

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

JUNE 30, 2009

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Washington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2008 Election)</b>		
Eric Turner	President	2008
Cathy Rich	Vice-President	2009
Jeff Dieleman	Board Member (Resigned June 11, 2008)	2009
Patty Roe	Board Member	2009
Heidi Vittetoe	Board Member	2009
Tim Orris	Board Member	2008
Ron Goodwin	Board Member	2008
<b>Board of Education (After September 2008 Election)</b>		
Eric Turner	President	2011
Heidi Vittetoe	Vice-President	2009
Cathy Rich	Board Member	2009
Patty Roe	Board Member	2009
Richard Bordwell	Board Member	2011
Stephanie Ellingson	Board Member	2011
Sid Ryan	Board Member (Resigned January 2009)	2011
Patrick Finney	Board Member (Appointed January 2009)	2009
<b>School Officials</b>		
David Sextro	Superintendent	2009
Jeff Dieleman	Business Manager/ District Secretary	2009
Brian Gruhn	Attorney	2009

# **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  
Washington 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 Washington Community School District, Washington, Iowa, 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. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Washington Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2010 on our consideration of Washington Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 are not required parts of the

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Washington Community School District's basic financial statements. We previously audited the financial statements for the two years ended June 30, 2008, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and an unqualified opinion was expressed on those financial statements. Another auditor previously audited the financial statements for the previous three years ended June 30, 2006, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 30, 2010

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

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The Washington Community School District provides the 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 \$15,747,840 in fiscal 2008 to \$16,673,272 in fiscal 2009, while General Fund expenditures increased from \$15,871,517 in fiscal 2008 to \$16,447,123 in fiscal 2009. This resulted in an increase in the District's General Fund balance from a deficit \$803,369 in fiscal 2008 to a balance of deficit \$577,220 in fiscal 2009, an 28.15% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal sources in fiscal 2009. The increase in expenditures was due primarily due increased salary and benefits to District employees.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

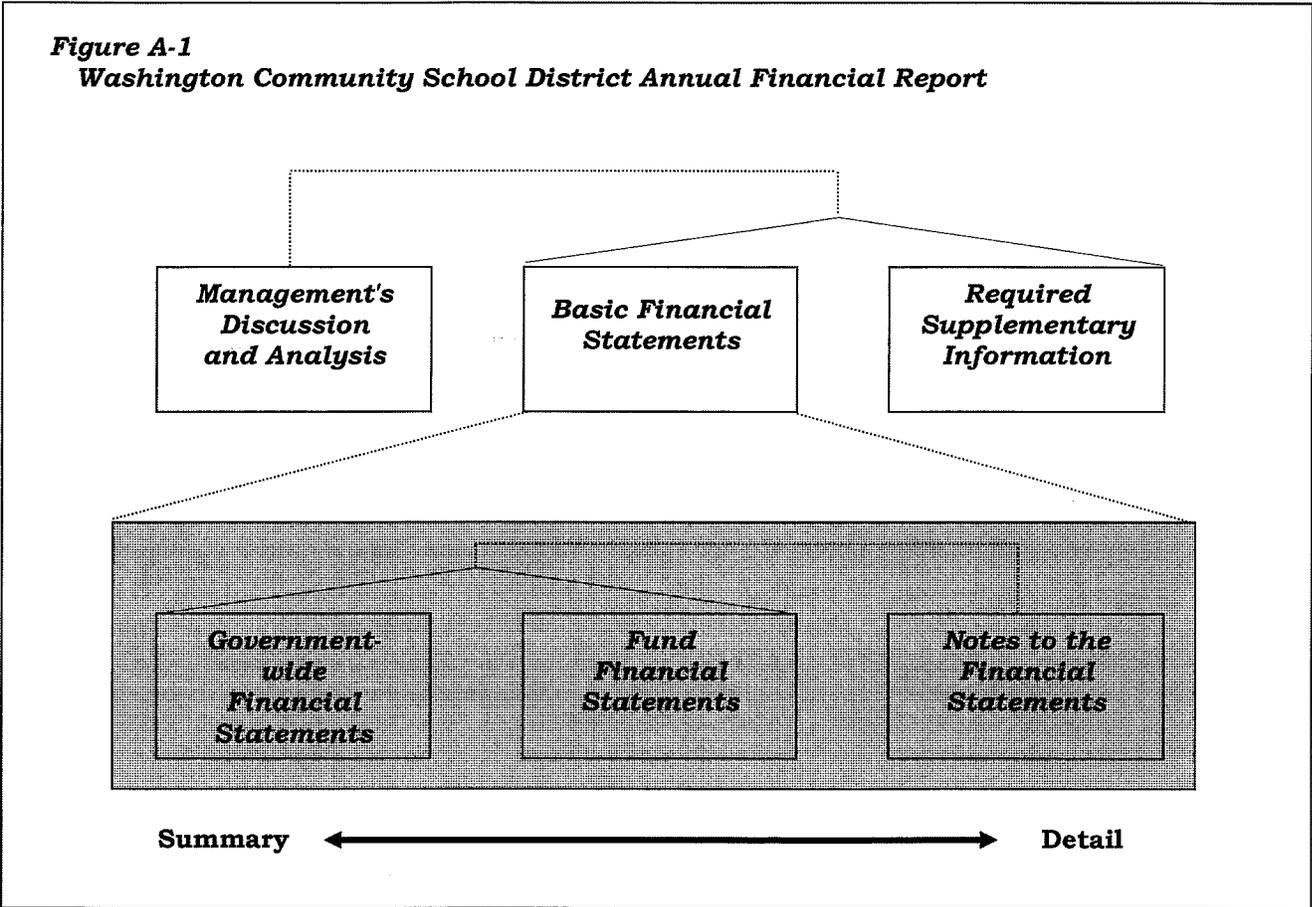


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a statement of net assets, 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 Private-Purpose Trust.

