

WACO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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WACO Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
JoEllen Jepson	President	2010
Shari Janecek	Vice President	2008
Mark Hotchkiss	Board Member	2008
Tim Graber	Board Member	2009
Danielle Thomson	Board Member	2010
Board of Education (After September 2008 Election)		
JoEllen Jepson	President	2009*
Tim Graber	Vice President	2009
Gary Brose	Board Member	2011
Todd Meyer	Board Member	2011
Danielle Thomson	Board Member	2009*
School Officials		
Greg Ray	Superintendent	2009
Carrie Coble	Board Secretary/ Business Manager	2009
Robert Meyer	District Treasurer	2009
Ron Peeler	Attorney	2009

*Board term shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

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, 2009, 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, 2009, 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 March 5, 2010 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 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We

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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 five years ended June 30, 2008 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, 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.

March 5, 2010

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,495,923 in fiscal 2008 to \$5,863,896 in fiscal 2009, while General Fund expenditures increased from \$5,627,796 in fiscal 2008 to \$5,721,913 in fiscal 2009. This resulted in an increase in the District's General Fund balance from of \$130,852 in fiscal 2008 to a balance of \$272,835 in fiscal 2009 a 108.51% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state source revenues in fiscal 2009. The increase in expenditures was due primarily to an increase in instructional expenditures.

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.

