

**WATERLOO 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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## Introductory Section

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# Board of Education and School District Officials

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At June 30, 2009

Name	Title	Term Expires
<b>Board of Education (Before September, 2008 Election)</b>		
Bernice Richard	President	September, 2009
Barb Opheim	Vice President	September, 2008
Judy Fossell	Board Member	September, 2009
Michael Kindschi	Board Member	September, 2009
Pam Miller	Board Member	September, 2010
Lyle Schmitt	Board Member	September, 2008
Mike Young	Board Member	September, 2010
<b>(After September, 2008 Election)</b>		
Bernice Richard	President	September, 2009
Pam Miller	Vice President	September, 2011
Judy Fossell (resigned October, 2008)	Board Member	September, 2009
Michael Kindschi	Board Member	September, 2009
Shanlee McNally (appointed October, 2008)	Board Member	September, 2009
Barb Opheim	Board Member	September, 2011
Lyle Schmitt	Board Member	September, 2011
Mike Young	Board Member	September, 2011
<b>Officials</b>		
Dr. Gary Norris	Superintendent	Indefinite
Sharon Miller	District Secretary	2009
Michael Coughlin	District Treasurer	2009
Steve Weidner	Attorney	Indefinite
Timothy Luce	Attorney	Indefinite

**Financial Section**

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## **Independent Auditor's Report**

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Board of Education  
Waterloo Community School District  
Waterloo, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Waterloo Community School District, Waterloo, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Waterloo 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2009 on our consideration of the Waterloo Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on Pages 4 through 13, 39 and 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterloo Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2007 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information on Pages 41 through 51, including the Schedule of Expenditures of Federal Awards required by the 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.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
December 1, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Waterloo Community School District provides this discussion and analysis of the District's financial performance and provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with additional information in the District's financial statements, which immediately follow this section.

### Financial Highlights

- The assets of the Waterloo Community School District exceeded its liabilities at the close of the most recent fiscal year by \$115,192,917 (net assets). Of this amount \$15,771,144 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The General Fund cash and pooled investments increased \$592,075 and the General Fund balance increased \$2,696,730.
- The General Fund Unspent Balance Ratio which measures the percent of Authorized Budget Unspent Balance improved from 5.32% to 6.52%. This was achieved through budget expenditure reductions.
- The State of Iowa granted a 4% allowable growth rate for fiscal year 2009, but through declining enrollment the District only realized 3.22% funding. The State previously granted 4% allowable growth in fiscal year 2008, 4% for 2007, 4% for 2006 and 2% for 2005.
- By State Legislative action, the Local Option Sales and Service Tax (LOSST) which had been voter approved in every county, was changed to a state tax, School Infrastructure Local Option (SILO). The one-cent sales tax will be in effect until 2029 and subject to review and extension. The state collections will be received by the districts based upon enrollment times an estimated three-year average which will reduce the actual funds received approximately 20%, but guarantees the longevity and ability for the District to bond against the proceeds for future facility projects.
- On May 1, 2009, the District issued \$46,400,000 SILO Sales and Services Tax Bonds and Revenue Anticipatory Notes. The notes have a three-year maturity. Proceeds from the issuance will be used to finance school infrastructure improvements. The debt will be repaid from SILO or the issuance of bonds in the future.
- Remodeling of Lowell Elementary School was completed on schedule and the school was reopened August, 2008. \$2.6 million completed the remodeling after \$4.9 million was expended in 2006. The District has started construction of Logan Middle (renamed George Washington Carver Academy) and Kittrell Elementary Schools to open August, 2009 and McKinstry (renamed Highland) Elementary School to be completed December, 2009. All three are new facilities to replace existing educational centers.
- Since the original LOSST funding began in fiscal year 1999-2000, the District has constructed five new elementary schools, completely remodeled two elementary schools and completed other significant projects..
 

Walter Cunningham School of Excellence	2001-2002	New Building
East High School	2001-2002	Commons Area
West High School	2001-2002	Commons Area
Irving Elementary	2002-2003	New Building
Bunger Middle School	2003-2004	Classrooms Addition
Lincoln Elementary	2003-2004	New Building
Lou Henry Elementary	2004-2005	New Building
Hoover Middle School	2004-2005	Classrooms Addition
Kingsley Elementary	2005-2006	Remodel Building
Lowell Elementary	2004-2008	Remodel Building
Poyner Elementary	2006-2007	New Building
East High School	2006-2007	Auditorium Project
West High School	2006-2007	Locker Room Project
East High School	2007-2008	Locker Room Project
West High School	2008-2009	Auditorium Project
Logan Middle School (GW Carver Academy)	2008-2009	New Building
Kittrell Elementary School	2008-2009	New Building
McKinstry Elementary School (Highland)	2008-2009	New Building
- The District property tax rate of \$16.65 per thousand dollars of taxable property valuation remains below the average for the 25 largest districts within Iowa.

## Overview of the Financial Statements

This report consists of three parts: management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

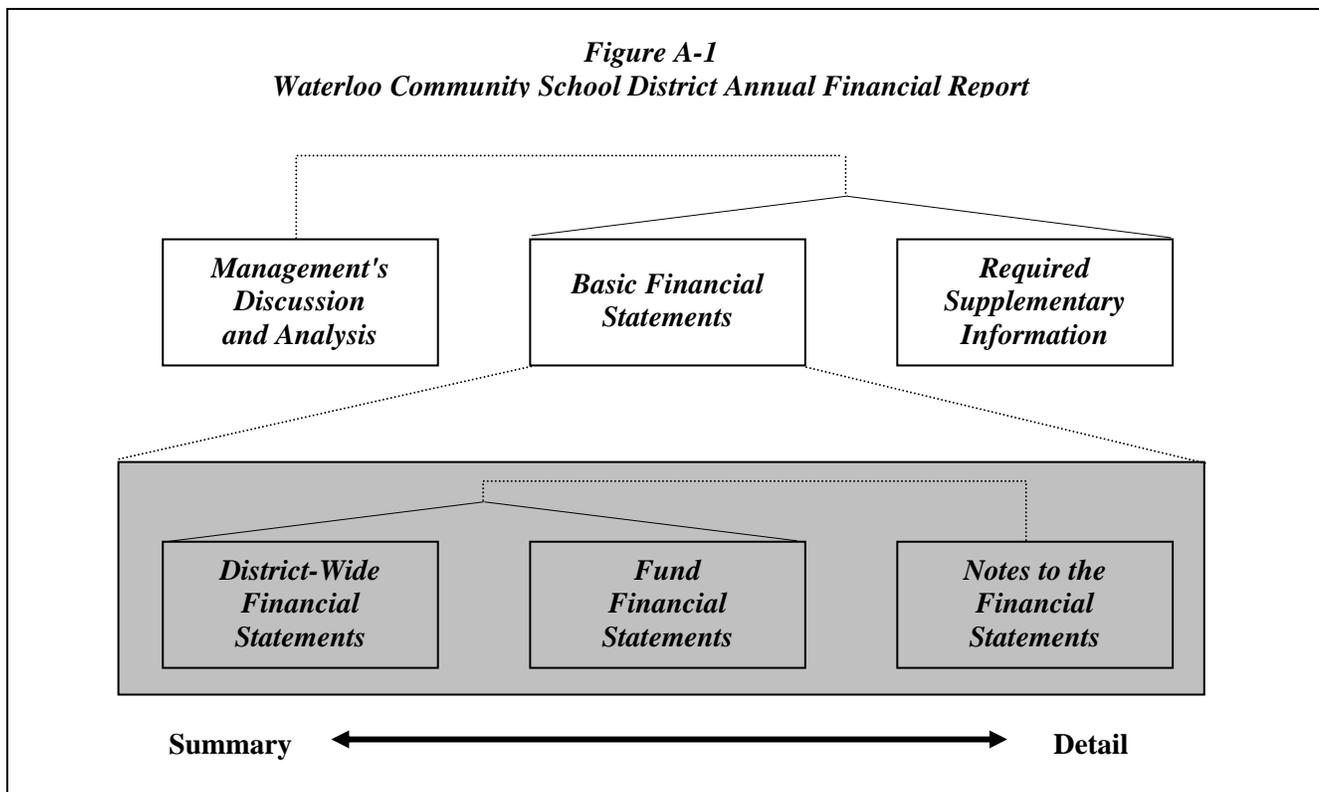


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and agency 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 revenue, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenue, 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> </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 revenue and expenses during year, regardless of when cash is received or paid	Revenue 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 revenue 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

## District-Wide Statements

The District-wide 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 revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets equal the difference between the District's assets and liabilities and, 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, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-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 revenue such as federal grants.