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 14,419,586	10,847,389	90,164	76,968	14,509,750	10,924,357	32.82%
Capital assets	7,615,364	7,666,397	285,395	306,210	7,900,759	7,972,607	-0.90%
Total assets	22,034,950	18,513,786	375,559	383,178	22,410,509	18,896,964	18.59%
Long-term obligations	1,288,651	1,043,944	739	0	1,289,390	1,043,944	23.51%
Other liabilities	12,573,011	10,223,087	64,179	49,828	12,637,190	10,272,915	23.01%
Total liabilities	13,861,662	11,267,031	64,918	49,828	13,926,580	11,316,859	23.06%
Net assets:							
Invested in capital assets, net of related debt	6,615,364	6,666,397	285,395	306,210	6,900,759	6,972,607	-1.03%
Restricted	2,206,705	966,330	0	0	2,206,705	966,330	128.36%
Unrestricted	(648,781)	(385,972)	25,246	27,140	(623,535)	(358,832)	-73.77%
Total net assets	\$ 8,173,288	7,246,755	310,641	333,350	8,483,929	7,580,105	11.92%

The District's combined net assets increased by 11.92%, or \$903,824, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 128.36%, or \$1,240,375, over the prior year. This increase is mainly attributable to the increase in fund balance of both the Capital Projects and Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$264,703, or 73.77%. This reduction in unrestricted net assets is due in part because of the District’s net OPEB liability incurred during the year as a result of implementing GASB 45.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental		Business type		Total		Total Change June 30, 2008-09
	Activities		Activities		School District		
	June 30, 2009	2008	June 30, 2009	2008	June 30, 2009	2008	
<b>Revenues &amp; Transfers:</b>							
<b>Program revenues:</b>							
Charges for services	\$ 1,085,506	1,096,959	308,388	318,676	1,393,894	1,415,635	-1.54%
Operating grants and contributions and restricted interest	3,441,878	2,604,167	419,509	357,632	3,861,387	2,961,799	30.37%
Capital grants and contributions and restricted interest	0	383,326	0	0	0	383,326	-100.00%
<b>General revenues:</b>							
Property tax	4,863,206	4,471,602	0	0	4,863,206	4,471,602	8.76%
Income surtax	660,137	718,233	0	0	660,137	718,233	-8.09%
Statewide sales and services tax	1,080,002	1,013,760	0	0	1,080,002	1,013,760	6.53%
Unrestricted state grants	7,603,149	7,839,002	0	0	7,603,149	7,839,002	-3.01%
Other	131,069	96,647	4,182	1,529	135,251	98,176	37.76%
Transfers	(4,700)	(280,924)	4,700	280,924	0	0	0.00%
<b>Total revenues and transfers</b>	<b>18,860,247</b>	<b>17,942,772</b>	<b>736,779</b>	<b>958,761</b>	<b>19,597,026</b>	<b>18,901,533</b>	<b>3.68%</b>
<b>Program expenses:</b>							
<b>Governmental activities:</b>							
Instructional	11,582,653	10,938,324	0	0	11,582,653	10,938,324	5.89%
Support services	5,239,647	4,739,315	0	0	5,239,647	4,739,315	10.56%
Non-instructional programs	0	0	759,488	711,476	759,488	711,476	6.75%
Other expenses	1,111,414	1,168,056	0	0	1,111,414	1,168,056	-4.85%
<b>Total expenses</b>	<b>17,933,714</b>	<b>16,845,695</b>	<b>759,488</b>	<b>711,476</b>	<b>18,693,202</b>	<b>17,557,171</b>	<b>6.47%</b>
<b>Changes in net assets</b>	<b>926,533</b>	<b>1,097,077</b>	<b>(22,709)</b>	<b>247,285</b>	<b>903,824</b>	<b>1,344,362</b>	<b>-32.77%</b>
<b>Beginning net assets</b>	<b>7,246,755</b>	<b>6,149,678</b>	<b>333,350</b>	<b>86,065</b>	<b>7,580,105</b>	<b>6,235,743</b>	<b>21.56%</b>
<b>Ending net assets</b>	<b>\$ 8,173,288</b>	<b>7,246,755</b>	<b>310,641</b>	<b>333,350</b>	<b>8,483,929</b>	<b>7,580,105</b>	<b>11.92%</b>

In fiscal 2009, local tax (property tax, income surtax and local option (statewide) sales and services tax) and unrestricted state grants account for 75.33% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.79% of the revenue from business type activities.

The District’s total revenues were approximately \$19.60 million of which \$18.86 million was for governmental activities and approximately \$0.74 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.68% increase in revenues and a 6.47% increase in expenses. Property tax increased \$391,604 to fund increases in expenditures. The increase in expenditures can be attributed increases in negotiated salaries and benefits as well as increases in expenses related to the net OPEB liability.

**Governmental Activities**

Revenues for governmental activities were \$18,860,247 and expenses were \$17,933,714.

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

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 11,582,653	10,938,324	5.89%	7,752,718	7,892,893	-1.78%
Support services	5,239,647	4,739,315	10.56%	5,180,339	4,694,748	10.34%
Other expenses	1,111,414	1,168,056	-4.85%	473,273	173,602	172.62%
Totals	\$ 17,933,714	16,845,695	6.46%	13,406,330	12,761,243	5.06%

- The cost financed by users of the District’s programs was \$1,085,506.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,441,878.
- The net cost of governmental activities was financed with \$4,863,206 in property tax, \$660,137 in income surtax, \$1,080,002 in local option (statewide) sales and service tax, \$7,603,149 in state grants and \$68,883 in interest income.

**Business type Activities**

Revenues of the District’s business type activity were \$736,779 and expenses were \$759,488. The District’s business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the Washington 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 balances of \$1,246,767, above last year’s ending fund balances of a deficit \$5,439.

**Governmental Fund Highlights**

- The District’s General Fund financial position is the product of many factors. Growth during the year in state and federal source revenues resulted in an increase in revenues. Increases in negotiated salaries and benefits contributed to the increase in General Fund expenditures. The increase in General Fund revenues was more than enough to offset the increase in General Fund expenditures; the net result was an increase in fund balance from a deficit \$803,369 in fiscal 2008 to a deficit \$577,220 in fiscal 2009.
- The Capital Projects fund balance overall increased from a deficit balance of \$35,774 in fiscal 2008 to a positive balance of \$577,539 in fiscal 2009. The increase in fund balance was a result of the District controlling expenditures to bring the fund balance back to positive. In the future, the District plans on building a new high school facility which will be paid in part from the Capital Projects Fund.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$333,350 at June 30, 2008 to \$310,641 at June 30, 2009, representing a decrease of 6.81%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$740,994 less than budgeted revenues, a variance of 3.64%. The most significant dollar difference, other than intermediate sources, resulted from the District receiving less in local sources than originally anticipated.

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

During the year ended June 30, 2009, District expenditures in the instructional function exceeded the budgeted amount. Although the budget was exceeded in one functional area, the overall budgeted number was not exceeded.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$7,900,759, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.90% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$496,235.

