

WAPELLO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

## Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	39-40
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-49

Wapello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 election)</b>		
Steve Dickey	President	2008
Larry Moser	Vice President	2010
Matt Gish	Board Member	2009
Charles Kerr	Board Member	2009
Rod Fisher	Board Member	2010
<b>Board of Education (After September 2008 election)</b>		
Rod Fisher	President	2011 *
Larry Moser	Vice President	2011 *
Matt Gish	Board Member	2009
Charles Kerr	Board Member	2009
Rob Pritchard	Board Member	2011
<b>School Officials</b>		
John M. Weidner, Sr.	Superintendent	2009
Eric Small	District Secretary	2009
Janell Heater	District Treasurer	2009
Roger Huddle	District Attorney	2009
Brian Gruhn	District Attorney	2009

\* Board term altered 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  
Wapello 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 Wapello Community School District, Wapello, 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 Wapello Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

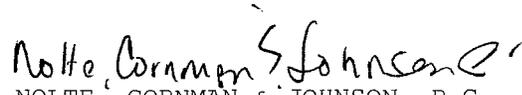
In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2010 on our consideration of the Wapello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Members American Institute & Iowa Society of Certified Public Accountants

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Wapello Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ending June 30, 2006 (which are not 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 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 2, 2010

---

---

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

---

---

Wapello 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 \$6,953,430 in fiscal 2008 to \$7,336,789 in fiscal 2009, while General Fund expenditures decreased from \$7,017,395 in fiscal 2008 to \$6,916,324 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$335,126 in fiscal 2008 to a balance of \$755,591 in fiscal 2009, a 125.46% increase from the prior year.
- The increase in General Fund revenues was mainly attributable to increases in state and federal source revenues. The decrease in expenditures was a result of a decrease in expenditures in the support services function as compared to the previous year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased significantly as compared to fiscal 2008. At June 30, 2008 the District's solvency ratio was 3.78% as compared to 9.37% at June 30, 2009. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

### **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 Wapello 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 Wapello 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 Wapello 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.

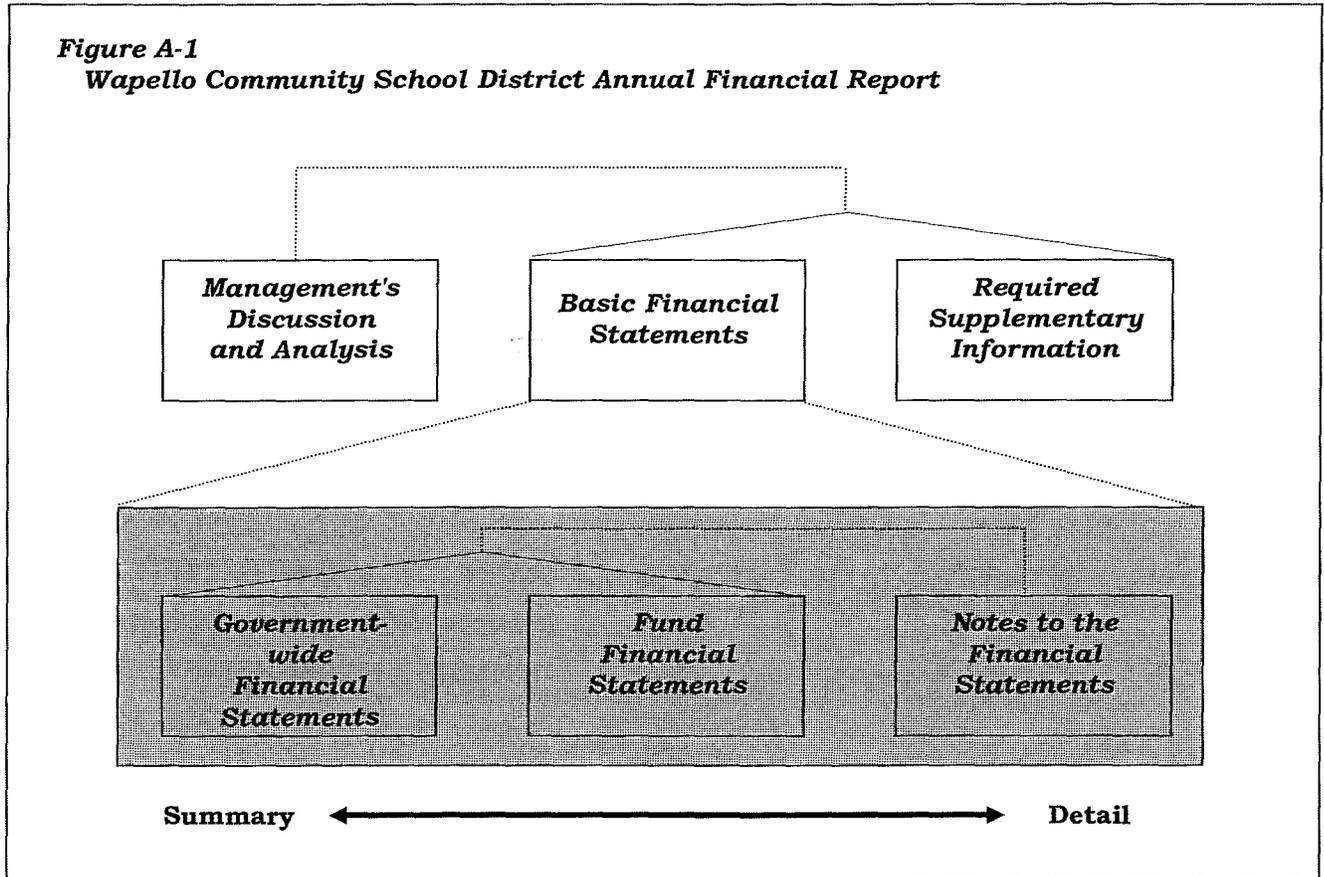


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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

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

---

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts. The District maintains records for the PTO and FCS organizations.

