

WHITING COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

Table of Contents

| | | <u>Page</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|
| Officials | | 1 |
| Independent Auditor's Report | | 2-3 |
| Management's Discussion and Analysis (MD&A) | | 4-10 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statements: | | |
| Statement of Net Assets | A | 12 |
| Statement of Activities | B | 13-14 |
| Governmental Fund Financial Statements: | | |
| Balance Sheet | C | 15 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets | D | 16 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities | F | 18 |
| Proprietary Fund Financial Statements: | | |
| Statement of Net Assets | G | 19 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets | H | 20 |
| Statement of Cash Flows | I | 21 |
| Notes to Financial Statements | | 22-29 |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund | | 31 |
| Notes to Required Supplementary Information - Budgetary Reporting | | 32 |
| | <u>Schedule</u> | |
| Supplementary Information: | | |
| Nonmajor Governmental Funds: | | |
| Combining Balance Sheet | 1 | 34 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 2 | 35 |
| Capital Project Accounts: | | |
| Combining Balance Sheet | 3 | 36 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 4 | 37 |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts | 5 | 38 |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds | 6 | 39 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u> | | 40-41 |
| Schedule of Findings and Responses | | 42-45 |

Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
Whiting Community School District:

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

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

Management has not implemented Governmental Accounting Standards Board (GASB) Statement number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions. The amount by which this departure would affect the liabilities, net assets and expenses in the governmental activities and business type activities has not been determined.

In our opinion, except for the effects of not providing a liability for other postemployment benefits for the governmental activities and the business type activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business type activities of Whiting Community School District at June 30, 2012 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013, on our consideration of Whiting Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the

scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 4 through 10 and 31 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whiting Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011, (which are not presented herein). We expressed qualified opinions for 2011 and 2010 because the District had not implemented GASB Statement Number 45 and we expressed unqualified opinions for the six years 2004 through 2009. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,342,302 in fiscal 2011 to \$2,353,117 in fiscal 2012, while General Fund expenditures increased from \$2,408,653 in fiscal 2011 to \$2,507,075 in fiscal 2012. The District's General Fund balance decreased from \$649,914 in fiscal 2011 to \$495,956 in fiscal 2012.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Whiting 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 Whiting Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Whiting Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has Two [2] kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-1

| | Condensed Statement of Net Assets | | | | | | Percentage Change 2011-2012 |
|----------------------------------------------------|-----------------------------------|------------------|-----------------------------|---------------|--------------------------|------------------|-----------------------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2011 \$ | 2012 \$ | 2011 \$ | 2012 \$ | 2011 \$ | 2012 \$ | |
| Current and other assets | 2,605,873 | 2,721,540 | 33,403 | 24,701 | 2,639,276 | 2,746,241 | 4% |
| Capital assets | 1,588,114 | 1,629,851 | 7,643 | 7,737 | 1,595,757 | 1,637,588 | 3% |
| Total assets | 4,193,987 | 4,351,391 | 41,046 | 32,438 | 4,235,033 | 4,383,829 | 4% |
| Long-term liabilities | 434,830 | 331,520 | - | - | 434,830 | 331,520 | -24% |
| Other liabilities | 1,344,514 | 1,395,291 | 12,576 | 11,401 | 1,357,090 | 1,406,692 | 4% |
| Total liabilities | 1,779,344 | 1,726,811 | 12,576 | 11,401 | 1,791,920 | 1,738,212 | -3% |
| Net Assets: | | | | | | | |
| Invested in capital assets, net of related debt | 1,173,114 | 1,319,851 | 7,643 | 7,737 | 1,180,757 | 1,327,588 | 12% |
| Restricted | 611,445 | 737,915 | - | - | 611,445 | 737,915 | 21% |
| Unrestricted | 630,084 | 566,814 | 20,827 | 13,300 | 650,911 | 580,114 | -11% |
| TOTAL NET ASSETS | 2,414,643 | 2,624,580 | 28,470 | 21,037 | 2,443,113 | 2,645,617 | 8% |

The District's combined net assets increased by 8%, or \$202,504, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$126,470 or 21% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$70,797. This decrease in unrestricted net assets was a result of the District expenditures for the year being more than revenues.

