

WEST HARRISON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Nonmajor Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Project Accounts:		
Combining Balance Sheet	3	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Student Activity Accounts	5	50
Schedule of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds	6	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		52-53
Schedule of Findings		54-56

West Harrison Community School District  
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Brent Olson	President	2015
David Baxter	Vice-President	2013
Tammy Neill	Board Member (Resigned December 12, 2012)	2013
Randy Wohlers	Board Member (Appointed December 12, 2012)	2013
Mary Cumming	Board Member	2015
Kandy Forbes	Board Member	2015
<b>School Officials</b>		
Joel Foster	Superintendent	2013
Jane Roden	Board Secretary/Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013

West Harrison Community School District

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District, Mondamin, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Harrison Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2014 on our consideration of West Harrison Community School District's internal control over financial reporting and on 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 in considering West Harrison Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2014  
Newton, Iowa

---

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

---

West Harrison Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,486,047 in fiscal 2012 to \$4,963,739 in fiscal 2013, and General Fund expenditures decreased from \$5,297,337 in fiscal 2012 to \$5,112,844 in fiscal 2013. The District's General Fund balance decreased from \$1,073,090 in fiscal 2012 to \$923,985 in fiscal 2013, a 13.89% decrease from the prior year.
- The decrease in General Fund revenues was attributable to decreases in local and state source revenues in fiscal 2013. The decrease in expenditures can be attributed to a decrease in expenditures in the instruction functional area during the year.

### **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 Position and a Statement of Activities. These provide information about the activities of West Harrison Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the non-major funds.

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

**Figure A-1**  
**West Harrison Community School District Annual Financial Report**

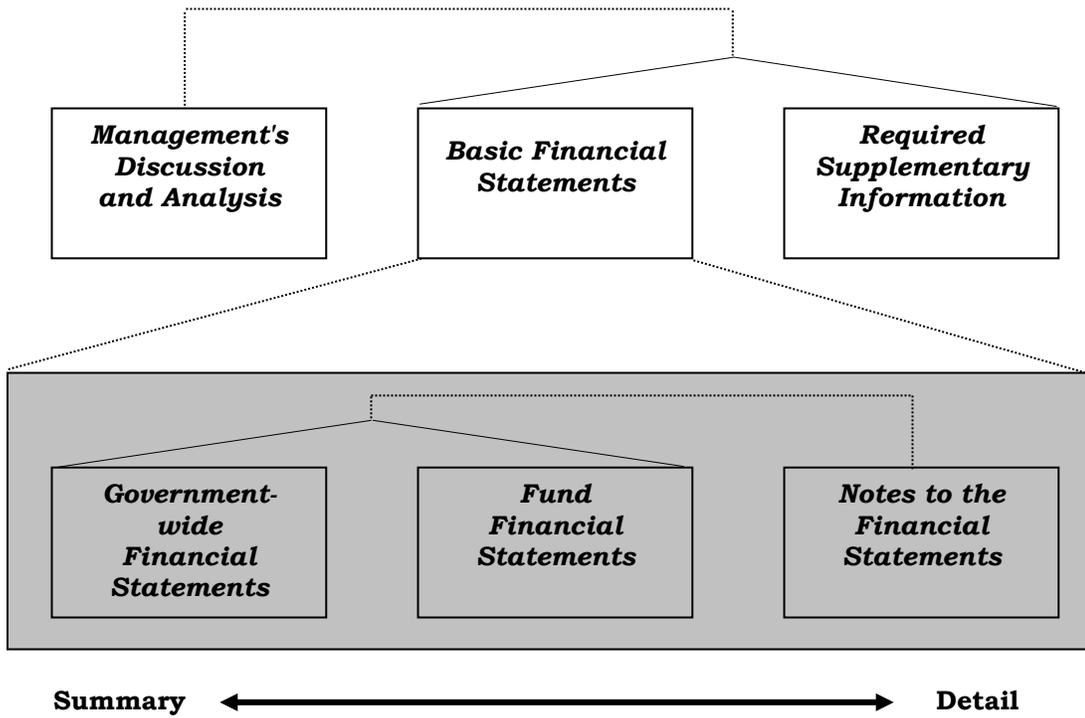


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<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
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</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 Position 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 position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is 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 and wellness center are included here.

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

- 3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
- 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 Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 4,816,544	5,575,242	58,255	48,760	4,874,799	5,624,002	-13.32%
Capital assets	5,719,776	5,530,101	6,824	7,374	5,726,600	5,537,475	3.42%
Total assets	10,536,320	11,105,343	65,079	56,134	10,601,399	11,161,477	-5.02%
Long-term obligations	1,125,966	1,479,996	-	-	1,125,966	1,479,996	-23.92%
Other liabilities	2,789,597	3,288,829	3,689	3,432	2,793,286	3,292,261	-15.16%
Total liabilities	3,915,563	4,768,825	3,689	3,432	3,919,252	4,772,257	-17.87%
Net position:							
Invested in capital assets, net of related debt	4,719,776	4,160,101	6,824	7,374	4,726,600	4,167,475	13.42%
Restricted	955,165	1,062,722	-	-	955,165	1,062,722	-10.12%
Unrestricted	945,816	1,113,695	54,566	45,328	1,000,382	1,159,023	-13.69%
Total net position	\$ 6,620,757	6,336,518	61,390	52,702	6,682,147	6,389,220	4.58%

The District's combined net position increased by 4.58%, or \$292,927, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$107,557, or 10.12% from the prior year. The majority of the decrease in restricted net position is due a decrease in the fund balance of the Jimmy King Track Project Fund, as the District completed work on the track during the year and zeroed out the fund at year end.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements – decreased \$158,641 or 13.69%. The majority of the decrease in unrestricted net position is due to a decrease in the fund balance of the General Fund.