The District has three kinds of funds:

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

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

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

*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 District-wide 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 enterprise funds for food service and day care.

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

*Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include one Agency Fund.

- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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.

### Financial Analysis of the District as a Whole

**Net Assets** - Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2009 compared to June 30, 2008.

**Figure A-3  
Condensed Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change 2009-08</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Current and other assets	\$ 77,737,008	\$ 89,506,286	\$ 497,864	\$ 575,153	\$ 78,234,872	\$ 90,081,439	(13.2)%
Capital assets	<u>141,068,510</u>	<u>106,010,602</u>	<u>1,271,169</u>	<u>1,480,099</u>	<u>142,339,679</u>	<u>107,490,701</u>	32.4
<b>Total Assets</b>	<b><u>\$ 218,805,518</u></b>	<b><u>\$ 195,516,888</u></b>	<b><u>\$ 1,769,033</u></b>	<b><u>\$ 2,055,252</u></b>	<b><u>\$ 220,574,551</u></b>	<b><u>\$ 197,572,140</u></b>	<b>11.6</b>
Current liabilities	\$ 58,717,040	\$ 91,499,272	\$ 79,927	\$ 50,065	\$ 58,796,967	\$ 91,549,337	(35.8)
Long-term liabilities	<u>46,584,667</u>	<u>385,000</u>	<u>—</u>	<u>—</u>	<u>46,584,667</u>	<u>385,000</u>	11,999.9
<b>Total Liabilities</b>	<b><u>\$ 105,301,707</u></b>	<b><u>\$ 91,884,272</u></b>	<b><u>\$ 79,927</u></b>	<b><u>\$ 50,065</u></b>	<b><u>\$ 105,381,634</u></b>	<b><u>\$ 91,934,337</u></b>	<b>14.6</b>
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	\$ 94,832,843	\$ 70,824,777	\$ 1,271,169	\$ 1,480,099	\$ 96,104,012	\$ 72,304,876	32.9
Restricted	3,317,761	6,912,010	—	—	3,317,761	6,912,010	(52.0)
Unrestricted	<u>15,353,207</u>	<u>25,895,829</u>	<u>417,937</u>	<u>525,088</u>	<u>15,771,144</u>	<u>26,420,917</u>	(40.3)
<b>Total Net Assets</b>	<b><u>\$ 113,503,811</u></b>	<b><u>\$ 103,632,616</u></b>	<b><u>\$ 1,689,106</u></b>	<b><u>\$ 2,005,187</u></b>	<b><u>\$ 115,192,917</u></b>	<b><u>\$ 105,637,803</u></b>	<b>9.0</b>

The District's combined net assets were 9% greater at June 30, 2009 than June 30, 2008. The increase occurred in the governmental activities as a result of reductions in expenses in anticipation of future year revenue reductions.

Restricted net assets decreased \$3,594,249, or approximately 52% over the prior year. The decrease was primarily the result of increased expenditures in the Physical Plant and Equipment Levy Fund for facilities acquisition and construction.

Unrestricted net assets decreased \$10,649,773, or approximately 40.3%. This reduction in unrestricted net assets was primarily due to increased expenditures in the Capital Projects Fund for facilities acquisition and construction.

**Changes in Net Assets** - Figure 4-A shows the changes in net assets for the year ended June 30, 2009.

**Figure A-4  
Changes in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change 2009-08</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<b>Revenue</b>							
Program Revenue							
Charges for services	\$ 2,858,213	\$ 2,609,319	\$ 1,475,139	\$ 1,392,545	\$ 4,333,352	\$ 4,001,864	8.3%
Operating grants	20,595,945	17,304,704	3,481,263	3,221,701	24,077,208	20,526,405	17.3
Capital grants	207,302	—	—	73,164	207,302	73,164	183.3
General Revenue							
Property tax	37,544,209	35,029,885	—	—	37,544,209	35,029,885	7.2
Local option sales tax	11,210,010	11,182,161	—	—	11,210,010	11,182,161	0.2
State formula aid	48,792,965	50,099,117	—	—	48,792,965	50,099,117	(2.6)
Other	774,649	1,835,942	1,366	14,669	776,015	1,850,611	(58.1)
<b>Total Revenue</b>	<b><u>121,983,293</u></b>	<b><u>118,061,128</u></b>	<b><u>4,957,768</u></b>	<b><u>4,702,079</u></b>	<b><u>126,941,061</u></b>	<b><u>122,763,207</u></b>	<b>3.4</b>
<b>Expenses</b>							
Instruction	71,902,814	67,780,145	—	—	71,902,814	67,780,145	6.1
Pupil and instructional services	6,544,556	5,677,334	—	—	6,544,556	5,677,334	15.3
Administrative and business	11,310,931	9,794,755	—	—	11,310,931	9,794,755	15.5
Maintenance and operations	11,812,523	9,648,700	—	—	11,812,523	9,648,700	22.4
Transportation	2,175,404	2,983,845	—	—	2,175,404	2,983,845	(27.1)
Other	8,303,237	7,728,089	5,333,849	5,107,302	13,637,086	12,835,391	6.2
<b>Total Expenses</b>	<b><u>112,049,465</u></b>	<b><u>103,612,868</u></b>	<b><u>5,333,849</u></b>	<b><u>5,107,302</u></b>	<b><u>117,383,314</u></b>	<b><u>108,720,170</u></b>	<b>8.0</b>
<b>Other Financing Sources (Uses)</b>							
Loss on disposal of capital assets	(2,633)	(14,759)	—	—	(2,633)	(14,759)	
Transfers in	—	—	60,000	115,000	60,000	115,000	
Transfers out	(60,000)	(115,000)	—	—	(60,000)	(115,000)	
<b>Total Other Financing Sources (Uses)</b>	<b><u>(62,633)</u></b>	<b><u>(129,759)</u></b>	<b><u>60,000</u></b>	<b><u>115,000</u></b>	<b><u>(2,633)</u></b>	<b><u>(14,759)</u></b>	
<b>Change in Net Assets</b>	<b><u>\$ 9,871,195</u></b>	<b><u>\$ 14,318,501</u></b>	<b><u>\$ (316,081)</u></b>	<b><u>\$ (290,223)</u></b>	<b><u>\$ 9,555,114</u></b>	<b><u>\$ 14,028,278</u></b>	

## Governmental Activities

Revenue for governmental activities was \$121,983,293 and expenses were \$112,049,465, which amounted to an increase in net assets of \$9,871,195. The following table presents the total and net cost of the District's major governmental activities: instruction, pupil and instructional services, administrative and business, maintenance and operations, transportation and other expenses.

