

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

JUNE 30, 2005

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WACO Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Mark Hotchkiss	President	2005
Mark Burnham	Vice President	2004
Mary Bean	Board Member	2004
Jeff Temple	Board Member	2006
Shari Janecek	Board Member	2005
Board of Education (After September 2004 Election)		
Mark Hotchkiss	President	2005
Mark Burnham	Vice President	2007
JoEllen Jepson	Board Member	2007
Jeff Temple	Board Member	2006
Shari Janecek	Board Member	2005
School Officials		
Darrell Smith	Superintendent	2005
Kimberly Sheets	Business Manager	2005
Robert Meyer	District Treasurer	2005
Ron Peeler	Attorney	2005

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
WACO Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the WACO Community School District, Wayland, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

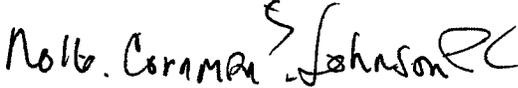
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the WACO Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2005 on our consideration of the WACO Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise WACO Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

November 7, 2005

BASIC FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

WACO 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- An increase in fuel costs was noted in the past year causing greater expense in student transportation and facility operations.
- Negotiated salary increases were greater than new money brought into the system through the school budget formula.
- General Fund revenues increased from \$4,575,710 in fiscal 2004 to \$4,683,749 in fiscal 2005, while General Fund expenditures increased from \$4,669,376 in fiscal 2004 to \$4,811,510 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from of \$487,441 in fiscal 2004 to a balance of \$359,680 in fiscal 2005, a 26.21% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tuition revenue and state aid in fiscal 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the increase in the District's General Fund revenue for fiscal 2005.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund alone to increase from \$5,093 in fiscal year 2004 to \$16,667 in fiscal year 2005.
- On April 1, 2005 the District issued refunding bonds of \$3,600,000 to crossover the 1998 G.O. Bonds of \$3,525,000, callable May 1, 2006. The net present value savings of issuing the refunding bonds to the District was \$139,677.
- The District experience increased staffing requirements due to high student needs associated with individual education plans.
- Several area factories have closed or relocated causing employment uncertainties in the area.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of WACO 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 WACO 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 WACO 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

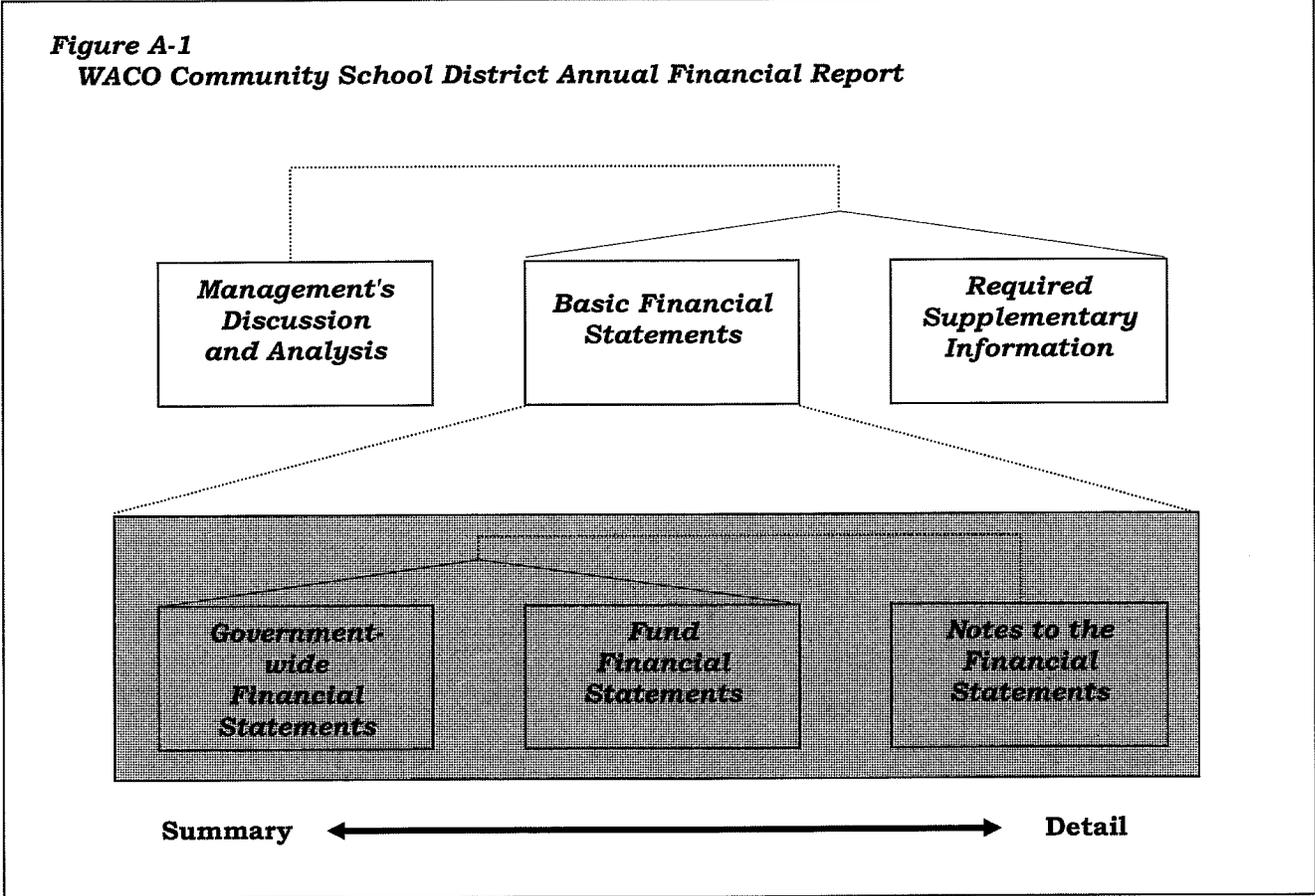


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- a. Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenues collected and expenditures paid for groups whose sole purpose is to benefit the District.

