

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Woodward-Granger Community School District  
 Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Mark Roberts	President	2011
Jennifer Pierce	Vice President	2011
Howard Schutt	Board Member	2011
Rebecca Carroll	Board Member	2013
Colleen Scharlau	Board Member	2013
<b>(After September 2011 Election)</b>		
Colleen Scharlau	President	2013
Rebecca Carroll	Vice President	2013
Eric Polich	Board Member	2015
Kelly Squires	Board Member	2015
Mike Musich	Board Member	2015
<b>School Officials</b>		
Brad Anderson	Superintendent	2012
Bob Torrence	District Secretary/ Treasurer and Business Manager	2012
Ahlers Law Firm	Attorney	2012

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Woodward-Granger Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2012 on our consideration of Woodward-Granger 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 and Schedule of Funding Progress for the Retiree Health Plan on pages 7

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through 15 and 44 through 46 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 Woodward-Granger 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 nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 10, 2012

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

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

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,012,235 in fiscal 2011 to \$12,059,511 in fiscal 2012, while General Fund expenditures increased from \$10,517,844 in fiscal 2011 to \$11,555,424 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$1,442,538 in fiscal 2011 to \$1,946,625 in fiscal 2012, a 34.94% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2012. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits, increased heating and building maintenance costs, as well as additional costs associated with the Woodward Academy.

### **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 Woodward-Granger 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 Woodward-Granger 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 Woodward-Granger Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

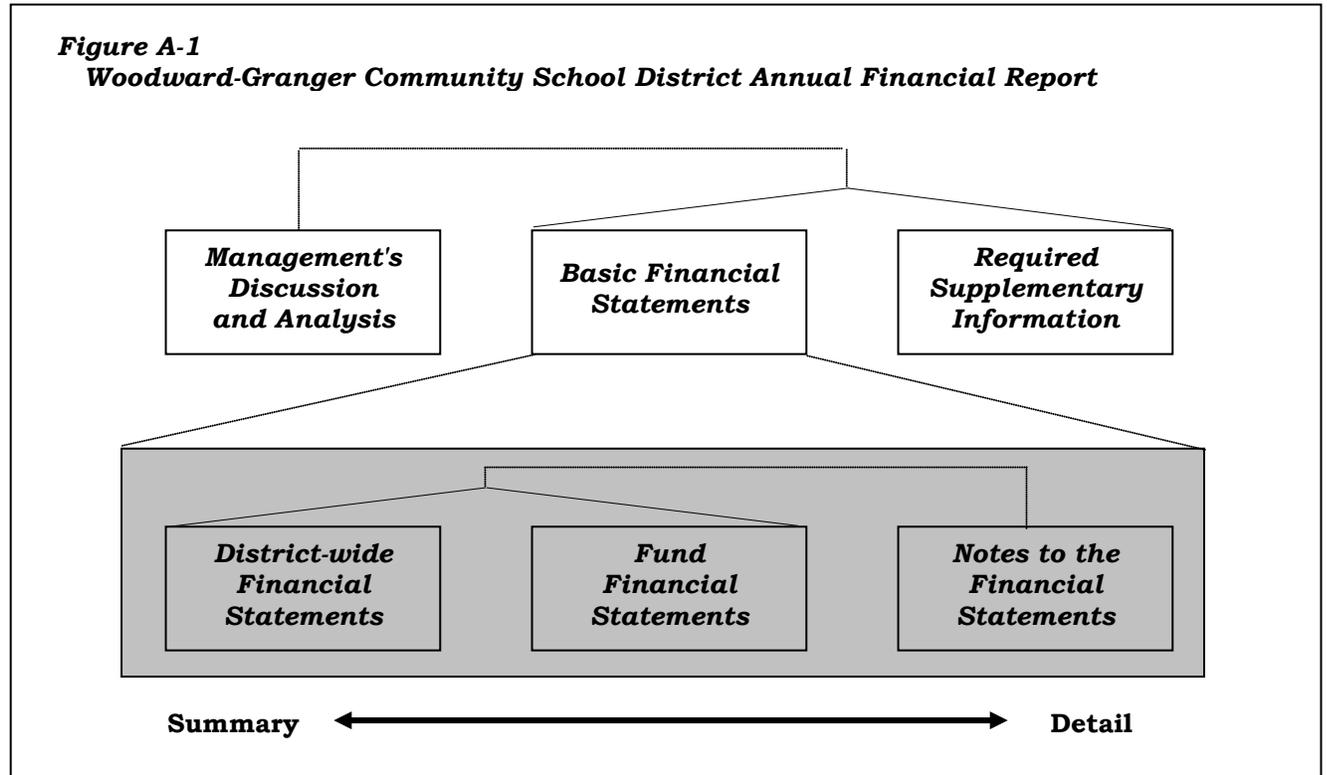


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to

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measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private Purpose Trust and the Agency fund.
  - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 9,714,317	8,965,857	22,397	7,533	9,736,714	8,973,390	8.51%
Capital assets	13,101,181	13,294,899	129,572	148,827	13,230,753	13,443,726	-1.58%
Total assets	22,815,498	22,260,756	151,969	156,360	22,967,467	22,417,116	2.46%
Long-term obligations	9,253,483	9,289,974	0	0	9,253,483	9,289,974	-0.39%
Other liabilities	6,221,752	6,056,976	162,602	167,054	6,384,354	6,224,030	2.58%
Total liabilities	15,475,235	15,346,950	162,602	167,054	15,637,837	15,514,004	0.80%
Net assets:							
Invested in capital assets, net of related debt	4,791,181	4,504,899	129,572	148,827	4,920,753	4,653,726	5.74%
Restricted	1,479,444	1,201,269	0	0	1,479,444	1,201,269	23.16%
Unrestricted	1,069,638	1,207,638	(140,205)	(159,521)	929,433	1,048,117	-11.32%
Total net assets	\$ 7,340,263	6,913,806	(10,633)	(10,694)	7,329,630	6,903,112	6.18%

The District’s combined net assets increased by 6.18%, or \$426,518, over the prior year. The largest portion of the District’s net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 \$278,175, or 23.16% over the prior year. The increase was primarily a result of the increase in the state categorical funding carryover.

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 \$118,684, or 11.32%. This decrease in unrestricted net assets was a result of the increasing OPEB liability to the District.