**Figure A-5  
Total and Net Cost of Governmental Activities**

	<b>Total</b>		<b>Change</b>	<b>Total</b>		<b>Change</b>
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	<b>2009</b>	<b>2008</b>	<b>2008-09</b>	<b>2009</b>	<b>2008</b>	<b>2008-09</b>
Instruction	\$ 71,902,814	\$ 67,780,145	6.1%	\$ 53,213,185	\$ 52,905,336	0.6%
Pupil and instructional services	6,544,556	5,677,334	15.3	6,544,556	5,677,334	15.3
Administrative and business	11,310,931	9,794,755	15.5	11,306,431	9,791,005	15.5
Maintenance and operations	11,812,523	9,648,700	22.4	11,202,850	8,938,424	25.3
Transportation	2,175,404	2,983,845	(27.1)	2,039,404	2,705,742	(24.6)
Other	<u>8,303,237</u>	<u>7,728,089</u>	7.4	<u>4,081,579</u>	<u>3,681,004</u>	10.9
<b>Total</b>	<b><u>\$ 112,049,465</u></b>	<b><u>\$ 103,612,868</u></b>	<b>8.1</b>	<b><u>\$ 88,388,005</u></b>	<b><u>\$ 83,698,845</u></b>	<b>5.6</b>

- The total cost of all governmental activities was \$112,049,465, an increase of 8.1% from 2007-08.
- The cost financed by users of the District's programs was \$88,388,005.

## Business-Type Activities

Revenue of the District's business-type activities (food and nutrition services and the employee day care) were comprised of charges for services, federal and state reimbursements and investment earnings. (See Figure A-4).

- Business-type activities expenses exceeded revenue by \$316,081 for 2008-09. In 2007-08 expenses exceeded revenue by \$290,223.
- Charges for services in the School Nutrition Fund represent 29.8% of total revenue compared to 29.6% for 2007-08. This represents the amount paid by students/staff for daily food service.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, and commodities provided to the District was \$3,481,263, or 70.2% of total revenue. This is reflective of the District's population of "free and reduced" students, which is typically over 55% of the total.

## Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$19,553,389 which was less than last year's ending fund balances of \$33,535,740. The main reason for the decrease in combined fund balances in 2009 was more facilities acquisition and construction spending, combined with other cost increases.

Over 94.3% of the governmental fund balance constitutes unreserved fund balance, which is available for spending at the District's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for 1) categorical aid of \$864,103 and 2) inventories of \$259,658.

## **Governmental Fund Highlights**

The **General Fund** is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the general fund was \$8,232,546 while total fund balance increased to \$9,356,307.

The fund balance of the District's general fund improved by \$2,696,730, or 40.5% during the current fiscal year. Key factors in this improvement are as follows:

- In 2008, the District closed the Longfellow Elementary building. In 2009, the principal, support staff and ten teaching positions were eliminated.
- The District realized savings in hiring less experienced staff for multiple teaching positions to replace retiring and non-returning staff of 2007-08.
- Budget practices to methodically monitor expenditures and prevent budget overages.

The **Capital Projects Fund** had a total fund balance of \$6,879,321 compared to \$19,579,153 in 2007-08. The revenue to support the fund is generated from LOSST, which has generated approximately \$10 million per year. In May, 2009, the District sold bond anticipation notes (BAN) to finance an aggressive building/remodeling program and to retire 2006 Series BAN, which are due May, 2012. The proceeds of the BAN make up the majority of the fund balance the last two years. In another public vote, in February, 2006, the District has extended the LOSST program through May, 2012. Under the original LOSST program, the District receives approximately \$10 million per year for ten years from 1% sales tax within the District. By legislative action, starting in 2010, the revenue generated will be allocated across the county which will decrease the District's annual revenue to approximately \$8 million per year. Also, the Iowa legislature in March, 2008 has enacted the LOSST program as permanent throughout the state, rather than individually by county approval and is now SILO tax. SILO is extended to June, 2029 and will bring more stability and open other financing options to the District. The Capital Projects Fund has a committee made up of members of the public, city and county representatives, school board members and school administration to plan and analyze its progress.

## **Proprietary Fund Highlights**

The focus of the District's proprietary funds is to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the entity is that the costs of providing the goods or services be financed primarily through user charges. Proprietary fund types include the School Nutrition Fund and the Day Care Fund.

## **Budgetary Highlights**

The District adopts a budget in April for the following year and at the same time considers and approves a budget amendment for expenditures for the current year. The District did not modify its original budget for 2008-09.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is provided in this report as required supplementary information.

## **Capital Assets and Debt Administration**

### **Capital Assets**

At June 30, 2009, the District had invested \$142,339,679, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, equipment and furniture and construction in progress. (See Figure A-6). Depreciation expense was \$3,504,302 for Governmental Activities and \$222,860 for Business-Type Activities.

Governmental Activities account for \$141,068,510 of the District's capital assets with the remainder of \$1,271,169 in the Business-Type Activities.

Construction in progress of \$45,846,024 was for Poyner, Lowell, Kittrell and McKinstry Elementary Schools, Central and Logan Middle Schools, and East and West High School projects.

**FIGURE A-6**  
**Capital Assets, Net of Depreciation**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total District</u>		<u>Total Change 2009-08</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
Land and improvements	\$ 3,296,750	\$ 3,038,467	\$ —	\$ —	\$ 3,296,750	\$ 3,038,467	8.5%
Construction in progress	45,846,024	29,094,635	—	—	45,846,024	29,094,635	57.6
Buildings and improvements	82,839,806	65,173,454	—	—	82,839,806	65,173,454	27.1
Equipment and furniture	<u>9,085,930</u>	<u>8,704,046</u>	<u>1,271,169</u>	<u>1,480,099</u>	<u>10,357,099</u>	<u>10,184,145</u>	1.7
<b>Total</b>	<b><u>\$ 141,068,510</u></b>	<b><u>\$ 106,010,602</u></b>	<b><u>\$ 1,271,169</u></b>	<b><u>\$ 1,480,099</u></b>	<b><u>\$ 142,339,679</u></b>	<b><u>\$ 107,490,701</u></b>	<b>32.4</b>

The increase from 2007-08 to 2008-09 is the completion of and start of several new construction projects. The amount of construction in progress increased by \$16,751,389 and buildings and improvements increased by \$17,666,352. The value of projects under construction during the summer months increased over last year.

Construction in progress activities during 2008-09 included:

- Renovation at Lowell Elementary
- New construction at McKinstry Elementary (Highland)
- New construction at Logan Middle School (GW Carver Academy)
- New parking lot at Central Middle School
- Renovation of East High School auditorium
- Renovation of West High School locker rooms

Construction in progress activities during 2007-08 included:

- Renovation at Lowell Elementary
- New construction at Poyner Elementary
- New construction at Kittrell Elementary
- New construction at McKinstry Elementary (Highland)
- New construction at Logan Middle School (GW Carver Academy)
- New Parking Lot at Central Middle School
- Renovation of East High School auditorium
- Renovation of West High School locker rooms

### Long-Term Debt

At June 30, 2009, the District had no general obligation bonds outstanding. The District has not had general obligation bonded debt in the last ten years.

More detailed information on the District's capital assets and long-term debt can be found in Note 6 to the financial statements.