Figure A-4 shows the changes in net position for the years ended June 30, 2013 and June 30, 2012.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 263,763	283,281	109,062	117,016	372,825	400,297	-6.86%
Operating grants, contributions and restricted interest	473,346	489,841	115,948	118,710	589,294	608,551	-3.16%
Capital Grants, Contributions and Restricted Interest	45,614	252,552	-	-	45,614	252,552	-
General revenues:							
Property tax	2,629,001	2,779,926	-	-	2,629,001	2,779,926	-5.43%
Income surtax	227,844	208,005	-	-	227,844	208,005	9.54%
Statewide sales, services and use tax	367,675	348,993	-	-	367,675	348,993	5.35%
Unrestricted state grants	2,064,685	2,306,894	-	-	2,064,685	2,306,894	-10.50%
Nonspecific program federal funding grants	-	1,569	-	-	-	1,569	100.00%
Unrestricted investment earnings	5,220	6,976	18	26	5,238	7,002	-25.19%
Other	-	7,536	77	-	77	7,536	-98.98%
Total revenues	6,077,148	6,685,573	225,105	235,752	6,302,253	6,921,325	-8.94%
Program expenses:							
Governmental activities:							
Instructional	3,559,009	3,666,148	-	-	3,559,009	3,666,148	-2.92%
Support services	1,852,638	1,738,349	-	-	1,852,638	1,738,349	6.57%
Non-instructional programs	-	-	216,417	227,058	216,417	227,058	-4.69%
Other expenses	381,262	337,162	-	-	381,262	337,162	13.08%
Total expenses	5,792,909	5,741,659	216,417	227,058	6,009,326	5,968,717	0.68%
Change in net position	284,239	943,914	8,688	8,694	292,927	952,608	-69.25%
Net position beginning of year	6,336,518	5,392,604	52,702	44,008	6,389,220	5,436,612	17.52%
Net position end of year	\$ 6,620,757	6,336,518	61,390	52,702	6,682,147	6,389,220	4.58%

Property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 87.03% of the revenue from governmental activities while charges for services and operating grants, contributions, and restricted interest account for almost all of the revenue from business type activities.

The District's total revenues were approximately \$6.30 million, of which approximately \$6.08 million was for governmental activities and approximately \$.22 million was for business type activities.

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

**Governmental Activities**

Revenues for governmental activities were \$6,077,148 and expenses were \$5,792,909.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 3,559,009	3,666,148	-2.92%	3,011,997	3,073,880	-2.01%
Support services	1,852,638	1,738,349	6.57%	1,795,024	1,485,541	20.83%
Other expenses	381,262	337,162	13.08%	203,165	156,564	29.76%
Totals	<u>\$ 5,792,909</u>	<u>5,741,659</u>	<u>0.89%</u>	<u>5,010,186</u>	<u>4,715,985</u>	<u>6.24%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$263,763.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$518,960.
- The net cost of governmental activities was financed with \$2,629,001 in property tax, \$227,844 in income surtax, \$367,675 in statewide sales and services and use tax, \$2,064,685 in unrestricted state grants and \$5,220 in interest income.

**Business Type Activities**

Revenues of the District’s business type activities were \$225,105 and expenses were \$216,417. The District’s business type activities include the School Nutrition and Wellness Center Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and membership fees.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balance of \$1,816,786, above last year’s ending fund balances of a \$2,092,846. The primary reason for the decrease in combined fund balances in fiscal 2013 is due to the decreases in the Capital Projects Accounts during the year.

**Governmental Fund Highlights**

- The District’s decreasing General Fund financial position is the product of many factors. The District’s General Fund balance decreased from \$1,073,090 at June 30, 2012 to \$923,985 at June 30, 2013. The primary reason for the decrease in fund balance is attributable to the decrease in local source revenues received during the year.

- The Capital Projects Accounts balance decreased from \$778,296 in fiscal year 2012 to \$576,062 in fiscal year 2013. The decrease was primarily the result of the completion of the Jimmy King Track Construction Project.

**Proprietary Fund Highlights**

The Nutrition Fund net position increased from \$48,042 at June 30, 2012 to \$58,148 at June 30, 2013, representing an increase of 21.04% due to the result of decreased expenditures as compared to the prior year. The Wellness Center Fund net position decreased from \$4,660 at June 30, 2012 to \$3,242 at June 30, 2013, representing a decrease of 30.43% due to the result of decreased membership fee revenue as compared to the prior year.

**BUDGETARY HIGHLIGHTS**

The District’s revenues were \$230,137 less than budgeted revenues, a variance of 3.53%. The most significant variance resulted from the District receiving significantly less in local sources than originally anticipated.

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2013, the District had invested \$5,726,600, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.42% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$332,467.

The original cost of the District’s capital assets were \$9,679,456. Governmental funds account for \$9,629,241 with the remainder of \$50,215 in the Proprietary funds.

The largest percentage change in capital asset activity during the year occurred in the land improvements category which was \$638,259 at June 30, 2013 compared to \$178,629 at June 30, 2012. The increase that occurred during the year is attributable to the District completing the athletic track project during the year and capitalizing it as part of the District’s capital asset listing.