The District is responsible for ensuring 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 assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Current and other assets	\$ 7,098,318	4,271,295	9,306	4,490	7,107,624	4,275,785	66.23%
Capital assets	6,542,025	6,739,876	26,745	31,601	6,568,770	6,771,477	-2.99%
Total assets	13,640,343	11,011,171	36,051	36,091	13,676,394	11,047,262	23.80%
Long-term obligations	7,440,380	3,891,012	0	0	7,440,380	3,891,012	91.22%
Other liabilities	2,943,687	3,489,687	3,342	2,495	2,947,029	3,492,182	-15.61%
Total liabilities	10,384,067	7,380,699	3,342	2,495	10,387,409	7,383,194	40.69%
Net assets:							
Invested in capital assets, net of related debt	2,811,313	3,045,366	26,745	31,601	2,838,058	3,076,967	-7.76%
Restricted	85,606	116,234	0	0	85,606	116,234	-26.35%
Unrestricted	359,357	468,872	5,964	1,995	365,321	470,867	-22.42%
Total net assets	\$ 3,256,276	3,630,472	32,709	33,596	3,288,985	3,664,068	-10.24%

The District's combined net assets decreased by 10.24%, or \$375,083, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$30,628, or 26.35% over the prior year. The decrease was primarily a result of the District incurring the bus leases as a liability and reducing the net asset balance to zero in the Special Revenue, Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$105,546, or 22.42%. This decrease in unrestricted net

assets was primarily a result of the District General Fund balance decreasing during the year as well as increases in early retirement and bus leases liabilities.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 728,042	669,921	110,518	100,117	838,560	770,038	8.90%
Operating grants and contributions and restricted interest	477,237	490,733	92,528	72,381	569,765	563,114	1.18%
General revenues:							
Property tax	2,119,867	2,141,503	0	0	2,119,867	2,141,503	-1.01%
Local option sales and services tax	23,421	0	0	0	23,421	0	100.00%
Unrestricted state grants	1,985,692	1,925,113	0	0	1,985,692	1,925,113	3.15%
Other	22,183	9,865	214	393	22,397	10,258	118.34%
Total revenues	<u>5,356,442</u>	<u>5,237,135</u>	<u>203,260</u>	<u>172,891</u>	<u>5,559,702</u>	<u>5,410,026</u>	<u>2.77%</u>
Program expenses:							
Governmental activities:							
Instructional	3,329,678	3,414,669	0	0	3,329,678	3,414,669	-2.49%
Support services	1,724,290	1,435,125	0	0	1,724,290	1,435,125	20.15%
Non-instructional programs	62,420	49,007	204,147	181,799	266,567	230,806	15.49%
Other expenses	582,289	500,711	0	0	582,289	500,711	16.29%
Total expenses	<u>5,698,677</u>	<u>5,399,512</u>	<u>204,147</u>	<u>181,799</u>	<u>5,902,824</u>	<u>5,581,311</u>	<u>5.76%</u>
Changes in net assets	(342,235)	(162,377)	(887)	(8,908)	(343,122)	(171,285)	-100.32%
Other financing sources(uses), net	(31,961)	0	0	0	(31,961)	0	-100.00%
Changes in net assets	(374,196)	(162,377)	(887)	(8,908)	(375,083)	(171,285)	-118.98%
Net assets beginning of year	<u>3,630,472</u>	<u>3,792,849</u>	<u>33,596</u>	<u>42,504</u>	<u>3,664,068</u>	<u>3,835,353</u>	<u>-4.47%</u>
Net assets end of year	<u>\$ 3,256,276</u>	<u>3,630,472</u>	<u>32,709</u>	<u>33,596</u>	<u>3,288,985</u>	<u>3,664,068</u>	<u>-10.24%</u>

Property tax, local option sales and services tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,356,442 and expenses were \$5,698,677.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,329,678	2,283,765
Support services	1,724,290	1,721,984
Non-instructional	62,420	62,420
Other expenses	582,289	425,229
Totals	<u>\$ 5,698,677</u>	<u>4,493,398</u>

- The cost financed by users of the District's programs was \$728,042.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$477,237.
- The net cost of governmental activities was financed with \$2,119,867 in property tax, \$23,421 in local option sales and services tax, \$1,985,692 in unrestricted state grants, and \$22,183 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$203,260 and expenses were \$204,147. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,196,871, above last year's ending fund balances of \$758,599. However, the primary reason for the increase was the crossover refunding of the bonds in the Debt Service Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. An increase in the tuition and state aid during the year resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures ensuring the financial position of the District decrease.
- The Management, and Activity Fund combined balance increased from \$152,620 in 2004, to \$181,193 in 2005, due to the controlled spending in both funds.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$64,121 to \$8,973, due to an increase in total expenditures for the year.
- The Debt Service fund balance increased during the year, from \$54,417, to \$3,623,679, due to the crossover refunding of the 1998 G.O. Bonds Series. The call date on the 1998 Series that was crossover refunded is May 1, 2006. It is anticipated that the 1998 Bonds will be paid off at that time from the escrow holding investments in U.S. Treasury Securities which was set up in the refunding process.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$33,596 at June 30, 2004 to \$32,709 at June 30, 2005, representing a decrease of 2.64%.