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

Figure A-4  
Changes in Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2011-12
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 3,512,225	3,477,721	232,378	237,767	3,744,603	3,715,488	0.78%
Operating grants and contributions and restricted interest	1,130,524	1,097,917	115,920	118,196	1,246,444	1,216,113	2.49%
Capital grants and contributions and restricted interest	1,224	0	0	0	1,224	0	100.00%
General revenues:							
Property tax	4,250,586	4,200,214	0	0	4,250,586	4,200,214	1.20%
Income surtax	360,127	356,428	0	0	360,127	356,428	1.04%
Statewide sales, services and use tax	522,612	342,364	0	0	522,612	342,364	52.65%
Unrestricted state grants	4,008,735	3,321,990	0	0	4,008,735	3,321,990	20.67%
Nonspecific program federal grants	141,728	122,283	0	0	141,728	122,283	100.00%
Other	41,388	54,636	2	9,472	41,390	64,108	-35.44%
Total revenues	13,969,149	12,973,553	348,300	365,435	14,317,449	13,338,988	7.34%
Program expenses:							
Governmental activities:							
Instruction	9,226,994	8,293,419	0	0	9,226,994	8,293,419	11.26%
Support services	3,320,349	3,199,854	3,316	1,963	3,323,665	3,201,817	3.81%
Non-instructional programs	0	0	344,923	378,981	344,923	378,981	-8.99%
Other expenses	995,349	1,009,514	0	0	995,349	1,009,514	-1.40%
Total expenses	13,542,692	12,502,787	348,239	380,944	13,890,931	12,883,731	7.82%
Change in net assets	426,457	470,766	61	(15,509)	426,518	455,257	-6.31%
Net assets beginning of year	6,913,806	6,443,040	(10,694)	4,815	6,903,112	6,447,855	7.06%
Net assets end of year	\$ 7,340,263	6,913,806	(10,633)	(10,694)	7,329,630	6,903,112	6.18%

In fiscal 2012, property tax and unrestricted state grants account for 59.13% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100.00% of the revenue from business type activities.

The District's total revenues were approximately \$14.3 million of which \$14.0 million was for governmental activities and \$.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 7.34% in revenues and a 7.82% increase in expenses. The increase in expenses was related to the increase in instructional costs during the year.

### Governmental Activities

Revenues for governmental activities were \$13,969,149 and expenses were \$13,542,692.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 9,226,994	8,293,419	11.26%	4,899,696	4,037,426	21.36%
Support services	3,320,349	3,199,854	3.77%	3,302,785	3,186,676	3.64%
Other expenses	995,349	1,009,514	-1.40%	696,238	703,047	-0.97%
Totals	<u>\$ 13,542,692</u>	<u>12,502,787</u>	<u>8.32%</u>	<u>8,898,719</u>	<u>7,927,149</u>	<u>12.26%</u>

- The cost financed by users of the District’s programs was \$3,512,225.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,131,748.
- The net cost of governmental activities was financed with \$4,250,586 in property tax, \$360,127 in income surtax, \$522,612 in statewide sales, services and use tax, \$4,008,735 in unrestricted state grants, \$141,728 in nonspecific program federal grants, \$531 in interest income and \$40,857 in other general revenue.

**Business-Type Activities**

Revenues of the District’s business type activities were \$348,300 and expenses were \$348,239. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,178,060, compared to last year’s ending fund balances of \$2,586,809. The primary reason for the increase in combined fund balances in fiscal 2012 is due to the increase in the General Fund balance.

**Governmental Fund Highlights**

- The District’s General Fund financial position is the product of many factors. Growth during the year in local tax and state grants resulted in an increase in revenues. The increase in revenues was partially offset by the District’s increase in General Fund expenditures, resulting in a fund balance increase from \$1,442,538, to \$1,946,625.
- The Capital Projects Fund balance increased from \$894,102 to \$962,392. The increase was the result of the increasing in sales tax revenues, while reducing expenditures.

**Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from a deficit of \$10,694 at June 30, 2011 to a deficit \$10,633 at June 30, 2012, representing an increase of less than 1%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$131,447 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

Over the course of the year, Woodward-Granger Community School District amended its annual budget one time to reflect additional expenditures in the all functional areas.

In spite of this budget amendment, expenditures in the instruction functional area exceeded the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested \$13.23 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$415,307.

The original cost of the District's capital assets was \$17.52 million. Governmental funds account for \$17.25 million with the remainder of \$0.27 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$407,724 at June 30, 2012, compared to \$398,375 reported at June 30, 2011. This increase resulted from the purchase of a new bus during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 14,204	14,204	0	0	14,204	14,204	0.00%
Buildings	12,808,825	13,031,147	0	0	12,808,825	13,031,147	-1.71%
Machinery and equipment	278,152	249,548	129,572	148,827	407,724	398,375	2.35%
Total	\$ 13,101,181	13,294,899	129,572	148,827	13,230,753	13,443,726	-1.58%

### Long-Term Debt

At June 30, 2012, the District had \$9,253,483 in general obligation and other long-term debt outstanding. This represents a decrease of 0.39% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$7,095,000 at June 30, 2012.

The District had total outstanding capital loan notes payable of \$1,215,000 at June 30, 2012.

The District had total outstanding computer lease payable of \$278,718 at June 30, 2012.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$143,196 at June 30, 2012.

The District had total outstanding Compensated Absences payable from the General Fund of \$20,785 at June 30, 2012.

The District had total outstanding Net OPEB liability payable from the General Fund of \$500,784 at June 30, 2012.

Figure A-7  
Outstanding Long-Term Obligations

	Total		Total
	School District		Change
	June 30,		June 30,
	2012	2011	2011-12
General Obligation Bonds	\$ 7,095,000	7,395,000	-4.06%
Capital Loan Note	1,215,000	1,395,000	-12.90%
Computer Lease	278,718	0	100.00%
Early Retirement	143,196	144,667	-1.02%
Compensated Absences	20,785	19,234	8.06%
Net OPEB Liability	500,784	336,073	49.01%
Totals	<u>\$ 9,253,483</u>	<u>9,289,974</u>	<u>-0.39%</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:

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The current Federal and State budget issues will continue to negatively impact Woodward-Granger Schools.

## 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 Bob Torrence, District Secretary/Treasurer, Woodward-Granger Community School District, 306 West 3<sup>rd</sup> Street, Woodward, Iowa, 50276.