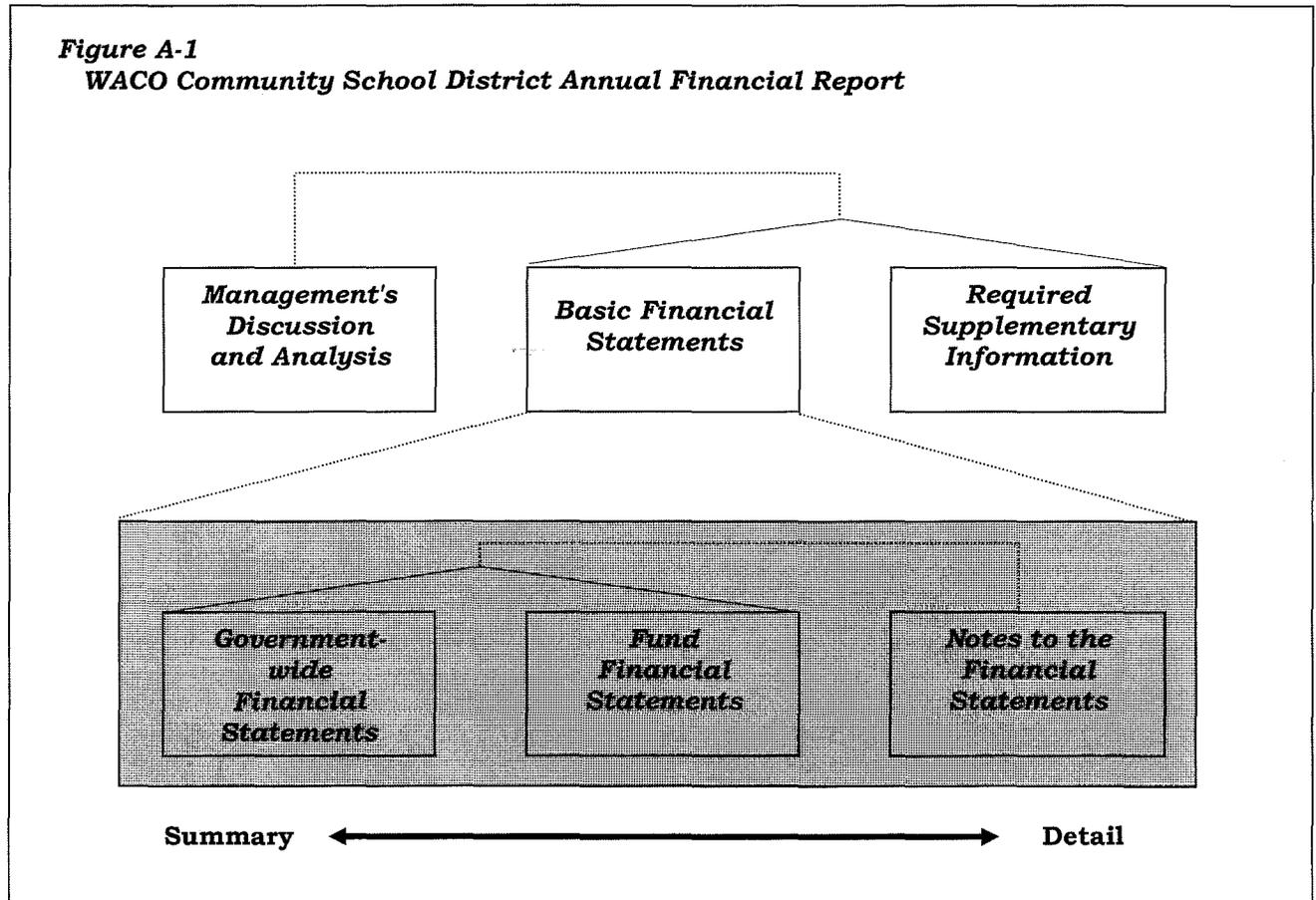


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, Capital Projects Fund 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 total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 4,393,843	3,217,785	5,846	90,348	4,399,689	3,308,133	33.00%
Capital assets	7,675,422	6,858,314	25,083	30,596	7,700,505	6,888,910	11.78%
Total assets	12,069,265	10,076,099	30,929	120,944	12,100,194	10,197,043	18.66%
Long-term obligations	4,313,396	3,582,789	0	0	4,313,396	3,582,789	20.39%
Other liabilities	3,443,534	2,686,834	2,399	84,891	3,445,933	2,771,725	24.32%
Total liabilities	7,756,930	6,269,623	2,399	84,891	7,759,329	6,354,514	22.11%
Net assets:							
Invested in capital assets, net of related debt	3,665,433	3,470,140	25,083	30,596	3,690,516	3,500,736	5.42%
Restricted	777,704	404,429	0	0	777,704	404,429	92.30%
Unrestricted	(130,802)	(68,093)	3,447	5,457	(127,355)	(62,636)	-103.33%
Total net assets	\$ 4,312,335	3,806,476	28,530	36,053	4,340,865	3,842,529	12.97%

The District's combined net assets increased by 12.97%, or \$498,336, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$373,275, or 92.30% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$64,719, or 103.33%.

Figure A-4 shows the changes in net assets for the years ended June 30, 2009 and 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 714,550	697,956	124,166	124,810	838,716	822,766	1.94%
Operating grants and contributions and restricted interest	899,562	792,562	128,887	113,278	1,028,449	905,840	13.54%
General revenues:							
Property tax	2,314,689	2,215,230	0	0	2,314,689	2,215,230	4.49%
Statewide sales and services tax	336,077	323,219	0	0	336,077	323,219	3.98%
Unrestricted state grants	2,369,677	2,311,930	0	0	2,369,677	2,311,930	2.50%
Other	156,049	63,630	256	452	156,305	64,082	143.91%
Transfers	(22,414)	(47,114)	22,414	47,114	0	0	0.00%
Total revenues and transfers	6,768,190	6,357,413	275,723	285,654	7,043,913	6,643,067	6.03%
Program expenses:							
Governmental activities:							
Instructional	3,944,752	3,942,109	0	0	3,944,752	3,942,109	0.07%
Support services	1,655,433	1,819,786	0	0	1,655,433	1,819,786	-9.03%
Non-instructional programs	0	0	283,246	281,925	283,246	281,925	0.47%
Other expenses	662,146	545,445	0	0	662,146	545,445	21.40%
Total expenses	6,262,331	6,307,340	283,246	281,925	6,545,577	6,589,265	-0.66%
Changes in net assets							
before extraordinary item	505,859	50,073	(7,523)	3,729	498,336	53,802	826.24%
Extraordinary item	0	234,701	0	0	0	234,701	-100.00%
Changes in net assets	505,859	284,774	(7,523)	3,729	498,336	288,503	72.73%
Net assets beginning of year	3,806,476	3,521,702	36,053	32,324	3,842,529	3,554,026	8.12%
Net assets end of year	\$ 4,312,335	3,806,476	28,530	36,053	4,340,865	3,842,529	12.97%

In fiscal 2009, property tax, statewide sales and services tax and unrestricted state grants account for 74.18% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 91.78% of the revenue from business type activities.

The District's total revenues and transfers were approximately \$7.04 million of which \$6.77 million was for governmental activities and approximately \$0.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.03% increase in revenues, net transfers and a 0.66% decrease in expenses.

Governmental Activities

Revenues, net transfers for governmental activities were \$6,768,190 and expenses were \$6,262,331.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 3,944,752	3,942,109	0.07%	2,534,044	2,650,478	-4.39%
Support services	1,655,433	1,819,786	-9.03%	1,652,364	1,811,368	-8.78%
Other expenses	662,146	545,445	21.40%	461,811	354,976	30.10%
Totals	\$ 6,262,331	6,307,340	12.43%	4,648,219	4,816,822	-3.50%

- The cost financed by users of the District’s programs was \$714,550.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$899,562.
- The net cost of governmental activities was financed with \$2,314,689 in property tax, \$336,077 in statewide sales and services tax, \$2,369,677 in unrestricted state grants, \$30,832 in interest income and \$125,217 in other general revenue.

Business Type Activities

Revenues of the District’s business type activities were \$275,723 and expenses were \$283,246. 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 \$1,014,531, compared to last year’s ending fund balances of \$576,929. The primary reason for the increase was the increase in the General Fund balance and Capital Projects Fund balance.

Governmental Fund Highlights

- The District’s increase in General Fund financial position is the product of many factors. An increase in the local tax and state aid during the year resulted in an increase in revenues.
- The Management Levy Fund balance decreased from \$101,329 in 2008, to \$43,646 in 2009.
- The Capital Projects Fund balance increased from \$178,200 in 2008, to \$351,379 in 2009.
- The Debt Service Fund balance increased from \$86,678 in 2008, to \$244,990 in 2009.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$36,053 at June 30, 2008 to \$28,530 at June 30, 2009, representing a decrease of 20.87%.