BUDGETARY HIGHLIGHTS

Over the course of the year, WACO Community School District amended its annual budget one time to reflect additional expenditures associated with all functional areas.

The District's revenues were \$44,482 more than budgeted revenues, a variance of .8%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, 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.

In spite of the District's budgetary practice, the certified budget exceeded in the other expenditures functional program area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$6.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.99% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$215,657.

The original cost of the District's capital assets was \$9.14 million. Governmental funds account for \$9.04 million with the remainder of \$0.1 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,253,072 at June 30, 2005, compared to \$6,408,823 reported at June 30, 2004. This decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 85,850	85,850	0	0	85,850	85,850	0.00%
Buildings	6,253,072	6,408,823	0	0	6,253,072	6,408,823	-2.37%
Land improvements	17,978	22,096	0	0	17,978	22,096	-0.03%
Machinery and equipment	185,125	223,107	26,745	31,601	211,870	254,708	-16.82%
Total	\$ 6,542,025	6,739,876	26,745	31,601	6,568,770	6,771,477	-2.99%

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$7,440,380 in general obligation and other long-term debt outstanding. This represents an increase of 92.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$7,125,000 at June 30, 2005.

The District had total outstanding bus lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$178,990 at June 30, 2005.

The District also had total outstanding early retirement payable from the Special Revenue, Management Fund of \$136,390 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 7,125,000	3,720,000	91.5%
Bus leases	178,990	0	100.0%
Early retirement	136,390	142,085	-4.0%
Total	\$ 7,440,380	3,862,085	92.7%

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:

- SILO tax has been passed in both Washington and Henry counties. WACO can expect approximately \$260,000 in revenue per year.
- An increase in of 15.8 students in 2004-05 will generate additional income in FY06.
- A price increase is probable in the Nutrition program.
- Transportation costs should decrease due to bidding out the purchase of gasoline and diesel fuel.
- Increasing academic requirements and programs will have an effect on the budget. Possible changes include the addition of an alternative high school program, increases programming for early childhood, additional advanced placement classes for secondary students, and additional vocational class offerings.
- The completion of Highways 218 and 34 will have an economic impact on southeast Iowa communities.
- The District will experience increased special education costs as the number of identified students increases as well as the needs of individual students have become more complex.
- 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.

-
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Kimberly Sheets, District Business Manager, WACO Community School District, 706 N. Pearl St., Wayland, Iowa, 52654.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP (Note 4)	\$ 715,166	0	715,166
U.S. Treasury Securities	3,562,471	0	3,562,471
Other	588,590	4,219	592,809
Receivables:			
Property tax:			
Delinquent	40,421	0	40,421
Succeeding year	2,098,644	0	2,098,644
Accounts	13,729	0	13,729
Accrued ISCAP interest (Note 4)	9,688	0	9,688
Due from other governments	69,609	0	69,609
Inventories	0	5,087	5,087
Capital assets, net of accumulated depreciation (Note 5)	6,542,025	26,745	6,568,770
TOTAL ASSETS	13,640,343	36,051	13,676,394
LIABILITIES			
Accounts payable	50,462	0	50,462
Interest payable	59,374	0	59,374
ISCAP warrants payable (Note 4)	713,000	0	713,000
ISCAP accrued interest payable (Note 4)	10,460	0	10,460
ISCAP unamortized premiums payable	4,239	0	4,239
ISEBA assessment payable (Note 8)	7,508	0	7,508
Deferred revenue:			
Succeeding year property tax	2,098,644	0	2,098,644
Other	0	3,342	3,342
Long-term liabilities (Note 6):			
Portion due within one year:			
G.O. Bonds payable	3,735,000	0	3,735,000
Bus lease payable	21,242	0	21,242
Early retirement	25,774	0	25,774
Portion due after one year:			
General obligation bonds	3,390,000	0	3,390,000
Bus lease payable	157,748	0	157,748
Early retirement	110,616	0	110,616
TOTAL LIABILITIES	10,384,067	3,342	10,387,409
NET ASSETS			
Investment in capital assets, net of related debt	2,811,313	26,745	2,838,058
Restricted for:			
Talented and gifted	4,545	0	4,545
Capital projects	23,346	0	23,346
Other special revenue purposes	57,715	0	57,715
Unrestricted	359,357	5,964	365,321
TOTAL NET ASSETS	\$ 3,256,276	32,709	3,288,985

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues			
	Expenses	Operating Grants, Contributions Charges for and Restricted		
		Services	Interest	
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,122,443	383,615	293,048	
Special instruction	582,223	101,563	25,838	
Other instruction	625,012	241,849	0	
	<u>3,329,678</u>	<u>727,027</u>	<u>318,886</u>	
Support services:				
Student services	95,450	0	0	
Instructional staff services	102,603	0	0	
Administration services	667,801	0	0	
Operation and maintenance of plant services	369,982	0	0	
Transportation services	488,454	1,015	1,291	
	<u>1,724,290</u>	<u>1,015</u>	<u>1,291</u>	
Non-instructional:				
Food service operations	62,420	0	0	
Other expenditures:				
Facilities acquisitions	60,950	0	0	
Long-term debt interest	204,410	0	0	
AEA flowthrough	157,060	0	157,060	
Depreciation (unallocated)*	159,869	0	0	
	<u>582,289</u>	<u>0</u>	<u>157,060</u>	
Total governmental activities	5,698,677	728,042	477,237	
Business-Type activities:				
Non-instructional programs:				
Nutrition services	204,147	110,518	92,528	
Total business-type activities	<u>204,147</u>	<u>110,518</u>	<u>92,528</u>	
Total	<u>\$ 5,902,824</u>	<u>838,560</u>	<u>569,765</u>	