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**WOODWARD GRANGER COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Primary Government		
	Governmental	Business Type	Total
	Activities	Activities	
<b>Assets</b>			
Cash and pooled investments	\$ 3,287,174	10,220	3,297,394
Receivables:			
Property tax:			
Delinquent	75,192	0	75,192
Succeeding year	4,336,892	0	4,336,892
Income surtax	346,962	0	346,962
Accounts	5,511	5,528	11,039
Due from other funds	146,230	0	146,230
Due from other governments	1,516,356	0	1,516,356
Inventories	0	6,649	6,649
Capital assets, net of accumulated depreciation	13,101,181	129,572	13,230,753
<b>Total Assets</b>	<b>22,815,498</b>	<b>151,969</b>	<b>22,967,467</b>
<b>Liabilities</b>			
Due to other funds	0	146,230	146,230
Accounts payable	946,601	10,216	956,817
Salaries and benefits payable	903,202	0	903,202
Accrued interest payable	32,457	0	32,457
Deferred revenue:			
Succeeding year property tax	4,336,892	0	4,336,892
Other	2,600	0	2,600
Unearned revenue	0	6,156	6,156
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	310,000	0	310,000
Capital loan notes payable	185,000	0	185,000
Computer lease payable	90,199	0	90,199
Early retirement payable	57,667	0	57,667
Compensated absences	20,785	0	20,785
Portion due after one year:			
General obligation bonds payable	6,785,000	0	6,785,000
Capital loan notes payable	1,030,000	0	1,030,000
Computer lease payable	188,519	0	188,519
Early retirement payable	85,529	0	85,529
Net OPEB liability	500,784	0	500,784
<b>Total Liabilities</b>	<b>15,475,235</b>	<b>162,602</b>	<b>15,637,837</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	4,791,181	129,572	4,920,753
Restricted for:			
Categorical funding	391,205	0	391,205
School infrastructure	722,445	0	722,445
Physical plant and equipment	239,947	0	239,947
Management levy purposes	66,201	0	66,201
Student activities	52,123	0	52,123
Debt service	7,523	0	7,523
Unrestricted	1,069,638	(140,205)	929,433
<b>Total Net Assets</b>	<b>\$ 7,340,263</b>	<b>(10,633)</b>	<b>7,329,630</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		
					Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 4,051,268	411,024	101,171	0	(3,539,073)	0	(3,539,073)
Special	3,839,956	2,790,888	144,670	0	(904,398)	0	(904,398)
Other	1,335,770	310,313	569,232	0	(456,225)	0	(456,225)
	<u>9,226,994</u>	<u>3,512,225</u>	<u>815,073</u>	<u>0</u>	<u>(4,899,696)</u>	<u>0</u>	<u>(4,899,696)</u>
Support services:							
Student	229,352	0	42	0	(229,310)	0	(229,310)
Instructional staff	608,902	0	0	0	(608,902)	0	(608,902)
Administration	1,260,049	0	348	0	(1,259,701)	0	(1,259,701)
Operation and maintenance of plant	926,348	0	0	1,224	(925,124)	0	(925,124)
Transportation services	295,698	0	15,950	0	(279,748)	0	(279,748)
	<u>3,320,349</u>	<u>0</u>	<u>16,340</u>	<u>1,224</u>	<u>(3,302,785)</u>	<u>0</u>	<u>(3,302,785)</u>
Other expenses:							
Long-term debt interest	373,411	0	0	0	(373,411)	0	(373,411)
AEA flowthrough	299,111	0	299,111	0	0	0	0
Depreciation (unallocated)*	322,827	0	0	0	(322,827)	0	(322,827)
	<u>995,349</u>	<u>0</u>	<u>299,111</u>	<u>0</u>	<u>(696,238)</u>	<u>0</u>	<u>(696,238)</u>
Total governmental activities	13,542,692	3,512,225	1,130,524	1,224	(8,898,719)	0	(8,898,719)
Business Type activities:							
Support services:							
Administration	3,316	0	0	0	0	(3,316)	(3,316)
Non-instructional programs:							
Nutrition services	344,923	232,378	115,920	0	0	3,375	3,375
Total business type activities	<u>348,239</u>	<u>232,378</u>	<u>115,920</u>	<u>0</u>	<u>0</u>	<u>59</u>	<u>59</u>
Total primary government	\$ <u>13,890,931</u>	<u>3,744,603</u>	<u>1,246,444</u>	<u>1,224</u>	<u>(8,898,719)</u>	<u>59</u>	<u>(8,898,660)</u>
<b>General Revenues:</b>							
Property tax for:							
General purposes					\$ 3,385,702	0	3,385,702
Capital outlay					363,158	0	363,158
Debt service					501,726	0	501,726
Income surtax					360,127	0	360,127
Statewide sales, services and use tax					522,612	0	522,612
Unrestricted state grants					4,008,735	0	4,008,735
Nonspecific program federal grants					141,728	0	141,728
Unrestricted investment earnings					531	2	533
Other					40,857	0	40,857
Total general revenues					<u>9,325,176</u>	<u>2</u>	<u>9,325,178</u>
Changes in net assets					426,457	61	426,518
Net assets beginning of year					6,913,806	(10,694)	6,903,112
Net assets end of year					<u>\$ 7,340,263</u>	<u>(10,633)</u>	<u>7,329,630</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 2,080,942	930,456	275,776	3,287,174
Receivables:				
Property tax:				
Delinquent	54,301	6,467	14,424	75,192
Succeeding year	3,056,843	374,732	905,317	4,336,892
Income surtax	346,962	0	0	346,962
Accounts	5,511	0	0	5,511
Due from other funds	152,714	0	0	152,714
Due from other governments	1,418,077	98,279	0	1,516,356
<b>Total Assets</b>	<b>\$ 7,115,350</b>	<b>1,409,934</b>	<b>1,195,517</b>	<b>9,720,801</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Due to other funds	\$ 0	0	6,484	6,484
Accounts payable	859,118	72,810	14,673	946,601
Salaries and benefits payable	903,202	0	0	903,202
Deferred revenue:				
Succeeding year property tax	3,056,843	374,732	905,317	4,336,892
Income surtax	346,962	0	0	346,962
Other	2,600	0	0	2,600
Total liabilities	5,168,725	447,542	926,474	6,542,741
Fund balances:				
Restricted for:				
Categorical funding	391,205	0	0	391,205
School infrastructure	0	722,445	0	722,445
Physical plant and equipment	0	239,947	0	239,947
Management levy purposes	0	0	209,397	209,397
Student activities	0	0	52,123	52,123
Debt service	0	0	7,523	7,523
Unassigned	1,555,420	0	0	1,555,420
Total fund balances	1,946,625	962,392	269,043	3,178,060
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,115,350</b>	<b>1,409,934</b>	<b>1,195,517</b>	<b>9,720,801</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$ 3,178,060
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	13,101,181
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	346,962
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as liability in the governmental funds.	(32,457)
Long-term liabilities, including general obligation bonds payable, net OPEB liability, capital loan notes payable, computer lease payable, early retirement payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(9,253,483)</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 7,340,263</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 3,498,257	885,770	754,744	5,138,771
Tuition	3,180,926	0	0	3,180,926
Other	105,782	1,224	282,225	389,231
State sources	4,557,865	0	0	4,557,865
Federal sources	707,802	0	0	707,802
Total revenues	<u>12,050,632</u>	<u>886,994</u>	<u>1,036,969</u>	<u>13,974,595</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,050,095	0	0	4,050,095
Special	3,714,620	0	0	3,714,620
Other	1,056,748	0	271,241	1,327,989
	<u>8,821,463</u>	<u>0</u>	<u>271,241</u>	<u>9,092,704</u>
Support services:				
Student	231,888	0	0	231,888
Instructional staff	232,262	371,717	0	603,979
Administration	957,757	192,113	86,084	1,235,954
Operation and maintenance of plant	711,486	0	162,984	874,470
Transportation	301,457	16,500	0	317,957
	<u>2,434,850</u>	<u>580,330</u>	<u>249,068</u>	<u>3,264,248</u>
Capital outlay	0	163,588	0	163,588
Long-term debt:				
Principal	0	0	572,999	572,999
Interest	0	0	371,290	371,290
	<u>0</u>	<u>0</u>	<u>944,289</u>	<u>944,289</u>
Other expenditures:				
AEA flowthrough	299,111	0	0	299,111
Total expenditures	<u>11,555,424</u>	<u>743,918</u>	<u>1,464,598</u>	<u>13,763,940</u>
Excess(deficiency) of revenues over(under) expenditures	495,208	143,076	(427,629)	210,655
Other financing sources(uses):				
Insurance proceeds	8,879	0	0	8,879
Proceeds from capital lease	0	371,717	0	371,717
Transfers in	0	0	446,503	446,503
Transfers out	0	(446,503)	0	(446,503)
Total other financing sources(uses)	<u>8,879</u>	<u>(74,786)</u>	<u>446,503</u>	<u>380,596</u>
Net change in fund balances	504,087	68,290	18,874	591,251
Fund balance beginning of year	1,442,538	894,102	250,169	2,586,809
Fund balance end of year	<u>\$ 1,946,625</u>	<u>962,392</u>	<u>269,043</u>	<u>3,178,060</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 591,251