Figure A-2 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-2

| | Change in Net Assets | | | | | | Percentage Change 2011-2012 |
|-------------------------------------------|-------------------------|------------------|--------------------------|----------------|-----------------------|------------------|--------------------------------|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2011 \$ | 2012 \$ | 2011 \$ | 2012 \$ | 2011 \$ | 2012 \$ | |
| Revenues | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for services | 630,618 | 701,996 | 50,739 | 48,264 | 681,357 | 750,260 | 10% |
| Operating grants & contributions | 429,259 | 399,696 | 78,718 | 75,883 | 507,977 | 475,579 | -6% |
| Capital grants & contributions | - | - | - | - | - | - | 0% |
| General Revenues: | | | | | | | |
| Property taxes | 1,056,236 | 1,021,640 | - | - | 1,056,236 | 1,021,640 | -3% |
| Income Surtax | - | 92,378 | - | - | - | 92,378 | 100% |
| Statewide sales services & use tax | 131,677 | 139,978 | - | - | 131,677 | 139,978 | 6% |
| Unrestricted state grants | 574,305 | 584,386 | - | - | 574,305 | 584,386 | 2% |
| Unrestricted investment earnings | 1,473 | 661 | 31 | 11 | 1,504 | 672 | -55% |
| Other | - | 57,190 | - | - | - | 57,190 | 100% |
| Total Revenues | 2,823,568 | 2,997,925 | 129,488 | 124,158 | 2,953,056 | 3,122,083 | 6% |
| Expenses: | | | | | | | |
| Instruction | 1,622,707 | 1,772,973 | - | - | 1,622,707 | 1,772,973 | 9% |
| Support services | 817,763 | 820,672 | - | - | 817,763 | 820,672 | <1% |
| Non-instructional programs | - | - | 125,532 | 131,591 | 125,532 | 131,591 | 5% |
| Other expenditures | 298,479 | 194,343 | - | - | 298,479 | 194,343 | -35% |
| Total expenses | 2,738,949 | 2,787,988 | 125,532 | 131,591 | 2,864,481 | 2,919,579 | 2% |
| CHANGE IN NET ASSETS | 84,619 | 209,937 | 3,956 | (7,433) | 88,575 | 202,504 | 129% |
| Net assets beginning of year, as restated | 2,330,024 | 2,414,643 | 24,514 | 28,470 | 2,354,538 | 2,443,113 | 4% |
| Net assets end of year | 2,414,643 | 2,624,580 | 28,470 | 21,037 | 2,443,113 | 2,645,617 | 8% |

Property tax and unrestricted state grants account for 51% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,997,925 and expenses were \$2,787,988. The District was able to balance the budget by trimming expenses below available revenues.

The following figure [A-3] presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-3

Total and Net Cost of Governmental Activities

| | Total Cost of Services 2011 \$ | Total Cost of Services 2012 \$ | Net Cost of Services 2011 \$ | Net Cost of Services 2012 \$ |
|----------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| Instruction | 1,622,707 | 1,772,973 | 647,387 | 743,069 |
| Support Services | 817,763 | 820,672 | 813,913 | 820,672 |
| Non-instructional Programs | - | - | - | - |
| Other Expenses | 298,479 | 194,343 | 217,772 | 122,555 |
| TOTAL | 2,738,949 | 2,787,988 | 1,679,072 | 1,686,296 |

- The cost financed by users of the District's programs was \$701,996.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$399,696.
- The net cost of governmental activities was financed with \$1,253,996 in property and other taxes and \$584,386 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$124,158 and expenses were \$131,591. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Whiting 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 \$1,234,424, below last year's ending fund balances of \$1,262,043.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Decrease during the year is due to increased expenditures.
- The General Fund balance decreased from \$649,914 to \$495,956.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.
 - The Physical Plant and Equipment Levy account balance decreased from \$137,016 at June 30, 2011 to \$133,901 at June 30, 2012.
 - The Statewide Sales Tax account balance increased from \$286,503 at June 30, 2011 to \$373,758 at June 30, 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$28,470 at June 30, 2011 to \$21,037 at June 30, 2012.

BUDGETARY HIGHLIGHTS

The District's receipts were \$565,130 less than budgeted receipts. The most significant variance resulted from the District receiving less in local revenue than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$1.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$119,738.

Figure A-4

| | Governmental | | Business type | | Total | | Percentage Change 2011-2012 |
|-----------------------|------------------|------------------|---------------|--------------|------------------|------------------|-----------------------------------|
| | Activities | | Activities | | School District | | |
| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 10,000 | 10,000 | - | - | 10,000 | 10,000 | 0% |
| Buildings | 1,203,032 | 1,165,053 | - | - | 1,203,032 | 1,165,053 | -3% |
| Improvements | 252,234 | 302,988 | - | - | 252,234 | 302,988 | 20% |
| Equipment & Furniture | 122,848 | 151,810 | 7,643 | 7,737 | 130,491 | 159,547 | 22% |
| TOTAL | <u>1,588,114</u> | <u>1,629,851</u> | <u>7,643</u> | <u>7,737</u> | <u>1,595,757</u> | <u>1,637,588</u> | <u>3%</u> |

Long-Term Debt

At June 30, 2012, the District had \$331,520 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 24% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-5

Outstanding Long-Term Obligations

| | Total School District | | Percentage Change 2011-2012 |
|--------------------------|-----------------------|----------------|-----------------------------------|
| | 2011 | 2012 | |
| | \$ | \$ | |
| General Obligation Bonds | 415,000 | 310,000 | -25% |
| Compensated Absences | 19,830 | 21,520 | 9% |
| | <u>434,830</u> | <u>331,520</u> | <u>-24%</u> |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced a slight decrease in total enrollment for the past year, the District expects a continued remain steady or have a slight increase in future enrollment due to the preschool age 4 program and the open enrollment into the District. During the 2012-2013 school year, however, the District is anticipating a small preschool age 4 class which may result in no growth or a slight decrease.
- School financing is highly dependent upon student enrollment. The District's October 2011 resident enrollment decreased by 8 students and nonresident enrollment increased by 5 students. This decrease in resident enrollment will decrease the District's state aid funding. The funds derived from open enrollment into the district will assist in off-setting the loss of state aid for fiscal year 2013.
- The District has evaluated the condition of its transportation vehicles and determined that one bus will be replaced in fiscal year 2013. To pay for the bus, the District will use resources from the Physical Plant and Equipment Levy Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori West, District Board Secretary, Whiting Community School District, 606 West Street, Whiting, Iowa, 51063.