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

The required financial statements for fiduciary funds include a statement of fiduciary net 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		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
Current and other assets	\$ 5,657,466	6,200,265	24,924	29,888	5,682,390	6,230,153	-8.79%
Capital assets	3,924,641	2,880,404	41,230	38,830	3,965,871	2,919,234	35.85%
Total assets	9,582,107	9,080,669	66,154	68,718	9,648,261	9,149,387	5.45%
Long-term obligations	586,295	632,101	0	0	586,295	632,101	-7.25%
Other liabilities	3,828,719	3,825,449	36,957	30,836	3,865,676	3,856,285	0.24%
Total liabilities	4,415,014	4,457,550	36,957	30,836	4,451,971	4,488,386	-0.81%
Net assets:							
Invested in capital assets, net of related debt	3,338,346	2,248,303	41,230	38,830	3,379,576	2,287,133	47.76%
Restricted	920,216	1,890,477	0	0	920,216	1,890,477	-51.32%
Unrestricted	908,531	484,339	(12,033)	(948)	896,498	483,391	85.46%
Total net assets	\$ 5,167,093	4,623,119	29,197	37,882	5,196,290	4,661,001	11.48%

The District's combined net assets increased by 11.48%, or \$535,289, 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 invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$970,261, or 51.32% over the prior year. The decrease was primarily a result of the decrease in the Capital Projects fund balance due to the completion of improvements to the auditorium.

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 – increased \$413,107, or 85.46%. The increase in unrestricted net assets is mainly attributable to the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 as compared to the year ended June 30, 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	\$ 259,334	503,059	127,563	135,505	386,897	638,564	-39.41%
Operating grants and contributions and restricted interest	1,289,365	914,486	277,898	267,045	1,567,263	1,181,531	32.65%
Capital grants and contributions and restricted interest	260	260	0	0	260	260	0.00%
General revenues:							
Property tax	2,729,139	2,642,414	0	0	2,729,139	2,642,414	3.28%
Income surtax	236,920	240,234	0	0	236,920	240,234	-1.38%
Statewide sales and services tax	474,800	467,653	0	0	474,800	467,653	1.53%
Unrestricted state grants	3,515,993	3,526,565	0	0	3,515,993	3,526,565	-0.30%
Unrestricted investment earnings	37,286	81,766	0	0	37,286	81,766	-54.40%
Other general revenue	52,251	40,704	0	0	52,251	40,704	28.37%
Transfers	0	(100)	0	0	0	(100)	100.00%
Total revenues, net transfers	8,595,348	8,417,041	405,461	402,550	9,000,809	8,819,591	2.05%
Program expenses:							
Governmental activities:							
Instructional	5,593,328	5,374,860	54,188	57,093	5,647,516	5,431,953	3.97%
Support services	1,754,910	1,800,866	0	0	1,754,910	1,800,866	-2.55%
Non-instructional programs	0	0	359,958	355,298	359,958	355,298	1.31%
Other expenses	703,136	497,774	0	0	703,136	497,774	41.26%
Total expenses	8,051,374	7,673,500	414,146	412,391	8,465,520	8,085,891	4.69%
Changes in net assets	543,974	743,541	(8,685)	(9,841)	535,289	733,700	27.04%
Beginning net assets	4,623,119	3,879,578	37,882	47,723	4,661,001	3,927,301	18.68%
Ending net assets	\$ 5,167,093	4,623,119	29,197	37,882	5,196,290	4,661,001	11.48%

In fiscal 2009, property tax and unrestricted state grants account for 72.66% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues and transfers were approximately \$9.00 million of which \$8.60 million was for governmental activities and approximately \$0.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.05% increase in revenues and a 4.69% increase in expenses. Property tax increased \$86,725 to fund increases in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

**Governmental Activities**

Revenues for governmental activities were \$8,595,348 and expenses were \$8,051,374 for the year ended June 30, 2009.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change	2008	2009	Change
			2008-09			2008-09
Instruction	\$ 5,593,328	5,374,860	4.06%	4,335,872	4,232,815	2.43%
Support services	1,754,910	1,800,866	-2.55%	1,754,910	1,800,866	-2.55%
Other expenses	703,136	497,774	41.26%	411,633	222,014	85.41%
<b>Totals</b>	<b>\$ 8,051,374</b>	<b>7,673,500</b>	<b>4.92%</b>	<b>6,502,415</b>	<b>6,255,695</b>	<b>3.94%</b>

- The cost financed by users of the District’s programs was \$259,334.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,289,625.
- The net cost of governmental activities was financed with \$2,729,139 in property tax, \$236,920 in income surtax, \$474,800 in local option sales and services tax, \$3,515,993 in unrestricted state grants, \$37,286 in interest income and \$52,251 in other general revenue.

**Business type Activities**

Revenues of the District’s business type activities were \$405,461 and expenses were \$414,146. The District’s business type activities include the School Nutrition Fund and Day Care 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 Wapello 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 \$1,607,673, below last year’s ending fund balances of a \$2,153,628. This primarily resulted from the decrease in fund balance for the Capital Projects Fund due to the completion of prior year projects.

**Governmental Fund Highlights**

- The District’s increase in General Fund financial position from \$335,126 to \$755,591 is the product of many factors. The increase in General Fund revenues coupled with the decrease in fund expenditures as compared to fiscal 2008 allowed the increase of \$420,465.
- The Capital Projects Fund balance decreased from \$1,367,389 in fiscal 2008 to \$305,233 in fiscal 2009. Completion of the auditorium projects from the prior year as well as new equipment purchases in 2009 accounted for the drop in Capital Projects fund balance.

## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$65,636 at June 30, 2008 to \$54,301 at June 30, 2009, representing a decrease of 17.27%. The Day Care Fund net assets increased from a deficit \$27,754 at June 30, 2008 to a deficit \$25,104 at June 30, 2009, representing an increase of 9.56%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$677,596 more than budgeted revenues, a variance of 8.14%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated due to additional funds received from the American Recovery and Reinvestment Act.

Total expenditures were less than budgeted, primarily due 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 non-instructional and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$3.97 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$595,531.

The original cost of the District's capital assets was \$7,920,501. Governmental funds account for \$7,833,351 with the remainder of \$87,150 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 totaled \$200,347 at June 30, 2008, compared to \$0 reported at June 30, 2009. This decrease resulted from the work on the renovation of the auditorium being completed during the year.

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,	June 30,	June 30,	
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 35,000	35,000	0	0	35,000	35,000	0.00%
Construction in progress	0	200,347	0	0	0	200,347	-100.00%
Buildings	3,179,418	1,877,885	0	0	3,179,418	1,877,885	69.31%
Land improvements	334,099	327,728	0	0	334,099	327,728	1.94%
Machinery and equipment	376,124	439,444	41,230	38,830	417,354	478,274	-12.74%
Total	\$ 3,924,641	2,880,404	41,230	38,830	3,965,871	2,919,234	35.85%

---

## Long-Term Debt

At June 30, 2009, the District had \$586,295 in general obligation bond and other long-term debt outstanding. This represents a decrease of 7.25% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$335,000 at June 30, 2009.

