures	4,325,894	5,000,000	4,703,733	-	4,703,733	296,267
<b>Total Expenditures/Expenses</b>	<b>12,961,348</b>	<b>13,635,454</b>	<b>12,196,198</b>	<b>565,218</b>	<b>12,761,416</b>	<b>874,038</b>
Excess (Deficiency) of Revenues Over Expenditures/Expenses	(435,656)	(1,109,762)	(2,949,645)	29,156	(2,920,489)	(1,810,727)
Other Financing Sources (Uses):						
Transfers In	461,486	461,486	744,041	-	744,041	282,555
Transfers Out	(461,486)	(461,486)	(744,041)	-	(744,041)	(282,555)
Premium on Bond Issuance	-	-	12,623	-	12,623	12,623
Insurance Recovery	-	-	78,387	-	78,387	78,387
Issuance of Long-Term Debt	-	-	3,935,000	-	3,935,000	3,935,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>4,026,010</b>	<b>-</b>	<b>4,026,010</b>	<b>4,026,010</b>
<b>Net Change in Fund Balances</b>	<b>(435,656)</b>	<b>(1,109,762)</b>	<b>1,076,365</b>	<b>29,156</b>	<b>1,105,521</b>	<b>2,215,283</b>
Fund Balances - Beginning of Year	2,770,149	2,770,149	2,460,560	309,589	2,770,149	-
<b>Fund Balances - End of Year</b>	<b>\$ 2,334,493</b>	<b>\$ 1,660,387</b>	<b>\$ 3,536,925</b>	<b>\$ 338,745</b>	<b>\$ 3,875,670</b>	<b>\$ 2,215,283</b>

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2012**

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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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as 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 area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2012, the District had a budget amendment to increase the other expenditures function for the building project and 1:1 laptop initiative.

During the year ended June 30, 2012, expenditures in the non-instructional function exceeded the amounts budgeted.

WEST SIOUX COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 81,659	\$ 81,659	0.00%	\$ 4,053,005	2.0%
2011	July 1, 2009	-	\$ 81,659	\$ 81,659	0.00%	\$ 3,740,801	2.2%
2012	July 1, 2009	-	\$ 81,659	\$ 81,659	0.00%	\$ 4,005,186	2.0%

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.

**OTHER SUPPLEMENTARY INFORMATION**

**WEST SIOUX COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 1

**REVENUES:**

Local Sources:

Local Tax:

Property Tax	\$ 2,207,251
Mobile Home Tax	1,543
Utility Tax Replacement Excise Tax	46,329
Instructional Support Levy	182,272
	2,437,395

Other Local Sources:

Interest on Investments	50,861
Tuition from Individuals	7,150
Tuition from Other Districts	84,523
Rent	414
Miscellaneous	71,077
	214,025
	2,651,420

State Sources:

State Foundation Aid	4,169,582
Beginning Teacher Mentoring Program	7,800
Non-Public Transportation Aid	28,183
Non-Public Textbook and Technology Aid	992
Vocational Education Aid	6,036
Revenue in lieu of taxes - military credit	1,525
AEA Flow-Through	273,872
Other State Aid	6,529
	4,494,519

Federal Sources:

Title I Grants to Local Educational Agencies	112,492
Migrant Education	33,897
English Language Acquisition Grants	10,829
Education Jobs Funds	146,813
Safe and Drug-Free Schools and Communities	3,426
Education for Homeless Children and Youth	17,204
Career and Technical Education Grants	6,388
Special Education Grants to States	9,237
Special Education Pass-Through - IDEA Grant	40,235
Improving Teacher Quality State Grants	26,683
Grants for State Assessments and Related Activities	4,154
Medicaid	146,773
Other	33,356
	591,487
<b>Total Revenue</b>	<b>\$ 7,737,426</b>

Continued

**WEST SIOUX COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 1 (Continued)

**EXPENDITURES:**

**Instruction:**

Regular Instruction:

Salaries	\$ 2,126,183
Benefits	585,363
Services	399,893
Supplies	119,053
Property	14,365
Other	26,680
	3,271,537

Special Education Instruction:

Salaries	801,992
Benefits	260,834
Services	263,900
Supplies	7,669
Property	12,812
Other	588
	1,347,795

Vocational Instruction:

Salaries	169,496
Benefits	42,794
Supplies	22,064
Property	43,677
	278,031

Co-curricular Instruction:

Salaries	119,821
Benefits	17,622
	137,443

Nonpublic Instruction:

Supplies	992
	992

**Total Instruction**

5,035,798

**Support Services:**

**Student Services:**

Guidance Services:

Salaries	61,940
Benefits	15,778
Services	1,806
Supplies	72
	79,596

\$ 79,596

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

Salaries	\$	31,256
Benefits		5,250
Supplies		12,102
Other		35
		48,643

**Total Student Services**

128,239

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Salaries		6,123
Benefits		927
Services		750
		7,800

Educational Media Services:

Salaries		92,350
Benefits		28,635
Services		10,353
Supplies		58,690
Property		38,867
Other		542
		229,437

**Total Instructional Staff Services**

237,237

**Support Services:**

**Administration Services:**

Executive Administration:

Salaries		30,604
Benefits		10,792
Services		79,010
Supplies		3,289
Property		850
Other		1,685
		126,230

School Administration:

Salaries		229,841
Benefits		91,701
Services		13,788
Supplies		126
Other		789
		\$ 336,245

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services (Continued):**

Business Administration:

Salaries	\$	46,630
Benefits		14,902
Services		46,433
Supplies		3,161
Property		1,000
Other		858
		112,984

Board of Education:

Services		59,502
Supplies		3,945
Other		4,407
		67,854

**Total Administration Services:** 643,313

**Support Services:**

**Plant Operation and Maintenance:**

Salaries		193,012
Benefits		53,690
Services		55,778
Supplies		198,688
Property		9,550
Other		275
		510,993

**Total Plant Operation and Maintenance:** 510,993

**Support Services:**

**Student Transportation:**

Salaries		95,938
Benefits		15,762
Services		76,608
Supplies		59,954
Property		73,998
Other		1,233
		323,493

**Total Student Transportation:** 323,493

**Total Support Services** \$ 1,843,275

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GENERAL FUND - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2012

Schedule 1 (Continued)

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<b>Other Expenditures:</b>	
AEA Flow-Through	\$ 273,872
Total Expenditures	7,152,945
Excess of Revenues Over Expenditures	584,481
 Other Financing Sources:	
Insurance Recovery	27,911
Excess of Revenues Over Expenditures and Other Financing Uses	612,392
Fund Balance - Beginning of Year	1,443,324
Fund Balance - End of Year	\$ 2,055,716

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

Schedule 2

	<u>Special Revenue Funds</u>		
	Student Activity	Management Levy	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 102,173	\$ 124,038	\$ 226,211
Receivables:			
Property Tax	-	2,029	2,029
Succeeding Year Property Tax	-	230,000	230,000
Accounts	1,920	-	1,920
Total Assets	<u>104,093</u>	<u>356,067</u>	<u>460,160</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	18,597	617	19,214
Due to Other Funds	2,328	-	2,328
Early Retirement Payable	-	40,340	40,340
Deferred Revenue	-	526	526
Deferred Revenue - Succeeding Year			
Property Taxes	-	230,000	230,000
Total Liabilities	<u>20,925</u>	<u>271,483</u>	<u>292,408</u>
Fund Balances			
Restricted for:			
Management Levy Purposes	-	84,584	84,584
Student Activities	83,168	-	83,168
Total Fund Balances	<u>83,168</u>	<u>84,584</u>	<u>167,752</u>
Total Liabilities and Equity	<u>\$ 104,093</u>	<u>\$ 356,067</u>	<u>\$ 460,160</u>