BUDGETARY HIGHLIGHTS

Over the course of the year, WACO Community School District amended its annual budget one time for \$452,813 to reflect additional expenditures associated with non-instructional programs functional area and the other expenditures functional area.

The District's revenues were \$247,070 less than budgeted revenues, a variance of 3.43%. The most significant variance resulted from the District receiving less in state 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 was exceeded in the other expenditure functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$7.7 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 increase of 11.78% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$287,388.

The original cost of the District's capital assets was \$11,135,450. Governmental funds account for \$11,002,641 with the remainder of \$132,809 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress was \$0 at June 30, 2008, compared to \$855,252 reported at June 30, 2009.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 85,850	85,850	0	0	85,850	85,850	0.00%
Construction in progress	855,252	0	0	0	855,252	0	100.00%
Buildings	5,592,895	5,718,008	0	0	5,592,895	5,718,008	-2.19%
Land improvements	737,989	781,733	0	0	737,989	781,733	-5.60%
Machinery and equipment	403,436	272,722	25,083	30,596	428,519	303,318	41.28%
Total	\$ 7,675,422	6,858,313	25,083	30,596	7,700,505	6,888,909	11.78%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$4,313,396 in general obligation and other long-term debt outstanding. This represents an increase of 20.39% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,685,000 at June 30, 2009.

The District had total outstanding revenue bonds payable of \$1,465,000 at June 30, 2009.

The District had total outstanding bus lease payable from the Capital Projects Fund of \$24,649 at June 30, 2009.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$128,695 at June 30, 2009.

The District also had total outstanding compensated absences payable from the General Fund of \$10,052 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 2,685,000	2,930,000	-8.36%
Revenue bonds	1,465,000	410,000	257.32%
Bus leases	24,649	48,173	-48.83%
Early retirement	128,695	188,624	-31.77%
Compensated absences	10,052	5,992	67.76%
Total	<u>\$ 4,313,396</u>	<u>3,582,789</u>	<u>20.39%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

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 Carrie Coble, Board Secretary/Business Manager, WACO Community School District, 706 N. Pearl St., Wayland, Iowa, 52654.

BASIC FINANCIAL STATEMENTS

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	1,649,156	93	1,649,249
Receivables:			
Property tax:			
Delinquent	96,845	0	96,845
Succeeding year	2,594,804	0	2,594,804
Accounts	4,692	0	4,692
Due from other governments	48,346	0	48,346
Inventories	0	5,753	5,753
Capital assets, net of accumulated depreciation	7,675,422	25,083	7,700,505
TOTAL ASSETS	12,069,265	30,929	12,100,194
LIABILITIES			
Accounts payable	160,263	0	160,263
Salaries and benefits payable	600,074	0	600,074
Accrued interest payable	64,222	0	64,222
Deferred revenue:			
Succeeding year property tax	2,594,804	0	2,594,804
Other	24,171	0	24,171
Unearned revenue	0	2,399	2,399
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	255,000	0	255,000
Revenue bond payable	100,000	0	100,000
Bus lease payable	24,649	0	24,649
Early retirement	34,505	0	34,505
Compensated absences	10,052	0	10,052
Portion due after one year:			
General obligation bonds payable	2,430,000	0	2,430,000
Revenue bond payable	1,365,000	0	1,365,000
Early retirement	94,190	0	94,190
TOTAL LIABILITIES	7,756,930	2,399	7,759,329
NET ASSETS			
Invested in capital assets, net of related debt	3,665,433	25,083	3,690,516
Restricted for:			
Categorical funding	244,314	0	244,314
Debt service	244,990	0	244,990
Capital projects	186,719	0	186,719
Physical plant and equipment levy	53,357	0	53,357
Other special revenue purposes	48,324	0	48,324
Unrestricted	(130,802)	3,447	(127,355)
TOTAL NET ASSETS	\$ 4,312,335	28,530	4,340,865