The District had total outstanding Loans payable from the General and Special Revenue, Physical Plant and Equipment Levy Fund of \$84,322 at June 30, 2009.

The District had total outstanding Computer Lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$131,929 at June 30, 2009.

The District had total outstanding Copier Lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$35,044 at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2009	June 30, 2008	June 30, 2008-09
General Obligation Bonds	\$ 335,000	490,000	-31.63%
Loans	84,322	99,015	-14.84%
Computer Lease	131,929	0	100.00%
Copier Lease	35,044	43,086	100.00%
Totals	<u>\$ 586,295</u>	<u>632,101</u>	<u>-7.25%</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.
- With the September 25, 2009 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

## 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 Eric Small, Board Secretary, Wapello Community School District, 445 North Cedar Street, Wapello, Iowa, 52653.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 627,785	0	627,785
Other	1,497,793	7,107	1,504,900
Receivables:			
Property tax:			
Delinquent	32,878	0	32,878
Succeeding year	2,830,786	0	2,830,786
Income surtax	227,751	0	227,751
Accounts	7,866	0	7,866
Accrued ISCAP interest	78	0	78
Due from other governments	432,529	5,851	438,380
Inventories	0	11,966	11,966
Capital assets, net of accumulated depreciation	3,924,641	41,230	3,965,871
<b>TOTAL ASSETS</b>	<b>9,582,107</b>	<b>66,154</b>	<b>9,648,261</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	27,335	27,335
Accounts payable	26,158	0	26,158
Salaries and benefits payable	292,752	3,620	296,372
Accrued interest payable	6,677	0	6,677
ISCAP warrants payable	618,000	0	618,000
ISCAP interest payable	212	0	212
ISCAP amortized premium	11,963	0	11,963
Deferred revenue:			
Succeeding year property tax	2,830,786	0	2,830,786
Other	42,171	3,838	46,009
Unearned revenue	0	2,164	2,164
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	160,000	0	160,000
Loans payable	15,710	0	15,710
Computer lease payable	43,492	0	43,492
Copier lease payable	9,075	0	9,075
Portion due after one year:			
General obligation bonds payable	175,000	0	175,000
Loans payable	68,612	0	68,612
Computer lease payable	88,437	0	88,437
Copier lease payable	25,969	0	25,969
<b>TOTAL LIABILITIES</b>	<b>4,415,014</b>	<b>36,957</b>	<b>4,451,971</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,338,346	41,230	3,379,576
Restricted for:			
Debt service	96,422	0	96,422
Categorical funding	68,134	0	68,134
Capital projects	305,233	0	305,233
Management levy	142,805	0	142,805
Physical plant and equipment levy	188,817	0	188,817
Other special revenue purposes	118,805	0	118,805
Unrestricted	908,531	(12,033)	896,498
<b>TOTAL NET ASSETS</b>	<b>\$ 5,167,093</b>	<b>29,197</b>	<b>5,196,290</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges for Services		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Interest	Interest				
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,727,597	170,163	761,866	260	(2,795,308)	0	(2,795,308)
Special	879,598	3,692	47,045	0	(828,861)	0	(828,861)
Other	986,133	85,479	188,951	0	(711,703)	0	(711,703)
	<u>5,593,328</u>	<u>259,334</u>	<u>997,862</u>	<u>260</u>	<u>(4,335,872)</u>	<u>0</u>	<u>(4,335,872)</u>
Support services:							
Student	104,190	0	0	0	(104,190)	0	(104,190)
Instructional staff	68,016	0	0	0	(68,016)	0	(68,016)
Administration	660,899	0	0	0	(660,899)	0	(660,899)
Operation and maintenance of plant	514,155	0	0	0	(514,155)	0	(514,155)
Transportation	407,650	0	0	0	(407,650)	0	(407,650)
	<u>1,754,910</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,754,910)</u>	<u>0</u>	<u>(1,754,910)</u>
Other expenditures:							
Facilities acquisitions	67,354	0	0	0	(67,354)	0	(67,354)
Long-term debt:							
Interest and fiscal charges	35,509	0	0	0	(35,509)	0	(35,509)
AEA flowthrough	291,503	0	291,503	0	0	0	0
Depreciation (unallocated)*	308,770	0	0	0	(308,770)	0	(308,770)
	<u>703,136</u>	<u>0</u>	<u>291,503</u>	<u>0</u>	<u>(411,633)</u>	<u>0</u>	<u>(411,633)</u>
Total governmental activities	8,051,374	259,334	1,289,365	260	(6,502,415)	0	(6,502,415)
Business Type activities:							
Instruction:							
Regular:							
Day care services	54,188	0	0	0	0	(54,188)	(54,188)
Non-instructional programs:							
Nutrition services	355,791	118,161	226,295	0	0	(11,335)	(11,335)
Day care services	4,167	9,402	51,603	0	0	56,838	56,838
	<u>359,958</u>	<u>127,563</u>	<u>277,898</u>	<u>0</u>	<u>0</u>	<u>45,503</u>	<u>45,503</u>
Total business type activities	414,146	127,563	277,898	0	0	(8,685)	(8,685)
Total	\$ 8,465,520	386,897	1,567,263	260	(6,502,415)	(8,685)	(6,511,100)
<b>General Revenues:</b>							
Local tax for:							
General purposes				\$ 2,377,540	0		2,377,540
Capital outlay				169,630	0		169,630
Debt service				181,969	0		181,969
Income surtax				236,920	0		236,920
Statewide sales and services tax				474,800	0		474,800
Unrestricted state grants				3,515,993	0		3,515,993
Unrestricted investment earnings				37,286	0		37,286
Other general revenue				52,251	0		52,251
Total general revenues				<u>7,046,389</u>	<u>0</u>		<u>7,046,389</u>
Changes in net assets				543,974	(8,685)		535,289
Net assets beginning of year				4,623,119	37,882		4,661,001
Net assets end of year				\$ 5,167,093	29,197		5,196,290