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,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 20,000	20,000	-	-	20,000	20,000	0.00%
Construction in progress	-	337,622	-	-	-	337,622	-100.00%
Buildings	4,616,263	4,620,870	-	-	4,616,263	4,620,870	-0.10%
Improvements other than buildings	638,259	178,629	-	-	638,259	178,629	257.31%
Machinery and equipment	445,254	372,980	6,824	7,374	452,078	380,354	18.86%
<b>Total</b>	<b>\$ 5,719,776</b>	<b>5,530,101</b>	<b>6,824</b>	<b>7,374</b>	<b>5,726,600</b>	<b>5,537,475</b>	<b>3.42%</b>

**Long-Term Debt**

At June 30, 2013, the District had \$1,125,966 in long-term debt outstanding. This represents a decrease of 23.92% from last year. (See Figure A-7) More detailed information about the District’s long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding Qualified Zone Academy bonds of \$1,000,000 at June 30, 2013.

The District had net OPEB liability of \$125,966 at June 30, 2013.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total		Total
	School District		Change
	June 30,		June 30,
	2013	2012	2012-13
Qualified zone academy bonds	\$ 1,000,000	1,000,000	0.00%
General obligation bonds	-	370,000	-100.00%
Net OPEB liability	125,966	109,996	14.52%
Totals	<u>\$ 1,125,966</u>	<u>1,479,996</u>	<u>-23.92%</u>

**ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE**

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

- The District has experienced decreased enrollment over the last several years and the District is projecting a steady decline for the next several years.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District’s spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The Administration and the Board of Education will continue to reduce expenditures and explore sharing arrangements to offset the reduction of income due to declining enrollment.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

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

West Harrison Community School District

**BASIC FINANCIAL STATEMENTS**

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,036,898	48,939	2,085,837
Receivables:			
Property tax:			
Delinquent	33,067	-	33,067
Succeeding year	2,294,673	-	2,294,673
Income surtax	210,161	-	210,161
Accounts	500	-	500
Due from other governments	241,245	-	241,245
Inventories	-	9,316	9,316
Capital assets, net of accumulated depreciation	5,719,776	6,824	5,726,600
<b>Total assets</b>	<b>10,536,320</b>	<b>65,079</b>	<b>10,601,399</b>
<b>Liabilities</b>			
Accounts payable	65,171	21	65,192
Salaries and benefits payable	429,753	991	430,744
Deferred revenue:			
Succeeding year property tax	2,294,673	-	2,294,673
Unearned revenue	-	2,677	2,677
Long-term liabilities:			
Portion due after one year:			
QZAB bonds payable	1,000,000	-	1,000,000
Net OPEB liability	125,966	-	125,966
<b>Total liabilities</b>	<b>3,915,563</b>	<b>3,689</b>	<b>3,919,252</b>
<b>Net Position:</b>			
Invested in capital assets, net of related debt	4,719,776	6,824	4,726,600
Restricted for:			
Categorical funding	54,508	-	54,508
Management levy purposes	104,548	-	104,548
Student activities	34,705	-	34,705
Expendable trust	3,604	-	3,604
Debt service	181,738	-	181,738
School infrastructure	515,164	-	515,164
Physical plant and equipment	60,898	-	60,898
Unrestricted	945,816	54,566	1,000,382
<b>Total net position</b>	<b>\$ 6,620,757</b>	<b>61,390</b>	<b>6,682,147</b>

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
			Interest	Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 2,059,639	103,490	42,182	-	(1,913,967)	-	(1,913,967)
Special	749,967	54,467	105,574	-	(589,926)	-	(589,926)
Other	749,403	93,806	147,493	-	(508,104)	-	(508,104)
	<u>3,559,009</u>	<u>251,763</u>	<u>295,249</u>	<u>-</u>	<u>(3,011,997)</u>	<u>-</u>	<u>(3,011,997)</u>
Support services:							
Student	173,935	-	-	-	(173,935)	-	(173,935)
Instructional staff	183,080	-	-	-	(183,080)	-	(183,080)
Administration	509,642	12,000	-	-	(497,642)	-	(497,642)
Operation and maintenance of plant	651,164	-	-	-	(651,164)	-	(651,164)
Transportation	334,817	-	-	45,614	(289,203)	-	(289,203)
	<u>1,852,638</u>	<u>12,000</u>	<u>-</u>	<u>45,614</u>	<u>(1,795,024)</u>	<u>-</u>	<u>(1,795,024)</u>
Long-term debt interest	9,296	-	-	-	(9,296)	-	(9,296)
Other expenditures:							
AEA flowthrough	178,097	-	178,097	-	-	-	-
Depreciation(unallocated)*	193,869	-	-	-	(193,869)	-	(193,869)
	<u>371,966</u>	<u>-</u>	<u>178,097</u>	<u>-</u>	<u>(193,869)</u>	<u>-</u>	<u>(193,869)</u>
Total governmental activities	5,792,909	263,763	473,346	45,614	(5,010,186)	-	(5,010,186)
Business type activities:							
Non-instructional programs:							
Wellness center	5,363	3,945	-	-	-	(1,418)	(1,418)
Nutrition services	211,054	105,117	115,948	-	-	10,011	10,011
Total business type activities	<u>216,417</u>	<u>109,062</u>	<u>115,948</u>	<u>-</u>	<u>-</u>	<u>8,593</u>	<u>8,593</u>
Total	\$ 6,009,326	372,825	589,294	45,614	(5,010,186)	8,593	(5,001,593)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,184,844	-	2,184,844
Debt service					379,942	-	379,942
Capital outlay					64,215	-	64,215
Income surtax					227,844	-	227,844
Statewide sales, services and use tax					367,675	-	367,675
Unrestricted state grants					2,064,685	-	2,064,685
Unrestricted investment earnings					5,220	18	5,238
Other					-	77	77
Total general revenues					<u>5,294,425</u>	<u>95</u>	<u>5,294,520</u>
Change in net position					284,239	8,688	292,927
Net position beginning of year					6,336,518	52,702	6,389,220
Net position end of year					\$ 6,620,757	61,390	6,682,147