General Revenues:
Property tax levied for:
 General purposes
 Debt services
 Capital outlay
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings

Total general revenues

Changes in net assets before other financing sources(uses)

Other Financing Sources (Uses):
Premium on bonds
Discount on bonds
Cost of issuance

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,445,780)	0	(1,445,780)
(454,822)	0	(454,822)
(383,163)	0	(383,163)
<u>(2,283,765)</u>	<u>0</u>	<u>(2,283,765)</u>
(95,450)	0	(95,450)
(102,603)	0	(102,603)
(667,801)	0	(667,801)
(369,982)	0	(369,982)
(486,148)	0	(486,148)
<u>(1,721,984)</u>	<u>0</u>	<u>(1,721,984)</u>
(62,420)	0	(62,420)
(60,950)	0	(60,950)
(204,410)	0	(204,410)
0	0	0
(159,869)	0	(159,869)
<u>(425,229)</u>	<u>0</u>	<u>(425,229)</u>
(4,493,398)	0	(4,493,398)
0	(1,101)	(1,101)
0	(1,101)	(1,101)
<u>(4,493,398)</u>	<u>(1,101)</u>	<u>(4,494,499)</u>
\$ 1,717,168	0	1,717,168
367,182	0	367,182
35,517	0	35,517
23,421	0	23,421
1,985,692	0	1,985,692
22,183	214	22,397
<u>4,151,163</u>	<u>214</u>	<u>4,151,377</u>
(342,235)	(887)	(343,122)
22,171	0	22,171
(25,200)	0	(25,200)
(28,932)	0	(28,932)
<u>(31,961)</u>	<u>0</u>	<u>(31,961)</u>
(374,196)	(887)	(375,083)
<u>3,630,472</u>	<u>33,596</u>	<u>3,664,068</u>
<u>\$ 3,256,276</u>	<u>32,709</u>	<u>3,288,985</u>

WACO COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

	General	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP(Note 4)	\$ 715,166	0	0	715,166
U.S. Treasury Securities	0	3,562,471	0	3,562,471
Other	305,822	54,171	202,412	562,405
Receivables:				
Property tax				
Delinquent	31,357	6,962	2,102	40,421
Succeeding year	1,667,529	315,185	115,930	2,098,644
Accounts	8,757	75	4,897	13,729
Accrued ISCAP interest (Note 4)	9,688	0	0	9,688
Due from other governments	60,857	0	8,752	69,609
TOTAL ASSETS	\$ 2,799,176	3,938,864	334,093	7,072,133
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 44,268	0	4,651	48,919
ISCAP warrants payable (Note 4)	713,000	0	0	713,000
ISCAP accrued interest payable (Note 4)	10,460	0	0	10,460
ISCAP unamortized premiums payable	4,239	0	0	4,239
Deferred revenue:				
Succeeding year property tax	1,667,529	315,185	115,930	2,098,644
Total liabilities	2,439,496	315,185	120,581	2,875,262
Fund balances:				
Reserved for:				
Debt service	0	3,623,679	0	3,623,679
Talanted and gifted	4,545	0	0	4,545
Unreserved:				
Undesignated	355,135	0	213,512	568,647
Total fund balances	359,680	3,623,679	213,512	4,196,871
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,799,176	3,938,864	334,093	7,072,133

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 17)	\$ 4,196,871
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,542,025
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	24,642
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, are not reported as liabilities in the governmental funds.	(7,508)
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(59,374)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,440,380)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 3,256,276</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,642,319	367,182	133,787	2,143,288
Tuition	485,178	0	0	485,178
Other	90,721	2,753	171,573	265,047
State sources	2,288,710	176	52	2,288,938
Federal sources	173,991	0	0	173,991
Total revenues	<u>4,680,919</u>	<u>370,111</u>	<u>305,412</u>	<u>5,356,442</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,120,822	0	0	2,120,822
Special instruction	582,360	0	0	582,360
Other instruction	472,372	0	152,640	625,012
	<u>3,175,554</u>	<u>0</u>	<u>152,640</u>	<u>3,328,194</u>
Support services:				
Student services	95,489	0	0	95,489
Instructional staff services	102,614	0	0	102,614
Administration services	602,959	0	65,124	668,083
Operation and maintenance of plant services	378,193	0	0	378,193
Transportation services	237,125	0	0	237,125
	<u>1,416,380</u>	<u>0</u>	<u>65,124</u>	<u>1,481,504</u>
Non-instructional:				
Food service operations	62,516	0	0	62,516
Other expenditures:				
Facilities acquisitions	0	0	60,950	60,950
Long-term debt:				
Principal	0	224,852	0	224,852
Interest and fiscal charges	0	173,963	0	173,963
AEA flowthrough	157,060	0	0	157,060
	<u>157,060</u>	<u>398,815</u>	<u>60,950</u>	<u>616,825</u>
Total expenditures	<u>4,811,510</u>	<u>398,815</u>	<u>278,714</u>	<u>5,489,039</u>
Excess(deficiency) of revenues over(under) expenditures	(130,591)	(28,704)	26,698	(132,597)
Other financing sources(uses):				
Sale of equipment	2,830	0	0	2,830
Sale of refunding bonds	0	3,600,000	0	3,600,000
Premium on bonds	0	22,171	0	22,171
Discount on bonds	0	(25,200)	0	(25,200)
Cost of issuance	0	(28,932)	0	(28,932)
Transfer in	0	29,927	0	29,927
Transfer out	0	0	(29,927)	(29,927)
Total other financing sources(uses)	<u>2,830</u>	<u>3,597,966</u>	<u>(29,927)</u>	<u>3,570,869</u>
Net change in fund balances	(127,761)	3,569,262	(3,229)	3,438,272
Fund balance beginning of year	487,441	54,417	216,741	758,599
Fund balance end of year	<u>\$ 359,680</u>	<u>3,623,679</u>	<u>213,512</u>	<u>4,196,871</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO 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, 2005