The original cost of the District's capital assets was \$12,508,331. Governmental funds account for \$12,097,771 with the remainder of \$410,560 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2009 as compared to \$4,450,656 at June 30, 2008. Completion of the renovations at the Lincoln and Stewart Elementary buildings led to the decrease in construction in progress.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 552,557	544,857	0	0	552,557	544,857	1.41%
Construction in progress	0	4,450,656	0	0	0	4,450,656	-100.00%
Buildings	6,168,261	1,634,274	0	0	6,168,261	1,634,274	277.43%
Land improvements	107,492	135,696	0	0	107,492	135,696	-20.78%
Machinery and equipment	787,054	900,914	285,395	306,210	1,072,449	1,207,124	-11.16%
Total	\$ 7,615,364	7,666,397	285,395	306,210	7,900,759	7,972,607	-0.90%

## Long-Term Debt

At June 30, 2009, the District had \$1,289,390 in QZAB bonds and other long-term debt. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
QZAB Bonds	\$ 1,000,000	1,000,000	0	0	1,000,000	1,000,000	0.00%
Early Retirement	223,390	43,944	0	0	223,390	43,944	408.35%
Net OPEB Liability	65,261	0	739	0	66,000	0	100.00%
Total	\$ 1,288,651	1,043,944	739	0	1,289,390	1,043,944	23.51%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the completion of the renovation projects at the Lincoln and Stewart Elementary buildings, the District's Capital Projects Fund and Physical Plant and Equipment Levy Fund returned to a positive fund balance. In the future, the District is planning to construct a new high school building.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes.
- On July 1, 2007 IPERS implemented an employers' contribution increase over a 4-year period. The employers' portion of IPERS increased from 5.75% to 6.05% on July 1, 2007, and will increase to 6.35% on July 1, 2008, to 6.65% on July 1, 2009 and finally to 6.95% on July 1, 2010. This will increase the Washington Community Schools employer benefit costs over the next four years.
- 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.
- Continued declining enrollment is a concern to the District. During fiscal year 2005 the District had 1,709.9 resident students on Line 1 of the certified enrollment. On the District's October 2008 certified enrollment, Line 1 resident students numbered 1,646.6. Continued decreases in enrollment will have a negative impact on the District's General Fund.

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## **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 Jeff Dieleman, Business Manager/District Secretary, Washington Community School District, P.O. Box 926, Washington, Iowa, 52353.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 5,073,780	0	5,073,780
Other	2,496,821	70,616	2,567,437
Receivables:			
Property tax:			
Delinquent	112,129	0	112,129
Succeeding year	5,569,064	0	5,569,064
Income surtax	599,808	0	599,808
Accounts	2,346	564	2,910
Accrued ISCAP interest	17,153	0	17,153
Due from other governments	548,485	13,742	562,227
Inventories	0	5,242	5,242
Capital assets, net of accumulated depreciation	7,615,364	285,395	7,900,759
<b>TOTAL ASSETS</b>	<b>22,034,950</b>	<b>375,559</b>	<b>22,410,509</b>
<b>LIABILITIES</b>			
Accounts payable	143,260	0	143,260
Retainage payable	214,627	0	214,627
Salaries and benefits payable	1,453,962	44,727	1,498,689
ISCAP warrants payable	5,000,000	0	5,000,000
ISCAP interest payable	24,798	0	24,798
ISCAP unamortized premium	81,685	0	81,685
Deferred revenue:			
Succeeding year property tax	5,569,064	0	5,569,064
Unearned revenue	0	19,452	19,452
Other	85,615	0	85,615
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	78,463	0	78,463
Portion due after one year:			
QZAB bonds payable	1,000,000	0	1,000,000
Early retirement payable	144,927	0	144,927
Net OPEB liability	65,261	739	66,000
<b>TOTAL LIABILITIES</b>	<b>13,861,662</b>	<b>64,918</b>	<b>13,926,580</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,615,364	285,395	6,900,759
Restricted for:			
Debt service	665,601	0	665,601
Categorical funding	566,754	0	566,754
Physical plant and equipment levy	226,830	0	226,830
Capital projects	577,539	0	577,539
Other special revenue purposes	169,981	0	169,981
Unrestricted	(648,781)	25,246	(623,535)
<b>TOTAL NET ASSETS</b>	<b>\$ 8,173,288</b>	<b>310,641</b>	<b>8,483,929</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Contributions and Restricted Interest	Operating Grants,	Govern- mental Activities	Business Type Activities	
<b>Expenses</b>						
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 7,007,759	393,970	2,604,292	(4,009,497)	0	(4,009,497)
Special	2,099,945	105,499	164,482	(1,829,964)	0	(1,829,964)
Other	2,474,949	561,692	0	(1,913,257)	0	(1,913,257)
	<u>11,582,653</u>	<u>1,061,161</u>	<u>2,768,774</u>	<u>(7,752,718)</u>	<u>0</u>	<u>(7,752,718)</u>
Support services:						
Student	451,581	0	0	(451,581)	0	(451,581)
Instructional staff	1,073,409	0	0	(1,073,409)	0	(1,073,409)
Administration	1,730,717	0	0	(1,730,717)	0	(1,730,717)
Operation and maintenance of plant	1,356,721	0	0	(1,356,721)	0	(1,356,721)
Transportation	627,219	24,345	34,963	(567,911)	0	(567,911)
	<u>5,239,647</u>	<u>24,345</u>	<u>34,963</u>	<u>(5,180,339)</u>	<u>0</u>	<u>(5,180,339)</u>
Other expenditures:						
Facilities acquisitions	202,826	0	0	(202,826)	0	(202,826)
AEA flowthrough	638,141	0	638,141	0	0	0
Depreciation (unallocated)*	270,447	0	0	(270,447)	0	(270,447)
	<u>1,111,414</u>	<u>0</u>	<u>638,141</u>	<u>(473,273)</u>	<u>0</u>	<u>(473,273)</u>
Total governmental activities	17,933,714	1,085,506	3,441,878	(13,406,330)	0	(13,406,330)
Business Type activities:						
Non-instructional programs:						
Nutrition services	759,488	308,388	419,509	0	(31,591)	(31,591)
Total	<u>\$ 18,693,202</u>	<u>1,393,894</u>	<u>3,861,387</u>	<u>(13,406,330)</u>	<u>(31,591)</u>	<u>(13,437,921)</u>
<b>General Revenues &amp; Transfers:</b>						
General Revenues:						
Property tax levied for:						
General purposes				\$ 4,423,694	0	4,423,694
Capital outlay				439,512	0	439,512
Income surtax				660,137	0	660,137
Statewide sales and services tax				1,080,002	0	1,080,002
Unrestricted state grants				7,603,149	0	7,603,149
Unrestricted investment earnings				68,883	955	69,838
Other				62,186	3,227	65,413
Transfers				(4,700)	4,700	0
Total general revenues & transfers				<u>14,332,863</u>	<u>8,882</u>	<u>14,341,745</u>
Changes in net assets				926,533	(22,709)	903,824
Net assets beginning of year				7,246,755	333,350	7,580,105
Net assets end of year				<u>\$ 8,173,288</u>	<u>310,641</u>	<u>8,483,929</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Nonmajor Governmental		Total
	General	Funds	
<b>ASSETS</b>			
Cash and pooled investments:			
ISCAP	\$ 5,073,780	0	5,073,780
Other	247,584	2,249,237	2,496,821
Receivables:			
Property tax:			
Delinquent	97,307	14,822	112,129
Succeeding year	4,809,667	759,397	5,569,064
Income surtax	599,808	0	599,808
Interfund	428,952	0	428,952
Accounts	2,346	0	2,346
Accrued ISCAP interest	17,153	0	17,153
Due from other governments	344,978	203,507	548,485
<b>TOTAL ASSETS</b>	<b>\$ 11,621,575</b>	<b>3,226,963</b>	<b>14,848,538</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	\$ 0	428,952	428,952
Accounts payable	143,260	0	143,260
Retainage payable	0	214,627	214,627
Salaries and benefits payable	1,453,962	0	1,453,962
ISCAP warrants payable	5,000,000	0	5,000,000
ISCAP interest payable	24,798	0	24,798
ISCAP unamortized premium	81,685	0	81,685
Deferred revenue:			
Succeeding year property tax	4,809,667	759,397	5,569,064
Income surtax	599,808	0	599,808
Other	85,615	0	85,615
Total liabilities	12,198,795	1,402,976	13,601,771
Fund balances:			
Reserved for:			
Debt service	0	665,601	665,601
Categorical funding	566,754	0	566,754
Unreserved	(1,143,974)	1,158,386	14,412
Total fund balances	(577,220)	1,823,987	1,246,767
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,621,575</b>	<b>3,226,963</b>	<b>14,848,538</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds (page 16)</b>	\$	1,246,767
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***Amounts reported for governmental activities in the statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,615,364
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Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		599,808
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Long-term liabilities, including QZAB bonds payable, early retirement and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(1,288,651)
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<b>Net assets of governmental activities (page 14)</b>	\$	<u><u>8,173,288</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 4,913,710	1,719,568	6,633,278
Tuition	429,759	0	429,759
Other	436,013	501,443	937,456
State sources	9,652,806	597	9,653,403
Federal sources	1,240,984	0	1,240,984
Total revenues	<u>16,673,272</u>	<u>2,221,608</u>	<u>18,894,880</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	6,728,412	97,199	6,825,611
Special	2,086,619	0	2,086,619
Other	2,067,077	397,709	2,464,786
	<u>10,882,108</u>	<u>494,908</u>	<u>11,377,016</u>
Support services:			
Student	449,929	0	449,929
Instructional staff	1,053,063	0	1,053,063
Administration	1,637,395	32,553	1,669,948
Operation and maintenance of plant	1,209,192	160,031	1,369,223
Transportation	491,165	58,089	549,254
	<u>4,840,744</u>	<u>250,673</u>	<u>5,091,417</u>
Other expenditures:			
Facilities acquisitions	0	536,100	536,100
AEA flowthrough	638,141	0	638,141
	<u>638,141</u>	<u>536,100</u>	<u>1,174,241</u>
Total expenditures	<u>16,360,993</u>	<u>1,281,681</u>	<u>17,642,674</u>
Excess of revenues over expenditures	312,279	939,927	1,252,206
Other financing sources(uses):			
Transfer in	0	86,130	86,130
Transfer out	(86,130)	0	(86,130)
Total other financing sources(uses)	<u>(86,130)</u>	<u>86,130</u>	<u>0</u>
Net change in fund balances	226,149	1,026,057	1,252,206
Fund balance beginning of year	(803,369)	797,930	(5,439)
Fund balance end of year	<u>\$ (577,220)</u>	<u>1,823,987</u>	<u>1,246,767</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON 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 18) \$ 1,252,206