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

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	Capital			Total
	General	Projects	Nonmajor	
<b>Assets</b>				
Cash and pooled investments	\$ 1,321,274	405,276	310,348	2,036,898
Receivables:				
Property tax:				
Delinquent	25,598	808	6,661	33,067
Succeeding year	2,027,183	67,490	200,000	2,294,673
Income surtax	210,161	-	-	210,161
Accounts	500	-	-	500
Due from other governments	61,502	179,743	-	241,245
<b>Total assets</b>	<b>\$ 3,646,218</b>	<b>653,317</b>	<b>517,009</b>	<b>4,816,544</b>
<b>Liabilities and Fund Balances:</b>				
Liabilities:				
Accounts payable	\$ 55,136	9,765	270	65,171
Salaries and benefits payable	429,753	-	-	429,753
Deferred revenue:				
Succeeding year property tax	2,027,183	67,490	200,000	2,294,673
Income surtax	210,161	-	-	210,161
<b>Total liabilities</b>	<b>2,722,233</b>	<b>77,255</b>	<b>200,270</b>	<b>2,999,758</b>
Fund balances:				
Restricted for:				
Categorical funding	54,508	-	-	54,508
Management levy purposes	-	-	104,548	104,548
Student activities	-	-	34,705	34,705
Expendable trust	-	-	3,604	3,604
Debt service	-	-	181,738	181,738
School infrastructure	-	515,164	-	515,164
Physical plant and equipment	-	60,898	-	60,898
Unassigned:				
General	869,477	-	-	869,477
Student activities	-	-	(7,856)	(7,856)
<b>Total fund balances</b>	<b>923,985</b>	<b>576,062</b>	<b>316,739</b>	<b>1,816,786</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,646,218</b>	<b>653,317</b>	<b>517,009</b>	<b>4,816,544</b>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

**Total fund balances of governmental funds(page 20)** \$ 1,816,786

***Amounts reported for governmental activities in the  
 Statement of Net Position are different because:***

Capital assets used in governmental activities are not  
 financial resources and, therefore, are not reported as  
 assets in the governmental funds. 5,719,776

Accounts receivable income surtax, are not yet available  
 to finance expenditures of the current period. 210,161

Long-term liabilities, including qualified zone academy  
 bonds, and other postemployment benefits,  
 are not due and payable in the current period and,  
 therefore , are not reported as liabilities in the  
 governmental funds. (1,125,966)

**Net position of governmental activities(page 18)** \$ 6,620,757

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,247,601	431,890	529,591	3,209,082
Tuition	119,296	-	-	119,296
Other	65,119	202	95,696	161,017
State sources	2,303,041	31	255	2,303,327
Federal sources	223,374	45,614	-	268,988
Total revenues	<u>4,958,431</u>	<u>477,737</u>	<u>625,542</u>	<u>6,061,710</u>
Expenditures:				
Instruction:				
Regular	1,985,203	-	43,964	2,029,167
Special	735,938	-	-	735,938
Other	672,654	-	98,403	771,057
	<u>3,393,795</u>	<u>-</u>	<u>142,367</u>	<u>3,536,162</u>
Support services:				
Student	172,617	-	-	172,617
Instructional staff	131,279	43,684	-	174,963
Administration	492,926	-	500	493,426
Operation and maintenance of plant	444,055	3,032	76,447	523,534
Transportation	300,075	131,834	8,000	439,909
	<u>1,540,952</u>	<u>178,550</u>	<u>84,947</u>	<u>1,804,449</u>
Capital outlay	-	443,918	-	443,918
Long-term debt:				
Principal	-	-	370,000	370,000
Interest and fiscal charges	-	-	10,452	10,452
Total Long term debt	<u>-</u>	<u>-</u>	<u>380,452</u>	<u>380,452</u>
Other expenditures:				
AEA flowthrough	178,097	-	-	178,097
Total expenditures	<u>5,112,844</u>	<u>622,468</u>	<u>607,766</u>	<u>6,343,078</u>
Excess(Deficiency) of revenues over(under) expenditures	<u>(154,413)</u>	<u>(144,731)</u>	<u>17,776</u>	<u>(281,368)</u>
Other financing sources(uses):				
Sale of equipment	5,308	-	-	5,308
Transfer in	-	-	57,503	57,503
Transfer out	-	(57,503)	-	(57,503)
Total other financing sources(uses)	<u>5,308</u>	<u>(57,503)</u>	<u>57,503</u>	<u>5,308</u>
Change in fund balances	(149,105)	(202,234)	75,279	(276,060)
Fund balance beginning of year	<u>1,073,090</u>	<u>778,296</u>	<u>241,460</u>	<u>2,092,846</u>
Fund balance end of year	<u>\$ 923,985</u>	<u>576,062</u>	<u>316,739</u>	<u>1,816,786</u>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (276,060)