## **Factors Bearing on the District's Future**

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

- Beginning in 2008 and continuing in 2009, the United States and the world are experiencing financial upheaval and it is affecting Iowa revenue. The Governor has recently announced a 10% across-the-board cut reducing the District's budget by \$5.5 million. However, the Iowa Legislature will soon meet to determine if the planned 4% increase in allowable growth funding for 2009-10 will remain intact. A reduction in allowable growth will not only reduce cash received, but reduce the budget spending total.
- Even at 4% allowable growth increases, growth in employee wages and benefits has outpaced state funding to schools. All bargaining unit contracts are two-year contracts and do not allow for renegotiation if state funding is reduced. Salary and benefits represent 75% of general fund expenditures. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact upon the District's General Fund budget.
- Budget shortfalls will certainly mean staff reduction but retirements will allow the District to reduce the positions vacated for 2009-10. Overhead costs, such as heating and vehicle fuel are volatile due to world economy status and allows little flexibility for budget planning.
- District enrollment is projected to continue declining and enrollment has already declined approximately 300 students over the last three years. Under Iowa's school funding formula, District funding is highly dependent upon District enrollments. The District enrollment stabilized in fall 2008, but is still expected to see further decline. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Effective July 1, 2007, an incremental increase in the employee's share of the Iowa Public Employees Retirement System (IPERS) contributions will go into effect until employers and employees are paying an equal percentage. The bill also increases the retirement age for new members and changes the retirement formula from a "high three" average salary to a "high five" for new members. The continuing increase in the employers' share of IPERS will negatively impact the budget.

## **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 Michael L. Coughlin, Chief Financial Officer, Waterloo Community School District, 1516 Washington Street, Waterloo, Iowa 50702.

## **Basic Financial Statements**

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## Statement of Net Assets

At June 30, 2009

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents .....	\$ 33,974,781	\$ 359,173	\$ 34,333,954
Receivables, Net of Allowance for Uncollectible Amounts			
Property Taxes			
Current year delinquent.....	593,891	—	593,891
Succeeding year .....	38,786,687	—	38,786,687
Accounts .....	1,673,323	—	1,673,323
ISCAP accrued interest.....	34,527	—	34,527
Due from other governments .....	2,414,141	91,008	2,505,149
Inventories .....	259,658	47,683	307,341
Capital assets, net of accumulated depreciation .....	<u>141,068,510</u>	<u>1,271,169</u>	<u>142,339,679</u>
<b>Total Assets .....</b>	<b><u>\$ 218,805,518</u></b>	<b><u>\$ 1,769,033</u></b>	<b><u>\$ 220,574,551</u></b>
<b>Liabilities</b>			
Accounts payable .....	\$ 8,331,067	\$ 17,769	\$ 8,348,836
Salaries and benefits payable .....	9,160,997	62,158	9,223,155
Accrued interest payable .....	290,000	—	290,000
Deferred Revenue			
Succeeding year property taxes .....	38,786,687	—	38,786,687
Other .....	1,466,042	—	1,466,042
Long-Term Liabilities			
Portion Due Within One Year			
Early retirement payable .....	438,826	—	438,826
Compensated absences .....	243,421	—	243,421
Portion Due After One Year			
Revenue bonds payable .....	46,235,667	—	46,235,667
Net OPEB liability.....	<u>349,000</u>	<u>—</u>	<u>349,000</u>
<b>Total Liabilities .....</b>	<b><u>105,301,707</u></b>	<b><u>79,927</u></b>	<b><u>105,381,634</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	94,832,843	1,271,169	96,104,012
Restricted For			
Management levy.....	1,442,396	—	1,442,396
Physical plant and equipment levy.....	811,293	—	811,293
Other special revenue purposes .....	1,064,072	—	1,064,072
Unrestricted .....	<u>15,353,207</u>	<u>417,937</u>	<u>15,771,144</u>
<b>Total Net Assets .....</b>	<b><u>113,503,811</u></b>	<b><u>1,689,106</u></b>	<b><u>115,192,917</u></b>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 218,805,518</u></b>	<b><u>\$ 1,769,033</u></b>	<b><u>\$ 220,574,551</u></b>

See accompanying notes to the financial statements.

# Statement of Activities

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Activities	Total
<b>Governmental Activities</b>							
Instruction							
Regular instruction .....	\$ 49,870,003	\$ 345,804	\$ 11,423,502	\$ —	\$ (38,100,697)	\$ —	\$ (38,100,697)
Special instruction .....	19,229,161	302,288	4,813,572	—	(14,113,301)	—	(14,113,301)
Vocational instruction .....	205,505	—	—	—	(205,505)	—	(205,505)
Other instruction .....	2,598,145	1,804,463	—	—	(793,682)	—	(793,682)
Total Instruction .....	<u>71,902,814</u>	<u>2,452,555</u>	<u>16,237,074</u>	<u>—</u>	<u>(53,213,185)</u>	<u>—</u>	<u>(53,213,185)</u>
Support Services							
Student services .....	3,135,528	—	—	—	(3,135,528)	—	(3,135,528)
Instructional staff services .....	3,409,028	—	—	—	(3,409,028)	—	(3,409,028)
General administration services .....	1,070,949	—	—	—	(1,070,949)	—	(1,070,949)
School administration services .....	5,486,172	—	4,500	—	(5,481,672)	—	(5,481,672)
Business and central administration services .....	4,753,810	—	—	—	(4,753,810)	—	(4,753,810)
Operation and maintenance .....	11,812,523	402,371	—	207,302	(11,202,850)	—	(11,202,850)
Transportation services .....	2,175,404	3,287	132,713	—	(2,039,404)	—	(2,039,404)
Total Support Services .....	<u>31,843,414</u>	<u>405,658</u>	<u>137,213</u>	<u>207,302</u>	<u>(31,093,241)</u>	<u>—</u>	<u>(31,093,241)</u>
Noninstructional Programs .....	<u>14,950</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(14,950)</u>	<u>—</u>	<u>(14,950)</u>
Other Expenditures							
Long-term debt interest .....	1,638,402	—	—	—	(1,638,402)	—	(1,638,402)
AEA flow through .....	4,221,658	—	4,221,658	—	—	—	—
Depreciation (unallocated) .....	2,428,227	—	—	—	(2,428,227)	—	(2,428,227)
Total Other Expenditures .....	<u>8,288,287</u>	<u>—</u>	<u>4,221,658</u>	<u>—</u>	<u>(4,066,629)</u>	<u>—</u>	<u>(4,066,629)</u>
<b>Total Governmental Activities .....</b>	<b><u>112,049,465</u></b>	<b><u>2,858,213</u></b>	<b><u>20,595,945</u></b>	<b><u>207,302</u></b>	<b><u>(88,388,005)</u></b>	<b><u>—</u></b>	<b><u>(88,388,005)</u></b>
<b>Business-Type Activities</b>							
Noninstructional Programs							
Nutrition services .....	5,004,982	1,458,552	3,284,379	—	—	(262,051)	(262,051)
Day care services .....	328,867	16,587	196,884	—	—	(115,396)	(115,396)
<b>Total Business-Type Activities .....</b>	<b><u>5,333,849</u></b>	<b><u>1,475,139</u></b>	<b><u>3,481,263</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(377,447)</u></b>	<b><u>(377,447)</u></b>
<b>Total .....</b>	<b><u>\$ 117,383,314</u></b>	<b><u>\$ 4,333,352</u></b>	<b><u>\$ 24,077,208</u></b>	<b><u>\$ 207,302</u></b>	<b><u>(88,388,005)</u></b>	<b><u>(377,447)</u></b>	<b><u>(88,765,452)</u></b>
<b>General Revenue</b>							
Property taxes levied for general purposes .....					37,544,209	—	37,544,209
Local option taxes levied for capital outlay .....					11,210,010	—	11,210,010
Unrestricted state grants .....					48,792,965	—	48,792,965
Unrestricted investment earnings .....					774,649	1,366	776,015
<b>Total General Revenue .....</b>					<b><u>98,321,833</u></b>	<b><u>1,366</u></b>	<b><u>98,323,199</u></b>
<b>Other Financing Sources (Uses)</b>							
Loss on disposal of capital assets .....					(2,633)	—	(2,633)
Transfers .....					(60,000)	60,000	—
<b>Total Other Financing Sources (Uses) .....</b>					<b><u>(62,633)</u></b>	<b><u>60,000</u></b>	<b><u>(2,633)</u></b>
<b>Change in Net Assets .....</b>					<b><u>9,871,195</u></b>	<b><u>(316,081)</u></b>	<b><u>9,555,114</u></b>
Net Assets - Beginning of Year .....					103,632,616	2,005,187	105,637,803
<b>Net Assets - End of Year .....</b>					<b><u>\$ 113,503,811</u></b>	<b><u>\$ 1,689,106</u></b>	<b><u>\$ 115,192,917</u></b>

See accompanying notes to the financial statements.