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
ISCAP	\$ 627,785	0	0	627,785
Other	919,683	36,830	541,280	1,497,793
Receivables:				
Property tax:				
Delinquent	27,309	0	5,569	32,878
Succeeding year	2,356,253	0	474,533	2,830,786
Income surtax	227,751	0	0	227,751
Accounts	7,866	0	0	7,866
Accrued ISCAP interest	78	0	0	78
Due from other governments	164,126	268,403	0	432,529
<b>TOTAL ASSETS</b>	<b>\$ 4,330,851</b>	<b>305,233</b>	<b>1,021,382</b>	<b>5,657,466</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 26,158	0	0	26,158
Salaries and benefits payable	292,752	0	0	292,752
ISCAP warrants payable	618,000	0	0	618,000
ISCAP interest payable	212	0	0	212
ISCAP amortized premium	11,963	0	0	11,963
Deferred revenue:				
Succeeding year property tax	2,356,253	0	474,533	2,830,786
Income surtax	227,751	0	0	227,751
Other	42,171	0	0	42,171
<b>Total liabilities</b>	<b>3,575,260</b>	<b>0</b>	<b>474,533</b>	<b>4,049,793</b>
Fund balances:				
Reserved for:				
Debt service	0	0	96,422	96,422
Categorical funding	68,134	0	0	68,134
Unreserved	687,457	305,233	450,427	1,443,117
<b>Total fund balances</b>	<b>755,591</b>	<b>305,233</b>	<b>546,849</b>	<b>1,607,673</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,330,851</b>	<b>305,233</b>	<b>1,021,382</b>	<b>5,657,466</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO 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)	\$ 1,607,673
 <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.	3,924,641
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	227,751
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(6,677)
Long-term liabilities, including general obligation bonds, loans payable, copier lease payable and computer lease payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(586,295)
	(586,295)
<b>Net assets of governmental activities (page 13)</b>	<b>\$ <u>5,167,093</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,494,201	474,800	471,858	3,440,859
Tuition	151,993	0	0	151,993
Other	72,419	5,725	305,589	383,733
State sources	4,347,265	0	327	4,347,592
Federal sources	268,815	0	260	269,075
Total revenues	<u>7,334,693</u>	<u>480,525</u>	<u>778,034</u>	<u>8,593,252</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,464,148	0	219,968	3,684,116
Special	879,598	0	0	879,598
Other	715,919	0	270,214	986,133
	<u>5,059,665</u>	<u>0</u>	<u>490,182</u>	<u>5,549,847</u>
Support services:				
Student	99,099	0	5,091	104,190
Instructional staff	62,925	0	5,091	68,016
Administration	658,296	0	5,874	664,170
Operation and maintenance of plant	465,876	0	37,835	503,711
Transportation	278,960	99,432	16,592	394,984
	<u>1,565,156</u>	<u>99,432</u>	<u>70,483</u>	<u>1,735,071</u>
Other expenditures:				
Facilities acquisitions	0	1,443,249	40,432	1,483,681
Long-term debt:				
Principal	0	0	222,691	222,691
Interest and fiscal charges	0	0	35,395	35,395
AEA flowthrough	291,503	0	0	291,503
	<u>291,503</u>	<u>1,443,249</u>	<u>298,518</u>	<u>2,033,270</u>
Total expenditures	<u>6,916,324</u>	<u>1,542,681</u>	<u>859,183</u>	<u>9,318,188</u>
Excess(deficiency) of revenues over(under) expenditures	418,369	(1,062,156)	(81,149)	(724,936)
Other financing sources(uses):				
Sale of equipment	2,096	0	0	2,096
Transfer in	0	0	76,696	76,696
Transfer out	0	0	(76,696)	(76,696)
Proceeds from capital lease	0	0	176,885	176,885
Total other financing sources(uses)	<u>2,096</u>	<u>0</u>	<u>176,885</u>	<u>178,981</u>
Net change in fund balances	420,465	(1,062,156)	95,736	(545,955)
Fund balance beginning of year	335,126	1,367,389	451,113	2,153,628
Fund balance end of year	<u>\$ 755,591</u>	<u>305,233</u>	<u>546,849</u>	<u>1,607,673</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (545,955)

*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 outlay expenditures and depreciation expense in the current year, are as follows:

Expenditures for capital assets	\$ 1,636,394	
Depreciation expense	(592,157)	1,044,237

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 repayments and issuances, are as follows:

Issued	(176,885)	
Repaid	222,691	45,806

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.

(114)

Changes in net assets of governmental activities (page 14) \$ 543,974

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

	Business type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 7,107	0	7,107
Due from other governments	0	5,851	5,851
Inventories	11,966	0	11,966
Non-current assets:			
Capital assets, net of accumulated depreciation	41,230	0	41,230
<b>TOTAL ASSETS</b>	<b>60,303</b>	<b>5,851</b>	<b>66,154</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	27,335	27,335
Salaries and benefits payable	0	3,620	3,620
Deferred revenue	3,838	0	3,838
Unearned revenue	2,164	0	2,164
<b>TOTAL LIABILITIES</b>	<b>6,002</b>	<b>30,955</b>	<b>36,957</b>
<b>NET ASSETS</b>			
Invested in capital assets	41,230	0	41,230
Unrestricted	13,071	(25,104)	(12,033)
<b>TOTAL NET ASSETS</b>	<b>\$ 54,301</b>	<b>(25,104)</b>	<b>29,197</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 118,161	9,402	127,563
OPERATING EXPENSES:			
Instruction:			
Regular instruction:			
Salaries	0	43,149	43,149
Benefits	0	11,039	11,039
	0	54,188	54,188
Non-instructional programs:			
Salaries	158,636	275	158,911
Benefits	22,028	1,442	23,470
Services	666	1,490	2,156
Supplies	171,087	960	172,047
Depreciation	3,374	0	3,374
	355,791	4,167	359,958
TOTAL OPERATING EXPENSES	355,791	58,355	414,146
OPERATING LOSS	(237,630)	(48,953)	(286,583)
NON-OPERATING REVENUES:			
State sources	4,322	51,603	55,925
Federal sources	221,973	0	221,973
TOTAL NON-OPERATING REVENUES	226,295	51,603	277,898
Changes in net assets	(11,335)	2,650	(8,685)
Net assets beginning of year	65,636	(27,754)	37,882
Net assets end of year	\$ 54,301	(25,104)	29,197

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 119,586	0	119,586
Cash received from miscellaneous operating activities	0	9,402	9,402
Cash payments to employees for services	(180,664)	(58,481)	(239,145)
Cash payments to suppliers for goods or services	(149,960)	(2,450)	(152,410)
Net cash used in operating activities	(211,038)	(51,529)	(262,567)
Cash flows from non-capital financing activities:			
State grants received	4,322	65,318	69,640
Federal grants received	198,536	0	198,536
Net cash provided by non-capital financing activities	202,858	65,318	268,176
Cash flows from capital financing activities:			
Acquisitions of assets	(5,774)	0	(5,774)
Net increase(decrease) in cash and cash equivalents	(13,954)	13,789	(165)
Cash and cash equivalents at beginning of year	21,061	(41,124)	(20,063)
Cash and cash equivalents at end of year	\$ 7,107	(27,335)	(20,228)
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (237,630)	(48,953)	(286,583)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	23,437	0	23,437
Depreciation	3,374	0	3,374
Increase in inventories	(1,644)	0	(1,644)
Decrease in salaries and benefits payable	0	(2,576)	(2,576)
Increase in unearned revenue	1,425	0	1,425
Net cash used in operating activities	\$ (211,038)	(51,529)	(262,567)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$23,437.