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

**Schedule 3**

	<u>Special Revenue Funds</u>		Total
	Student Activity	Management Levy	
<b>REVENUE:</b>			
Local Sources:			
Local Tax	\$ -	\$ 100,067	\$ 100,067
Other	330,235	10,454	340,689
State Sources	-	68	68
Total Revenue	<u>330,235</u>	<u>110,589</u>	<u>440,824</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular Instruction	-	52,927	52,927
Other Instruction	398,581	-	398,581
Support Services:			
Student Services	-	448	448
Instructional Staff Services	-	6,170	6,170
Administration Services	-	27,693	27,693
Operation and Maintenance	-	33,160	33,160
Transportation Services	-	18,684	18,684
Non-instructional Programs	-	7,959	7,959
Total Expenditures	<u>398,581</u>	<u>147,041</u>	<u>545,622</u>
(Deficiency) of Revenues Over Expenditures	<u>(68,346)</u>	<u>(36,452)</u>	<u>(104,798)</u>
Net Change in Fund Balances	(68,346)	(36,452)	(104,798)
Fund Balances - Beginning of Year	<u>151,514</u>	<u>121,036</u>	<u>272,550</u>
Fund Balances - End of Year	<u>\$ 83,168</u>	<u>\$ 84,584</u>	<u>\$ 167,752</u>

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

	Balance June 30, 2011	Revenues	Expenditures	Operating Transfers	Schedule 4 Balance June 30, 2012
<b>HIGH SCHOOL</b>					
Revolving Account	\$ 2,576	38,639	37,529	(3,686)	\$ -
Annual	3,452	2,739	2,690	-	3,501
Newspaper-Falcon Banner	1,452	721	1,879	(277)	17
Drama Club	2,968	2,088	1,557	-	3,499
Dance Team	2,958	6,066	6,716	-	2,308
Athletic Pop/Materials for Resale	3,373	3,443	2,580	(4,236)	-
Vocal Music Group	2,583	2,210	3,879	-	914
Band	302	2,313	2,528	-	87
High School Athletics	27,680	60,129	94,852	9,100	2,057
Concession Supplies	3,616	23,148	41,872	16,442	1,334
Future Famers of America	7,177	11,023	6,264	(179)	11,757
Library Club	-	298	179	-	119
Student Council	1,588	4,885	5,917	(142)	414
Cheerleaders	2,773	786	906	-	2,653
Class of 2009	2,593	-	2,120	(473)	-
Class of 2010	2,719	-	-	(2,719)	-
Class of 2011	2,706	51	-	(2,757)	-
Class of 2012	1,760	889	1,748	-	901
Class of 2013	1,372	1,978	775	-	2,575
Class of 2014	340	941	391	-	890
Class of 2015	-	1,217	705	-	512
High School Art Club	55	-	-	-	55
National Honor Society	467	1,580	2,065	192	174
Volleyball Fundraiser	1,402	9,393	8,211	(761)	1,823
Softball Fundraiser	3,606	6,128	6,453	-	3,281
Boys Basketball Fundraiser	166	3,361	4,869	1,342	-
High School Miscellaneous Accounts	1,340	-	-	-	1,340
Football Fundraiser	2,575	22,029	21,958	(1,013)	1,633
Boys Baseball Fundraiser	-	41	41	-	-
Girls Basketball Fundraiser	466	12,531	10,319	(1,107)	1,571
Cross Country Fundraiser	2,842	-	388	-	2,454
Bowling Fundraiser	-	605	18	-	587
Wrestling Fundraiser	-	4,841	5,640	799	-
Track Fundraiser	99	-	-	-	99

(Continued)