Net change in fund balances - total governmental funds (page 19)		\$ 3,438,272
 Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures exceeded depreciation expense in the current year, as follows:		
Capital expenditures	\$ 68,750	
Depreciation expense	(210,801)	
Loss on disposal of capital assets	(55,800)	(197,851)
 Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		
		1,633
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	\$ (3,808,842)	
Repaid	224,852	(3,583,990)
 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.		
		(30,447)
 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 fund.		
Early retirement	\$ 5,695	
ISEBA assessment	(7,508)	(1,813)
 Changes in net assets of governmental activities (page 16)		\$ (374,196)

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 4,219	26,185
Inventories	5,087	0
Capital assets, net of accumulated depreciation (Note 5)	26,745	0
TOTAL ASSETS	36,051	26,185
LIABILITIES		
Accounts payable	0	1,543
Deferred revenues:		
Other	3,342	0
TOTAL LIABILITES	3,342	1,543
NET ASSETS		
Investment in capital assets	26,745	0
Unrestricted	5,964	24,642
TOTAL NET ASSETS	\$ 32,709	24,642

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 110,518	563,229
TOTAL OPERATING REVENUES	<u>110,518</u>	<u>563,229</u>
OPERATING EXPENSES:		
Non-instructional programs:		
Salaries	64,028	0
Benefits	0	559,846
Services	6,090	0
Supplies	129,173	1,750
Depreciation	4,856	0
TOTAL OPERATING EXPENSES	<u>204,147</u>	<u>561,596</u>
OPERATING INCOME (LOSS)	<u>(93,629)</u>	<u>1,633</u>
NON-OPERATING REVENUES:		
Interest income	214	0
State sources	3,153	0
Federal sources	89,375	0
TOTAL NON-OPERATING REVENUES	<u>92,742</u>	<u>0</u>
Changes in net assets	(887)	1,633
Net assets at beginning of year	<u>33,596</u>	<u>23,009</u>
Net assets end of year	<u>\$ 32,709</u>	<u>24,642</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2005

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 102,245	0
Cash received from miscellaneous operating activities	9,120	563,229
Cash payments to employees for services	(64,028)	(558,303)
Cash payments to suppliers for goods or services	(130,191)	(1,750)
Net cash used in operating activities	<u>(82,854)</u>	<u>3,176</u>
Cash flows from non-capital financing activities:		
Transfer from General Fund	8,300	0
State grants received	3,153	0
Federal grants received	83,438	0
Net cash provided by non-capital financing activities	<u>94,891</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	214	0
Net cash provided by investing activities	<u>214</u>	<u>0</u>
Net increase in cash and cash equivalents	12,251	3,176
Cash and cash equivalents at beginning of year	<u>(8,032)</u>	<u>23,009</u>
Cash and cash equivalents at end of year	<u>\$ 4,219</u>	<u>26,185</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (93,629)	1,633
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	5,937	0
Depreciation	4,856	0
Increase in inventories	(865)	0
Increase in accounts payable	0	1,543
Increase in deferred revenue	847	0
Net cash used in operating activities	<u>\$ (82,854)</u>	<u>3,176</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	<u>\$ 4,219</u>	<u>26,185</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2005, the District received Federal commodities valued at \$5,937.		

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2005

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ <u>35,563</u>
LIABILITIES	
Due to other groups	\$ <u>35,563</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The WACO Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Wayland, Crawfordsville, and Olds Iowa, and the predominate agricultural territory in Washington, Louisa, Jefferson and Henry 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, WACO 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 WACO 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 Washington, Louisa, Jefferson and Henry County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The District's proprietary funds are the School Nutrition Fund, and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self funded insurance plan.

The District also reports a fiduciary fund that focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in

nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

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

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

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the other expenditures functional program area exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2005 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.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities are stated at fair value. Securities traded on a national or international exchange are valued the last reported sales price at current exchange rates.