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2009

	Private Purpose Trust	Agency Fund
	Scholarship Fund	
ASSETS		
Cash and pooled investments	\$ 16,487	6,681
LIABILITIES		
Due to other groups	0	6,681
NET ASSETS		
Reserved for scholarships	\$ 16,487	0

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2009

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
FFA concessions	\$ 6,104
Interest income	260
Total additions	<u>6,364</u>
Deductions:	
Regular instruction:	
Scholarships awarded	3,350
FFA supplies	3,241
Total deletions	<u>6,591</u>
Change in net assets	(227)
Net assets beginning of year	<u>16,714</u>
Net assets end of year	<u>\$ 16,487</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Wapello Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Wapello, Iowa, and the predominate agricultural territory in Louisa and Des Moines 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, Wapello 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 Wapello 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 Des Moines and Louisa Counties Assessors' Conference Board.

**B. Basis of Presentation**

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation 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 Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund and Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for the day care service operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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 Funds are 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.

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	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

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

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

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

Deferred revenue on the Statement of Net 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.

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, District expenditures in the non-instructional programs and other expenditures functions exceeded the budgeted amounts.

#### (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 drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 165,098

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 rated Aaa by Moody's Investors Service.

**(3) 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>
Debt Service	Physical Plant and Equipment Levy	\$ 76,696

The transfer from the Physical Plant and Equipment Levy fund to Debt Service fund was needed for principal and interest payments on the District's computer, copier and loan indebtedness.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2009-10A	6/25/09	6/23/10	\$ 627,785	78	618,000	212

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments

on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No ISCAP advance activity in the General Fund was noted for the year ended June 30, 2009.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2009-10A	2.500%	0.902%

**(5) 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	\$ 35,000	0	0	35,000
Construction in progress	200,347	724,565	924,912	0
Total capital assets not being depreciated	235,347	724,565	924,912	35,000
Capital assets being depreciated:				
Buildings	3,465,881	1,583,641	0	5,049,522
Land improvements	495,727	33,033	0	528,760
Machinery and equipment	2,098,361	220,067	98,359	2,220,069
Total capital assets being depreciated	6,059,969	1,836,741	98,359	7,798,351
Less accumulated depreciation for:				
Buildings	1,587,996	282,108	0	1,870,104
Land improvements	167,999	26,662	0	194,661
Machinery and equipment	1,658,917	283,387	98,359	1,843,945
Total accumulated depreciation	3,414,912	592,157	98,359	3,908,710
Total capital assets being depreciated, net	2,645,057	1,244,584	0	3,889,641
Governmental activities capital assets, net	\$ 2,880,404	1,969,149	924,912	3,924,641
Business type activities:				
Machinery and equipment	\$ 87,428	5,774	6,052	87,150
Less accumulated depreciation	48,598	3,374	6,052	45,920
Business type activities capital assets, net	\$ 38,830	2,400	0	41,230

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 71,598
Support services:		
Administration		7,229
Operation and maintenance of plant		10,444
Transportation		194,116
		<u>283,387</u>
Unallocated depreciation		<u>308,770</u>
		<u>\$ 592,157</u>
Business type activities:		
Food services		<u>\$ 3,374</u>

**(6) 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	\$ 490,000	0	155,000	335,000	160,000
Loans	99,015	0	14,693	84,322	15,710
Computer Lease	0	176,885	44,956	131,929	43,492
Copier Lease	43,086	0	8,042	35,044	9,074
Total	<u>\$ 632,101</u>	<u>176,885</u>	<u>222,691</u>	<u>586,295</u>	<u>228,276</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of February 1, 1996			
	Interest Rates	Principal	Interest	Total
2010	5.30 %	\$ 160,000	17,930	177,930
2011	5.40	175,000	9,450	184,450
Total		<u>\$ 335,000</u>	<u>27,380</u>	<u>362,380</u>

Loans Payable

On July 31, 2003, the District entered into a loan agreement with State Bank of Wapello for \$153,829 for paving the parking lot. The loan bears interest at 4.00% and requires ten annual payments of \$18,903 beginning July 31, 2004. The loan is scheduled to be repaid as follows from the Physical Plant and Equipment Levy Fund:

Year Ending June 30,	Loan of July 31, 2003				
	Interest Rates	Principal	Interest	Total	
2010	4.00 %	\$ 15,710	3,364	19,074	
2011	4.00	16,161	2,742	18,903	
2012	4.00	16,807	2,096	18,903	
2013	4.00	17,480	1,423	18,903	
2014	4.00	18,164	739	18,903	
Total		\$ 84,322	10,364	94,686	

Computer Lease Payable

On July 15, 2008, the District entered into a lease agreement with Apple for new computers. The lease is scheduled to be repaid as follows from the Physical Plant and Equipment Levy Fund:

Year Ending June 30,	Lease of July 15, 2008				
	Interest Rates	Principal	Interest	Total	
2010	1.110 %	\$ 43,492	1,464	44,956	
2011	1.110	43,974	982	44,956	
2012	1.110	44,463	494	44,957	
Total		\$ 131,929	2,940	134,869	

Copier Lease Payable

On October 4, 2007, the District entered into a lease agreement with Bank of America for copiers. The lease is scheduled to be repaid as follows from the Physical Plant and Equipment Levy Fund:

Year Ending June 30,	Lease of October 4, 2007				
	Interest Rates	Principal	Interest	Total	
2010	12.125 %	\$ 9,074	3,764	12,838	
2011	12.125	10,241	2,597	12,838	
2012	12.125	11,556	1,282	12,838	
2013	12.125	4,173	105	4,278	
Total		\$ 35,044	7,748	42,792	

**(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 covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are

established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$279,805, \$260,941 and \$211,463 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Wapello 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 \$291,503 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) Deficit Net Assets**

The Day Care Fund had deficit net assets of \$25,104 at June 30, 2009.