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

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

Capital outlay	\$ 520,792	
Depreciation expense	<u>(331,117)</u>	189,675

Repayment of long-term liabilities in an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 370,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,156

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 15,438

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

Other postemployment benefits		<u>(15,970)</u>
-------------------------------	--	-----------------

**Change in net position of governmental activities(page 19) \$ 284,239**

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	School Nutrition	Wellness Center	Total
<b>Assets</b>			
Cash and pooled investments	\$ 44,706	4,233	48,939
Inventories	9,316	-	9,316
Capital assets, net of accumulated depreciation	6,824	-	6,824
<b>Total assets</b>	<b>60,846</b>	<b>4,233</b>	<b>65,079</b>
<b>Liabilities</b>			
Accounts payable	21	-	21
Salaries and benefits payable	-	991	991
Unearned revenue	2,677	-	2,677
<b>Total liabilities</b>	<b>2,698</b>	<b>991</b>	<b>3,689</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	6,824	-	6,824
Unrestricted	51,324	3,242	54,566
<b>Total net position</b>	<b>\$ 58,148</b>	<b>3,242</b>	<b>61,390</b>

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Wellness Center	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 105,117	3,945	109,062
Miscellaneous	77	-	77
Total operating revenues	105,194	3,945	109,139
Operating expenses:			
Non-instructional programs:			
Salaries	74,531	4,596	79,127
Benefits	10,782	767	11,549
Supplies	124,121	-	124,121
Other	270	-	270
Depreciation	1,350	-	1,350
Total operating expenses	211,054	5,363	216,417
Operating loss	(105,860)	(1,418)	(107,278)
Non-operating revenues:			
State sources	1,904	-	1,904
Federal sources	114,044	-	114,044
Interest on investments	18	-	18
Total non-operating revenues	115,966	-	115,966
Change in net position	10,106	(1,418)	8,688
Net position beginning of year	48,042	4,660	52,702
Net position end of year	\$ 58,148	3,242	61,390

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Wellness Center	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 104,362	-	104,362
Cash received from wellness services	-	4,936	4,936
Cash received from miscellaneous	77	-	77
Cash payments to employees for services	(85,313)	(5,363)	(90,676)
Cash payments to suppliers for goods or services	(107,925)	-	(107,925)
Net cash used by operating activities	(88,799)	(427)	(89,226)
Cash flows from non-capital financing activities:			
State grants received	1,904	-	1,904
Federal grants received	96,961	-	96,961
Net cash provided by non-capital financing activities	98,865	-	98,865
Cash flows from capital and related financing activities:			
Purchase of capital assets	(800)	-	(800)
Cash flows from investing activities:			
Interest on investments	18	-	18
Net increase(decrease) in cash and cash equivalents	9,284	(427)	8,857
Cash and cash equivalents at beginning of year	35,422	4,660	40,082
Cash and cash equivalents at end of year	\$ 44,706	4,233	48,939
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (105,860)	(1,418)	(107,278)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	17,083	-	17,083
Depreciation	1,350	-	1,350
Increase in inventories	(638)	-	(638)
Increase in accounts payable	21	-	21
Increase in salaries and benefits payable	-	991	991
Decrease in unearned revenue	(755)	-	(755)
Net cash used by operating activities	\$ (88,799)	(427)	(89,226)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received federal commodities valued at \$17,083.

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2013

	Private Purpose Trust
	Scholarship
<b>Assets</b>	
Cash and pooled investments	\$ 22,119
<b>Liabilities</b>	-
<b>Net Position</b>	
Restricted for scholarships	\$ 22,119

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 6,000
Deductions:	
Instruction:	
Scholarships awarded	9,500
Change in net position	(3,500)
Net position beginning of year	25,619
Net position end of year	\$ 22,119

SEE NOTES TO FINANCIAL STATEMENTS

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental fund:

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

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

The District's proprietary funds include the non-major enterprise School Nutrition and Wellness Center Funds. The Nutrition fund that is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	5-20 years
Machinery and equipment	5-20 years

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

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

Deferred revenue on the Statement of Net Position 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 Position in the Proprietary Funds.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$900,377 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Statewide Sales Services	
Debt Service	& Use Tax	<u>\$ 57,503</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2013 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 20,000	-	-	20,000
Construction in progress	337,622	206,286	543,908	-
Total capital assets not being depreciated	<u>357,622</u>	<u>206,286</u>	<u>543,908</u>	<u>20,000</u>
Capital assets being depreciated:				
Buildings	6,878,117	135,740	-	7,013,857
Improvements other than buildings	359,826	507,569	-	867,395
Machinery and equipment	1,664,097	215,105	151,213	1,727,989
Total capital assets being depreciated	<u>8,902,040</u>	<u>858,414</u>	<u>151,213</u>	<u>9,609,241</u>
Less accumulated depreciation for:				
Buildings	2,257,247	140,347	-	2,397,594
Improvements other than buildings	181,197	47,939	-	229,136
Machinery and equipment	1,291,117	142,831	151,213	1,282,735
Total accumulated depreciation	<u>3,729,561</u>	<u>331,117</u>	<u>151,213</u>	<u>3,909,465</u>
Total capital assets being depreciated, net	<u>5,172,479</u>	<u>527,297</u>	<u>-</u>	<u>5,699,776</u>
Governmental activities capital assets, net	<u>\$ 5,530,101</u>	<u>733,583</u>	<u>543,908</u>	<u>5,719,776</u>
	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 49,415	800	-	50,215
Less accumulated depreciation	42,041	1,350	-	43,391
Business type activities capital assets, net	<u>\$ 7,374</u>	<u>(550)</u>	<u>-</u>	<u>6,824</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 58,569
Special		318
Other		35,502
Support services:		
Student services		641
Instructional staff		3,546
Administration		11,241
Operation and maintenance of plant		27,431
		<u>137,248</u>
Unallocated		<u>193,869</u>
Total depreciation expense - governmental activities		<u>\$ 331,117</u>
Business type activities:		
Food service operations		<u>\$ 1,350</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
QZAB	\$ 1,000,000	-	-	1,000,000	-
General obligation bonds	370,000	-	370,000	-	-
Net OPEB liability	109,996	15,970	-	125,966	-
Total	<u>\$ 1,479,996</u>	<u>15,970</u>	<u>370,000</u>	<u>1,125,966</u>	<u>-</u>