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern-	Business	Total
				mental Activities	Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 2,460,182	413,710	683,976	(1,362,496)	0	(1,362,496)
Special	827,486	131,887	15,251	(680,348)	0	(680,348)
Other	657,084	165,884	0	(491,200)	0	(491,200)
	<u>3,944,752</u>	<u>711,481</u>	<u>699,227</u>	<u>(2,534,044)</u>	<u>0</u>	<u>(2,534,044)</u>
Support services:						
Student	122,920	0	0	(122,920)	0	(122,920)
Instructional staff	151,081	0	0	(151,081)	0	(151,081)
Administration	751,015	0	0	(751,015)	0	(751,015)
Operation and maintenance of plant	466,703	0	0	(466,703)	0	(466,703)
Transportation	163,714	3,069	0	(160,645)	0	(160,645)
	<u>1,655,433</u>	<u>3,069</u>	<u>0</u>	<u>(1,652,364)</u>	<u>0</u>	<u>(1,652,364)</u>
Other expenditures:						
Facilities acquisitions	86,411	0	0	(86,411)	0	(86,411)
Long-term debt interest	174,294	0	0	(174,294)	0	(174,294)
AEA flowthrough	200,335	0	200,335	0	0	0
Depreciation(unallocated)*	201,106	0	0	(201,106)	0	(201,106)
	<u>662,146</u>	<u>0</u>	<u>200,335</u>	<u>(461,811)</u>	<u>0</u>	<u>(461,811)</u>
Total governmental activities	6,262,331	714,550	899,562	(4,648,219)	0	(4,648,219)
Business Type activities:						
Non-instructional programs:						
Nutrition services	283,246	124,166	128,887	0	(30,193)	(30,193)
Total business type activities	<u>283,246</u>	<u>124,166</u>	<u>128,887</u>	<u>0</u>	<u>(30,193)</u>	<u>(30,193)</u>
Total	\$ <u>6,545,577</u>	<u>838,716</u>	<u>1,028,449</u>	<u>(4,648,219)</u>	<u>(30,193)</u>	<u>(4,678,412)</u>
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,985,009	0	1,985,009
Debt services				290,369	0	290,369
Capital outlay				39,311	0	39,311
Statewide sales and services tax				336,077	0	336,077
Unrestricted state grants				2,369,677	0	2,369,677
Unrestricted investment earnings				30,832	256	31,088
Other general revenues				125,217	0	125,217
Transfers				(22,414)	22,414	0
Total general revenues and transfers				<u>5,154,078</u>	<u>22,670</u>	<u>5,176,748</u>
Changes in net assets				505,859	(7,523)	498,336
Net assets beginning of year				<u>3,806,476</u>	<u>36,053</u>	<u>3,842,529</u>
Net assets end of year				<u>\$ 4,312,335</u>	<u>28,530</u>	<u>4,340,865</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 915,156	413,611	172,414	147,975	1,649,156
Receivables:					
Property tax:					
Delinquent	36,151	53,958	5,361	1,376	96,846
Succeeding year	2,162,761	0	290,622	141,421	2,594,804
Interfund	0	0	67,215	0	67,215
Accounts	3,355	0	0	1,337	4,692
Due from other governments	114,911	0	0	0	114,911
TOTAL ASSETS	\$ 3,232,334	467,569	535,612	292,109	4,527,624
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 0	67,215	0	0	67,215
Accounts payable	58,144	48,975	0	4,963	112,082
Salaries and benefits payable	714,423	0	0	398	714,821
Deferred revenue:					
Succeeding year property tax	2,162,761	0	290,622	141,421	2,594,804
Other	24,171	0	0	0	24,171
Total liabilities	2,959,499	116,190	290,622	146,782	3,513,093
Fund balances:					
Reserved for:					
Categorical funding	244,314	0	0	0	244,314
Construction	0	164,660	0	0	164,660
Debt service	0	0	244,990	0	244,990
Unreserved:					
Undesignated	28,521	186,719	0	145,327	360,567
Total fund balances	272,835	351,379	244,990	145,327	1,014,531
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,232,334	467,569	535,612	292,109	4,527,624

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, 2009

Total fund balances of governmental funds (page 15)	\$	1,014,531
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		7,675,422
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.		(64,222)
Long-term liabilities, including bonds payable, bus lease payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,313,396)</u>
Net assets of governmental activities (page 13)	\$	<u>4,312,335</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, 2009

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,949,941	336,077	290,369	74,379	2,650,766
Tuition	545,597	0	0	0	545,597
Other	93,301	14,998	1,001	136,639	245,939
State sources	2,963,461	0	0	0	2,963,461
Federal sources	305,778	0	0	0	305,778
Total revenues	<u>5,858,078</u>	<u>351,075</u>	<u>291,370</u>	<u>211,018</u>	<u>6,711,541</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	2,520,111	0	0	0	2,520,111
Special	827,486	0	0	0	827,486
Other	530,292	0	0	130,541	660,833
	<u>3,877,889</u>	<u>0</u>	<u>0</u>	<u>130,541</u>	<u>4,008,430</u>
Support services:					
Student	122,920	0	0	0	122,920
Instructional staff	151,081	0	0	0	151,081
Administration	670,730	0	0	76,205	746,935
Operation and maintenance of plant	439,879	0	0	16,172	456,051
Transportation	236,665	72,918	0	8,105	317,688
	<u>1,621,275</u>	<u>72,918</u>	<u>0</u>	<u>100,482</u>	<u>1,794,675</u>
Other expenditures:					
Facilities acquisitions	0	876,048	0	15,867	891,915
Long-term debt:					
Principal	0	0	368,524	0	368,524
Interest and fiscal charges	0	0	128,875	0	128,875
AEA flowthrough	200,335	0	0	0	200,335
	<u>200,335</u>	<u>876,048</u>	<u>497,399</u>	<u>15,867</u>	<u>1,589,649</u>
Total expenditures	<u>5,699,499</u>	<u>948,966</u>	<u>497,399</u>	<u>246,890</u>	<u>7,392,754</u>
Excess(deficiency) of revenues over (under) expenditures	158,579	(597,891)	(206,029)	(35,872)	(681,213)
Other financing sources(uses):					
Proceeds from the disposal of property	5,818	0	0	0	5,818
Premium on bonds	0	7,585	0	0	7,585
Issuance of revenue bonds	0	1,155,000	0	0	1,155,000
Cost of issuance		(27,174)	0	0	(27,174)
Transfer in	0	0	364,341	0	364,341
Transfer out	(22,414)	(364,341)	0	0	(386,755)
Total other financing sources(uses)	<u>(16,596)</u>	<u>771,070</u>	<u>364,341</u>	<u>0</u>	<u>1,118,815</u>
Net change in fund balances	141,983	173,179	158,312	(35,872)	437,602
Fund balance beginning of year	130,852	178,200	86,678	181,199	576,929
Fund balance end of year	<u>\$ 272,835</u>	<u>351,379</u>	<u>244,990</u>	<u>145,327</u>	<u>1,014,531</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, 2009