*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, depreciation expense and loss on asset disposal in the current year are as follows:

Expenditures for capital assets	\$ 417,554	
Depreciation expense	(465,974)	
Loss on asset disposal	(2,613)	(51,033)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (29,933)

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

Early retirement	\$ (179,446)	
Other postemployment benefits	(65,261)	(244,707)

Changes in net assets of governmental activities (page 15) \$ 926,533

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 70,616
Accounts receivable	564
Due from other governments	13,742
Inventories	5,242
Total current assets	90,164
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	285,395
Total non-current assets	285,395
TOTAL ASSETS	375,559
LIABILITIES	
Current liabilities:	
Salaries and benefits payable	44,727
Unearned revenue	19,452
Total current liabilities	64,179
Long-term liabilities:	
Net OPEB liability	739
Total long-term liabilities	739
TOTAL LIABILITIES	64,918
NET ASSETS	
Invested in capital assets	285,395
Unrestricted	25,246
TOTAL NET ASSETS	\$ 310,641

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 308,388
Miscellaneous	3,227
TOTAL OPERATING REVENUES	311,615
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	234,537
Benefits	49,107
Services	1,359
Supplies	444,224
Depreciation	30,261
TOTAL OPERATING EXPENSES	759,488
OPERATING LOSS	(447,873)
NON-OPERATING REVENUES:	
Interest	955
State sources	9,471
Federal sources	410,038
TOTAL NON-OPERATING REVENUES	420,464
Change in net assets before capital contributions	(27,409)
Capital contribution	4,700
Change in net assets	(22,709)
Net assets beginning of year	333,350
Net assets end of year	\$ 310,641

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 317,210
Cash received from miscellaneous operating activities	3,227
Cash payments to employees for services	(277,690)
Cash payments to suppliers for goods or services	(407,093)
Net cash used in operating activities	(364,346)
Cash flows from non-capital financing activities:	
State grants received	9,471
Federal grants received	360,858
Net cash provided by non-capital financing activities	370,329
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(4,746)
Cash flows from investing activities:	
Interest on investments	955
Net increase in cash and cash equivalents	2,192
Cash and cash equivalents at beginning of year	68,424
Cash and cash equivalents at end of year	\$ 70,616
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (447,873)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	35,477
Depreciation	30,261
Decrease in inventories	3,013
Increase in accounts receivable	(314)
Increase in salaries and benefits payable	5,215
Increase in unearned revenue	9,136
Increase in other postemployment benefits	739
Net cash used in operating activities	\$ (364,346)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$35,477.