Qualified Zone Academy Bonds

During the year ended June 30, 2010, the District issued zero interest Qualified Zone Academy Bonds (QZAB). Annual transfers of \$57,503 are made from the District's Capital Projects: Statewide Sales, Services and Use Tax Fund to an escrow account at Bankers Trust that will be used to pay the indebtedness due December 1, 2025 of \$1,000,000.

**(6) 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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011, were \$266,290, \$254,953, and \$214,340, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 44 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The District also offers early retirement benefits in the form of health insurance benefits resulting in an explicit rate subsidy to the OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 82,826
Interest on net OPEB obligation	8,498
Adjustment to annual required contribution	(20,736)
Annual OPEB cost	<u>70,588</u>
Contributions made	(54,618)
Increase in net OPEB obligation	<u>15,970</u>
Net OPEB obligation beginning of year	<u>109,996</u>
Net OPEB obligation end of year	<u><u>\$ 125,966</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$54,618 to the medical plan. Plan members eligible for benefits contributed \$40,152, or 42.37% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	40,443	9.00%	74,220
2012	40,278	11.18%	109,996
2013	70,588	77.38%	125,966

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$386,674, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$386,674. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,362,573 and the ratio of the UAAL to covered payroll was 16.37%.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$614 per month. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

West Harrison Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of

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

**(9) 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 \$178,097 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program	Amount
Teacher Salary Supplement	\$ 12,970
Model, Core Curriculum	12,078
Professional Development	29,460
Total	\$ 54,508

**(11) Deficit Account/Fund Balance**

The Special Revenue, Student Activity Fund had one account with a deficit unassigned fund balance of \$7,856 at June 30, 2013.

West Harrison Community School District

REQUIRED SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Actual	Fund Actual	Actual	Original	Final	Actual Variance
Revenues:						
Local sources	\$ 3,489,395	109,159	3,598,554	3,954,843	3,954,843	(356,289)
Intermediate sources	-	-	-	250	250	(250)
State sources	2,303,327	1,904	2,305,231	2,307,861	2,307,861	(2,630)
Federal sources	268,988	114,044	383,032	254,000	254,000	129,032
Total revenues	6,061,710	225,107	6,286,817	6,516,954	6,516,954	(230,137)
Expenditures/Expenses:						
Instruction	3,536,162	-	3,536,162	4,819,765	4,819,765	1,283,603
Support services	1,804,449	-	1,804,449	1,849,294	1,849,294	44,845
Non-instructional programs	-	216,417	216,417	283,358	283,358	66,941
Other expenditures	1,002,467	-	1,002,467	1,489,005	1,489,005	486,538
Total expenditures/expenses	6,343,078	216,417	6,559,495	8,441,422	8,441,422	1,881,927
Excess(Deficiency) of revenues over(under) expenditures/expenses	(281,368)	8,690	(272,678)	(1,924,468)	(1,924,468)	1,651,790
Other financing sources, net	5,308	-	5,308	345,000	345,000	(339,692)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(276,060)	8,690	(267,370)	(1,579,468)	(1,579,468)	1,312,098
Balance beginning of year	2,092,846	52,702	2,145,548	1,579,468	1,579,468	566,080
Balance end of year	\$ 1,816,786	61,392	1,878,178	-	-	1,878,178

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 385,423	385,423	0.0%	\$ 2,479,066	15.55%
2011	July 1, 2009	-	385,423	385,423	0.0%	2,537,623	15.19%
2012	July 1, 2009	-	385,423	385,423	0.0%	2,422,596	15.91%
2013	July 1, 2012	-	386,674	386,674	0.0%	2,362,573	16.37%