**(11) Categorical Funding**

The District's ending balances for state categorical funding by project as of the year ended June 30, 2009 are as follows:

Project	Amount
Home school assistance program	\$ 23,390
Talented and gifted	3,896
Beginning teacher mentoring	1,438
Salary improvement program	13,730
Professional development	11,248
Professional development, educator quality	64
Market factor	3,262
Model core curriculum	11,106
Total	<u>\$ 68,134</u>

**(12) 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 function exceeded the budgeted amount.

REQUIRED SUPPLEMENTARY INFORMATION

WAPELLO COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 3,976,585	127,563	4,104,148	3,594,684	3,594,684	509,464
State sources	4,347,592	55,925	4,403,517	4,530,173	4,530,173	(126,656)
Federal sources	269,075	221,973	491,048	196,260	196,260	294,788
Total revenues	<u>8,593,252</u>	<u>405,461</u>	<u>8,998,713</u>	<u>8,321,117</u>	<u>8,321,117</u>	<u>677,596</u>
<b>Expenditures/Expenses:</b>						
Instruction	5,549,847	54,188	5,604,035	6,059,000	6,059,000	454,965
Support services	1,735,071	0	1,735,071	2,363,747	2,363,747	628,676
Non-instructional programs	0	359,958	359,958	300,381	300,381	(59,577)
Other expenditures	2,033,270	0	2,033,270	1,920,864	1,920,864	(112,406)
Total expenditures/expenses	<u>9,318,188</u>	<u>414,146</u>	<u>9,732,334</u>	<u>10,643,992</u>	<u>10,643,992</u>	<u>911,658</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(724,936)	(8,685)	(733,621)	(2,322,875)	(2,322,875)	1,589,254
Other financing sources, net	178,981	0	178,981	26,326	26,326	152,655
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(545,955)	(8,685)	(554,640)	(2,296,549)	(2,296,549)	1,741,909
Balance beginning of year	2,153,628	37,882	2,191,510	2,552,101	2,552,101	(360,591)
Balance end of year	<u>\$ 1,607,673</u>	<u>29,197</u>	<u>1,636,870</u>	<u>255,552</u>	<u>255,552</u>	<u>1,381,318</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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 the GAAP basis.

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

During the year ended June 30, 2009, District expenditures in the non-instructional programs and other expenditures functions exceeded the budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 141,350	118,805	186,832	446,987	94,293	541,280
Receivables:						
Property tax:						
Delinquent	1,455	0	1,985	3,440	2,129	5,569
Succeeding year	115,000	0	181,003	296,003	178,530	474,533
<b>TOTAL ASSETS</b>	<b>\$ 257,805</b>	<b>118,805</b>	<b>369,820</b>	<b>746,430</b>	<b>274,952</b>	<b>1,021,382</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 115,000	0	181,003	296,003	178,530	474,533
	115,000	0	181,003	296,003	178,530	474,533
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	96,422	96,422
Unreserved:						
Undesignated	142,805	118,805	188,817	450,427	0	450,427
Total fund balances	142,805	118,805	188,817	450,427	96,422	546,849
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 257,805</b>	<b>118,805</b>	<b>369,820</b>	<b>746,430</b>	<b>274,952</b>	<b>1,021,382</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 120,259	0	169,630	289,889	181,969	471,858
Other	11,944	293,283	362	305,589	0	305,589
State sources	84	0	117	201	126	327
Federal sources	0	0	260	260	0	260
<b>TOTAL REVENUES</b>	<b>132,287</b>	<b>293,283</b>	<b>170,369</b>	<b>595,939</b>	<b>182,095</b>	<b>778,034</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	19,398	0	200,570	219,968	0	219,968
Other	0	270,214	0	270,214	0	270,214
Support services:						
Student	5,091	0	0	5,091	0	5,091
Instructional staff	5,091	0	0	5,091	0	5,091
Administration	5,874	0	0	5,874	0	5,874
Operation and maintenance of plant	37,835	0	0	37,835	0	37,835
Transportation	16,592	0	0	16,592	0	16,592
Other expenditures:						
Facilities acquisition	0	0	40,432	40,432	0	40,432
Long-term debt:						
Principal	0	0	0	0	222,691	222,691
Interest and fiscal charges	0	0	0	0	35,395	35,395
<b>TOTAL EXPENDITURES</b>	<b>89,881</b>	<b>270,214</b>	<b>241,002</b>	<b>601,097</b>	<b>258,086</b>	<b>859,183</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>42,406</b>	<b>23,069</b>	<b>(70,633)</b>	<b>(5,158)</b>	<b>(75,991)</b>	<b>(81,149)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfer in	0	0	0	0	76,696	76,696
Transfer out	0	0	(76,696)	(76,696)	0	(76,696)
Proceeds from capital lease	0	0	176,885	176,885	0	176,885
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>100,189</b>	<b>100,189</b>	<b>76,696</b>	<b>176,885</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>42,406</b>	<b>23,069</b>	<b>29,556</b>	<b>95,031</b>	<b>705</b>	<b>95,736</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>100,399</b>	<b>95,736</b>	<b>159,261</b>	<b>355,396</b>	<b>95,717</b>	<b>451,113</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 142,805</b>	<b>118,805</b>	<b>188,817</b>	<b>450,427</b>	<b>96,422</b>	<b>546,849</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expend- itures	Intra- fund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2008	\$ 142	0	136	(6)	0
2009	1,799	1,099	1,803	(27)	1,068
2010	828	4,488	3,139	(500)	1,677
2011	833	0	120	0	713
2012	1,020	0	119	0	901
2013	0	1,309	758	0	551
	<u>4,622</u>	<u>6,896</u>	<u>6,075</u>	<u>(533)</u>	<u>4,910</u>
<u>Clubs and Organizations:</u>					
FFA	125	58,732	42,352	742	17,247
FFA Farmland Project	14,887	0	3,010	0	11,877
FFA Greenhouse	3,335	3,451	4,047	0	2,739
FFA Software	1,701	895	484	0	2,112
FCCLA	601	626	1,073	0	154
FCCLA Grant	81	0	81	0	0
Cheerleading - Football/Basketball	1,101	4,732	3,807	0	2,026
Cheerleading - Wrestling	(43)	1,988	1,808	0	137
Key Club	780	410	925	0	265
Poms	(283)	6,799	5,335	0	1,181
FFA Health Machine	2,171	2,007	2,054	0	2,124
	<u>24,456</u>	<u>79,640</u>	<u>64,976</u>	<u>742</u>	<u>39,862</u>
<u>Athletics:</u>					
Athletics	6,995	11,779	11,317	(1,650)	5,807
Wrestling / Resale	466	4,011	4,054	585	1,008
Wrestling Gates	928	2,804	3,147	(585)	0
Boys Basketball / Resale	1,611	2,090	2,182	0	1,519
Boys Basketball Gates	1,873	9,270	7,647	0	3,496
Boys Basketball Fundraiser	671	836	597	0	910
Boys Basketball Youth	728	0	212	0	516
Girls Basketball / Resale	0	150	0	0	150
Girls Basketball Gates	2,823	7,148	4,170	0	5,801
Girls Basketball Fundraiser	1,298	2,096	1,028	0	2,366
Volleyball / Resale	2,897	5,435	5,230	(202)	2,900
Volleyball Gates	348	8,250	5,902	(501)	2,195
Volleyball Fundraiser	1,434	606	2,242	202	0
Volleyball Youth/Camp	(501)	0	(501)	0	0
Cross Country	(544)	102	779	1,221	0
Baseball / Resale	4,442	5,173	4,332	(4,552)	731
Baseball Gates	(7,705)	3,609	4,297	8,263	(130)
Baseball Fundraiser	3,660	5,340	4,187	(3,711)	1,102
Softball / Resale	(2,826)	3,457	4,083	3,452	0
Softball Gates	674	4,397	3,429	0	1,642
Softball Fundraiser	978	8,931	5,180	(3,452)	1,277
Boys Track / Resale	1,490	355	1,031	0	814
Boys Track Gates	484	3,058	2,335	0	1,207
Boys Track Fundraiser	0	2,924	2,924	0	0
Girls Track / Resale	68	288	278	0	78