## Balance Sheet - Governmental Funds

At June 30, 2009

	General	Capital Projects	All Other Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments .....	\$ 19,824,259	\$ 10,194,211	\$ 3,956,311	\$ 33,974,781
Receivables, Net of Allowance for Uncollectible Amounts				
Property Taxes				
Current year delinquent.....	525,012	—	68,879	593,891
Succeeding year .....	34,284,094	—	4,502,593	38,786,687
Accounts .....	1,607,621	—	65,702	1,673,323
ISCAP accrued interest.....	34,527	—	—	34,527
Due from other governments .....	—	1,723,648	—	1,723,648
Inventories .....	<u>259,658</u>	<u>—</u>	<u>—</u>	<u>259,658</u>
<b>Total Assets .....</b>	<b><u>\$ 56,535,171</u></b>	<b><u>\$ 11,917,859</u></b>	<b><u>\$ 8,593,485</u></b>	<b><u>\$ 77,046,515</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable .....	\$ 2,958,224	\$ 5,038,538	\$ 334,305	\$ 8,331,067
Salaries and benefits payable .....	9,160,997	—	—	9,160,997
Early retirement payable.....	—	—	438,826	438,826
Deferred Revenue				
Succeeding year property taxes ...	34,284,094	—	4,502,593	38,786,687
Other .....	<u>775,549</u>	<u>—</u>	<u>—</u>	<u>775,549</u>
<b>Total Liabilities .....</b>	<b><u>47,178,864</u></b>	<b><u>5,038,538</u></b>	<b><u>5,275,724</u></b>	<b><u>57,493,126</u></b>
<b>Fund Balances</b>				
Reserved For				
Inventories .....	259,658	—	—	259,658
Categorical aid .....	864,103	—	—	864,103
Unreserved, Reported in				
General fund .....	8,232,546	—	—	8,232,546
Capital projects fund .....	—	6,879,321	—	6,879,321
Nonmajor special revenue funds ..	—	—	3,317,761	3,317,761
<b>Total Fund Balances .....</b>	<b><u>9,356,307</u></b>	<b><u>6,879,321</u></b>	<b><u>3,317,761</u></b>	<b><u>19,553,389</u></b>
<b>Total Liabilities and Fund Balances .....</b>	<b><u>\$ 56,535,171</u></b>	<b><u>\$ 11,917,859</u></b>	<b><u>\$ 8,593,485</u></b>	<b><u>\$ 77,046,515</u></b>

See accompanying notes to the financial statements.

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

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At June 30, 2009

<b>Total Fund Balances for Governmental Funds (Page 16).....</b>		<b>\$ 19,553,389</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. ....		141,068,510
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.....		(290,000)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Bonds payable .....	\$ (46,400,000)	
Unamortized bond discount .....	164,333	
Other postemployment benefits .....	(349,000)	
Compensated absences .....	<u>(243,421)</u>	<u>(46,828,088)</u>
 <b>Net Assets of Governmental Activities (Page 14) .....</b>		 <b><u>\$ 113,503,811</u></b>

# Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2009

	General	Debt Service	Capital Projects	All Other Nonmajor	Total
<b>Revenue</b>					
Local Sources					
Local taxes.....	\$ 33,182,119	\$ —	\$ 11,210,010	\$ 4,362,090	\$ 48,754,219
Other.....	1,707,583	—	480,310	1,810,031	3,997,924
State sources.....	61,068,777	—	—	3,548	61,072,325
Federal sources.....	8,007,950	—	—	150,875	8,158,825
<b>Total Revenue</b> .....	<b><u>103,966,429</u></b>	<b><u>—</u></b>	<b><u>11,690,320</u></b>	<b><u>6,326,544</u></b>	<b><u>121,983,293</u></b>
<b>Expenditures</b>					
Current					
Instruction					
Regular instruction.....	48,726,650	—	—	1,018,486	49,745,136
Special instruction.....	19,210,024	—	—	—	19,210,024
Vocational instruction.....	185,276	—	—	—	185,276
Other instruction.....	950,953	—	—	1,721,329	2,672,282
Total Instruction.....	<u>69,072,903</u>	<u>—</u>	<u>—</u>	<u>2,739,815</u>	<u>71,812,718</u>
Support Services					
Student services.....	3,119,524	—	—	14,297	3,133,821
Instructional staff services.....	3,319,219	—	—	71,038	3,390,257
General administration services	1,061,139	—	—	11,462	1,072,601
School administration services...	5,334,016	—	—	137,160	5,471,176
Business and central administration services.....	4,348,033	—	713,527	263,704	5,325,264
Operation and maintenance of plant services.....	8,912,233	—	—	1,007,241	9,919,474
Transportation services.....	1,780,303	—	—	402,413	2,182,716
Total Support Services.....	<u>27,874,467</u>	<u>—</u>	<u>713,527</u>	<u>1,907,315</u>	<u>30,495,309</u>
Noninstructional Programs.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,950</u>	<u>14,950</u>
Other Expenditures					
Facilities acquisition and construction.....	—	—	33,239,525	5,685,534	38,925,059
Long-Term Debt					
Principal.....	—	35,000,000	—	—	35,000,000
Interest and fiscal charges.....	—	1,663,100	—	—	1,663,100
AEA flowthrough.....	4,221,658	—	—	—	4,221,658
Total Other Expenditures.....	<u>4,221,658</u>	<u>36,663,100</u>	<u>33,239,525</u>	<u>5,685,534</u>	<u>79,809,817</u>
<b>Total Expenditures</b> .....	<b><u>101,169,028</u></b>	<b><u>36,663,100</u></b>	<b><u>33,953,052</u></b>	<b><u>10,347,614</u></b>	<b><u>182,132,794</u></b>
<b>Revenue Over (Under) Expenditures</b> .....	<b><u>2,797,401</u></b>	<b><u>(36,663,100)</u></b>	<b><u>(22,262,732)</u></b>	<b><u>(4,021,070)</u></b>	<b><u>(60,149,501)</u></b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in.....	—	36,663,100	—	41,821	36,704,921
Operating transfers out.....	(101,821)	—	(36,663,100)	—	(36,764,921)
Proceeds from disposal of capital assets.....	1,150	—	—	—	1,150
Revenue bonds issued.....	—	—	46,400,000	—	46,400,000
Discount on sale of revenue bonds.	—	—	(174,000)	—	(174,000)
<b>Total Other Financing Sources (Uses)</b> .....	<b><u>(100,671)</u></b>	<b><u>36,663,100</u></b>	<b><u>9,562,900</u></b>	<b><u>41,821</u></b>	<b><u>46,167,150</u></b>
<b>Net Change in Fund Balances</b> .....	<b>2,696,730</b>	<b>—</b>	<b>(12,699,832)</b>	<b>(3,979,249)</b>	<b>(13,982,351)</b>
Fund Balance - Beginning of Year..	6,659,577	—	19,579,153	7,297,010	33,535,740
<b>Fund Balance - End of Year</b> .....	<b><u>\$ 9,356,307</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 6,879,321</u></b>	<b><u>\$ 3,317,761</u></b>	<b><u>\$ 19,553,389</u></b>

See accompanying notes to the financial statements.

# Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2009

**Change in Fund Balances - Total Governmental Funds (Page 18)** \$ (13,982,351)

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

Capital outlays to purchase or build capital assets are reported in the 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. The amounts of capital outlays and depreciation expense for the year are as follows:

Capital outlays.....	\$ 38,565,993	
Depreciation expense .....	<u>(3,504,302)</u>	35,061,691

The net book value of the capital assets disposed of during the year. ....		(3,783)
--	--	---------

Discount on bonds payable issued during the year reduces current financial resources to governmental funds but it decreases liabilities in the statement of net assets.....		174,000
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Issued.....	\$ (46,400,000)	
Repaid.....	<u>35,000,000</u>	(11,400,000)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. ....		24,698
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Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences and early retirement .....	\$ 345,940	
Other postemployment benefits .....	<u>(349,000)</u>	<u>(3,060)</u>

**Change in Net Assets of Governmental Activities (Page 15)** **\$ 9,871,195**

# Statement of Net Assets - Proprietary Funds

At June 30, 2009

	<b>Total Nonmajor Enterprise Funds</b>
<b>Assets</b>	
Cash and cash equivalents .....	\$ 359,173
Receivables, Net of Allowance for Uncollectible Amounts	
Intergovernmental .....	91,008
Inventories .....	47,683
Capital assets, net of accumulated depreciation .....	<u>1,271,169</u>
<b>Total Assets</b> .....	<b><u>\$ 1,769,033</u></b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable .....	\$ 17,769
Salaries and benefits payable .....	<u>62,158</u>
<b>Total Liabilities</b> .....	<b><u>79,927</u></b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt .....	1,271,169
Unrestricted .....	<u>417,937</u>
<b>Total Net Assets</b> .....	<b><u>1,689,106</u></b>
<b>Total Liabilities and Net Assets</b> .....	<b><u>\$ 1,769,033</u></b>

# Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Funds

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Year Ended June 30, 2009

	<b>Total Nonmajor Enterprise Funds</b>
<b>Revenue</b>	
Local Sources	
Charges for service.....	\$ 1,427,597
Other receipts .....	<u>47,542</u>
<b>Total Operating Revenue</b> .....	<b><u>1,475,139</u></b>
<b>Operating Expenses</b>	
Noninstructional Programs	
Salaries .....	1,707,098
Benefits .....	833,478
Purchased services.....	2,563,621
Other .....	6,792
Depreciation.....	<u>222,860</u>
<b>Total Operating Expenses</b> .....	<b><u>5,333,849</u></b>
<b>Loss From Operations</b> .....	<b><u>(3,858,710)</u></b>
<b>Nonoperating Revenue</b>	
State sources.....	96,710
Federal sources.....	3,384,553
Interest on investments .....	<u>1,366</u>
<b>Total Nonoperating Revenue</b> .....	<b><u>3,482,629</u></b>
<b>Loss Before Other Financing Sources</b> .....	<b>(376,081)</b>
<b>Other Financing Sources</b>	
Transfers in.....	<u>60,000</u>
<b>Net Loss</b> .....	<b>(316,081)</b>
Net Assets - Beginning of Year .....	<u>2,005,187</u>
<b>Net Assets - End of Year</b> .....	<b><u>\$ 1,689,106</u></b>

## Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2009

	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash Flows Used in Operating Activities</b>	
Cash received from sale of lunches and breakfasts.....	\$ 1,475,062
Cash received from other .....	47,542
Cash payments to employees for services.....	(2,526,844)
Cash payments to suppliers for goods and services .....	<u>(2,227,881)</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>(3,232,121)</u></b>
<b>Cash Flows Provided by Noncapital Financing Activities</b>	
State grants received.....	96,710
Federal grants received.....	3,061,025
Transfers .....	<u>60,000</u>
<b>Net Cash Provided by Noncapital Financing Activities .....</b>	<b><u>3,217,735</u></b>
<b>Cash Flows Used in Capital and Related Financing Activities</b>	
Acquisition of capital assets .....	<u>(13,930)</u>
<b>Cash Flows From Investing Activities</b>	
Interest on investments .....	<u>1,366</u>
<b>Net Decrease in Cash and Cash Equivalents .....</b>	<b>(26,950)</b>
Cash and Cash Equivalents - Beginning of Year .....	<u>386,123</u>
<b>Cash and Cash Equivalents - End of Year .....</b>	<b><u>\$ 359,173</u></b>
<b>Reconciliation of Loss From Operations to Net Cash Used in Operating Activities</b>	
Loss from operations .....	\$ (3,858,710)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Commodities used.....	326,402
Depreciation .....	222,860
Changes in Assets and Liabilities	
Decrease in accounts receivable .....	47,465
Increase in accounts payable.....	16,130
Increase in salaries and benefits payable .....	<u>13,732</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>\$ (3,232,121)</u></b>

### Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2009, the District received \$239,971 of federal commodities.

# Statement of Fiduciary Net Assets - Fiduciary Fund ---

At June 30, 2009

	<b>Agency</b>
<b>Assets</b>	
Cash and Pooled Investments .....	<u><b>\$ 62,181</b></u>
<b>Liabilities</b>	
Due to Other Governments.....	<u><b>\$ 62,181</b></u>

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

The Waterloo 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 either operates or sponsors various adult education programs. These courses include remedial education and vocational and recreation courses. The geographic area served includes the cities of Waterloo, Evansdale, Elk Run Heights, Raymond, Gilbertville and a portion of Cedar Falls, Iowa, and the surrounding predominate agricultural territory in Black Hawk County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

### Reporting Entity

For financial reporting purposes, the Waterloo 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 Waterloo 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 does 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 Black Hawk County Assessor's Conference Board.

### Basis of Presentation

#### ***District-Wide Financial Statements***

The statement of net assets and the statement of activities report information on all 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 revenue, 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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* 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 which can be removed or modified.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 revenue are reported instead as general revenue.

### ***Fund Financial Statements***

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the District-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 had the following major governmental funds:

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

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

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

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the Agency Fund used to account for assets held by the District as an agent for individuals, private organizations and other governments and includes scholarships for students within the District. The Agency Fund is custodial in nature, assets equal liabilities and does not involve measurement of results of operations.

### **Measurement Focus and Basis of Accounting**

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

Property tax, intergovernmental revenue (shared revenue, 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 revenue. 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 revenue.

The proprietary funds of the District apply 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 revenue and expenses from nonoperating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

### **Assets, Liabilities and Fund Equity**

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 nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term capital 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.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### ***Property Taxes Receivable***

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes receivable are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property taxes receivable represent unpaid taxes for the current and prior years. The succeeding year property taxes 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 taxes receivable have been recorded, the related revenue is deferred in both the District-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 becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly 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 revenue, grants and reimbursements from other governments.

### ***Food and Supplies Inventories***

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. At June 30, 2009, food and supplies inventory valued at \$47,683 were on hand. General fund supplies inventory is accounted for under the consumption method. Expenditures are recognized when the inventory is used.

### ***Capital Assets***

Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful 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.

Land .....	\$1,000
Buildings and improvements .....	1,000
Improvements other than buildings .....	1,000
Furniture and Equipment	
School Nutrition Fund equipment .....	1,000
Day Care Fund equipment .....	1,000
Other furniture and equipment .....	1,000

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements .....	7 - 50 Years
Improvements other than buildings .....	20 - 30 Years
Furniture and equipment .....	5 - 25 Years

### ***Salaries and Benefits Payable***

Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July, August and September have been accrued as liabilities.