BASIC FINANCIAL STATEMENTS

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

| | Governmental Activities | Business Type Activities | Total |
|-------------------------------------------------|----------------------------|--------------------------------|------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 1,453,362 | 24,190 | 1,477,552 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 11,209 | - | 11,209 |
| Succeeding year | 1,021,254 | - | 1,021,254 |
| Accounts | - | 6 | 6 |
| Due from other governments | 235,715 | - | 235,715 |
| Inventories | - | 505 | 505 |
| Capital assets, net of accumulated depreciation | 1,629,851 | 7,737 | 1,637,588 |
| | <u>4,351,391</u> | <u>32,438</u> | <u>4,383,829</u> |
| Liabilities | | | |
| Accounts payable | 125,895 | - | 125,895 |
| Salaries and benefits payable | 247,589 | 9,686 | 257,275 |
| Accrued interest payable | 553 | - | 553 |
| Deferred revenue: | | | |
| Succeeding year property tax | 1,021,254 | - | 1,021,254 |
| Other | - | 1,715 | 1,715 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 100,000 | - | 100,000 |
| Compensated absences | 7,173 | - | 7,173 |
| Portion due after one year: | | | |
| General obligation bonds payable | 210,000 | - | 210,000 |
| Compensated absences | 14,347 | - | 14,347 |
| | <u>1,726,811</u> | <u>11,401</u> | <u>1,738,212</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 1,319,851 | 7,737 | 1,327,588 |
| Restricted for: | | | |
| Management levy | 162,714 | - | 162,714 |
| Physical plant and equipment levy | 133,901 | - | 133,901 |
| Student activities | 44,919 | - | 44,919 |
| School infrastructure | 375,333 | - | 375,333 |
| Debt service | 21,048 | - | 21,048 |
| Unrestricted | 566,814 | 13,300 | 580,114 |
| | <u>2,624,580</u> | <u>21,037</u> | <u>2,645,617</u> |

See notes to financial statements.

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|------------------|-----------------------------|----------------------------------------------------------------|--------------------------------------------------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants, Contributions and Restricted Interest</u> | <u>Capital Grants, Contributions and Restricted Interest</u> |
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | 1,091,876 | 553,757 | 271,698 | - |
| Special | 206,692 | 80,719 | 19,198 | - |
| Other | 474,405 | 67,520 | 37,012 | - |
| | <u>1,772,973</u> | <u>701,996</u> | <u>327,908</u> | <u>-</u> |
| Support services: | | | | |
| Student | 102,268 | - | - | - |
| Instructional staff | 61,336 | - | - | - |
| Administration | 358,504 | - | - | - |
| Operation and maintenance of plant | 209,436 | - | - | - |
| Transportation | 89,128 | - | - | - |
| | <u>820,672</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 30,129 | - | - | - |
| Long-term debt interest | 8,074 | - | 67 | - |
| AEA flowthrough | 71,721 | - | 71,721 | - |
| Depreciation (unallocated)* | 84,419 | - | - | - |
| | <u>194,343</u> | <u>-</u> | <u>71,788</u> | <u>-</u> |
| Total governmental activities | 2,787,988 | 701,996 | 399,696 | - |
| Business type activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 131,591 | 48,264 | 75,883 | - |
| Total | 2,919,579 | 750,260 | 475,579 | - |
| General Revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Capital outlay | | | | |
| Income surtax | | | | |
| Statewide sales, services and use tax | | | | |
| Unrestricted state grants | | | | |
| Unrestricted investment earnings | | | | |
| Other | | | | |
| Total general revenues | | | | |

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

| Governmental Activities | Business Type Activities | Total |
|----------------------------|--------------------------------|--------------------|
| \$ | \$ | \$ |
| (266,421) | - | (266,421) |
| (106,775) | - | (106,775) |
| <u>(369,873)</u> | <u>-</u> | <u>(369,873)</u> |
| <u>(743,069)</u> | <u>-</u> | <u>(743,069)</u> |
| (102,268) | - | (102,268) |
| (61,336) | - | (61,336) |
| (358,504) | - | (358,504) |
| (209,436) | - | (209,436) |
| <u>(89,128)</u> | <u>-</u> | <u>(89,128)</u> |
| <u>(820,672)</u> | <u>-</u> | <u>(820,672)</u> |
| (30,129) | - | (30,129) |
| (8,007) | - | (8,007) |
| - | - | - |
| <u>(84,419)</u> | <u>-</u> | <u>(84,419)</u> |
| <u>(122,555)</u> | <u>-</u> | <u>(122,555)</u> |
| (1,686,296) | - | (1,686,296) |
| - | (7,444) | (7,444) |
| <u>(1,686,296)</u> | <u>(7,444)</u> | <u>(1,693,740)</u> |
| 824,990 | - | 824,990 |
| 113,801 | - | 113,801 |
| 82,849 | - | 82,849 |
| 92,378 | - | 92,378 |
| 139,978 | - | 139,978 |
| 584,386 | - | 584,386 |
| 661 | 11 | 672 |
| <u>57,190</u> | <u>-</u> | <u>57,190</u> |
| <u>1,896,233</u> | <u>11</u> | <u>1,896,244</u> |
| 209,937 | (7,433) | 202,504 |
| <u>2,414,643</u> | <u>28,470</u> | <u>2,443,113</u> |
| <u>2,624,580</u> | <u>21,037</u> | <u>2,645,617</u> |