Net change in fund balances - total governmental funds (page 17) \$ 437,602

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

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

Capital outlays	\$ 1,115,321	
Depreciation expense	(281,875)	
Loss on disposal of assets	<u>(16,337)</u>	817,109

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issuances and repayments, as follows:

Issued	(1,155,000)	
Repaid	<u>368,524</u>	(786,476)

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.

(18,245)

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	59,929	
Compensated Absences	<u>(4,060)</u>	<u>55,869</u>

Changes in net assets of governmental activities (page 14) \$ 505,859

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 93
Inventories	5,753
Capital assets, net of accumulated depreciation	<u>25,083</u>
TOTAL ASSETS	<u>30,929</u>
LIABILITIES	
Unearned revenues	<u>2,399</u>
NET ASSETS	
Invested in capital assets	25,083
Unrestricted	<u>3,447</u>
TOTAL NET ASSETS	<u>\$ 28,530</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 124,166
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	85,915
Benefits	44,440
Services	5,199
Supplies	142,179
Depreciation	5,513
TOTAL OPERATING EXPENSES	283,246
OPERATING LOSS	(159,080)
NON-OPERATING REVENUES:	
Interest income	256
State sources	3,215
Federal sources	125,672
TOTAL NON-OPERATING REVENUES	129,143
OTHER FINANCING SOURCES:	
Transfer in	22,414
Change in net assets	(7,523)
Net assets at beginning of year	36,053
Net assets end of year	\$ 28,530

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 123,444
Cash received from miscellaneous operating activities	1,344
Cash payments to employees for services	(130,355)
Cash payments to suppliers for goods or services	(220,611)
Net cash used in operating activities	(226,178)
Cash flows from non-capital financing activities:	
Transfer from General Fund	22,414
State grants received	3,215
Federal grants received	117,205
Net cash provided by non-capital financing activities	142,834
Cash flows from investing activities:	
Interest on investments	256
Net decrease in cash and cash equivalents	(83,088)
Cash and cash equivalents at beginning of year	83,181
Cash and cash equivalents at end of year	\$ 93
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (159,080)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	8,467
Depreciation	5,513
Decrease in inventories	1,400
Decrease in accounts receivable	14
Decrease in accounts payable	(83,100)
Increase in unearned revenue	608
Net cash used in operating activities	\$ (226,178)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 93

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$8,467.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2009

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 49,253
LIABILITIES	
Due to other groups	\$ 49,253

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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

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

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

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

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

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

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

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

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 Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009 balances of interfund accounts receivable or payable have been recorded.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
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.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Balances - 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, 2009 expenditures exceeded budgeted amounts in the other expenditure area.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 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 had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 391,375</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 67,215</u>

(4) Transfers

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise, School Nutrition	General	\$ 22,414
Debt Service	Capital Projects	<u>364,341</u>
Total		<u>\$ 386,755</u>

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

General fund transferred to Enterprise, School Nutrition Fund to cover general expenses.

Capital Projects Fund transferred to the Debt Service Fund to pay revenue bonds and a new bus lease.

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,930,000	0	245,000	2,685,000	255,000
Revenue bonds	410,000	1,155,000	100,000	1,465,000	100,000
Bus leases	48,173		23,524	24,649	24,649
Early retirement	188,624	0	59,929	128,695	34,505
Compensated absences	5,992	10,052	5,992	10,052	10,052
Total	\$ 3,582,789	1,165,052	434,445	4,313,396	424,206

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2005				
	Interest Rates	Principal	Interest	Total	
2010	4.00	% \$ 255,000	100,422	355,422	
2011	3.35	265,000	90,223	355,223	
2012	3.45	275,000	81,345	356,345	
2013	3.55	285,000	71,857	356,857	
2014	3.65	300,000	61,740	361,740	
2015-2018	3.75-4.00	1,305,000	130,976	1,435,976	
Total		\$ 2,685,000	536,563	3,221,563	