At June 30, 2005, the District had investments in U.S. Treasury Securities as follows:

<u>Type</u>	<u>Fair Value</u>
U.S. Treasury Securities	<u>\$ 3,562,471</u>

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 75
Debt Service	Special Revenue, Physical Plant and Equipment Levy	<u>29,852</u>
Total		<u>\$ 29,927</u>

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2004-05A	6/30/04	6/30/05	\$ 105	0	0	0
2004-05B	1/28/05	1/27/06	715,061	9,688	713,000	10,460
Total			<u>\$ 715,166</u>	<u>9,688</u>	<u>713,000</u>	<u>10,460</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund at year ended June 30, 2005.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 85,850	0	0	85,850
Total capital assets not being depreciated	85,850	0	0	85,850
Capital assets being depreciated:				
Buildings	8,016,457	0	0	8,016,457
Land improvements	107,072	0	0	107,072
Machinery and equipment	920,796	68,750	193,395	796,151
Total capital assets being depreciated	9,044,325	68,750	193,395	8,919,680
Less accumulated depreciation for:				
Buildings	1,607,634	155,751	0	1,763,385
Land improvements	84,976	4,118	0	89,094
Machinery and equipment	697,689	50,932	137,595	611,026
Total accumulated depreciation	2,390,299	210,801	137,595	2,463,505
Total capital assets being depreciated, net	6,654,026	(142,051)	55,800	6,456,175
Governmental activities capital assets, net	\$ 6,739,876	(142,051)	55,800	6,542,025
Business-type activities:				
Machinery and equipment	\$ 135,779	0	0	135,779
Less accumulated depreciation	104,178	4,856	0	109,034
Business-type activities capital assets, net	\$ 31,601	(4,856)	0	26,745

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,200
Support services:		
Operation and maintenance of plant services		4,039
Transportation		45,693
		<u>50,932</u>
Unallocated depreciation		<u>159,869</u>
		<u>\$ 210,801</u>
Business-type activities:		
Food services		<u>\$ 4,856</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,720,000	3,600,000	195,000	7,125,000	3,735,000
Bus leases	0	208,842	29,852	178,990	21,242
Early retirement	142,085	15,698	21,393	136,390	25,774
Total	<u>\$ 3,862,085</u>	<u>3,824,540</u>	<u>246,245</u>	<u>7,440,380</u>	<u>3,782,016</u>

General Obligation Bonds

On April 1, 2005, the District issued \$3,600,000 of general obligation refunding bonds, with interest rates ranging from 3.50% to 4.00%, for a crossover refunding of a portion of the general obligation bonds issued May 1, 1998. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$3,525,000 principal of the refunded general obligation bonds when they become callable on May 1, 2006 and the interest from April 1, 2005 to and including May 1, 2006 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished. The net present value savings of the refunding was \$139,677.

Details of the District's June 30, 2005 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of May 1, 1998			Bond Issue of April 1, 2005			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006	4.50 %	\$ 3,525,000	164,789	3.50 %	\$ 210,000	144,785	\$ 3,735,000	309,574	4,044,574
2007	-	-	-	3.50	225,000	126,297	225,000	126,297	351,297
2008	-	-	-	3.75	235,000	118,422	235,000	118,422	353,422
2009	-	-	-	3.75	245,000	109,610	245,000	109,610	354,610
2010	-	-	-	4.00	255,000	100,422	255,000	100,422	355,422
2011	-	-	-	3.35	265,000	90,223	265,000	90,223	355,223
2012	-	-	-	3.45	275,000	81,345	275,000	81,345	356,345
2013	-	-	-	3.55	285,000	71,857	285,000	71,857	356,857
2014	-	-	-	3.65	300,000	61,740	300,000	61,740	361,740
2015	-	-	-	3.75	305,000	50,790	305,000	50,790	355,790
2016	-	-	-	3.85	320,000	39,353	320,000	39,353	359,353
2017	-	-	-	3.95	335,000	27,033	335,000	27,033	362,033
2018	-	-	-	4.00	345,000	13,800	345,000	13,800	358,800
Total		\$ 3,525,000	164,789		\$ 3,600,000	1,035,677	\$ 7,125,000	1,200,466	8,325,466

Bus Leases

During the year ended June 30, 2005, the District entered into bus lease agreements with Blue Bird Body Company and International. Payments for the lease agreements will be paid by the Special Revenue, Physical Plant and Equipment Levy Fund. Details of these lease agreements are as follows:

Year Ending June 30,	Interest Rate	Bus lease of September 10, 2004		
		Principal	Interest	Total
2006	% \$	9,155	4,298	13,453
2007		9,596	3,857	13,453
2008		70,604	3,396	74,000
Subtotal		\$ 89,355	11,551	100,906

Year Ending June 30,	Interest Rate	Bus lease of September 10, 2004		
		Principal	Interest	Total
2006	4.81 % \$	12,087	4,311	16,398
2007	4.81	12,669	3,730	16,399
2008	4.81	64,879	3,121	68,000
Subtotal		\$ 89,635	11,162	100,797
Total		\$ 178,990	22,713	201,703

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, classified employees and administrative staff. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee are on the "per diem" basis based on the current contract at the time of retirement. "Per diem" is defined as per day pay based upon contract days and annual salary. Early retirement expenditures for the year ended June 30, 2005 totaled \$21,393.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$156,617, \$153,501 and \$148,584 respectively, equal to the required contributions for each year.

(8) Risk Management

The WACO Community School District was a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$1.95 million. The District's share of this assessment was \$7,508 which is recorded as a liability as of June 30, 2005.