See Note 7 in the accompanying Notes to Financial Statements for the plan description funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue					
	Manage- ment Levy	Student Activity	Support Trust	Total Special Revenue	Debt Service	Total
<b>Assets</b>						
Cash and pooled investments	\$ 102,666	27,119	3,604	133,389	176,959	310,348
Receivables:						
Property tax:						
Delinquent	1,882	-	-	1,882	4,779	6,661
Succeeding year	200,000	-	-	200,000	-	200,000
<b>Total assets</b>	<b>\$ 304,548</b>	<b>27,119</b>	<b>3,604</b>	<b>335,271</b>	<b>181,738</b>	<b>517,009</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ -	270	-	270	-	270
Deferred revenue:						
Succeeding year property tax	200,000	-	-	200,000	-	200,000
<b>Total liabilities</b>	<b>200,000</b>	<b>270</b>	<b>-</b>	<b>200,270</b>	<b>-</b>	<b>200,270</b>
Fund balances:						
Restricted for:						
Management levy purposes	104,548	-	-	104,548	-	104,548
Student activities	-	34,705	-	34,705	-	34,705
Expendable trust	-	-	3,604	3,604	-	3,604
Debt service	-	-	-	-	181,738	181,738
Unassigned	-	(7,856)	-	(7,856)	-	(7,856)
<b>Total fund balances</b>	<b>104,548</b>	<b>26,849</b>	<b>3,604</b>	<b>135,001</b>	<b>181,738</b>	<b>316,739</b>
<b>Total liabilities and fund balances</b>	<b>\$ 304,548</b>	<b>27,119</b>	<b>3,604</b>	<b>335,271</b>	<b>181,738</b>	<b>517,009</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2013

	Special Revenue				Debt Service	Total
	Management Levy	Student Activity	Support Trust	Total Special Revenue		
Revenues:						
Local sources:						
Local tax	\$ 149,649	-	-	149,649	379,942	529,591
Other	50	93,806	-	93,856	1,840	95,696
State sources	72	-	-	72	183	255
Federal sources	-	-	-	-	-	-
Total revenues	149,771	93,806	-	243,577	381,965	625,542
Expenditures:						
Current:						
Instruction:						
Regular	43,964	-	-	43,964	-	43,964
Other	-	97,508	895	98,403	-	98,403
Support services:						
Administration	-	-	-	-	500	500
Operation and maintenance of plant	76,447	-	-	76,447	-	76,447
Transportation	8,000	-	-	8,000	-	8,000
Long-term debt:						
Principal	-	-	-	-	370,000	370,000
Interest and fiscal charges	-	-	-	-	10,452	10,452
Total expenditures	128,411	97,508	895	226,814	380,952	607,766
Excess(Deficiency) of revenues over(under) expenditures	21,360	(3,702)	(895)	16,763	1,013	17,776
Other financing sources:						
Transfer in	-	-	-	-	57,503	57,503
Change in fund balances	21,360	(3,702)	(895)	16,763	58,516	75,279
Fund balances beginning of year	83,188	30,551	4,499	118,238	123,222	241,460
Fund balances end of year	\$ 104,548	26,849	3,604	135,001	181,738	316,739

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 343,110	62,166	405,276
Receivables:			
Property tax:			
Delinquent	-	808	808
Succeeding year	-	67,490	67,490
Due from other governments	179,743	-	179,743
<b>Total assets</b>	<b>\$ 522,853</b>	<b>130,464</b>	<b>653,317</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 7,689	2,076	9,765
Deferred revenue:			
Succeeding year property tax	-	67,490	67,490
Total liabilities	7,689	69,566	77,255
Fund balances:			
Restricted for:			
School infrastructure	515,164	-	515,164
Physical plant and equipment	-	60,898	60,898
Total fund balances	515,164	60,898	576,062
<b>Total liabilities and fund balances</b>	<b>\$ 522,853</b>	<b>130,464</b>	<b>653,317</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Jimmy King Track Project	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 367,675	-	64,215	431,890
Other	116	-	86	202
State sources	-	-	31	31
Federal sources	45,614	-	-	45,614
Total revenues	413,405	-	64,332	477,737
Expenditures:				
Current:				
Support services:				
Instructional staff	32,510	-	11,174	43,684
Operation and maintenance of plant	-	-	3,032	3,032
Transportation	125,994	-	5,840	131,834
Other expenditures:				
Capital outlay	213,688	163,163	67,067	443,918
Total expenditures	372,192	163,163	87,113	622,468
Excess(Deficiency) of revenues over(under) expenditures	41,213	(163,163)	(22,781)	(144,731)
Other financing uses:				
Transfer out	(57,503)	-	-	(57,503)
Change in fund balances	(16,290)	(163,163)	(22,781)	(202,234)
Fund balances beginning of year	531,454	163,163	83,679	778,296
Fund balances end of year	\$ 515,164	-	60,898	576,062

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund transfer	Balance End of Year
Drama	\$ 1,675	722	619	-	1,778
Drama Donations	250	50	-	-	300
Instrumental Music	82	7,519	7,559	-	42
Cross Country	173	50	-	-	223
Boys Basketball	503	-	-	-	503
Football	3,008	126	1,293	-	1,841
Baseball	970	979	1,308	-	641
Boys Track	-	25	-	-	25
Volleyball	1,323	220	1,543	-	-
Girls Track	254	25	-	-	279
Restricted Fund Balance	1,200	-	-	-	1,200
Dance Team	632	-	-	-	632
Yearbook	(4,056)	4,012	7,812	-	(7,856)
Athletic Fundraiser	433	47,661	48,028	151	217
Pop/Snack/Pen/Pencil	332	7,044	5,229	(151)	1,996
Cheerleaders	1,591	2,094	2,978	-	707
ECO Council	-	51	-	-	51
Red Cross Club	34	-	-	-	34
FCCLA	990	7,360	6,064	-	2,286
FFA	693	1,208	748	-	1,153
C.O.R.E. Fundraiser	46	-	-	-	46
Vocational Fundraiser	133	-	-	-	133
Choral & Senior Gowns	2,666	-	-	-	2,666
Science Bowl	150	-	-	-	150
National Honor Society	175	551	557	-	169
Ind Arts Marketing	24	-	-	-	24
Class of 2012	2,794	-	-	-	2,794
Class of 2013	4,071	-	3,552	-	519
Class of 2014	-	8,487	5,240	-	3,247
Physics Field Trip	-	600	385	-	215
WH Secret Angels	25	-	-	-	25
Student Council	2,000	416	544	-	1,872
JH Athletics	-	363	-	-	363
Lift-A-Thon	3,275	3,052	2,412	-	3,915
Dr. Seuss Celebration	205	-	22	-	183
Elementary AR Awards	89	-	-	-	89
Experiment in Intern. Living	9	-	-	-	9
Elem Jump Rope for Heart	-	762	762	-	-
MS Student Council	2,436	429	853	-	2,012
Middle School Fundraiser	1,835	-	-	-	1,835
Elem. Fundraiser	147	-	-	-	147
SH Fundraiser	384	-	-	-	384
Total	<u>\$ 30,551</u>	<u>93,806</u>	<u>97,508</u>	<u>-</u>	<u>26,849</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