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

	Schedule 4 (Continued)				
	Balance June 30, 2011	Revenues	Expenditures	Operating Transfers	Balance June 30, 2012
<b>HIGH SCHOOL - (Continued)</b>					
Prom Fund	\$ -	\$ 12,425	\$ 6,830	\$ (4,698)	\$ 897
Falcon Joe's Coffee Shop	16,789	4,082	7,796	49	13,124
FCA	-	204	204	-	-
Speech	303	959	922	(340)	-
Quiz Bowl	423	883	606	(700)	-
Interest	-	3,564	271	(3,293)	-
Golf	321	716	710	-	327
Soccer	4,932	2,760	1,474	(2,435)	3,783
Girls Soccer Fundraiser	-	1,095	2,164	2,435	1,366
Case Training	1,143	895	3,723	1,685	-
Lakeside Lab	1,041	3,957	2,497	204	2,705
PBS	389	1,071	547	(163)	750
Battle of the Books	-	201	209	8	-
Daycare Fundraiser	-	844	844	-	-
Motorheads (Race Car)	2,731	132	3,435	572	-
Washington, D.C.Trips	8,214	49,087	47,842	(3,974)	5,485
High School Total	<u>123,292</u>	<u>306,948</u>	<u>355,123</u>	<u>(125)</u>	<u>74,992</u>
<b>MIDDLE SCHOOL</b>	14,505	14,199	28,383	240	561
<b>IRETON ELEMENTARY</b>	1,523	476	5,048	3,049	-
<b>HAWARDEN ELEMENTARY</b>					
Revolving Account	2,738	2,384	6,534	1,412	-
Book Fair/Library Fines	-	2,279	2,279	-	-
Box Tops/ Wagon Wheels	7,282	2,917	342	(5,120)	4,737
Computer camp	1,918	960	-	-	2,878
PBS	256	72	872	544	-
Hawarden Elementary Total	<u>12,194</u>	<u>8,612</u>	<u>10,027</u>	<u>(3,164)</u>	<u>7,615</u>
 Grand Totals	 <u>\$ 151,514</u>	 <u>\$ 330,235</u>	 <u>\$ 398,581</u>	 <u>\$ -</u>	 <u>\$ 83,168</u>

**WEST SIOUX COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE NINE YEARS ENDED JUNE 30, 2012**

	<b>Modified Accrual Basis of Accounting</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Revenues:</b>				
Local Sources:				
Local Tax	\$ 3,566,957	\$ 3,569,734	\$ 4,159,796	\$ 3,120,235
Tuition	91,673	99,238	120,241	113,643
Other	501,543	508,423	544,366	608,704
State Sources	4,494,893	4,239,377	3,793,844	4,134,225
Federal Sources	591,487	525,676	969,824	555,167
<b>Total</b>	<b>9,246,553</b>	<b>8,942,448</b>	<b>9,588,071</b>	<b>8,531,974</b>
<b>Expenditures:</b>				
Instruction:				
Regular	3,329,714	3,438,314	2,388,666	2,547,867
Special	1,347,795	1,293,539	2,056,316	2,056,196
Other	815,047	686,568	721,290	775,771
Support Services:				
Student	128,687	300,609	183,494	169,484
Instructional Staff	248,387	294,278	194,050	222,968
Administration	671,013	613,769	719,222	730,676
Operation and maintenance of plant	601,686	545,524	606,683	605,069
Transportation	342,177	272,162	268,700	245,731
Non-instructional programs	7,959	8,120	2,936	1,194
Other Expenditures:				
Facilities Acquisition	3,661,191	529,761	218,950	426,086
Long-term debt:				
Principal	530,038	522,915	359,058	335,127
Interest and other charges	238,632	118,654	139,394	217,260
AEA Flowthrough	273,872	307,914	302,706	271,270
<b>Total</b>	<b>\$12,196,198</b>	<b>\$ 8,932,127</b>	<b>\$ 8,161,465</b>	<b>\$ 8,604,699</b>