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 202,334	
Depreciation expense	(396,052)	(193,718)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (5,446)

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

Current year issuances and repayments are as follows:

Issued	(371,717)	
Repaid	572,999	201,282

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. (2,121)

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

Early Retirement	1,471	
Compensated Absences	(1,551)	
Net OPEB liability	(164,711)	(164,791)

Changes in net assets of governmental activities(page 19) \$ 426,457

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 10,220
Accounts receivable	5,528
Inventories	6,649
Capital assets, net of accumulated depreciation	129,572
<b>Total Assets</b>	<u>151,969</u>
<b>Liabilities</b>	
Due to other funds	146,230
Accounts payable	10,216
Unearned revenue	6,156
<b>Total Liabilities</b>	<u>162,602</u>
<b>Net Assets</b>	
Invested in capital assets	129,572
Unrestricted	(140,205)
<b>Total Net Assets</b>	<u>\$ (10,633)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 232,378
OPERATING EXPENSES:	
Support services:	
Administration:	
Services	3,316
Non-instructional programs:	
Food service operations:	
Services	286,778
Supplies	38,890
Depreciation	19,255
	344,923
TOTAL OPERATING EXPENSES	348,239
OPERATING LOSS	(115,861)
NON-OPERATING REVENUES:	
Interest income	2
State sources	3,034
Federal sources	112,886
TOTAL NON-OPERATING REVENUES	115,922
Change in net assets	61
Net assets beginning of year	(10,694)
Net assets end of year	\$ (10,633)

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 229,230
Cash payments to suppliers for goods or services	(299,911)
Net cash used in operating activities	(70,681)
Cash flows from non-capital financing activities:	
Repayments to the General Fund	(17,048)
State grants received	3,034
Federal grants received	93,177
Net cash provided by non-capital financing activities	79,163
Cash flows from investing activities:	
Interest on investments	2
Net decrease in cash and cash equivalents	8,484
Cash and cash equivalents at beginning of year	1,736
Cash and cash equivalents at end of year	\$ 10,220
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (115,861)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	19,709
Depreciation	19,255
Increase in inventories	(852)
Increase in accounts receivable	(5,528)
Increase in accounts payable	10,216
Increase in unearned revenue	2,380
Net cash used in operating activities	\$ (70,681)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$19,709 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	Private Purpose	
	Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 48,220	3,451
<b>Total Assets</b>	<u>48,220</u>	<u>3,451</u>
<b>Liabilities</b>		
Due to other groups	0	3,451
<b>Total Liabilities</b>	<u>0</u>	<u>3,451</u>
<b>Net Assets</b>		
Unrestricted	48,220	0
<b>Total Net Assets</b>	<u>\$ 48,220</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2012

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 397
Contributions	1,500
Total additions	<u>1,897</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,500</u>
Change in net assets	397
Net assets beginning of year	<u>47,823</u>
Net assets end of year	<u>\$ 48,220</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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

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

**A. Reporting Entity**

For financial reporting purposes, Woodward-Granger 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 Woodward-Granger Community School District has no component unit which meet the Governmental Accounting Standards Board criteria.

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the 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 support.