Revenue Bonds Payable

Details of the District's June 30, 2009 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2006			Bond Issue of September 1, 2008			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2010	4.50	% \$ 100,000	11,962	3.75	% \$ 0	62,938	100,000	74,900	174,900
2011	4.50	105,000	7,350	3.75	0	47,204	105,000	54,554	159,554
2012	4.75	105,000	2,494	3.75	0	47,204	105,000	49,698	154,698
2013		0	0	3.75	100,000	45,329	100,000	45,329	145,329
2014		0	0	3.75	100,000	41,579	100,000	41,579	141,579
2015-2019		0	0	4.00-4.10	500,000	148,469	500,000	148,469	648,469
2020-2023		0	0	4.10-4.375	455,000	39,989	455,000	39,989	494,989
Total		\$ 310,000	21,806		\$ 1,155,000	432,711	1,465,000	454,517	1,919,517

The District has pledged future statewide sales and services tax revenues to repay the \$510,000 bonds issued in August 2006 and the \$1,155,000 bonds issued in September 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 34.65% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,919,517. For the current year, principal and interest paid on the bonds was \$116,463 and statewide sales and services tax revenues were \$336,077.

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

- a) \$166,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Bus Leases

During fiscal year 2008, the District entered into a bus lease agreement for two buses with Blue Bird Body Company. Payments for the lease agreements will be paid by the Capital Projects Fund. Details of this lease agreement are as follows:

Year Ending June 30,	Interest Rate	Bus lease of October 19, 2007		
		Principal	Interest	Total
2010	4.78 %	\$ 24,649	1,178	25,827

Early Retirement

The District had previously offered 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, 2009 totaled \$59,929.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2009 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
Construction in progress	0	855,252	0	855,252
Total capital assets not being depreciated	<u>85,850</u>	<u>855,252</u>	<u>0</u>	<u>941,102</u>
Capital assets being depreciated:				
Buildings	8,016,457	0	0	8,016,457
Land improvements	951,896	32,249	0	984,145
Machinery and equipment	898,777	227,820	65,660	1,060,937
Total capital assets being depreciated	<u>9,867,130</u>	<u>260,069</u>	<u>65,660</u>	<u>10,061,539</u>
Less accumulated depreciation for:				
Buildings	2,298,449	157,362	0	2,455,811
Land improvements	170,163	43,744	0	213,907
Machinery and equipment	626,055	80,769	49,323	657,501
Total accumulated depreciation	<u>3,094,667</u>	<u>281,875</u>	<u>49,323</u>	<u>3,327,219</u>
Total capital assets being depreciated, net	<u>6,772,463</u>	<u>(21,806)</u>	<u>16,337</u>	<u>6,734,320</u>
Governmental activities capital assets, net	<u>\$ 6,858,313</u>	<u>833,446</u>	<u>16,337</u>	<u>7,675,422</u>
Business type activities:				
Machinery and equipment	\$ 132,809	0	0	132,809
Less accumulated depreciation	102,213	5,513	0	107,726
Business type activities capital assets, net	<u>\$ 30,596</u>	<u>(5,513)</u>	<u>0</u>	<u>25,083</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 937
Support services:	
Operation and maintenance of plant	10,672
Transportation	69,160
	<u>80,769</u>
Unallocated depreciation	<u>201,106</u>
Total governmental activities depreciation expense	<u>\$ 281,875</u>
Business type activities:	
Food services	<u>\$ 5,513</u>

(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 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$216,080, \$200,381 and \$176,396, respectively, equal to the required contributions for each year.

(8) Risk Management

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 \$200,335 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

Project	Amount
Talented and gifted	\$ 19,697
Beginning teacher mentoring program	911
Salary improvement program	368
Market factor	1,381
Market factor incentives	3,697
Early intervention	46,382
Professional development	13,474
Core curriculum	9,447
Dropout prevention	123,062
LEP weighting	11,227
Supplementary weighting	14,668
Total reserved for categorical funding	<u>\$ 244,314</u>

(11) Other Post-employment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB No. 45.

(12) Construction Commitment

The District has entered into a construction contract for a geothermal project. As of June 30, 2009, costs of \$777,860 had been incurred against the contract. The balance of \$96,930 remaining at June 30, 2009, will be paid as work on the project progresses.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the other expenditures functional areas exceeded the budgeted amount.

(14) Deficit Fund Balance/Net Assets

At the year ended June 30, 2009, The Governmental Activities had a deficit unrestricted net assets of \$130,802.