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

Account	Balance Beginning of Year	Revenues	Expendt- tures and Interfund Transfers	Intra- fund Transfers	Balance End of Year
<u>Athletics(Continued):</u>					
Girls Track Gates	695	2,919	3,879	265	0
Girls Track Fundraiser	0	2,924	1,310	(265)	1,349
Football / Resale	75	0	1,441	1,366	0
Football Gates	442	12,692	13,609	475	0
Football Fundraiser	1,878	4,859	2,249	(1,841)	2,647
Golf / Resale	(114)	60	375	429	0
	<u>25,268</u>	<u>115,563</u>	<u>102,945</u>	<u>(501)</u>	<u>37,385</u>
<u>Academic Clubs:</u>					
Drama Trip	3,331	2,085	5,076	586	926
Drama and Speech	734	1,245	2,466	4,009	3,522
Drama Gates	852	0	0	(852)	0
Drama Fundraiser	3,311	432	(154)	(3,897)	0
Vocal	4,885	2,338	1,854	0	5,369
Vocal Uniform	1,170	620	825	0	965
Vocal Trip	10,419	47,412	52,629	0	5,202
Band	1,132	1,287	285	0	2,134
Band Uniforms	1,436	576	367	0	1,645
Instrument Repair	0	195	180	0	15
Art Club	0	217	217	0	0
Yearbook - Odd	(18,268)	5,418	4,280	0	(17,130)
Student Senate	806	1,598	1,726	0	678
National Honor Society	196	206	218	0	184
Prom	0	3,051	3,584	533	0
	<u>10,004</u>	<u>66,680</u>	<u>73,553</u>	<u>379</u>	<u>3,510</u>
<u>Junior High</u>					
Student Senate	212	708	775	0	145
Language Arts Fines	22	0	0	0	22
	<u>234</u>	<u>708</u>	<u>775</u>	<u>0</u>	<u>167</u>
<u>Elementary</u>					
Elementary	16,700	5,542	4,179	0	18,063
Elem Vocal Music	3,513	1,267	857	0	3,923
Elem Student Council	305	0	0	0	305
Character Counts Program	107	360	293	0	174
Elem Walks	8	0	0	0	8
First Grade Grant	977	0	977	0	0
Elem Ticket Store	0	1,359	1,005	0	354
	<u>21,610</u>	<u>8,528</u>	<u>7,311</u>	<u>0</u>	<u>22,827</u>
<u>Miscellaneous</u>					
Pop Machines	478	12,621	10,938	0	2,161
Sandpoint Fund	30	0	0	0	30
Bus Barn Pop	318	36	43	0	311
Student of the Month	476	58	231	0	303
Spanish Trip	6	1,342	1,290	0	58
Hometown Days	0	25	0	0	25
Interest Checking	526	369	66	(87)	742
School Nurse Fund	7,708	817	2,011	0	6,514
	<u>9,542</u>	<u>15,268</u>	<u>14,579</u>	<u>(87)</u>	<u>10,144</u>
 Total	 <u>\$ 95,736</u>	 <u>293,283</u>	 <u>270,214</u>	 <u>0</u>	 <u>118,805</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 58	10,127	3,504	6,681
<b>LIABILITIES</b>				
Due to other groups	\$ 58	10,127	3,504	6,681

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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	\$ 3,440,859	3,192,897	3,358,514	3,046,344	2,873,859	2,424,992
Tuition	151,993	171,800	176,768	215,080	196,802	195,142
Other	383,733	453,729	442,145	422,413	424,466	333,130
State sources	4,347,592	4,219,007	4,098,662	3,834,209	3,446,281	3,158,613
Federal sources	269,075	222,304	204,199	221,391	193,239	210,696
Total	<u>\$ 8,593,252</u>	<u>8,259,737</u>	<u>8,280,288</u>	<u>7,739,437</u>	<u>7,134,647</u>	<u>6,322,573</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 3,684,116	3,507,759	3,407,171	3,124,319	3,028,768	2,875,548
Special	879,598	906,180	870,521	958,535	999,754	863,058
Other	986,133	1,057,949	1,024,131	1,035,072	786,460	690,738
Support services:						
Student	104,190	117,735	127,343	117,265	105,746	98,238
Instructional staff	68,016	66,246	76,407	59,603	69,495	103,643
Administration	664,170	658,873	618,373	614,171	611,608	525,707
Operation and maintenance of plant	503,711	650,469	635,163	664,509	459,932	406,687
Transportation	394,984	359,840	345,497	317,789	368,999	314,209
Other expenditures:						
Facilities acquisitions	1,483,681	358,708	46,635	55,207	3,509	186,239
Long-term debt:						
Principal	222,691	218,886	159,102	153,158	204,865	129,462
Interest and fiscal charges	35,395	44,823	46,490	53,805	61,871	59,824
AEA flow-through	291,503	275,760	271,268	248,746	227,703	221,144
Total	<u>\$ 9,318,188</u>	<u>8,223,228</u>	<u>7,628,101</u>	<u>7,402,179</u>	<u>6,928,710</u>	<u>6,474,497</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  
Wapello 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 Wapello 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 2, 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 Wapello 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 Wapello Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wapello 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 Wapello 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 Wapello Community School District's financial statements that is more than inconsequential will not be prevented or detected by Wapello 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 Wapello 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

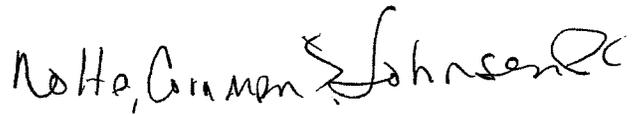
As part of obtaining reasonable assurance about whether Wapello Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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.