### ***Deferred Revenue***

Although certain revenue is measurable, it is 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 represents 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 taxes receivable and other receivables not collected within 60 days after year end.

### ***Compensated Absences***

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

### ***Long-Term Obligations***

In the District-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 District-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.

## **Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements in the noninstructional programs and other expenditures areas exceeded the amount budgeted.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## (2) Cash and Investments

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

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

**Credit risk** - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio of \$32,961,283. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

## (3) Interfund Transfers

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

<b>Transfer to</b>	<b>Transfer From</b>	<b>Amount</b>
Debt Service	Capital Projects	\$ 36,663,100
Enterprise		
Day Care	General	60,000
Student Activity Fund	General	41,821
<b>Total</b>		<b><u>\$ 36,764,921</u></b>

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

## Notes to the Financial Statements

### (4) Iowa School Cash Anticipation Program

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2008-09A	6/26/08	6/25/09	<u>\$ —</u>	<u>\$ 34,527</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. 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	<u>\$ 5,000,000</u>	<u>\$ 8,000,000</u>	<u>\$ 13,000,000</u>	<u>\$ —</u>

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.5%	3.469%

## Notes to the Financial Statements

### (5) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land .....	\$ 1,448,369	\$ 73,621	\$ —	\$ 1,521,990
Construction in progress .....	29,094,635	36,081,616	19,330,227	45,846,024
Total Capital Assets Not Being Depreciated.....	<u>30,543,004</u>	<u>36,155,237</u>	<u>19,330,227</u>	<u>47,368,014</u>
Capital Assets Being Depreciated				
Buildings and improvements .....	101,013,586	18,262,997	—	119,276,583
Improvements other than buildings .....	2,896,331	280,436	1,022	3,175,745
Furniture and equipment .....	21,429,991	3,197,550	49,828	24,577,713
Total Capital Assets Being Depreciated.....	<u>125,339,908</u>	<u>21,740,983</u>	<u>50,850</u>	<u>147,030,041</u>
Less Accumulated Depreciation For				
Buildings and improvements .....	34,626,073	1,810,704	—	36,436,777
Improvements other than buildings .....	1,306,233	95,084	332	1,400,985
Furniture and equipment .....	13,940,004	1,598,514	46,735	15,491,783
Total Accumulated Depreciation .....	<u>49,872,310</u>	<u>3,504,302</u>	<u>47,067</u>	<u>53,329,545</u>
Net Total Capital Assets Being Depreciated.....	<u>75,467,598</u>	<u>18,236,681</u>	<u>3,783</u>	<u>93,700,496</u>
<b>Net Governmental Activities</b>				
Capital Assets .....	<u>\$ 106,010,602</u>	<u>\$ 54,391,918</u>	<u>\$ 19,334,010</u>	<u>\$ 141,068,510</u>
<b>Business-Type Activities</b>				
Furniture, equipment, vehicles .....	\$ 2,873,185	\$ 15,526	\$ 3,013	\$ 2,885,698
Less accumulated depreciation .....	1,393,086	222,860	1,417	1,614,529
<b>Net Business-Type Activities</b>				
Capital Assets .....	<u>\$ 1,480,099</u>	<u>\$ (207,334)</u>	<u>\$ 1,596</u>	<u>\$ 1,271,169</u>

## Notes to the Financial Statements

### (5) Capital Assets

The District began maintaining records of capital assets at cost on July 1, 1997. A valuation of assets at historical costs was done in June, 1997. The changes in the capital assets used in the operation of governmental funds by source for the year ended June 30, 2009 are as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Pre July 1, 1997.....	\$ 44,853,668	\$ —	\$ 16,235	\$ 44,837,433
General fund revenue.....	11,504,719	78,325	—	11,583,044
Capital projects fund revenue.....	94,638,368	37,415,127	1,022	132,052,473
Special revenue funds revenue..	4,761,084	1,072,541	33,593	5,800,032
Donations .....	125,073	—	—	125,073
	<u>\$ 155,882,912</u>	<u>\$ 38,565,993</u>	<u>\$ 50,850</u>	<u>\$ 194,398,055</u>

The changes in capital assets used in the operation of governmental funds by function and activity as of June 30, 2009 are as follows:

Function and Activity	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Education.....	\$ 149,504,877	\$ 38,239,055	\$ 10,157	\$ 187,733,775
Transportation .....	241,625	—	—	241,625
Maintenance .....	3,476,581	245,354	40,693	3,681,242
Administration.....	2,659,829	81,584	—	2,741,413
	<u>\$ 155,882,912</u>	<u>\$ 38,565,993</u>	<u>\$ 50,850</u>	<u>\$ 194,398,055</u>

The capital assets used in the operation of governmental funds by function and activity as of June 30, 2009 are as follows:

Function and Activity	Construction in Progress	Land and Site Improve- ments	Buildings	Machinery and Equipment	Total
Education.....	\$ 45,846,024	\$ 4,173,919	\$ 118,360,561	\$ 19,353,271	\$ 187,733,775
Transportation .....	—	7,000	52,000	182,625	241,625
Maintenance .....	—	458,636	516,364	2,706,242	3,681,242
Administration.....	—	58,180	347,658	2,335,575	2,741,413
	<u>\$ 45,846,024</u>	<u>\$ 4,697,735</u>	<u>\$ 119,276,583</u>	<u>\$ 24,577,713</u>	<u>\$ 194,398,055</u>

## Notes to the Financial Statements

### (5) Capital Assets

Depreciation expense was charged as follows:

#### Governmental Activities

Instruction	
Regular.....	\$ 181,279
Special .....	15,879
Vocational .....	77,970
Other .....	105,024
Support Services	
Student.....	1,884
Instructional staff.....	21,205
General administration .....	9,337
School administration.....	17,614
Business and central administration .....	265,281
Operation and maintenance of plant .....	380,602
Unallocated depreciation.....	<u>2,428,227</u>
<b>Total Governmental Activities Depreciation Expense .....</b>	<b><u>\$ 3,504,302</u></b>

#### Business-Type Activities

School Nutrition.....	\$ 214,514
Day Care .....	<u>8,346</u>
<b>Total Business-Type Activities Depreciation Expense .....</b>	<b><u>\$ 222,860</u></b>

### (6) 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	Reductions	Balance End of Year	Due Within One Year
Revenue bonds .....	\$ 35,000,000	\$ 46,400,000	\$ 35,000,000	\$ 46,400,000	\$ —
Revenue bonds premium ...	185,825	—	185,825	—	—
Revenue bonds discount....	—	(174,000)	(9,667)	(164,333)	—
Compensated absences.....	204,361	243,421	204,361	243,421	243,421
Early retirement benefit .....	1,002,917	53,826	617,917	438,826	438,826
Net OPEB utility.....	—	349,000	—	349,000	—
<b>Total</b>	<b><u>\$ 36,393,103</u></b>	<b><u>\$ 46,872,247</u></b>	<b><u>\$ 35,998,436</u></b>	<b><u>\$ 47,266,914</u></b>	<b><u>\$ 682,247</u></b>

## Notes to the Financial Statements

### (6) Long-Term Liabilities

#### Revenue Bonds Payable

Details of the District's June 30, 2009 school infrastructure sales, services and use tax revenue and refunding bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2009			
	Interest Rates	Principal	Interest	Total
2010.....	3.75%	\$ —	\$ 1,740,000	\$ 1,740,000
2011.....	3.75	—	1,740,000	1,740,000
2012.....	3.75	46,400,000	1,740,000	48,140,000
<b>Total</b> .....		<b><u>\$ 46,400,000</u></b>	<b><u>\$ 5,220,000</u></b>	<b><u>\$ 51,620,000</u></b>

The District has pledged future school infrastructure (statewide) sales, services and use tax revenue to repay the \$46,400,000 of bonds issued in May, 2009. The bonds were issued for the purpose of financing a portion of the costs associated with site acquisition, construction, reconstruction, remodeling and refurbishing certain of the District's facilities, refunding the District's outstanding school infrastructure local option sales, services and use tax revenue bonds, series 2006 and paying the costs of the issuing the bonds. The bonds are payable from proceeds of any school infrastructure (statewide) sales, services and use tax revenue received by the District and mature May 1, 2012. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Total principal and interest remaining to be paid on the bonds is \$51,620,000. For the current year, no principal and interest was paid on the 2009 series bonds and total statewide sales and services tax revenue were \$11,210,010. A principal payment of \$35,000,000 and interest payment of \$1,662,900 was paid and retired the 2006 series bonds.