WHITING COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

| | <u>General</u> | <u>Capital</u> | <u>Nonmajor</u> | <u>Total</u> |
|--------------------------------------------|------------------|----------------|-----------------|------------------|
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Cash and pooled investments | 757,656 | 468,715 | 226,991 | 1,453,362 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 8,053 | 913 | 2,243 | 11,209 |
| Succeeding year | 736,954 | 87,170 | 197,130 | 1,021,254 |
| Due from other governments | 195,466 | 40,249 | - | 235,715 |
| | <u>1,698,129</u> | <u>597,047</u> | <u>426,364</u> | <u>2,721,540</u> |
| Total assets | | | | |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | 125,252 | 643 | - | 125,895 |
| Salaries and benefits payable | 247,589 | - | - | 247,589 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 736,954 | 87,170 | 197,130 | 1,021,254 |
| Income surtax | 92,378 | - | - | 92,378 |
| Total liabilities | <u>1,202,173</u> | <u>87,813</u> | <u>197,130</u> | <u>1,487,116</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | - | - | 21,601 | 21,601 |
| Management levy | - | - | 162,714 | 162,714 |
| School infrastructure | - | 375,333 | - | 375,333 |
| Student activities | - | - | 44,919 | 44,919 |
| Physical plant and equipment | - | 133,901 | - | 133,901 |
| Unassigned | 495,956 | - | - | 495,956 |
| Total fund balances | <u>495,956</u> | <u>509,234</u> | <u>229,234</u> | <u>1,234,424</u> |
| | <u>1,698,129</u> | <u>597,047</u> | <u>426,364</u> | <u>2,721,540</u> |
| Total liabilities and fund balances | | | | |

WHITING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2012

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| | \$ |
| Total fund balances of governmental funds (Exhibit C) | 1,234,424 |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 1,629,851 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 92,378 |
| 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. | (553) |
| Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. | <u>(331,520)</u> |
| Net assets of governmental activities (Exhibit A) | <u><u>2,624,580</u></u> |

WHITING COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

| | General | Capital Projects | Nonmajor Governmental | Total |
|-----------------------------------------------------------|------------------|---------------------|--------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 734,413 | 222,827 | 204,378 | 1,161,618 |
| Tuition | 450,894 | - | - | 450,894 |
| Other | 183,926 | 223 | 67,681 | 251,830 |
| State sources | 848,259 | 38 | 93 | 848,390 |
| Federal sources | 135,625 | - | - | 135,625 |
| Total revenues | <u>2,353,117</u> | <u>223,088</u> | <u>272,152</u> | <u>2,848,357</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 1,065,311 | - | - | 1,065,311 |
| Special | 206,692 | - | - | 206,692 |
| Other | 406,022 | - | 68,383 | 474,405 |
| | <u>1,678,025</u> | <u>-</u> | <u>68,383</u> | <u>1,746,408</u> |
| Support services: | | | | |
| Student | 101,668 | - | - | 101,668 |
| Instructional staff | 60,726 | 610 | - | 61,336 |
| Administration | 332,730 | 5,965 | 18,966 | 357,661 |
| Operation and maintenance of plant | 184,179 | - | 25,092 | 209,271 |
| Transportation | 78,026 | 69,850 | 4,307 | 152,183 |
| | <u>757,329</u> | <u>76,425</u> | <u>48,365</u> | <u>882,119</u> |
| Other expenditures: | | | | |
| Facilities acquisition | - | 120,323 | - | 120,323 |
| Long-term debt: | | | | |
| Principal | - | - | 105,000 | 105,000 |
| Interest and fiscal charges | - | - | 8,205 | 8,205 |
| AEA flowthrough | 71,721 | - | - | 71,721 |
| | <u>71,721</u> | <u>120,323</u> | <u>113,205</u> | <u>305,249</u> |
| Total expenditures | <u>2,507,075</u> | <u>196,748</u> | <u>229,953</u> | <u>2,933,776</u> |
| Excess (deficiency) of revenues over (under) expenditures | (153,958) | 26,340 | 42,199 | (85,419) |
| Other financing sources (uses): | | | | |
| Compensation for loss of fixed assets | - | 57,800 | - | 57,800 |
| Net change in fund balances | (153,958) | 84,140 | 42,199 | (27,619) |
| Fund balances beginning of year | <u>649,914</u> | <u>425,094</u> | <u>187,035</u> | <u>1,262,043</u> |
| Fund balances end of year | <u>495,956</u> | <u>509,234</u> | <u>229,234</u> | <u>1,234,424</u> |

See notes to financial statements.