REQUIRED SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,442,302	124,422	3,566,724	3,659,845	3,659,845	(93,121)
Intermediate sources	0	0	0	5,800	5,800	(5,800)
State sources	2,963,461	3,215	2,966,676	3,221,275	3,221,275	(254,599)
Federal sources	305,778	125,672	431,450	325,000	325,000	106,450
Total revenues	<u>6,711,541</u>	<u>253,309</u>	<u>6,964,850</u>	<u>7,211,920</u>	<u>7,211,920</u>	<u>(247,070)</u>
Expenditures/Expenses:						
Instruction	4,008,430	0	4,008,430	4,070,504	4,070,504	62,074
Support services	1,794,675	0	1,794,675	2,642,700	2,642,700	848,025
Non-instructional programs	0	283,246	283,246	272,323	550,000	266,754
Other expenditures	1,589,649	0	1,589,649	1,324,864	1,500,000	(89,649)
Total expenditures/expenses	<u>7,392,754</u>	<u>283,246</u>	<u>7,676,000</u>	<u>8,310,391</u>	<u>8,763,204</u>	<u>1,087,204</u>
Deficiency of revenues under expenditures/expenses	(681,213)	(29,937)	(711,150)	(1,098,471)	(1,551,284)	840,134
Other financing sources, net	1,118,815	22,414	1,141,229	400,500	400,500	740,729
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	437,602	(7,523)	430,079	(697,971)	(1,150,784)	1,580,863
Balance beginning of year	576,929	36,053	612,982	1,003,508	1,003,508	(390,526)
Balance end of year	<u>\$ 1,014,531</u>	<u>28,530</u>	<u>1,043,061</u>	<u>305,537</u>	<u>(147,276)</u>	<u>1,190,337</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional 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 expenditures by \$452,813.

During the year ended June 30, 2009, expenditures in the other expenditures functional area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 43,394	51,950	52,631	147,975
Receivables:				
Property tax:				
Current year delinquent	650	0	726	1,376
Succeeding year	100,000	0	41,421	141,421
Accounts	0	1,337	0	1,337
TOTAL ASSETS	\$ 144,044	53,287	94,778	292,109
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	0	4,963	0	4,963
Salaries and benefits payable	398	0	0	398
Deferred revenue:				
Succeeding year property tax	100,000	0	41,421	141,421
Total liabilities	100,398	4,963	41,421	146,782
Fund balances:				
Unreserved:				
Undesignated	43,646	48,324	53,357	145,327
Total fund balances	43,646	48,324	53,357	145,327
TOTAL LIABILITIES AND FUND BALANCES	\$ 144,044	53,287	94,778	292,109

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, 2009

	Special Revenue Funds			
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 35,068	0	39,311	74,379
Other	10,117	126,342	180	136,639
TOTAL REVENUES	<u>45,185</u>	<u>126,342</u>	<u>39,491</u>	<u>211,018</u>
EXPENDITURES:				
Current:				
Instruction:				
Other	2,386	128,155	0	130,541
Support services:				
Administration	76,205	0	0	76,205
Operation and maintenance of plant	16,172	0	0	16,172
Student transportation	8,105	0	0	8,105
Other expenditures:				
Facilities acquisition	0	0	15,867	15,867
TOTAL EXPENDITURES	<u>102,868</u>	<u>128,155</u>	<u>15,867</u>	<u>246,890</u>
Net change in fund balances	(57,683)	(1,813)	23,624	(35,872)
Fund balance beginning of year	101,329	50,137	29,733	79,870
Fund balance end of year	<u>\$ 43,646</u>	<u>48,324</u>	<u>53,357</u>	<u>145,327</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary vending	\$ 1,321	2,682	2,579	1,424
Elementary student leadership	511	0	0	511
After school program	4,383	0	0	4,383
6th grade overnight	172	0	0	172
Speech and drama	1,211	0	1,211	0
Spanish trip	447	4,148	4,354	241
Musical	0	3,404	3,404	0
Strings resale	778	711	939	550
Instrumental music	0	18	18	0
Vocal music	0	2,410	2,232	178
Safe schools committee	220	1,124	1,344	0
Elementary activity	6,956	1,787	791	7,952
Secondary activity	144	2,352	2,496	0
High school annual	7,655	4,715	8,253	4,117
Class of 2008	359	0	359	0
Class of 2009	2,815	42	971	1,886
Class of 2010	0	10,989	8,967	2,022
Sr high student council	6,299	11,398	10,526	7,171
Leo club	424	3,014	2,997	441
After prom committee	660	0	660	0
National honor society	367	997	614	750
Football cheerleaders	387	931	526	792
Basketball cheerleaders	1,738	4,014	3,694	2,058
Drill team	305	1,267	1,406	166
Cross country	0	25	25	0
Boys basketball	5,141	5,551	7,385	3,307
Football	1,565	18,345	13,605	6,305
Baseball	100	1,732	1,832	0
Boys track	0	2,991	2,991	0
Boys golf	0	117	117	0
Wrestling	785	5,076	5,259	602
Girls basketball	4,327	7,766	7,674	4,419
Volleyball	0	6,751	6,751	0
Softball	1,384	4,347	3,739	1,992
Girls track	0	5,137	5,113	24
Interest	0	449	400	49
Activity tickets	0	9,476	9,476	0
Vending machines	558	1,239	1,359	438
Accruals	(875)	1,337	4,088	(3,626)
Total	\$ 50,137	126,342	128,155	48,324