WACO 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 \$157,060 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2005, disbursements in the other expenditures functional program area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,843,999	111,579
State sources	2,288,164	3,153
Federal sources	167,452	89,375
Total receipts	<u>5,299,615</u>	<u>204,107</u>
Disbursements:		
Instruction	3,379,698	0
Support services	1,481,018	0
Non-instructional programs	0	200,156
Other disbursements	616,825	0
Total disbursements	<u>5,477,541</u>	<u>200,156</u>
Excess(deficiency) of receipts over(under) disbursements	(177,926)	3,951
Other financing sources, net	<u>3,570,869</u>	0
Excess(deficiency) of receipts and other financing sources over(under) disbursements	3,392,943	3,951
Balance beginning of year	<u>731,933</u>	268
Balance end of year	<u>\$ 4,124,876</u>	<u>4,219</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
2,955,578	2,876,974	2,876,974	78,604
2,291,317	2,309,266	2,309,266	(17,949)
256,827	273,000	273,000	(16,173)
<u>5,503,722</u>	<u>5,459,240</u>	<u>5,459,240</u>	<u>44,482</u>
3,379,698	3,757,365	3,800,000	420,302
1,481,018	1,906,800	2,100,000	618,982
200,156	257,658	320,000	119,844
616,825	592,567	610,000	(6,825)
<u>5,677,697</u>	<u>6,514,390</u>	<u>6,830,000</u>	<u>1,152,303</u>
(173,975)	(1,055,150)	(1,370,760)	1,196,785
<u>3,570,869</u>	<u>5,000</u>	<u>0</u>	<u>3,575,869</u>
3,396,894	(1,050,150)	(1,370,760)	4,772,654
732,201	796,559	796,559	(64,358)
<u>4,129,095</u>	<u>(253,591)</u>	<u>(574,201)</u>	<u>4,708,296</u>

WACO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE--
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 5,299,615	56,827	5,356,442
Expenses	5,477,541	11,498	5,489,039
Net	(177,926)	45,329	(132,597)
Other financing sources, net	3,570,869	0	3,570,869
Beginning fund balances	731,933	26,666	758,599
Ending fund balances	\$ 4,124,876	71,995	4,196,871

	Proprietary Fund Type		
	Enterprise		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 204,107	(847)	203,260
Expenses	200,156	3,991	204,147
Net	3,951	(4,838)	(887)
Beginning net assets	268	33,328	33,596
Ending net assets	\$ 4,219	28,490	32,709

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$315,610.

During the year ended June 30, 2005, disbursements in the other expenditures functional program area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	
ASSETS						
Cash and pooled investments	\$ 122,049	57,394	8,300	187,743	14,669	202,412
Receivables:						
Property tax:						
Current year delinquent	1,429	0	673	2,102	0	2,102
Succeeding year	80,000	0	35,930	115,930	0	115,930
Accounts	0	4,897	0	4,897	0	4,897
Due from other governments	0	0	0	0	8,752	8,752
TOTAL ASSETS	\$ 203,478	62,291	44,903	310,672	23,421	334,093
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	4,576	0	4,576	75	4,651
Deferred revenue:						
Succeeding year property tax	80,000	0	35,930	115,930	0	115,930
	80,000	4,576	35,930	120,506	75	120,581
Fund equity:						
Fund balances:						
Unreserved:						
Undesignated	123,478	57,715	8,973	190,166	23,346	213,512
Total fund balances	123,478	57,715	8,973	190,166	23,346	213,512
TOTAL LIABILITIES AND FUND EQUITY	\$ 203,478	62,291	44,903	310,672	23,421	334,093

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					Total
	Management	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 74,849	0	35,517	110,366	23,421	133,787
Other	3,256	168,197	120	171,573	0	171,573
State sources	35	0	17	52	0	52
TOTAL REVENUES	78,140	168,197	35,654	281,991	23,421	305,412
EXPENDITURES:						
Current:						
Instruction:						
Other instruction	0	152,640	0	152,640	0	152,640
Support services:						
Administration services	65,124	0	0	65,124	0	65,124
Other expenditures:						
Facilities acquisition	0	0	60,950	60,950	0	60,950
TOTAL EXPENDITURES	65,124	152,640	60,950	278,714	0	278,714
Excess(deficiency) of revenues over(under) expenditures	13,016	15,557	(25,296)	3,277	23,421	26,698
Other financing uses:						
Transfers out	0	0	(29,852)	(29,852)	(75)	(29,927)
Total other financing uses	0	0	(29,852)	(29,852)	(75)	(29,927)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	13,016	15,557	(55,148)	(26,575)	23,346	(3,229)
Fund balance beginning of year	110,462	42,158	64,121	216,741	0	216,741
Fund balance end of year	\$ 123,478	57,715	8,973	190,166	23,346	213,512

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Desktop publishing	\$ 733	0	0	733
Elementary vending	(45)	2,170	1,977	148
Elementary student leadership	511	0	0	511
After school program	4,383	0	0	4,383
6th grade overnight	(161)	660	499	0
Speech and drama	1,041	1,000	885	1,156
Spanish trip	1,275	22,864	19,036	5,103
Musical	38	2,872	2,910	0
Strings resale	96	747	935	(92)
Instrumental music	0	282	282	0
Vocal music	565	3,794	3,874	485
Booster club	59	4,419	4,419	59
Safe schools committee	1,134	4,501	5,475	160
Elementary activity	6,341	8,318	6,298	8,361
Secondary activity	2,118	7,000	3,494	5,624
S-T-C activity	183	0	183	0
High school annual	11,747	7,105	6,921	11,931
Class of 2004	23	0	23	0
Class of 2005	1,470	15	1,172	313
Class of 2006	58	15,633	13,380	2,311
Sr high student council	10,412	6,796	8,233	8,975
Leo club	269	318	275	312
After prom committee	661	6,665	6,499	827
National honor society	168	1,139	983	324
HOSA	38	0	38	0
Electronic media	138	0	138	0
Football cheerleaders	(163)	781	1,280	(662)
Wrestling cheerleaders	(6)	0	(6)	0
Basketball cheerleaders	295	2,831	2,359	767
Drill team	377	3,026	3,680	(277)
Boys basketball	7,485	11,255	12,078	6,662
Football	(14,818)	18,295	12,780	(9,303)
Baseball	(1,947)	2,920	973	0
Boys track	80	1,097	1,177	0
Boys golf	(93)	15	(78)	0
Wrestling	(1,257)	2,338	1,081	0
Girls basketball	5,698	4,674	5,372	5,000
Volleyball	476	7,427	5,202	2,701
Softball	306	3,247	2,908	645
Girls track	35	1,094	1,129	0
Interest	0	579	579	0
Activity tickets	(621)	10,965	10,344	0
Vending machines	444	1,355	1,241	558
Wooley Scholarship CD	2,543	0	2,543	0
Wagner scholarship	69	0	69	0
Total	\$ 42,158	168,197	152,640	57,715