WHITING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2012

| | \$ | \$ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------|
| Net change in fund balances - total governmental funds (Exhibit E) | | (27,619) |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i> | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and basis in capital assets disposal exceeded capital outlay expenditures in the current year, as follows: | | |
| Basis in capital assets disposal | (610) | |
| Expenditures for capital assets | 161,115 | |
| Depreciation expense | <u>(118,768)</u> | 41,737 |
| Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. | | 92,378 |
| Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | 105,000 |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. | | 131 |
| 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: | | |
| Compensated absences | | <u>(1,690)</u> |
| Changes in net assets of governmental activities (Exhibit B) | | <u><u>209,937</u></u> |

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

| | Nonmajor School Nutrition |
|-------------------------------------------------|---------------------------------|
| | <u>\$</u> |
| Assets | |
| Cash and cash equivalents | 24,190 |
| Accounts receivable | 6 |
| Inventories | 505 |
| Capital assets, net of accumulated depreciation | <u>7,737</u> |
| Total assets | <u>32,438</u> |
| Liabilities | |
| Salaries and benefits payable | 9,686 |
| Deferred revenue | <u>1,715</u> |
| Total liabilities | <u>11,401</u> |
| Net assets | |
| Invested in capital assets | 7,737 |
| Unrestricted | <u>13,300</u> |
| Total net assets | <u><u>21,037</u></u> |

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2012

| | Nonmajor School Nutrition |
|------------------------------|---------------------------------|
| | <u>\$</u> |
| Operating revenues: | |
| Local sources: | |
| Charges for service | <u>48,264</u> |
| Operating expenses: | |
| Non-instructional programs: | |
| Salaries | 41,235 |
| Benefits | 21,001 |
| Purchased services | 2,186 |
| Supplies | 66,199 |
| Depreciation | 970 |
| Total operating expenses | <u>131,591</u> |
| Operating income (loss) | <u>(83,327)</u> |
| Non-operating revenues: | |
| State sources | 1,273 |
| Federal sources | 74,610 |
| Interest income | 11 |
| Total non-operating revenues | <u>75,894</u> |
| Change in net assets | (7,433) |
| Net assets beginning of year | <u>28,470</u> |
| Net assets end of year | <u><u>21,037</u></u> |

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

| | Nonmajor School Nutrition |
|-----------------------------------------------------------------------------------------------|---------------------------------|
| | <u>\$</u> |
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | 46,818 |
| Cash payments to employees for services | (61,971) |
| Cash payments to suppliers for goods or services | (62,171) |
| Net cash used by operating activities | <u>(77,324)</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | 1,273 |
| Federal grants received | 69,466 |
| Net cash provided by non-capital financing activities | <u>70,739</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | <u>(1,064)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>11</u> |
| Net increase (decrease) in cash and cash equivalents | (7,638) |
| Cash and cash equivalents at beginning of year | <u>31,828</u> |
| Cash and cash equivalents at end of year | <u><u>24,190</u></u> |
| Reconciliation of operating income (loss) to net cash used by operating activities: | |
| Operating income (loss) | (83,327) |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: | |
| Commodities used | 5,144 |
| Depreciation | 970 |
| Decrease (increase) in inventories | 1,070 |
| Decrease (increase) in accounts receivable | (6) |
| (Decrease) increase in salaries and benefits payable | 265 |
| (Decrease) increase in deferred revenue | (1,440) |
| Net cash used by operating activities | <u><u>(77,324)</u></u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$5,144 of federal commodities.

WHITING COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Whiting Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Whiting, Iowa and the predominately agricultural territory in a portion of Monona County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the 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:

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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, 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 fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable – Property tax in 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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 and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Assets Class</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| | \$ |
| Land | 500 |
| Buildings | 5,000 |
| Improvements other than buildings | 5,000 |
| Intangibles | 25,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 2,500 |

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------------------|-------------------------------|
| Buildings | 50 years |
| Improvements other than buildings | 5-20 years |
| Intangibles | 3-10 years |
| Furniture and equipment | 3-15 years |

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Unassigned – All amounts not included in other classifications.

E. Budgeting and Budgetary Control

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

2. **Cash and Pooled Investments**

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

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

At June 30, 2012, the District had no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 3 as amended by Statement No. 40.

3. Capital Assets

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

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|----------------------------------------------|---------------------------------|----------------|---------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 10,000 | - | - | 10,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 2,223,027 | - | - | 2,223,027 |
| Improvements other than buildings | 423,102 | 90,194 | - | 513,296 |
| Furniture and equipment | 548,905 | 70,921 | 35,052 | 584,774 |
| Total capital assets being deprec. | <u>3,195,034</u> | <u>161,115</u> | <u>35,052</u> | <u>3,321,097</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,019,995 | 37,979 | - | 1,057,974 |
| Improvements other than buildings | 170,868 | 46,440 | 7,000 | 210,308 |
| Furniture and equipment | 426,057 | 34,349 | 27,442 | 432,964 |
| Total accumulated depreciation | <u>1,616,920</u> | <u>118,768</u> | <u>34,442</u> | <u>1,701,246</u> |
| Total capital assets being depreciated, net | <u>1,578,114</u> | <u>42,347</u> | <u>610</u> | <u>1,619,851</u> |
| Governmental activities capital assets, net | <u>1,588,114</u> | <u>42,347</u> | <u>610</u> | <u>1,629,851</u> |
| Business type activities: | | | | |
| Furniture and equipment | 25,043 | 1,064 | - | 26,107 |
| Less accumulated depreciation | <u>17,400</u> | <u>970</u> | <u>-</u> | <u>18,370</u> |
| Business type activities capital assets, net | <u>7,643</u> | <u>94</u> | <u>-</u> | <u>7,737</u> |