Schedule 5

Modified Accrual				
2008	2007	2006	2005	2004
\$2,740,024	\$ 2,677,428	\$ 2,539,452	\$ 3,230,943	\$ 2,898,455
100,411	148,739	159,940	144,066	161,039
616,836	627,245	828,216	753,478	618,025
3,986,607	3,753,054	3,507,196	3,111,365	3,075,134
386,145	380,096	467,033	437,105	471,604
<u>7,830,023</u>	<u>7,586,562</u>	<u>7,501,837</u>	<u>7,676,957</u>	<u>7,224,257</u>
2,518,803	2,510,548	2,329,155	2,422,967	2,207,852
1,796,036	1,492,013	1,404,660	855,679	918,168
793,791	740,657	695,246	766,328	639,521
162,001	199,534	172,959	140,337	134,220
486,620	374,433	261,151	245,256	314,336
796,236	727,603	666,787	554,151	526,789
682,145	681,095	615,744	652,862	639,087
276,545	302,274	242,222	209,482	204,360
2,642	1,561	308,456	298,995	303,979
23,388	11,090	263,963	111,095	45,258
405,889	388,792	-	-	-
198,633	215,618	231,007	246,101	260,767
260,963	242,252	234,214	224,482	246,791
<u>\$8,403,692</u>	<u>\$ 7,887,470</u>	<u>\$ 7,425,564</u>	<u>\$ 6,727,735</u>	<u>\$ 6,441,128</u>

**WEST SIOUX COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Schedule 6

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	\$ 59,922
National School Lunch Program	10.555	FY12	186,937 **
Summer Food Service Program for Children	10.559	FY12	53,185
			<u>300,044 *</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY12	112,492
Migrant Education - State Grant Program	84.011	FY12	33,897
Special Education Grants to States	84.027	FY12	9,237 ***
Safe and Drug-Free Schools and Communities - National Programs	84.184Y	FY12	3,426
Education for Homeless Children and Youth	84.196	FY12	17,204
Improving Teacher Quality State Grants	84.367	FY12	26,683
Grants for State Assessments & Related Activities	84.369	FY12	4,154
Education Jobs Fund	84.410	FY12	146,813 *
Northwest Area Education Agency:			
Special Education (IDEA)- Grants to States	84.027	FY12	73,591 ***
Carl Perkins Grant	84.048A	FY12	6,388
English Language Acquisition Grants	84.365	FY12	10,829
Total			<u>\$ 744,758</u>

\* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

\*\*includes \$27,898 of non-cash awards.

\*\*\* Total for CFDA Number 84.027 is \$82,828.

**BASIS OF PRESENTATION**

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

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

**Schedule 7**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.410 – Education Jobs Fund
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Sioux Community School District did not qualify as a low-risk auditee.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

**Schedule 7**

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

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**There were no prior year audit findings.**

**MATERIAL WEAKNESSES:**

**II-A-12 Financial Accounting – Segregation of Duties**

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**II-B-12 Financial Reporting**

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

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

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

Conclusion – Response accepted.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

Schedule 7

---

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

**CFDA Number 10.553: School Breakfast Program**  
**CFDA Number 10.555: National School Lunch Program**  
**CFDA Number 10.559: Summer Food Service Program for Children**  
**Federal Award Year: 2012**  
**U.S. Department of Agriculture**

**III-A-12      Grant Administration – National School Lunch Program**

Observation – The District has internal controls in place to review the approval of reduced/free lunches requiring signatures from two individuals upon review of each application. However, during our testing of the School Nutrition Cluster Programs, we noted multiple instances of the control improperly functioning. Of the 40 applications tested, six of the applications were not signed by two individuals denoting proper approval of the application. Also, the District did not maintain copies of approval letters sent to students or copies of the direct certification listing. For our testing purposes, we received verification of eligibility for the six students from the State and consequently, there are no questioned costs found during our testing.

Recommendation – The District should ensure all applications are properly reviewed twice as noted by each individual's signature. Also, the District should implement adequate records management procedures to ensure all necessary documents are maintained.