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 plus unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

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

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

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

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

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

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

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

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

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

Under 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 - restricted 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 nonoperating 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. 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 spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally

imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

During the year ended June 30, 2012 expenditures in the instruction functional area exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2012 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$21,874 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 228,742
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>217,761</u>
Total		<u>\$ 446,503</u>

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

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

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

At June 30, 2012 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Enterprise, School Nutrition	\$ 146,230
General	Management Levy	4,324
General	Debt Service	2,160
Total		<u>\$ 152,714</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for money borrowed for cash flow purposes.

The Special Revenue Management Levy Fund is repaying the General Fund for insurance expenses paid from the Management Levy Fund.

The Debt Service Fund is repaying the General Fund for money borrowed for cash flow purposes.

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,204	0	0	14,204
Total capital assets not being depreciated	<u>14,204</u>	<u>0</u>	<u>0</u>	<u>14,204</u>
Capital assets being depreciated:				
Buildings	16,232,762	100,505	0	16,333,267
Machinery and equipment	800,585	101,829	0	902,414
Total capital assets being depreciated	<u>17,033,347</u>	<u>202,334</u>	<u>0</u>	<u>17,235,681</u>
Less accumulated depreciation for:				
Buildings	3,201,615	322,827	0	3,524,442
Machinery and equipment	551,037	73,225	0	624,262
Total accumulated depreciation	<u>3,752,652</u>	<u>396,052</u>	<u>0</u>	<u>4,148,704</u>
Total capital assets being depreciated, net	<u>13,280,695</u>	<u>(193,718)</u>	<u>0</u>	<u>13,086,977</u>
Governmental activities capital assets, net	<u>\$ 13,294,899</u>	<u>(193,718)</u>	<u>0</u>	<u>13,101,181</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 268,913	0	0	268,913
Less accumulated depreciation	120,086	19,255	0	139,341
Business type activities capital assets, net	<u>\$ 148,827</u>	<u>(19,255)</u>	<u>0</u>	<u>129,572</u>

Depreciation expense was charged by the District as follows:

Governmental activities:			
Instruction:			
Regular			\$ 1,309
Special			666
Support services:			
Instructional staff			593
Administration			2,901
Operation and maintenance of plant			1,280
Transportation			66,476
			<u>73,225</u>
Unallocated depreciation			<u>322,827</u>
			<u>\$ 396,052</u>
Business type activities:			
Food services			<u>\$ 19,255</u>

#### (6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 7,395,000	0	300,000	7,095,000	310,000
Capital Loan Notes	1,395,000	0	180,000	1,215,000	185,000
Computer Lease	0	371,717	92,999	278,718	90,199
Early Retirement	144,667	54,863	56,334	143,196	57,667
Compensated Absences	19,234	20,785	19,234	20,785	20,785
Net OPEB Liability	336,073	164,711	0	500,784	0
Total	<u>\$ 9,289,974</u>	<u>612,076</u>	<u>648,567</u>	<u>9,253,483</u>	<u>663,651</u>

#### General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of July 1, 2004			Bond Issue of June 3, 2008			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	5.00 % \$	135,000	102,550	4.10 % \$	175,000	199,765	\$ 310,000	302,315	612,315
2014	4.70	145,000	95,800	4.10	180,000	192,590	325,000	288,390	613,390
2015	4.13	150,000	88,984	4.10	190,000	185,210	340,000	274,194	614,194
2016	4.25	155,000	82,798	4.10	200,000	177,420	355,000	260,218	615,218
2017	4.37	165,000	76,210	4.10	205,000	169,220	370,000	245,430	615,430
2018-2022	5.00	940,000	255,250	4.10-4.00	1,185,000	713,015	2,125,000	968,265	3,093,265
2023-2027	5.00	440,000	33,250	4.00	2,225,000	423,600	2,665,000	456,850	3,121,850
2028	5.00	-	-	4.00	605,000	24,200	605,000	24,200	629,200
Total		\$ 2,130,000	734,842		\$ 4,965,000	2,085,020	\$ 7,095,000	2,819,862	9,914,862

#### Capital Loan Notes Payable

During the year ended June 30, 2008 the District issued \$1,900,000 in capital loan notes which are payable from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2012 capital loan notes indebtedness are as follows:

Year Ending June 30,	Note Issue of June 3, 2008			
	Interest Rates	Principal	Interest	Total
2013	3.25 % \$	185,000	41,942	226,942
2014	3.25	190,000	35,930	225,930
2015	3.35	200,000	29,755	229,755
2016	3.50	205,000	23,055	228,055
2017	3.60	215,000	15,880	230,880
2018	3.70	220,000	8,140	228,140
Total		\$ 1,215,000	154,702	1,369,702

#### Computer Lease

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

Year Ending June 30,	Computer lease of July 15, 2011			
	Interest Rates	Principal	Interest	Total
2013	1.90 % \$	90,199	7,562	97,761
2014	1.90	92,879	4,882	97,761
2015	1.90	95,640	2,121	97,761
Total		\$ 278,718	14,565	293,283

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of

Education. The early retirement incentive for each eligible employee is equal to 100% of a single plan health insurance coverage with the district's maximum expenditure not to exceed \$4,000. The coverage terminates upon the employee reaching age 65 or upon the death of the employee, whichever is first. Early retirement benefits paid during the year ended June 30, 2012, totaled \$56,334. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug dental benefits for retirees and their spouses. There are 123 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug dental benefit as active employees, which results in an implicit OPEB liability.

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

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

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

Annual required contribution	\$ 258,629
Interest on net OPEB obligation	8,402
Adjustment to annual required contribution	(32,400)
Annual OPEB cost	<u>234,631</u>
Contributions made	<u>(69,920)</u>
Increase in net OPEB obligation	164,711
Net OPEB obligation beginning of year	<u>336,073</u>
Net OPEB obligation end of year	<u><u>\$ 500,784</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$69,920 to the medical and dental plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 221,148	25.47	% \$ 164,815
2011	218,535	21.63	336,073
2012	234,631	13.81	500,784

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1.297 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.296 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.317 million and the ratio of the UAAL to covered payroll was 24.36%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$430,685, \$336,515 and \$323,015, respectively, equal to the required contributions for each year.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$299,111 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Fund Balance/Net Assets**

The Enterprise, School Nutrition Fund had deficit unrestricted net assets of \$140,205 and total net assets of a deficit \$10,633 at June 30, 2012.