Wapello 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 Wapello 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 Wapello Community School District and other parties to whom Wapello 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 Wapello 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 2, 2010

WAPELLO 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. One individual has control over data processing in general, receipt posting, investing, disbursement journalizing, payroll preparation and bank reconciling.

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 - The District will review its control procedures to obtain the maximum internal control possible with the resources that are available. If changes can be made to create a better internal control environment, those changes will be implemented.

Conclusion - Response accepted.

- I-B-09 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will work with teachers and administrators to ensure that grant related expenditures are coded correctly and therefore expended out of the correct account. The District will check with the Uniform Financial Accounting Manual to assure correct account numbers are being used to match expenditures to the grant revenues.

Conclusion - Response accepted.

- I-C-09 Timely Deposits - We noted during our audit that deposits for the School Nutrition fund were collected and deposited the following week.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - Receipts will be delivered to the central office on a daily basis instead of a weekly basis from the school nutrition staff. Deposits will be made to the district bank depository as soon as possible.

Conclusion - Response accepted.

WAPELLO 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 disbursements for the year ended June 30, 2009 exceeded the amounts budgeted in the non-instructional programs and other expenditures program area.

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

Response - The District will monitor expenditures closely to ensure that expenditures do not exceed amounts in the certified budget. If expenditures do exceed the certified budgeted amounts, the district will amend its certified budget.

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.

The District has policy 401.7 in effect for employee travel compensation. The policy states that employees traveling outside the district conducting district business will be reimbursed for actual and necessary pre-approved travel expenses. If the employee does not provide the District with detailed receipts, other than a credit card receipt, the expenses would become personal expenses not reimbursed by the district.

However, during our audit, we noted instances of employees being reimbursed by the district for meal and hotel expenses without providing detailed receipts.

Recommendation - The District should review policy 401.7 and require that all employees seeking reimbursement provide the district with detailed receipts. If a receipt is not available, the employee should provide the district with written documentation of the amount and nature of the expense before seeking reimbursement.

Response - The District will require detailed receipts from employees that are seeking reimbursement. If detailed receipts are unavailable, the employee will furnish the District with written documentation as to why a detailed receipt is not available. The written documentation will then be approved by the building principal or Superintendent before reimbursement is made.

Conclusion - Response accepted.

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
John Vandenberg, Teacher Spouse of Susan Vandenberg	Supplies	\$1,738
Eric Small, Board Secretary Sister owns Stitches and Cream	Services	\$2,200

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse and sister of the employees 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 a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 1 as resident students was overstated by 3.6 students.

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

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

Conclusion - Response accepted.

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-J-09 Financial Condition - The District had deficit net assets of \$25,104 in the Enterprise - Day Care Fund. We also noted during our audit two deficit account balances in the Special Revenue, Student Activity Fund totaling \$17,260.

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

Response - The District will continue to work to reduce the deficit balances in the noted accounts and look for ways to improve the balances in these accounts.

Conclusion - Response accepted.

II-K-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-09 Statewide Sales and Services 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.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$	0
Statewide sales and services tax revenue			474,800
Expenditures/Transfers out:			
School infrastructure:			
Buildings	\$	375,368	
Equipment		99,432	474,800
		<hr/>	<hr/>
Ending Balance		\$	<u>0</u>

II-M-09 Exclusive Vendor Contract - We noted during the audit that within the Student Activity Fund and the Nutrition Fund there was revenue received from an exclusive vendor contract with Pepsi.

Recommendation - According to guidance provided by the Iowa Department of Education, the Auditor of State and the Attorney General's Opinion dated February 15, 2000, the exclusive vendor contract is allowable, but the revenue from the exclusive vendor contract must be recorded only in the District's General Fund. Under Dillon's Rule, there is no statutory requirement or authority to record the revenue in another fund other than the General Fund.

Once exclusive vendor contract revenues are recorded in the General Fund, they can be subsequently spent for purposes including athletics or other extracurricular activities to the extent the expenditure would be allowable and appropriate from the General Fund.

Response - The District will change its practice of depositing the Exclusive Vendor Contract monies from Pepsi from the Student Activity fund to the General Fund.

Conclusion - Response accepted.

II-N-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will change its practice of allowing the Athletic Director to sign officiating contracts to the Board President signing officiating contracts.

Conclusion - Response accepted.

II-O-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will make a change to be in compliance with the law regarding the authorization to mail employee pay checks. Written authorization will be obtained on a yearly basis from all employees.

Conclusion - Response accepted.

II-P-09 Payments to Athletic Officials - We noted during our audit of the Student Activity Fund that it appears the District writes checks to pay athletic officials the night of the event.

Recommendation - The District should review procedures in place for payments made to officials. Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid the night of the game, after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and athletic officials should be informed that payment will be made in this manner unless a valid contract exists.

Response - The District will change procedures in place for payments made to officials. All officials will now sign a payment request form. Payments will be made after the board has approved all requests.

Conclusion - Response accepted.

II-Q-09 Activity Fund Invoices - We noted during our audit of the Student Activity Fund instances of vendors being paid from purchase orders without having the invoice as supporting documentation.

Recommendation - The District should present bills for payment to the Board of Directors according to 279.29 of the Code of Iowa. Also, pursuant to Chapter 291.6 of the Code of Iowa, the duty of the Board Secretary is preservation of records and to keep an accurate account of all expenses incurred by the District for audit and approval of the Board of Directors. Therefore, the District should review procedures in place to ensure that all bills incurred by the District are supported, approved and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or additional support documents other than the invoice.

Response - The District will review its policies with employees regarding reimbursement or payment for goods. The District will require an actual invoice to pay a claim from. If an invoice is not readily available, further documentation will be required along with a Building Principal and or Superintendent approval.

Conclusion - Response accepted.