Depreciation expense was charged to the following functions:

| | \$ |
|------------------------------------------------------|----------------|
| Governmental activities: | |
| Instruction: | |
| Regular | 24,875 |
| Support services: | |
| Student support | 600 |
| Administration services | 1,914 |
| Operation and maintenance of plant | 165 |
| Transportation | 6,795 |
| | <u>34,349</u> |
| Unallocated depreciation | <u>84,419</u> |
| Total depreciation expense – governmental activities | <u>118,768</u> |
| Business type activities: | |
| Food services | <u>970</u> |

4. Long-Term Liabilities

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

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|--------------|----------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | | |
| General obligation bonds | 415,000 | - | 105,000 | 310,000 | 100,000 |
| Compensated absences | 19,830 | 1,690 | - | 21,520 | 7,173 |
| Total | <u>434,830</u> | <u>1,690</u> | <u>105,000</u> | <u>331,520</u> | <u>107,173</u> |

General Obligation Bonds Payable

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

| Year Ending June 30, | Refunding Bond Issue of June 2010 | | | |
|-------------------------|-----------------------------------|----------------|---------------|----------------|
| | Interest Rates | Principal | Interest | Total |
| | % | \$ | \$ | \$ |
| 2013 | 1.80 | 100,000 | 6,630 | 106,630 |
| 2014 | 2.10 | 105,000 | 4,830 | 109,830 |
| 2015 | 2.50 | 105,000 | 2,625 | 107,625 |
| | | <u>310,000</u> | <u>14,085</u> | <u>324,085</u> |

5. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$113,583, \$97,433, and \$94,961 respectively, equal to the required contributions for each year.

6. Risk Management

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

7. 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 \$71,721 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Exenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2012

| | Governmental Fund Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|----------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------|-------------------------|---------------------|---------------------|---------------------------------------------------------|
| | | | | Original | Final | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | |
| Local sources | 1,864,342 | 48,275 | 1,912,617 | 2,114,649 | 2,114,649 | (202,032) |
| Intermediate sources | - | - | - | 125,000 | 125,000 | (125,000) |
| State sources | 848,390 | 1,273 | 849,663 | 987,996 | 987,996 | (138,333) |
| Federal sources | 135,625 | 74,610 | 210,235 | 310,000 | 310,000 | (99,765) |
| Total revenues | <u>2,848,357</u> | <u>124,158</u> | <u>2,972,515</u> | <u>3,537,645</u> | <u>3,537,645</u> | <u>(565,130)</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 1,746,408 | - | 1,746,408 | 1,995,846 | 1,995,846 | 249,438 |
| Support services | 882,119 | - | 882,119 | 1,759,986 | 1,759,986 | 877,867 |
| Non-instructional programs | - | 131,591 | 131,591 | 180,610 | 180,610 | 49,019 |
| Other expenditures | 305,249 | - | 305,249 | 589,436 | 589,436 | 284,187 |
| Total expenditures/expenses | <u>2,933,776</u> | <u>131,591</u> | <u>3,065,367</u> | <u>4,525,878</u> | <u>4,525,878</u> | <u>1,460,511</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | (85,419) | (7,433) | (92,852) | (988,233) | (988,233) | 895,381 |
| Other financing sources (uses) net | <u>57,800</u> | <u>-</u> | <u>57,800</u> | <u>-</u> | <u>-</u> | <u>57,800</u> |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses | (27,619) | (7,433) | (35,052) | (988,233) | (988,233) | 953,181 |
| Balance beginning of year | <u>1,262,043</u> | <u>28,470</u> | <u>1,290,513</u> | <u>990,696</u> | <u>990,696</u> | <u>299,817</u> |
| Balance end of year | <u><u>1,234,424</u></u> | <u><u>21,037</u></u> | <u><u>1,255,461</u></u> | <u><u>2,463</u></u> | <u><u>2,463</u></u> | <u><u>1,252,998</u></u> |

WHITING COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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

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

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

SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

| Assets | Special Revenue Funds | | | Total |
|--------------------------------------------|-----------------------|---------------------|-----------------|----------------|
| | Management Levy | Student Activity | Debt Service | |
| | \$ | \$ | \$ | \$ |
| Cash and pooled investments | 161,720 | 44,919 | 20,352 | 226,991 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 994 | - | 1,249 | 2,243 |
| Succeeding year | 90,500 | - | 106,630 | 197,130 |
| Total assets | 253,214 | 44,919 | 128,231 | 426,364 |
| Liabilities & Fund Balances | | | | |
| Liabilities: | | | | |
| Deferred revenue: | | | | |
| Succeeding year property tax | 90,500 | - | 106,630 | 197,130 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt service | - | - | 21,601 | 21,601 |
| Management levy | 162,714 | - | - | 162,714 |
| Student activities | - | 44,919 | - | 44,919 |
| Total fund balances | 162,714 | 44,919 | 21,601 | 229,234 |
| Total liabilities and fund balances | 253,214 | 44,919 | 128,231 | 426,364 |