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Music Boosters				
ASSETS				
Cash and investments	\$ 18,961	2,079	21,040	0
LIABILITIES				
Due to other groups	\$ 18,961	2,079	21,040	0
SEISC Super Conference				
ASSETS				
Cash and investments	\$ 25,523	0	25,523	0
LIABILITIES				
Due to other groups	\$ 25,523	0	25,523	0
Elementary PTO				
ASSETS				
Cash and investments	\$ 6,767	20,860	15,902	11,726
LIABILITIES				
Due to other groups	\$ 6,767	20,860	15,902	11,726
Athletic Boosters				
ASSETS				
Cash and investments	\$ 27,018	41,029	30,520	37,527
LIABILITIES				
Due to other groups	\$ 27,018	41,029	30,520	37,527
Totals - All Agency Funds				
ASSETS				
Cash and investments	\$ 78,269	63,968	92,985	49,253
LIABILITIES				
Due to other groups	\$ 78,269	63,968	92,985	49,253

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 SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,650,766	2,538,449	2,443,103	2,379,679	2,143,288	2,141,503
Tuition	545,597	546,965	561,972	526,416	485,178	443,289
Other	245,939	329,610	278,346	285,685	265,047	234,952
Intermediate sources	0	0	5,452	0	0	200
State sources	2,963,461	2,809,270	2,688,842	2,547,656	2,288,938	2,229,048
Federal sources	305,778	180,233	207,714	183,599	173,991	186,798
Total	<u>\$ 6,711,541</u>	<u>6,404,527</u>	<u>6,185,429</u>	<u>5,923,035</u>	<u>5,356,442</u>	<u>5,235,790</u>
Expenditures:						
Instruction:						
Regular	\$ 2,520,111	2,416,930	2,300,584	2,208,883	2,120,822	2,198,706
Special	827,486	815,142	758,374	685,666	582,360	569,022
Other	660,833	668,865	631,210	640,069	625,012	554,342
Support services:						
Student	122,920	127,124	88,836	104,327	95,489	95,975
Instructional staff	151,081	126,335	133,911	101,528	102,614	102,622
Administration	746,935	713,292	738,744	673,115	668,083	546,735
Operation and maintenance of plant	456,051	507,610	457,669	423,678	378,193	368,170
Transportation	317,688	272,761	356,428	338,645	237,125	269,558
Non-instructional:						
Food service operations	0	0	0	0	62,516	49,007
Other expenditures:						
Facilities acquisitions	891,915	150,988	606,302	73,268	60,950	0
Long term debt:						
Principal	368,524	393,267	240,930	225,199	224,852	185,000
Interest and fiscal charges	128,875	150,788	132,420	151,514	173,963	182,187
AEA flow-through	200,335	190,469	180,677	166,328	157,060	160,044
Total	<u>\$ 7,392,754</u>	<u>6,533,571</u>	<u>6,626,085</u>	<u>5,792,220</u>	<u>5,489,039</u>	<u>5,281,368</u>

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of WACO Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WACO Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects WACO Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of WACO Community School District's financial statements that is more than inconsequential will not be prevented or detected by WACO Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by WACO Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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.

March 5, 2010

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 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 continue to look for ways to maximize our internal control procedures given the limited number of office employees that we have.

Conclusion - Response accepted.

I-B-09 Investment Reconciliation - We noted during our audit that ISJIT reconciling items including interest were not posted timely.

Recommendation - The District should post ISJIT transactions monthly instead of waiting until year end to post these entries.

Response - The ISJIT transactions will be posted monthly.

Conclusion - Response accepted.

I-C-09 Fundraising Guidelines - We noted during our audit that in the Student Activity Fund, members of a group going to Europe were given money to defray the cost of the trip. The amount each individual received was based on a proportion of the the amount that they had fundraised.

Recommendation - When fundraising for trips the District needs to allocate the fundraised monies evenly among all participants and not based on individual sales. The District needs to review the fundraising guidelines provided by the Department of Education.

Response - We will review guidance regarding fundraisers and share the information with the building Principals as well as the extracurricular coaches and sponsors.

Conclusion - Response accepted.

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures/expenses for the year ended June 30, 2009, exceeded the amount budgeted in the other expenditures category.

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. The use of a line item budget would be a good management tool to help control costs to ensure that the budget is not exceeded.

Response - We will monitor the budget and amend if needed in the future.

Conclusion - Response accepted.

II-B-09 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-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-09 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	Supplies and Services	\$287

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

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-09 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-I-09 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-09 Statewide Sales and Servicing Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Beginning Balance		\$	0
Statewide sales and service tax revenue			336,077
Expenditures/transfers out:			
School Infrastructure			
Equipment	\$	87,236	
Debt service for school infrastructure			
General obligation debt		67,215	
Revenue debt		155,799	
Lease debt		25,827	336,077
Ending Balance		\$	<u>0</u>

Levies reduced as a result of statewide sales and services tax received:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
	<u> </u>	<u> </u>
Debt service levy	\$ 0.56533	\$ 67,215

II-L-09 Financial Condition - The District had a deficit unrestricted net assets of \$130,802 in the Governmental Activities at June 30, 2009.

Recommendation - The District should continue to monitor this balance and investigate alternatives to eliminate the deficit.

Response - The District will continue to monitor this balance and investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.