During the year ended June 30, 2009, the Nutrition Fund received capital contributions from the Physical Plant and Equipment Levy Fund totaling \$4,700.

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2009

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 1,241,842
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 1,241,842</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 52,505
Contributions	124,321
Total additions	176,826
Deductions:	
Non-instructional programs:	
Scholarships awarded	76,030
Change in net assets	100,796
Net assets beginning of year	1,141,046
Net assets end of year	\$ 1,241,842

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Washington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District also operates or sponsors various adult education programs. The geographic area served primarily includes the City of Washington, Iowa, and the predominate agricultural territory of Washington and Jefferson 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, Washington 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 Washington Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 years
Land improvements	15 years
Machinery and equipment	4-12 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 Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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 instructional function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 669,258</u>

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

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

**(3) Interfund Receivables and Payables**

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

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue: Physical Plant and Equipment Levy	\$ 215,495
General Fund	Capital Projects	<u>213,457</u>
Total		<u>\$ 428,952</u>

**(4) Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	General	<u>\$ 86,130</u>

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

**(5) 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:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09B	1/21/2009	1/21/2010	\$ 1,810,922	16,750	1,788,000	23,513
2009-10A	6/25/2009	6/23/2010	3,262,858	403	3,212,000	1,285
Total			<u>\$ 5,073,780</u>	<u>17,153</u>	<u>5,000,000</u>	<u>24,798</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, 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. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09A	\$ 0	2,900,000	2,900,000	0

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
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 544,857	7,700	0	552,557
Construction in progress	4,450,656	325,574	4,776,230	0
Total capital assets not being depreciated	4,995,513	333,274	4,776,230	552,557
Capital assets being depreciated:				
Buildings	3,259,695	4,776,230	0	8,035,925
Land improvements	896,588	0	0	896,588
Machinery and equipment	2,625,189	84,280	96,768	2,612,701
Total capital assets being depreciated	6,781,472	4,860,510	96,768	11,545,214
Less accumulated depreciation for:				
Buildings	1,625,421	242,243	0	1,867,664
Land improvements	760,892	28,204	0	789,096
Machinery and equipment	1,724,275	195,527	94,155	1,825,647
Total accumulated depreciation	4,110,588	465,974	94,155	4,482,407
Total capital assets being depreciated, net	2,670,884	4,394,536	2,613	7,062,807
Governmental activities capital assets, net	\$ 7,666,397	4,727,810	4,778,843	7,615,364

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 401,114	9,446	0	410,560
Less accumulated depreciation	94,904	30,261	0	125,165
Business type activities capital assets, net	\$ 306,210	(20,815)	0	285,395

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 11,186
Special		8,156
Other		794
Support services:		
Instructional services		19,353
Administration		6,326
Operation and maintenance		13,646
Transportation		136,066
		<u>195,527</u>
Unallocated depreciation		<u>270,447</u>
Total governmental activities depreciation expense		<u>\$ 465,974</u>
Business type activities:		
Food services		<u>\$ 30,261</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
QZAB Bonds	\$ 1,000,000	0	0	1,000,000	0
Early Retirement	43,944	217,390	37,944	223,390	78,463
Net OPEB Liability	0	65,261	0	65,261	0
Total	<u>\$ 1,043,944</u>	<u>282,651</u>	<u>37,944</u>	<u>1,288,651</u>	<u>78,463</u>
Business Type Activities:					
Net OPEB Liability	\$ 0	739	0	739	0

Qualified Zone Academy Bonds (QZAB)

The Qualified Zone Academy Bonds were received by the District on January 24, 2002. These bonds were issued as capital loan notes and will mature on January 24, 2012. The District received \$1,000,000 to remodel school facilities. The District deposits \$86,130 annually from the General Fund into an escrow account, which is held by Bank of America on behalf of the District. Funds in the escrow account will be used to repay the bonds when they mature. The escrow account earns interest at 3.25%.

Early Retirement

The District offers a voluntary early retirement plan to District employees who have fifteen years of continuous service to the District and are over age fifty-five. The amount of early retirement pay for certified employees is equal to sixty-five percent of the employee's base salary. The amount of early retirement pay for non-certified employees is equal to sixty-five percent of the difference between the employee's salary and the amount of the annual pay if the federal minimum wage was used instead of the employee's current hourly rate.

The employee must notify the Board by March 1<sup>st</sup> to receive the early retirement benefit. For both certified and non-certified employees, the cash payout amount cannot exceed \$28,000 per employee. At June 30, 2009, the accumulated retirement pay is \$223,390 with nine individuals receiving the benefit.

**(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 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 \$622,716, \$593,309 and \$548,734 respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 187 active and 3 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 79,000
Interest on net OPEB obligation	0
Adjustment of annual required contribution	0
Annual OPEB cost (expense)	<u>79,000</u>
Contributions made	<u>(13,000)</u>
Increase in net OPEB obligation	66,000
Net OPEB obligation - beginning of year	<u>0</u>
Net OPEB obligation - end of year	<u><u>\$ 66,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2009.

For fiscal year 2009, the District contributed \$13,000 to the medical plan. Plan members receiving benefits contributed \$23,000, or 64% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 79,000	16.46%	\$ 66,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$0.676 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.676 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8.430 million, and the ratio of the UAAL to the covered payroll was 8.0%. As of June 30, 2009, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$517 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Risk Management**

The 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.

**(11) 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 \$638,141 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.

**(12) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2009, the District exceeded its budgeted amount in the instructional function.

**(13) Deficit Fund Balance**

At the year ended June 30, 2009, the District had a deficit unreserved fund balance of \$1,143,974 in the General Fund and deficit net assets in the governmental activities of \$648,781.