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2005

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Regional Academy Grant Consortium fund				
ASSETS				
Cash and investments	\$ 3,341	0	3,341	0
LIABILITIES				
Due to other groups	\$ 3,341	0	3,341	0
Music Boosters				
ASSETS				
Cash and investments	\$ 8,045	24,933	28,103	4,875
LIABILITIES				
Due to other groups	\$ 8,045	24,933	28,103	4,875
SEISC Super Conference				
ASSETS				
Cash and investments	\$ 17,746	37,831	34,772	20,805
LIABILITIES				
Due to other groups	\$ 17,746	37,831	34,772	20,805
Elementary PTO				
ASSETS				
Cash and investments	\$ 5,629	14,318	16,217	3,730
LIABILITIES				
Due to other groups	\$ 5,629	14,318	16,217	3,730
WACO Wrestling Club				
ASSETS				
Cash and investments	\$ 2,499	8,051	9,273	1,277
LIABILITIES				
Due to other groups	\$ 2,499	8,051	9,273	1,277
Athletic Boosters				
ASSETS				
Cash and investments	\$ 2,384	34,437	31,945	4,876
LIABILITIES				
Due to other groups	\$ 2,384	34,437	31,945	4,876
Totals - All Agency Funds				
ASSETS				
Cash and investments	\$ 39,644	119,570	123,651	35,563
LIABILITIES				
Due to other groups	\$ 39,644	119,570	123,651	35,563

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET ASSETS
 INTERNAL SERVICE FUND
 YEAR ENDED JUNE 30, 2005

	Self-funded Health Insurance
OPERATING REVENUES:	
Local sources:	
Employee contributions	\$ 89,091
Board contributions	474,138
TOTAL OPERATING REVENUE	563,229
OPERATING EXPENDITURES	
Non-instructional:	
Benefits	559,846
Supplies	1,750
TOTAL OPERATING EXPENDITURES	561,596
CHANGE IN NET ASSETS	1,633
NET ASSETS BEGINNING OF YEAR	23,009
NET ASSETS END OF YEAR	\$ 24,642

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,143,288	2,141,503	2,001,084	2,027,979
Tuition	485,178	443,289	327,364	309,166
Other	265,047	234,952	202,284	378,754
Intermediate sources	0	200	5,189	1,285
State sources	2,288,938	2,229,048	2,366,641	2,279,118
Federal sources	173,991	186,798	187,373	180,345
Total	\$ 5,356,442	5,235,790	5,089,935	5,176,647
Expenditures:				
Instruction:				
Regular instruction	\$ 2,120,822	2,198,706	2,132,919	2,284,979
Special instruction	582,360	569,022	509,589	499,102
Other instruction	625,012	554,342	525,456	462,400
Support services:				
Student services	95,489	95,975	90,054	95,220
Instructional staff services	102,614	102,622	92,844	109,314
Administration services	668,083	546,735	492,724	563,065
Operation and maintenance of plant services	378,193	368,170	337,437	359,268
Transportation services	237,125	269,558	299,520	268,494
Non-instructional:				
Food service	62,516	49,007	33,616	34,293
Other expenditures:				
Facilities acquisitions	60,950	0	0	0
Principal	224,852	185,000	195,000	200,000
Interest and fiscal charges	173,963	182,187	191,638	203,840
AEA flow-through	157,060	160,044	172,979	173,664
Total	\$ 5,489,039	5,281,368	5,073,776	5,253,639

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
WACO Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of WACO Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WACO Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

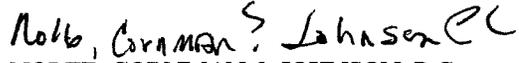
As part of obtaining reasonable assurance about whether WACO Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct 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 an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of WACO 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.

November 7, 2005

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-05 Student Activity Fund - We noted during our audit that the District paid cash as prizes for after prom activities. According to the Uniform Accounting Manual from the Department of Education, no funds from a student organization may be distributed to individual students.

Recommendation - The District should review the procedures in place and make necessary adjustments in the Student Activity Fund and refrain from paying out cash as prizes.

Response - We will not do cash prizes in the future.

Conclusion - Response accepted.

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures functional program area.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 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-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Massey, Custodian Owner of Mike's Service Stop	Batteries	\$237

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the secretary and bus driver owners do not appear to represent a conflict of interest.

II-F-05 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-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-I-05 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-05 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-05 Financial Condition - During our audit we noted that the District had negative account balances in the Student Activity Fund.

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

Response - The District will monitor the Student Activity Fund and try to balance any negative accounts.

Conclusion - Response accepted.