Response – The District understands the nature of the weakness. The District will ensure all applications are reviewed by two individuals as noted by each individual's signature and will pay close attention to record retention to ensure proper records are maintained.

Conclusion – Response accepted.

**MATERIAL WEAKNESSES:**

**III-B-12      Financial Accounting – Segregation of Duties**

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

**Schedule 7**

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**Part III: Findings and Questioned Costs For Federal Awards – (Continued):**

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

**III-C-12**

**Financial Reporting/SEFA Administration**

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. In addition, adjustments were required to be made to the District's Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the District to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation –The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements and that the Schedule of Expenditures of Federal Awards is properly completed.

Response – The District understands the nature of the weakness and will double check these items in the future to avoid missing any receivables, payables, capital asset transactions, or adjustments to the Schedule of Expenditures of Federal Awards.

Conclusion – Response accepted.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012**

**Schedule 7**

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

**IV-A-12**      Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the amounts budgeted in the non-instructional function.

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

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

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

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

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

Schedule 7

**Part IV: Other Findings Related to Statutory Reporting (Continued):**

**IV-D-12**      Business Transactions – Business transactions between the District and District officials are detailed as follow:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Mary Johnson, District Employee Owner of Truesdell Oil Company	Gas/Fuel	\$ 51,939
Scott Vreeman, Employee Spouse Owner of Siouxland Propane	Fuel/Repair	\$ 45,321

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest as the transactions were competitively bid.

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Richard Steckelberg, Employee Spouse Owner of Mainstreet Auto Body	Repair	\$971
Karen and Brian Engleman, District Employees Owners of Sportman's Lanes	Physical Education Fees	\$1,200
James Pickner, Employee Spouse Owner of Pickner Law Office	Legal Services	\$150

The above transactions do not appear to represent a conflict of interest since the amounts were less than \$1,500 during the year.

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

**IV-F-12**      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

**IV-G-12**      Certified Enrollment – A variance of -2.00 was identified in basic enrollment data certified to the Iowa Department of Education in October, 2011. This variance was discovered by the Department of Education and the District agrees with the variance.

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

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

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

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

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

Schedule 7

**Part IV: Other Findings Related to Statutory Reporting (Continued):**

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

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

Beginning Balance		\$ 416,288
Revenues		
Sales tax revenues	\$ 572,951	
Revenue Bond Proceeds	3,935,000	
Premium on Bond Proceeds	12,623	
Other	81,593	4,602,167
Ending Balance		\$ 5,018,455
Expenditures		
School Infrastructure & Construction	\$ 3,315,348	
Equipment	10,230	
Bond Issuance Costs	73,223	
Transfers to other funds:		
Debt Service Fund	739,660	4,138,461
Ending Balance		\$ 879,994

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.

**IV-M-12**      Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. There are several activities reported in the Special Revenue, Student Activity Fund that do not appear to be extracurricular or co-curricular in nature.

Recommendation – The District should review all accounts and reclassify to the appropriate fund in accordance with the guidelines if necessary.

Response – We will review the activity in the accounts and will reclassify to the General Fund if considered necessary.

Conclusion – Response accepted.

**WEST SIOUX COMMUNITY SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2012**

**Schedule 8**

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**Part V: Findings – Year Ended June 30, 2011**

**III-A-11      Financial Accounting – Segregation of Duties**

Condition – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Current Status – This finding still exists at June 30, 2012 (See Comment III-B-12).

**III-B-11      Financial Reporting/SEFA Administration**

Condition – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. In addition, adjustments were required to be made to the District's Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the District to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation –The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements and that the Schedule of Expenditures of Federal Awards is properly completed.

Current Status – This finding still exists at June 30, 2012 (See Comment III-C-12).