**(14) Categorical Funding**

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

<u>Project</u>	<u>Amount</u>
Limited english proficiency weighting	\$ 25,098
Talented and gifted	96,880
Modified allowable growth for retuning dropouts and dropout prevention	208,741
Beginning teacher mentoring	11,133
Salary improvement program	1,383
Market factor	6,370
Beginning administrator mentoring	366
Early intervention	26,036
Statewide voluntary preschool	46,487
Model core curriculum	29,083
Professional development	102,420
Market factor incentives	12,757
Total	<u>\$ 566,754</u>

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES 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	\$ 8,000,493	312,570	8,313,063	8,755,768	8,755,768	(442,705)
Intermediate sources	0	0	0	21,000	21,000	(21,000)
State sources	9,653,403	9,471	9,662,874	9,996,185	9,996,185	(333,311)
Federal sources	1,240,984	410,038	1,651,022	1,595,000	1,595,000	56,022
Total revenues	<u>18,894,880</u>	<u>732,079</u>	<u>19,626,959</u>	<u>20,367,953</u>	<u>20,367,953</u>	<u>(740,994)</u>
<b>Expenditures/Expenses:</b>						
Instruction	11,377,016	0	11,377,016	11,334,968	11,334,968	(42,048)
Support services	5,091,417	0	5,091,417	5,599,441	5,599,441	508,024
Non-instructional programs	0	759,488	759,488	789,615	789,615	30,127
Other expenditures	1,174,241	0	1,174,241	2,314,143	2,314,143	1,139,902
Total expenditures/expenses	<u>17,642,674</u>	<u>759,488</u>	<u>18,402,162</u>	<u>20,038,167</u>	<u>20,038,167</u>	<u>1,636,005</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,252,206	(27,409)	1,224,797	329,786	329,786	895,011
Other financing sources, net	0	4,700	4,700	62,000	62,000	(57,300)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,252,206	(22,709)	1,229,497	391,786	391,786	837,711
Balance beginning of year	(5,439)	333,350	327,911	(889,905)	(889,905)	(1,217,816)
Balance end of year	<u>\$ 1,246,767</u>	<u>310,641</u>	<u>1,557,408</u>	<u>(498,119)</u>	<u>(498,119)</u>	<u>(380,105)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
July 1, 2008	\$ -	\$676	\$676	0.0%	\$8,430	8.0%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WASHINGTON 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	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
<b>ASSETS</b>							
Cash and pooled investments	\$ 179,427	169,981	432,112	781,520	802,116	665,601	2,249,237
Receivables:							
Property tax:							
Current year delinquent	4,609	0	10,213	14,822	0	0	14,822
Succeeding year	300,000	0	459,397	759,397	0	0	759,397
Due from other governments	0	0	0	0	203,507	0	203,507
<b>TOTAL ASSETS</b>	<b>\$ 484,036</b>	<b>169,981</b>	<b>901,722</b>	<b>1,555,739</b>	<b>1,005,623</b>	<b>665,601</b>	<b>3,226,963</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Interfund payable	\$ 0	0	215,495	215,495	213,457	0	428,952
Retainage payable	0	0	0	0	214,627	0	214,627
Deferred revenue:							
Succeeding year property tax	300,000	0	459,397	759,397	0	0	759,397
Total liabilities	300,000	0	674,892	974,892	428,084	0	1,402,976
Unreserved fund balances							
Reserved for debt service	0	0	0	0	0	665,601	665,601
Unreserved	184,036	169,981	226,830	580,847	577,539	0	1,158,386
Total fund balances	184,036	169,981	226,830	580,847	577,539	665,601	1,823,987
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 484,036</b>	<b>169,981</b>	<b>901,722</b>	<b>1,555,739</b>	<b>1,005,623</b>	<b>665,601</b>	<b>3,226,963</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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		Capital Projects	Debt Service	Other Nonmajor Governmental Funds
			Equipment Levy	Total			
REVENUES:							
Local sources:							
Local tax	\$ 200,054	0	439,512	639,566	1,080,002	0	1,719,568
Other	41,548	421,520	7,235	470,303	5,063	26,077	501,443
State sources	167	0	430	597	0	0	597
TOTAL REVENUES	241,769	421,520	447,177	1,110,466	1,085,065	26,077	2,221,608
EXPENDITURES:							
Current:							
Instruction:							
Regular	97,199	0	0	97,199	0	0	97,199
Other	0	397,709	0	397,709	0	0	397,709
Support services:							
Administration	15,540	0	0	15,540	17,013	0	32,553
Operation and maintenance of plant	51,539	0	108,492	160,031	0	0	160,031
Transportation services	58,089	0	0	58,089	0	0	58,089
Other expenditures:							
Facilities acquisition	0	0	81,361	81,361	454,739	0	536,100
TOTAL EXPENDITURES	222,367	397,709	189,853	809,929	471,752	0	1,281,681
Excess of revenues over expenditures	19,402	23,811	257,324	300,537	613,313	26,077	939,927
Other financing sources:							
Transfers in	0	0	0	0	0	86,130	86,130
Change in net assets	19,402	23,811	257,324	300,537	613,313	112,207	1,026,057
Fund balance beginning of year	164,634	146,170	(30,494)	280,310	(35,774)	553,394	797,930
Fund balance end of year	\$ 184,036	169,981	226,830	580,847	577,539	665,601	1,823,987

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Student activities	\$ 37,670	2,467	0	40,137
Student wellness	190	227	362	55
Assure center fundraiser	322	0	0	322
CO pop fund	10	138	0	148
Special olympics	14	30	0	44
Stewart library	0	0	175	(175)
Adults caring for children	2,404	0	172	2,232
Stewart book fair	0	1,827	0	1,827
Student activity fund balance	548	3,434	2,349	1,633
HS general concessions	(674)	13,502	13,516	(688)
HS popcorn	6,719	470	670	6,519
HS fundraiser	726	0	0	726
HS candy sales	2,238	0	0	2,238
HS best buddies	0	66	0	66
HS TATU	286	0	10	276
Renaissance	1,195	707	210	1,692
HS drama	4,862	7,799	9,003	3,658
HS La Onda	1,667	350	554	1,463
HS SADD	172	6	0	178
HS speech	1,148	1,455	2,437	166
HS vocal music	146	6,346	4,873	1,619
HS vocal robes	0	1,202	0	1,202
HS band uniforms	0	1,974	697	1,277
HS instrumental music	2,098	12,726	15,609	(785)
HS annual	3,419	26,919	41,418	(11,080)
HS newspaper	5,428	118	5,428	118
HS art club	2,620	8,539	8,757	2,402
HS cheerleaders	5,880	8,196	14,256	(180)
HS drill team	4,483	2,587	4,959	2,111
HS FFA	5,170	44,489	33,778	18,826
HS FHA	38	180	242	(24)
HS FOFES	127	0	0	127
VOW	1,045	0	111	934
HS NHS	135	869	753	251
HS office ed-BPA	4,593	16,140	12,815	7,918
HS science club	537	0	0	537
HS student congress	399	13,834	11,145	3,088
HS earth book	11	1,280	804	487
HS student recognition	0	8,774	7,357	1,417
Class of 2008	1,805	0	157	1,648
Class of 2009	697	6,567	5,503	1,761
Class of 2010	500	2,059	57	2,502
Class of 2011	205	1,462	0	1,667
Class of 2012	1,053	139	117	1,075
HS athletics	0	18,956	15,931	3,025
HS activity tickets	0	13,150	100	13,050
Cross country	0	1,532	2,131	(599)