WHITING COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2012

| | Special Revenue Funds | | Debt Service | Total |
|----------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| | Management Levy | Student Activity | | |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 90,577 | - | 113,801 | 204,378 |
| Other | 73 | 67,541 | 67 | 67,681 |
| State sources | 41 | - | 52 | 93 |
| Total revenues | <u>90,691</u> | <u>67,541</u> | <u>113,920</u> | <u>272,152</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Other | - | 68,383 | - | 68,383 |
| Support services: | | | | |
| Administration | 18,966 | - | - | 18,966 |
| Operation & maintenance of plant | 25,092 | - | - | 25,092 |
| Transportation | 4,307 | - | - | 4,307 |
| Other expenditures: | | | | |
| Long-term debt: | | | | |
| Principal | - | - | 105,000 | 105,000 |
| Interest and fiscal charges | - | - | 8,205 | 8,205 |
| Total expenditures | <u>48,365</u> | <u>68,383</u> | <u>113,205</u> | <u>229,953</u> |
| Net change in fund balances | 42,326 | (842) | 715 | 42,199 |
| Fund balances beginning of year | <u>120,388</u> | <u>45,761</u> | <u>20,886</u> | <u>187,035</u> |
| Fund balances end of year | <u><u>162,714</u></u> | <u><u>44,919</u></u> | <u><u>21,601</u></u> | <u><u>229,234</u></u> |

WHITING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

| Assets | Capital Projects | | | Total |
|--------------------------------------------|------------------|------------------------------------------------|--------------------------------------------|----------------|
| | Construction | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| | \$ | \$ | \$ | |
| Cash and pooled investments | 1,575 | 333,509 | 133,631 | 468,715 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | 913 | 913 |
| Succeeding year | - | - | 87,170 | 87,170 |
| Due from other governments | - | 40,249 | - | 40,249 |
| Total assets | <u>1,575</u> | <u>373,758</u> | <u>221,714</u> | <u>597,047</u> |
| Liabilities & Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | - | - | 643 | 643 |
| Deferred revenue: | | | | |
| Succeeding year property tax | - | - | 87,170 | 87,170 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>87,813</u> | <u>87,813</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| School infrastructure | 1,575 | 373,758 | - | 375,333 |
| Physical plant and equipment | - | - | 133,901 | 133,901 |
| Total fund balances | <u>1,575</u> | <u>373,758</u> | <u>133,901</u> | <u>509,234</u> |
| Total liabilities and fund balances | <u>1,575</u> | <u>373,758</u> | <u>221,714</u> | <u>597,047</u> |

WHITING COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2012

| | Capital Projects | | | Total |
|-----------------------------------------------------------|------------------|------------------------------------------------|--------------------------------------------|---------|
| | Construction | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | - | 139,978 | 82,849 | 222,827 |
| Other | - | 143 | 80 | 223 |
| State sources | - | - | 38 | 38 |
| Total revenues | - | 140,121 | 82,967 | 223,088 |
| Expenditures: | | | | |
| Current: | | | | |
| Support services: | | | | |
| Instructional staff services | - | - | 610 | 610 |
| Administration services | - | - | 5,965 | 5,965 |
| Transportation services | - | - | 69,850 | 69,850 |
| Other expenditures: | | | | |
| Facilities acquisition | - | 52,866 | 67,457 | 120,323 |
| Total expenditures | - | 52,866 | 143,882 | 196,748 |
| Excess (deficiency) of revenues over (under) expenditures | - | 87,255 | (60,915) | 26,340 |
| Other financing sources (uses): | | | | |
| Compensation for loss of fixed assets | - | - | 57,800 | 57,800 |
| Net change in fund balance | - | 87,255 | (3,115) | 84,140 |
| Fund balances beginning of year | 1,575 | 286,503 | 137,016 | 425,094 |
| Fund balance end of year | 1,575 | 373,758 | 133,901 | 509,234 |

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Intra-Fund Transfers</u> | <u>Balance End of Year</u> |
|------------------------|------------------------------------------|-----------------|---------------------|---------------------------------|--------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Class of 2011 | - | - | 189 | 189 | - |
| Class of 2013 | 453 | 4,686 | 4,737 | (189) | 213 |
| Class of 2012 | 199 | 411 | 610 | - | - |
| Class of 2014 | 355 | 150 | - | - | 505 |
| Class of 2015 | 215 | 60 | - | - | 275 |
| Class of 2016 | 58 | 50 | - | - | 108 |
| Class of 2017 | 60 | 85 | - | - | 145 |
| Class of 2018 | - | 70 | - | - | 70 |
| Student affairs | - | 347 | 60 | - | 287 |
| Unallocated interest | - | 21 | - | (21) | - |
| Music parents | 8,456 | 10,179 | 7,428 | 10 | 11,217 |
| Band fund raiser | 377 | 180 | 552 | - | 5 |
| Athletics | 22,487 | 43,976 | 47,480 | 11 | 18,994 |
| Cheerleaders | 394 | 600 | 571 | - | 423 |
| Character counts | 6,254 | 1,237 | 3,304 | - | 4,187 |
| National Honor Society | 1,390 | 286 | 432 | - | 1,244 |
| Band trip | 2,418 | - | - | - | 2,418 |
| Student council | 2,245 | 1,528 | 579 | - | 3,194 |
| Annual | 400 | 3,675 | 2,441 | - | 1,634 |
| | <u>45,761</u> | <u>67,541</u> | <u>68,383</u> | <u>-</u> | <u>44,919</u> |
| Total | 45,761 | 67,541 | 68,383 | - | 44,919 |