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**INDEPENDENT AUDITORS' 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 Sioux Community School District

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the WEST SIOUX COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2012, which collectively comprise the West Sioux Community School District's basic financial statements, and have issued our report thereon dated January 5, 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:

Management of West Sioux Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered West Sioux Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Sioux Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Sioux 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 that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

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

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the West Sioux 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of West Sioux Community School District and other parties to whom the West Sioux Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 5, 2013



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the  
West Sioux Community School District

Compliance:

We have audited the compliance of WEST SIOUX COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. West Sioux Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of West Sioux Community School District's management. Our responsibility is to express an opinion on West Sioux Community School District's compliance based on our audit.

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

In our opinion, West Sioux Community School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance:

Management of West Sioux Community School District, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered West Sioux Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Sioux Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we

identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-12 to be a significant deficiency.

West Sioux Community School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit West Sioux Community School District's responses and, accordingly, we express no opinion on the responses.

The purpose of this report is to provide an opinion on the District's compliance with the compliance requirements that could have a direct and material effect on each of its major federal programs. The purpose is also to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major federal program, and the result of that testing, but not to provide an opinion on the effectiveness of internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 5, 2013



## Community School District

### Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2012

#### Department of Education:

West Sioux Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2012.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2012.

The findings from the June 30, 2012 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

#### SIGNIFICANT DEFICIENCY:

##### III-A-12 - Grant Administration – National School Lunch Program Cluster CFDA #10.553, # 10.555 and #10.559

Observation – The District has internal controls in place to review the approval of reduced/free lunches requiring signatures from two individuals upon review of each application. However, during our testing of the School Nutrition Cluster Programs, we noted multiple instances of the control improperly functioning. Of the 40 applications tested, six of the applications were not signed by two individuals denoting proper approval of the application. Also, the District did not maintain copies of approval letters sent to students or copies of the direct certification listing. For our testing purposes, we received verification of eligibility for the six students from the State and consequently, there are no questioned costs found during our testing.

Recommendation – The District should insure all applications are properly reviewed twice as noted by each individual's signature. Also, the District should implement adequate records management procedures to ensure all necessary documents are maintained.

Response – The District understands the nature of the weakness. The District will ensure all applications are reviewed by two individuals as noted by each individual's signature and will pay close attention to record retention to ensure proper records are maintained.

Conclusion – Response accepted.

#### MATERIAL WEAKNESSES:

##### III-B-12 – Financial Accounting – Segregation of Duties

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary

Ireton Elementary  
Carrie Thonstad, Principal  
303 Oak Street  
Ireton, IA 51027  
712-278-2374  
712-278-2383 (fax)

Hawarden Elementary  
Carrie Thonstad, Principal  
806 13th Street  
Hawarden, IA 51023  
712-551-1454  
712-551-2829 (fax)

High School  
Middle School  
Ryan Kramer, Principal  
Laura Hensley,  
At-Risk Coordinator  
1300 Falcon Drive  
Hawarden, IA 51023  
712-551-1181  
712-551-1514 (fax)

Administration Office  
Randy Collins  
Superintendent  
1300 Falcon Drive  
Hawarden, IA 51023  
712-551-1461  
712-551-1367 (fax)

Business Manager  
Paula Bartunek  
Board Secretary  
Dani Gradert  
Activities Director  
Ryan Kramer

responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District’s accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District feels that additional personnel would not be cost effective. However, management will continue to monitor all transactions on a regular basis.

III-C-12 – Financial Reporting – SEFA Administration

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District’s financial statements. In addition, adjustments were required to be made to the District’s Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the District to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation –The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District’s financial statements and that the Schedule of Expenditures of Federal Awards is properly completed.

Response – With limited personnel it is difficult to ensure that all items are captured and reported properly. At this time the Districts feels that additional personnel would not be cost effective, however, management will continue to monitor and double check these areas in the future.

If the Department of Education has questions regarding this plan, please call Randy Collins at 712-551-1461.

Sincerely yours,

WEST SIOUX COMMUNITY SCHOOL DISTRICT

  
Randy Collins, Superintendent