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Football fundraising	4,433	7,995	1,900	10,528
HS boys basketball	0	11,480	10,509	971
HS football	0	18,936	16,029	2,907
HS baseball	0	2,597	4,873	(2,276)
HS boys track	0	12,831	13,748	(917)
HS boys golf	0	3,406	4,920	(1,514)
HS soccer	0	3,164	6,142	(2,978)
HS wrestling	0	11,972	12,648	(676)
HS girls basketball	4,631	9,978	9,204	5,405
HS volleyball	2,602	22,277	19,616	5,263
HS softball	0	4,994	7,396	(2,402)
HS girls track	0	4,451	5,417	(966)
HS girls golf	0	374	2,773	(2,399)
JH activity	6,813	140	1,431	5,522
JH concessions	1,975	11,993	11,024	2,944
JH fundraising	12,665	24,988	19,887	17,766
JH special travel	208	0	0	208
JH speech	0	56	180	(124)
JH student congress	3,354	5,355	5,358	3,351
JH vocal music	1,836	4,978	4,203	2,611
JH instrumental music	318	1,684	2,568	(566)
JH snowball	3,164	2,070	865	4,369
JH student awards	0	0	557	(557)
JH cheerleaders	1,740	7,195	6,653	2,282
JH dance team	70	594	592	72
9th boys basketball	0	1,696	1,184	512
8th boys basketball	0	817	600	217
7th boys basketball	244	681	600	325
JH cross country	0	100	129	(29)
9th football	0	1,360	790	570
8th football	0	2,007	1,661	346
7th football	0	656	390	266
7th & 8th boys track	0	907	779	128
7th & 8th wrestling	0	436	260	176
9th girls basketball	0	1,498	1,124	374
8th girls basketball	0	525	720	(195)
7th girls basketball	486	485	600	371
7th & 8th volleyball	938	1,043	440	1,541
7th & 8th girls track	0	1,998	3,120	(1,122)
5th grade	1	0	0	1
6th grade	786	63	363	486
HS dance marathon	20	3,224	0	299
Total	\$ 146,170	421,520	397,709	169,981

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON 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
<b>Revenues:</b>						
Local sources:						
Local tax	\$ 6,633,278	6,203,595	5,950,653	5,860,594	5,042,238	4,878,498
Tuition	429,759	480,801	521,579	463,363	481,870	422,320
Other	937,456	713,819	923,221	622,688	574,431	470,914
Intermediate sources	0	0	20,117	0	0	0
State sources	9,653,403	9,349,024	8,550,259	8,380,075	7,863,313	7,394,727
Federal sources	1,240,984	1,474,441	1,340,093	1,250,747	1,557,552	1,333,779
<b>Total</b>	<b>\$ 18,894,880</b>	<b>18,221,680</b>	<b>17,305,922</b>	<b>16,577,467</b>	<b>15,519,404</b>	<b>14,500,238</b>
<b>Expenditures:</b>						
Instruction:						
Regular	\$ 6,825,611	6,609,575	6,370,101	6,246,527	5,706,369	5,633,256
Special	2,086,619	2,148,999	2,267,721	1,927,512	1,781,379	1,661,340
Other	2,464,786	2,182,943	2,237,144	1,585,794	1,539,347	1,103,684
Support services:						
Student	449,929	648,992	769,657	1,067,968	1,225,400	1,356,971
Instructional staff	1,053,063	884,585	899,178	1,061,102	1,102,230	1,054,190
Administration	1,669,948	1,562,848	1,505,329	1,400,167	1,317,264	1,209,895
Operation and maintenance of plant	1,369,223	1,332,687	1,365,133	1,349,345	1,184,544	1,039,827
Transportation	549,254	676,839	740,808	693,682	450,799	719,057
Other expenditures:						
Facilities acquisitions	536,100	3,778,154	1,327,430	239,146	197,846	563,676
Long-term debt:						
Principal	0	0	0	0	102,500	102,500
Interest and other charges	0	0	0	0	3,663	8,343
AEA flow-through	638,141	611,128	583,693	545,029	516,270	509,219
<b>Total</b>	<b>\$ 17,642,674</b>	<b>20,436,750</b>	<b>18,066,194</b>	<b>16,116,272</b>	<b>15,127,611</b>	<b>14,961,958</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS (GRANTS TO REDUCE ALCOHOL ABUSE)	84.186	FY 09	\$ 80,310
FUND FOR THE IMPROVEMENT OF EDUCATION (SMALLER LEARNING COMMUNITIES PROGRAM)	84.215	FY 09	397,314
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	73,091
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	323,205
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 09	13,742
			410,038
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 09	90,000
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	241,062
			331,062
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 09	97,791
VOCATIONAL EDUCATION BASIC GRANTS TO STATES	84.048	FY 09	16,521
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	6,221
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 08	5,129
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 08	1,409
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 09	5,473
			6,882
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	74,780
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 09	11,109
ARRA - STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 09	147,175
TOTAL			\$ 1,584,332

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

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  
Washington 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 Washington 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 30, 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 Washington 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 Washington Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Washington 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 Washington 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 Washington Community School District's financial statements that is more than inconsequential will not be prevented or detected by Washington Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Washington 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 II-A-09 is a material weakness.

Compliance and Other Matters

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

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

Washington Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Washington 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 Washington Community School District and other parties to whom Washington 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 Washington 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 PC  
NOLTE, CORNMAN & JOHNSON, P.C.

March 30, 2010

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

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

### Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of  
Washington Community School District

#### Compliance

We have audited the compliance of Washington Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Washington Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Washington Community School District's management. Our responsibility is to express an opinion on Washington Community School District's compliance based on our audit.

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

In our opinion, Washington Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of Washington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Washington Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington Community School District's internal control over compliance.

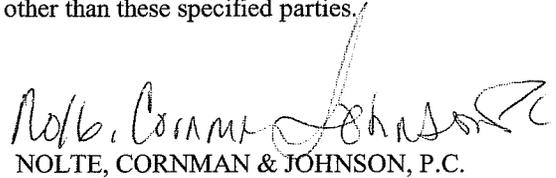
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Washington Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Washington 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 Washington Community School District and other parties to whom Washington 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.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 30, 2010

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
  - Clustered
    - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
  - Individual
    - CFDA Number 84.215 - Fund for the Improvement of Education (Smaller Learning Communities Program)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington Community School District did not qualify as a low-risk auditee.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. In addition, the work of the Business Manager is not being reviewed by another employee.