**(12) Budget Overexpenditure**

Per the code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the instruction functional area exceeded the certified budget.

**(13) Categorical Funding**

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

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 2,212
Dropout and dropout prevention	160,302
Statewide voluntary preschool	42,817
Educator quality, salary improvement program	39,538
Educator quality, professional development	95,254
Educator quality, model core curriculum	6,045
Iowa early intervention block grant	<u>45,037</u>
Total restricted for categorical funding	<u>\$ 391,205</u>

REQUIRED SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 8,708,928	232,380	8,941,308	8,617,543	8,617,543	323,765
State sources	4,557,865	3,034	4,560,899	5,022,905	5,022,905	(462,006)
Federal sources	707,802	112,886	820,688	551,000	551,000	269,688
Total revenues	<u>13,974,595</u>	<u>348,300</u>	<u>14,322,895</u>	<u>14,191,448</u>	<u>14,191,448</u>	<u>131,447</u>
Expenditures/expenses:						
Instruction	9,092,704	0	9,092,704	8,585,500	8,900,000	(192,704)
Support services	3,264,248	3,316	3,267,564	3,905,000	4,400,000	1,132,436
Non-instructional programs	0	344,923	344,923	490,697	600,000	255,077
Other expenditures	1,406,988	0	1,406,988	1,171,297	1,600,000	193,012
Total expenditures/expenses	<u>13,763,940</u>	<u>348,239</u>	<u>14,112,179</u>	<u>14,152,494</u>	<u>15,500,000</u>	<u>1,387,821</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	210,655	61	210,716	38,954	(1,308,552)	1,519,268
Other financing sources(uses), net	<u>380,596</u>	<u>0</u>	<u>380,596</u>	<u>120,000</u>	<u>120,000</u>	<u>260,596</u>
Excess(deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	591,251	61	591,312	158,954	(1,188,552)	1,779,864
Balance beginning of year	<u>2,586,809</u>	<u>(10,694)</u>	<u>2,576,115</u>	<u>887,147</u>	<u>887,147</u>	<u>1,688,968</u>
Balance end of year	<u>\$ 3,178,060</u>	<u>(10,633)</u>	<u>3,167,427</u>	<u>1,046,101</u>	<u>(301,405)</u>	<u>3,468,832</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$1,347,506.

During the year ended June 30, 2012, the expenditures in the instruction functional area exceeded the certified budget.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ 0	\$ 1,244,652	\$ 1,244,652	0.00%	\$ 4,367,794	28.50%
2011	July 1, 2009	0	1,244,652	1,244,652	0.00%	4,377,964	28.43%
2012	July 1, 2011	0	1,295,536	1,295,536	0.00%	5,317,637	24.36%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds		
<b>Assets</b>					
Cash and pooled investments	210,692	65,084	275,776	0	275,776
Receivables:					
Property tax:					
Delinquent	4,741	0	4,741	9,683	14,424
Succeeding year	292,000	0	292,000	613,317	905,317
<b>Total Assets</b>	<b>\$ 507,433</b>	<b>65,084</b>	<b>572,517</b>	<b>623,000</b>	<b>1,195,517</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ 4,324	0	4,324	2,160	6,484
Accounts payable	1,712	12,961	14,673	0	14,673
Deferred revenue:					
Succeeding year property tax	292,000	0	292,000	613,317	905,317
Total liabilities	298,036	12,961	310,997	615,477	926,474
Fund balances:					
Restricted for:					
Management levy purposes	209,397	0	209,397	0	209,397
Student activities	0	52,123	52,123	0	52,123
Debt service	0	0	0	7,523	7,523
Total fund balances	209,397	52,123	261,520	7,523	269,043
<b>Total Liabilities and Fund Balances</b>	<b>\$ 507,433</b>	<b>65,084</b>	<b>572,517</b>	<b>623,000</b>	<b>1,195,517</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue Funds		
Revenues:					
Local sources:					
Local tax	\$ 253,018	0	253,018	501,726	754,744
Other	12,634	269,591	282,225	0	282,225
Total revenues	265,652	269,591	535,243	501,726	1,036,969
Expenditures:					
Current:					
Instruction:					
Other	0	271,241	271,241	0	271,241
Support services:					
Administration	86,084	0	86,084	0	86,084
Operation and maintenance of plant	162,984	0	162,984	0	162,984
Other expenditures:					
Long-term debt:					
Principal	0	0	0	572,999	572,999
Interest	0	0	0	371,290	371,290
Total expenditures	249,068	271,241	520,309	944,289	1,464,598
Excess(deficiency) of revenues over(under) expenditures	16,584	(1,650)	14,934	(442,563)	(427,629)
Other financing sources:					
Transfer in	0	0	0	446,503	446,503
Net change in fund balances	16,584	(1,650)	14,934	3,940	18,874
Fund balance beginning of year	192,813	53,773	246,586	3,583	250,169
Fund balance end of year	\$ 209,397	52,123	261,520	7,523	269,043