WHITING COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

| | Modified Accrual Basis | | | | | | | | |
|------------------------------|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | | | | |
| Local sources: | | | | | | | | | |
| Local tax | 1,161,618 | 1,187,913 | 1,166,213 | 1,110,648 | 1,199,728 | 1,211,685 | 1,249,341 | 1,105,798 | 1,259,856 |
| Tuition | 450,894 | 360,965 | 304,204 | 290,067 | 258,391 | 252,526 | 218,616 | 123,776 | 118,101 |
| Other | 251,830 | 271,192 | 280,430 | 277,334 | 295,305 | 350,205 | 289,341 | 297,077 | 294,508 |
| State sources | 848,390 | 871,526 | 786,598 | 1,039,627 | 990,227 | 829,643 | 796,971 | 810,196 | 670,788 |
| Federal sources | 135,625 | 131,972 | 212,875 | 106,876 | 83,761 | 83,280 | 95,300 | 95,938 | 143,684 |
| Total revenues | <u>2,848,357</u> | <u>2,823,568</u> | <u>2,750,320</u> | <u>2,824,552</u> | <u>2,827,412</u> | <u>2,727,339</u> | <u>2,649,569</u> | <u>2,432,785</u> | <u>2,486,937</u> |
| Expenditures: | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Regular instruction | 1,065,311 | 1,002,482 | 997,286 | 925,474 | 970,450 | 892,385 | 829,274 | 786,815 | 858,050 |
| Special instruction | 206,692 | 163,524 | 209,936 | 263,333 | 283,560 | 272,555 | 240,054 | 397,659 | 383,182 |
| Other instruction | 474,405 | 469,566 | 433,898 | 456,136 | 385,004 | 388,785 | 379,200 | 151,583 | 218,328 |
| Support services: | | | | | | | | | |
| Student services | 101,668 | 99,318 | 98,673 | 106,911 | 32,298 | 28,123 | 29,672 | 28,335 | 26,968 |
| Instructional staff services | 61,336 | 64,393 | 61,864 | 66,252 | 101,877 | 50,955 | 65,783 | 48,981 | 49,023 |
| Administration services | 357,661 | 349,657 | 323,857 | 300,044 | 306,711 | 289,836 | 281,139 | 334,350 | 287,704 |
| Operation and maintenance | 209,271 | 209,357 | 223,210 | 210,117 | 196,697 | 191,221 | 187,099 | 137,744 | 152,718 |
| Transportation services | 152,183 | 74,564 | 67,150 | 71,097 | 97,950 | 143,655 | 111,564 | 50,915 | 57,713 |
| Non-instructional programs | - | - | 3,390 | - | - | - | - | 2,300 | 552 |
| Other expenditures: | | | | | | | | | |
| Facilities acquisition | 120,323 | 81,450 | 197,747 | 157,583 | 161,334 | 164,774 | 217,578 | 37,802 | 54,735 |
| Long-term debt: | | | | | | | | | |
| Principal | 105,000 | 100,000 | 575,000 | 65,000 | 67,407 | 66,770 | 66,144 | 60,575 | 55,059 |
| Interest and other charges | 8,205 | 10,701 | 30,075 | 33,325 | 36,592 | 40,081 | 44,017 | 47,224 | 50,016 |
| AEA flowthrough | 71,721 | 80,641 | 80,219 | 74,758 | 73,687 | 69,040 | 66,545 | 66,447 | 67,403 |
| Total expenditures | <u>2,933,776</u> | <u>2,705,653</u> | <u>3,302,305</u> | <u>2,730,030</u> | <u>2,713,567</u> | <u>2,598,180</u> | <u>2,518,069</u> | <u>2,150,730</u> | <u>2,261,451</u> |

Gary E. Horton CPA

PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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

To the Board of Education of
Whiting Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Whiting Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2013. Our opinions on the governmental activities and the business type activities were qualified because the District has not adopted GASB statement number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Whiting Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Whiting 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 Whiting Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Whiting Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whiting Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

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.

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

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

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 26, 2013

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

12-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

12-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

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

12-II-B 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.

12-II-C Travel Expenses: 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.

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

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--------------------------------------------|--------------------------------|---------------|
| David Storm, Board Member | School banking | \$ - |

The Board member, David Storm, is an employee of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

12-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

12-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was overstated by one student.

Recommendation: The District should review its procedures for reviewing the resident student data that is submitted to the Iowa Department of Education.

District Response: We will review our procedures.

Conclusion: Response accepted.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting (Continued):

- 12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 12-II-I Deposits and Investments: No instances of noncompliance 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.
- 12-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 12-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

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

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

Conclusion: Response accepted.

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

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

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting (Continued):

| | | |
|------------------------------------|---------------|----------------|
| Beginning balance | \$ | \$ |
| | | 286,503 |
| Revenues/transfers in: | | |
| Sales tax revenues | 139,978 | |
| Other local revenues | <u>143</u> | 140,121 |
| Expenditures/transfers out: | | |
| School infrastructure construction | 27,180 | |
| Equipment | <u>25,686</u> | <u>52,866</u> |
| Ending balance | | <u>373,758</u> |

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