WEST HARRISON 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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,209,082	3,339,087	3,169,834	2,835,110	2,731,262	2,594,053	2,565,657	2,359,915	2,263,627	2,114,411
Tuition	119,296	138,032	150,334	181,055	202,318	213,257	174,225	256,689	282,570	351,140
Other	161,017	386,627	266,966	286,338	341,926	287,556	367,891	364,802	308,453	168,476
Intermediate sources	-	-	500	-	-	-	-	4,925	-	-
State sources	2,303,327	2,547,579	2,566,826	2,238,144	2,650,853	2,607,724	2,402,446	2,301,134	2,359,487	1,938,519
Federal sources	268,988	276,411	521,280	457,960	251,618	214,495	191,337	315,908	298,610	270,123
Total	\$ 6,061,710	6,687,736	6,675,740	5,998,607	6,177,977	5,917,085	5,701,556	5,603,373	5,512,747	4,842,669
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,029,167	2,244,525	2,424,187	2,418,362	2,488,267	2,379,525	2,093,567	1,880,985	1,850,542	1,676,106
Special	735,938	709,697	721,665	608,499	549,359	540,021	538,012	609,976	887,368	811,205
Other	771,057	751,776	770,941	430,823	443,525	401,250	532,667	523,656	386,208	374,496
Support services:										
Student	172,617	153,186	56,729	132,452	169,778	109,852	114,488	146,616	122,347	94,346
Instructional staff	174,963	180,589	217,960	222,471	131,851	147,795	152,391	198,741	130,832	123,822
Administration	493,426	522,950	509,364	500,506	589,944	625,889	589,785	545,057	561,189	566,158
Operation and maintenance of plant	523,534	478,474	470,549	420,794	368,060	414,043	383,166	379,808	416,196	365,320
Transportation	439,909	390,444	480,894	289,510	387,122	455,095	387,849	473,378	357,111	299,068
Non-instructional programs	-	-	-	-	-	-	-	-	24,719	5,406
Capital outlay	443,918	428,314	666,448	504,959	434,653	94,638	25,225	117,046	329,026	37,741
Other expenditures:										
Long term debt:										
Principal	370,000	355,000	345,000	330,000	320,000	315,000	305,000	300,000	295,000	260,000
Interest	10,452	24,051	36,165	47,380	57,703	67,191	75,382	82,283	87,976	115,506
AEA flow-through	178,097	180,598	205,388	198,572	180,983	171,160	160,022	154,145	154,609	139,940
Total	\$ 6,343,078	6,419,604	6,905,290	6,104,328	6,121,245	5,721,459	5,357,554	5,411,691	5,603,123	4,869,114

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of West Harrison Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 14, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Harrison Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Harrison Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Harrison Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**West Harrison Community School District's Responses to Findings**

West Harrison Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. West Harrison Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2014  
Newton, Iowa

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - We will continue to monitor controls and implement procedures when feasible.

Conclusion - Response acknowledged.

WEST HARRISON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**Part II: Other Findings Related to Required Statutory Reporting**

- II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 did not exceed the certified amounts in the functional areas.
- II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - No instances of non-compliance with regards to section 279.35 of the Code of Iowa were noted.
- II-G-13 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education. However, we noted the District did not meet the October 15<sup>th</sup> deadline for certifying enrollment, as required by Iowa Code 257.6 (7b).
- Recommendation - The District should certify enrollment by October 15<sup>th</sup>, as required by Iowa Code 257.6 (7b).
- Response - The administration will make sure the enrollment is certified as required by Iowa Code.
- Conclusion - Response accepted.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services and tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$	531,454
Revenues:			
Sales tax revenues	\$	367,675	
Other local revenues		116	
State revenues		45,614	413,405
			<u>944,859</u>
Expenditures/transfer out:			
School infrastructure construction		213,688	
Equipment		158,504	
Transfer to other funds:			
Debt service fund	\$	57,503	429,695
			<u>429,695</u>
Ending Balance		\$	<u>515,164</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Deficit Balances - We noted during our audit that the yearbook account in the Student Activity Fund had a deficit balance of \$7,856 at June 30, 2013.

Recommendation - The District should continue to investigate alternatives to eliminate the deficit in order to return this account to a sound financial condition.

Response - The District has investigated alternatives to the current yearbook account and has made changes that will help control the cost.

Conclusion - Response accepted.