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2012

	Capital Project Funds		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Capital Projects
<b>ASSETS</b>			
Cash and pooled investments	\$ 624,166	306,290	930,456
Receivables:			
Property tax			
Delinquent	0	6,467	6,467
Succeeding year	0	374,732	374,732
Due from other governments	98,279	0	98,279
<b>TOTAL ASSETS</b>	<b>\$ 722,445</b>	<b>687,489</b>	<b>1,409,934</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 0	72,810	72,810
Deferred revenue:			
Succeeding year property tax	0	374,732	374,732
Total liabilities	0	447,542	447,542
Fund balances:			
Restricted for:			
School infrastructure	722,445	0	722,445
Physical plant and equipment	0	239,947	239,947
Total fund balances	722,445	239,947	962,392
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 722,445</b>	<b>687,489</b>	<b>1,409,934</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Project Fund		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources			
Local tax	\$ 522,612	363,158	885,770
Other	0	1,224	1,224
Total revenues	<u>522,612</u>	<u>364,382</u>	<u>886,994</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	371,717	0	371,717
Administration	110,099	82,014	192,113
Transportation	0	16,500	16,500
Capital outlay	111,754	51,834	163,588
Total expenditures	<u>593,570</u>	<u>150,348</u>	<u>743,918</u>
Excess(deficiency) of revenues over(under) expenditures	(70,958)	214,034	143,076
Other financing sources(uses):			
Proceeds from capital lease	371,717	0	371,717
Transfer out	(217,761)	(228,742)	(446,503)
Total other financing sources(uses)	<u>153,956</u>	<u>(228,742)</u>	<u>(74,786)</u>
Net change in fund balances	82,998	(14,708)	68,290
Fund balance beginning of year	<u>639,447</u>	<u>254,655</u>	<u>894,102</u>
Fund balance end of year	<u>\$ 722,445</u>	<u>239,947</u>	<u>962,392</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>JH Athletic Fundraiser:</b>				
JH Boys Basketball	\$ 91	0	91	0
JH Football	226	0	226	0
JH Boys Track	173	0	173	0
JH Girls Basketball	247	0	247	0
JH Volleyball	345	0	345	0
Elementary Girls Basketball	688	0	0	688
	<u>1,770</u>	<u>0</u>	<u>1,082</u>	<u>688</u>
<b>HS Athletic Accounts:</b>				
HS General Athletics	2,280	40,666	39,527	3,419
HS Golf	0	760	760	0
HS Boys Basketball	0	5,274	5,274	0
HS Football	0	17,703	17,703	0
HS Baseball	0	4,297	4,297	0
HS Boys Track	0	3,114	3,114	0
HS Wrestling	0	3,642	3,642	0
HS Girls Basketball	0	4,455	4,455	0
HS Volleyball	0	3,397	3,397	0
HS Softball	0	4,798	4,798	0
HS Girls Track	0	2,899	2,899	0
	<u>2,280</u>	<u>91,005</u>	<u>89,866</u>	<u>3,419</u>
<b>HS Athletic Fundraiser:</b>				
Girls and Boys Golf	29	379	379	29
Weightlifting	28	0	0	28
HS Boys Basketball	2,577	9,065	7,544	4,098
HS Football	2,857	25,365	25,727	2,495
Baseball	(89)	15,254	11,961	3,204
HS Boys Track	216	3,644	3,320	540
HS Wrestling	2,905	3,279	5,725	459
HS Girls Basketball	877	5,841	5,186	1,532
HS Girls Volleyball	1,838	4,753	6,326	265
HS Girls Softball	395	6,872	7,008	259
HS Girls Track	770	505	1,275	0
	<u>12,403</u>	<u>74,957</u>	<u>74,451</u>	<u>12,909</u>
<b>Activities Accounts:</b>				
Cash on hand	475	22,985	22,985	475
HS Cheerleaders	407	8,008	6,488	1,927
MS Cheerleaders	16	559	481	94
Class of 2012	5,508	1,322	6,830	0
Class of 2013	4,507	29,100	28,986	4,621
Class of 2014	0	12,108	6,330	5,778
Class of 2015	0	260	0	260
HS Dance Team	765	393	922	236
Drama	4,007	2,808	2,878	3,937
Flag Team Fundraiser	315	0	0	315
Jazz Festival	534	9,544	8,381	1,697
Marketing Fundraiser	1,270	692	1,359	603
Spanish Club	1,276	0	0	1,276
HS Student Council	6,098	6,084	9,472	2,710
MS Student Council	6,211	4,321	5,550	4,982
ELP	1,540	0	0	1,540
Yearbook	3,391	4,000	4,228	3,163
Elementary Student Council	0	1,445	391	1,054
Tri-M Fundraiser	718	0	279	439
	<u>37,320</u>	<u>103,629</u>	<u>105,842</u>	<u>35,107</u>
Total	<u>\$ 53,773</u>	<u>269,591</u>	<u>271,241</u>	<u>52,123</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>Statewide Sales, Services and Use Tax</u></b>				
ASSETS				
Cash and pooled investments	\$ 203	93,290	93,290	203
Accounts receivable	20,278	0	20,278	0
	<u>\$ 20,481</u>	<u>93,290</u>	<u>113,568</u>	<u>203</u>
LIABILITIES				
Due to other groups	\$ 20,481	93,290	126,899	203
<b><u>Teacher Pop</u></b>				
ASSETS				
Cash and pooled investments	\$ 2,531	717	0	3,248
LIABILITIES				
Due to other groups	\$ 2,531	717	0	3,248
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
ASSETS				
Cash and pooled investments	\$ 2,734	94,007	93,290	3,451
Accounts receivable	20,278	0	20,278	0
	<u>\$ 23,012</u>	<u>94,007</u>	<u>113,568</u>	<u>3,451</u>
LIABILITIES				
Due to other groups	\$ 23,012	94,007	126,899	3,451
	<u>\$ 23,012</u>	<u>94,007</u>	<u>126,899</u>	<u>3,451</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST TEN YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2012	2011	2010	2009	2008
Revenues:					
Local sources:					
Local tax	\$ 5,138,771	4,846,166	4,462,938	4,334,175	3,562,849
Tuition	3,180,926	3,139,875	3,199,273	3,042,327	2,902,427
Other	389,231	414,454	382,451	525,164	490,237
State sources	4,557,865	3,796,564	3,520,267	4,018,933	3,846,070
Federal sources	707,802	723,654	1,028,426	469,552	387,945
<b>Total</b>	<b>\$ 13,974,595</b>	<b>12,920,713</b>	<b>12,593,355</b>	<b>12,390,151</b>	<b>11,189,528</b>
Expenditures:					
Current:					
Instruction:					
Regular	\$ 4,050,095	3,209,307	3,192,705	3,352,348	3,477,718
Special	3,714,620	3,651,361	3,697,322	3,684,357	3,400,319
Other	1,327,989	1,302,638	1,127,644	854,627	584,943
Support services:					
Student	231,888	208,513	284,119	228,214	195,404
Instructional staff	603,979	221,919	260,217	217,634	190,316
Administration	1,235,954	1,147,874	953,422	966,516	980,359
Operation and maintenance of plant	874,470	811,331	871,673	673,494	651,067
Transportation	317,957	373,584	269,129	292,760	407,459
Non-instructional programs	0	0	25	0	0
Capital outlay	163,588	715,412	1,731,187	4,776,431	941,913
Long-term debt:					
Principal	572,999	515,000	742,935	761,309	522,319
Interest	371,290	388,105	418,625	443,513	171,897
Other expenditures:					
AEA flow-through	299,111	306,467	305,777	270,262	254,635
<b>Total</b>	<b>\$ 13,763,940</b>	<b>12,545,044</b>	<b>13,549,003</b>	<b>16,251,203</b>	<b>11,523,714</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 7