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

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

II-B-09 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - Bank reconciliations will be done timely and staff will move towards using the accounting software to perform them.

Conclusion - Response accepted.

II-C-09 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given

and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District actually maintains multiple layers of receipting from sponsors, to the building office and to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - Sponsors will be required to turn in proper documentation of money collected to the central office for reconciling deposits to receipts.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.555: Summer Food Service Program for Children  
Federal Award Year: 2009  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)  
CFDA Number 84.010 - Title I Grants to Local Educational Agencies  
Federal Award Year: 2009  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.215: Fund for the Improvement of Education (Smaller Learning Communities Program)  
Federal Award Year: 2009  
U.S. Department of Education

III-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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person, as well as, the work of the Business Manager not being reviewed by another employee.

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

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

WASHINGTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009 exceeded the budgeted amount in the instructional function.

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

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

Conclusion - Response accepted.

IV-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.

IV-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.

IV-D-09 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Bohr, Assistant Wrestling Coach Owner of Grand Slam Sports	Supplies	\$48,439
Mary Alice Smith, Special Education Director Spouse owns Community Medical	Supplies	\$11,360
Eric Turner, Board President Owns Washington Physical Therapy Services	Services	\$156

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

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of Mary Alice Smith do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board President do not appear to represent a conflict of interest.

IV-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.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - Board minutes will be published within two weeks of the Board meeting.

Conclusion - Response accepted.

IV-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 understated by 1 student and the number of students reported on Line 10 as 4-year-old preschool students was overstated by 4.2 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted 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.

IV-H-09 Deposits and Investments - Currently the District's Treasurer maintains a diversified portfolio of several investments in the Private Purpose Trust Fund. Investments in the portfolio consist of certificates of deposit, H bonds, savings accounts, annuities and mutual funds. Although these investments are allowable in accordance with the District's investment policy 802.6, the District's investments in mutual funds do not appear to be allowable according to Chapter 12B and Chapter 12C of the Code of Iowa. The District's investment policy 802.6 cannot expand the allowability of investments according to Chapter 12B and 12C of the Code of Iowa.

We also noted the District was not making adjustments to the general ledger for investments in the Private Purpose Trust Fund. It was also noted that the District has several accounts at several different investment institutions which creates confusion in reconciliation procedures that need to be performed by District personnel. This confusion makes it difficult for the District's Board of Directors to receive accurate financial statements for this fund.

Recommendation - The District should review Board Policy 802.6 and investments in the Private Purpose Trust Fund and make necessary adjustments to comply with Chapter 12B and 12C of the Code of Iowa.

The District should develop a committee to review the accounts in the Private Purpose Trust Fund to determine allowable investments and explore options to simplify the several bank and investment accounts the District currently has in the trust fund. The District's Board of Directors should require District personnel to maintain the records for this fund so that the information is more readily available to the board to be in compliance with the Code of Iowa.

Response - The Board of Directors of the Finance Committee will review the Private Purpose Trust Fund investments and will direct District personnel to maintain these records internally and simplify investment options so that investments are in compliance with policy 802.6 and Chapters 12B and 12C of the Code of Iowa.

Conclusion - Response accepted.

IV-I-09 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The Business Manager will file the Certified Annual Report timely in the future.

Conclusion - Response accepted.

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

II-K-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			1,080,002
Expenditures/Transfers out:			
School infrastructure:			
Equipment	\$	108,686	
Other improvements		363,066	471,752
			<hr/>
Ending Balance		\$	<u>608,250</u>

IV-L-09 Financial Condition - The District had a deficit unreserved fund balance of \$1,143,974 in the General Fund and deficit net assets in the governmental activities of \$648,781 at June 30, 2009. The District also has twenty-one negative Student Activity Fund accounts totaling \$30,252.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - The District will continue to monitor funds and improve its financial condition through expenditure reductions and use of the cash reserve levy.

Conclusion - Response accepted.

IV-M-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity and Nutrition Funds which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1<sup>st</sup> as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will determine if outstanding checks should be reissued, voided or submitted to the State as unclaimed property and will be handled accordingly.

Conclusion - Response accepted.

IV-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 take action to ensure all future officiating contracts are signed by the Board President.

Conclusion - Response accepted.

IV-O-09 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Currently, donations from Target are recorded in the Student Recognition account in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

The Student Recognition account also has Lifetouch picture commissions receipted in it. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Currently, the District records Box Top donations in the Student Activity Fund. Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

The District's Student Activity Fund has a Class of 2008 account. Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as start up funds for the next incoming class or transferred to another student activity fund account.

The Student Activity balance, HS popcorn, HS general concessions, HS fundraiser, HS candy sales, JH activity, JH concessions and JH fundraising appear to be administratively maintained rather than by student groups or extra-curricular organizations. The money in these accounts is used for fundraising purposes for other accounts in the Student Activity Fund. These accounts should be closed out to other accounts in the Student Activity Fund or to another fund that is determined to be more appropriate.

The District should review the properness of receipts and expenditures that are recorded in the Student Activity Fund. The District should also review procedures that are in place in regards to the Activity Fund and follow the suggested recommendations to gain compliance and better internal controls.

Response - Target donations will be recorded in the General Fund and the Board of Directors will designate the use of these funds.

Box Tops for Education donations as well as Lifetouch picture commissions will be recorded in the General Fund.

Class of 2008 as well as future graduating class accounts will be used as start up funds for the next incoming class.

Student Activity accounts used for fundraising will be dispersed to appropriate individual accounts in the Student Activity Fund. Student Activity Fund receipt and expenditure procedures will be reviewed to improve internal control

Conclusion - Response accepted.

IV-P-09 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2009, the Physical Plant and Equipment Levy Fund owes the General Fund \$215,495 and the Capital Projects Fund owes the General Fund \$213,457.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should issue anticipatory warrants to repay the interfund loans to be in compliance with the declaratory order issued by the Iowa Department of Education and Iowa Code Chapter 74.

Response - The District is aware of the declaratory order issued by the Department of Education, but the District feels that with the financial condition of the District and the upcoming 10% cut in funding from the State of Iowa, issuing anticipatory warrants to repay the interfund loans would impose unnecessary issuance and origination costs to the District.

Conclusion - Response acknowledged.