2007	2006	2005	2004	2003
3,411,897	2,970,812	2,866,489	2,485,726	2,185,352
2,416,577	2,369,680	2,367,322	1,416,833	1,389,836
387,814	367,226	321,089	271,143	297,421
3,627,329	3,201,767	3,034,280	2,512,232	2,633,980
366,931	392,317	371,799	344,294	284,470
10,210,548	9,301,802	8,960,979	7,030,228	6,791,059
3,113,317	2,672,466	2,492,078	2,537,706	2,357,986
3,048,937	2,804,889	2,832,695	1,930,535	1,806,257
435,368	639,858	618,314	416,418	428,947
205,935	181,587	222,986	214,108	229,148
190,944	251,380	182,376	157,706	230,269
1,018,479	997,818	688,281	675,188	694,672
630,563	518,574	429,979	472,061	373,353
365,278	356,718	248,768	203,210	185,966
0	0	0	0	70
762,944	1,486,917	1,877,531	199,688	94,283
461,462	336,864	304,313	235,000	234,531
168,299	163,341	151,545	76,235	75,566
235,532	206,218	193,002	184,489	198,188
10,401,526	10,410,412	10,048,866	7,117,855	6,711,048

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	\$ 15,112
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	97,364 *
			<u>112,476</u>
CHILD AND ADULT CARE FOOD PROGRAM	10.558	FY 12	<u>410</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 12	<u>393,894</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 12	<u>18,850</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	<u>6,364</u>
EDUCATION JOBS FUND	84.410	FY 11	134,205
EDUCATION JOBS FUND	84.410	FY 12	2,200
			<u>136,405</u>
HEARTLAND AREA EDUCATION AGENCY 11: SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 12	<u>41,828</u>
TOTAL			<u>\$ 710,227</u>

\* - Includes \$19,709 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
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Telephone (641) 792-1910

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

To the Board of Education of the  
Woodward-Granger 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 Woodward-Granger 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 December 10, 2012. 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 Woodward-Granger Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Woodward-Granger Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Woodward-Granger Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Woodward-Granger Community School District's internal control over financial reporting.

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Finding and Questioned Costs items II-B-12 and II-C-12 to be significant deficiencies.

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Compliance and Other Matters

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 10, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
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117 West 3rd Street North, Newton, Iowa 50208-3040  
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Independent Auditor's Report on Compliance with Requirements That  
Could Have a Direct and Material Effect on Each Major Program and Internal Control  
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Woodward-Granger Community School District

Compliance

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

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

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

Internal Control Over Compliance

The management of Woodward-Granger Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Woodward-Granger Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal

control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Woodward-Granger Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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

Woodward-Granger Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit Woodward-Granger Community School District's response and, accordingly, we express no opinion on it.

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 10, 2012

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Individual Program:
    - CFDA Number 84.010 - Title I Grant to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Woodward-Granger Community School District did not qualify as a low-risk auditee.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. We also noted that one individual is responsible for entering payroll contracts into the system and the same employee is the only person to verify that the contracts are entered correctly.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-12 Checks Written as Bearer Paper - We noted during our audit that the District is writing checks to the bank which are later cashed at that bank for start-up money at District events.

Recommendation - The District writes various checks throughout the year for change boxes for startup cash at the gate for District events. It was noted that these checks were being written to the bank instead of the custodian/sponsor for these events and the bank. Checks made out to the bank alone are bearer paper and in the event the check would be lost or stolen, anyone could cash the check. In the future the District should write the check payable to the custodian/sponsor.

Response - In the future checks written for start-up money will be made out to the bank and to the custodian of the start-up money.

Conclusion - Response accepted.

II-C-12 Commodity Pricing - We noted during the audit that the commodity food listing was not priced out using commodity values provided by the Department of Education and therefore the amount of inventory was under reported on the Balance Sheet.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - We outsourced our nutrition program to an outside agency. They have been advised on pricing out inventories and now know how to price inventory items out correctly.

Conclusion - Response accepted.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.010 - Title I Grant to Local Educational Agencies  
Federal Award Year: 2012  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. We also noted that one individual is responsible for entering payroll contracts into the system and the same employee is the only person to verify that the contracts are entered correctly.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

WOODWARD-GRANGER COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

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

Recommendation - While the certified budget was amended during the year, in the future the certified budget should be amended to an amount greater than expenditures in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will monitor expenditures more closely in the future.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

However, we noted during our audit that the District is reimbursing employees at 40 cents per mile, while board policy 401.7 states the employees will be reimbursed at 29 cents per mile.

Recommendation - The District should review Board Policy 401.7 to ensure that mileage reimbursements are made in accordance with District policies.

Response - Board policy 401.7 was reviewed and adopted on November 19, 2012.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
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Rich Ashton, Bus Driver Owner of Dicks Fire Extinguisher	Services	\$1,631
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In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employee do not appear to represent a conflict of interest.

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

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

IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students which were reported was misstated by a net of 0.0 students. This was due to the District counting one student that was not a resident student and not counting another resident student that they should have.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

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

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

IV-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

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

Pursuant to Chapter 423F.3 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 reports (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 639,447
Revenues:		
Sales tax revenues	\$ 522,612	
Sale of long-term debt	371,717	894,329
		<u>1,533,776</u>
Expenditures/transfers out:		
School infrastructure construction	101,725	
Equipment	491,845	
Other		
Transfers to other funds:		
Debt service fund	217,761	811,331
		<u>811,331</u>
Ending balance		<u><u>\$ 722,445</u></u>

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

	Per \$1,001 of Taxable Valuation	Property Tax Dollars
Debt Service Levy	\$ 1.00808	\$ 217,761

IV-M-12 Financial Condition - The District has a deficit unrestricted net assets in the Enterprise, School Nutrition Fund of \$140,205 and a deficit total net assets of \$10,633

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

Response - The District has hired a food service management company to run the school nutrition program to try to improve the situation.

Conclusion - Response accepted.

IV-N-12 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should seek financing from the local bank for the deficit in the Enterprise, Nutrition Fund.

Response - The District will investigate options for providing a loan to the Nutrition Fund.

Conclusion - Response accepted.