The resolution providing for the issuance of the school infrastructure, sales, services and use tax revenue and refunding bonds requires the balance of the proceeds after repayment of the 2006 series bonds to be deposited into the project account and it requires all proceeds from the school infrastructure (statewide) sales, services and use taxes received be placed in a revenue account.

The District did comply with all of the revenue bond provisions during the year ended June 30, 2009.

The District did not exceed its legal debt margin at June 30, 2009, as follows:

<b>Total Assessed Valuation</b> .....	<b><u>\$ 3,916,160,139</u></b>
Debt limit, 5% of total assessed valuation .....	\$ 195,808,007
Amount of debt applicable to debt limit, total general obligation bonded debt .....	<u>46,400,000</u>
<b>Excess of Debt Limit Over Bonded Debt Outstanding, Legal Debt Margin</b> .....	<b><u>\$ 149,408,007</u></b>

## Notes to the Financial Statements

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### **(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.1% (2009), 3.9% (2008) to 3.7% (2007) of their annual salary and the District is required to contribute 6.35% (2009), 6.05% (2008) to 5.75% (2007) of annual payroll for the years ended June 30, 2009, 2008 and 2007. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$3,717,336, \$3,339,429 and \$3,107,066, respectively, equal to the required contributions for each year.

### **(8) Contingent Liability for Sick Leave Time**

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and therefore are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave at June 30, 2009 was approximately \$12,300,000.

### **(9) Risk Management**

The Waterloo Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(10) Area Education Agency Support**

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 \$4,221,658 for the year ended June 30, 2009, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

### **(11) Early Retirement Plan**

The District offers a voluntary early retirement plan to its teachers and administrators. Eligible employees must have completed at least 15 years of full-time service to the District and must have reached the age of 55 on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

### **(11) Early Retirement Plan**

The District provides a supplemental benefit for administrators. To be eligible for the benefit, the administrator must have attained age 55 by August 1, have completed 15 years of service with the District in which 10 of those years were served as an administrator and have submitted application for retirement by March 31. Benefits are computed as a percent of the salary based on age at retirement. The administrators are also eligible to continue participation in the District's group health insurance program to age 65, as described in Note 12.

The District adopted a one-time temporary supplemental early retirement incentive for teachers who applied for early retirement no later than January 5, 2007. The benefit amount was \$21,000 per teacher and final payment is due in July, 2009.

At June 30, 2009, 57 employees had requested early retirement and the District's obligation was \$438,826, due in July, 2009.

### **(12) Other Postemployment Benefits (OPEB)**

The Waterloo Community School 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 1,346 active and 144 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a fully insured medical plan, is administered by Wellmark. The dental benefit is administered by Delta Dental of Iowa. 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. There is no subsidy or OPEB liability associated with the dental benefit.

#### **Funding Policy**

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

#### **Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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.

## Notes to the Financial Statements

### (12) Other Postemployment Benefits (OPEB)

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.....	\$ 1,094,000
Interest on net OPEB obligation .....	—
Adjustment to annual required contribution .....	—
Annual OPEB Cost (Expense) .....	1,094,000
Contributions made .....	<u>(745,000)</u>
Increase in Net OPEB Obligation.....	349,000
Net OPEB Obligation - Beginning of Year .....	—
Net OPEB Obligation - End of Year.....	<u><u>\$ 349,000</u></u>

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

For the fiscal year 2009, the District contributed \$745,000 to the medical plan.

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:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$1,094,000	68.1%	\$349,000

#### Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date for the period of July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$10.796 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$10.796 million. The covered payroll (annual payroll of active employees covered by the plan) was \$50.106 million and the ratio of the UAAL to the covered payroll was 21.5%. 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 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.

### **(12) Other Postemployment Benefits (OPEB)**

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 the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the District funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced by 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination 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 \$758 per month for retirees age 55, \$915 per month for retirees age 60 and \$1,090 for retirees age 64. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense over 30 years.

### **(13) Commitments**

The District has entered into agreements with various companies for nursing, management of the District's food service operations and operation of the District's student transportation services. Terms of the agreements range from one to five years, and all agreements contain provisions for renewal.

The District has entered into various contracts for several major projects which are primarily being funded by the one cent local option sales and service tax. The building projects are Washburn Elementary School, Kittrell Elementary School, McKinstry Elementary School, Carver Middle School, Central Middle School, East High School and West High School. At June 30, 2009, the remaining commitment on these contracts was approximately \$13,000,000.

### **(14) Subsequent Events**

Subsequent to June 30, 2009, the District entered into a contract for the purchase and installation of Promethean Activboards. The project is estimated to cost approximately \$1.7 million.

Subsequent to June 30, 2009, the State of Iowa reduced funding to school districts for the 2009-10 school year. As a result, the District's state funding will be reduced approximately \$5.5 million.

**Required Supplementary Information**

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## Schedule of Budgetary Comparison of Revenue, Expenditures and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2009

	<u>Actual</u>		Total	Original and Final Budget	Over (Under) Budget
	Governmental Fund Types - Actual	Proprietary Fund Type - Actual			
<b>Revenue</b>					
Local sources .....	\$ 52,752,143	\$ 1,476,505	\$ 54,228,648	\$ 55,562,712	\$ (1,334,064)
Intermediate sources..	—	—	—	200,000	(200,000)
State sources.....	61,072,325	96,710	61,169,035	63,193,913	(2,024,878)
Federal sources.....	<u>8,158,825</u>	<u>3,384,553</u>	<u>11,543,378</u>	<u>9,275,000</u>	<u>2,268,378</u>
<b>Total Revenue .....</b>	<b><u>121,983,293</u></b>	<b><u>4,957,768</u></b>	<b><u>126,941,061</u></b>	<b><u>128,231,625</u></b>	<b><u>(1,290,564)</u></b>
<b>Expenditures</b>					
Instruction.....	71,812,718	—	71,812,718	72,410,000	(597,282)
Support services.....	30,495,309	—	30,495,309	34,052,000	(3,556,691)
Noninstructional programs .....	14,950	5,333,849	5,348,799	5,145,000	203,799
Other expenditures.....	<u>79,809,817</u>	—	<u>79,809,817</u>	<u>63,051,831</u>	<u>16,757,986</u>
<b>Total Expenditures</b>	<b><u>182,132,794</u></b>	<b><u>5,333,849</u></b>	<b><u>187,466,643</u></b>	<b><u>174,658,831</u></b>	<b><u>12,807,812</u></b>
<b>Revenue Under Expenditures .....</b>	<b>(60,149,501)</b>	<b>(376,081)</b>	<b>(60,525,582)</b>	<b>(46,427,206)</b>	<b>(14,098,376)</b>
<b>Other Financing Sources (Net) .....</b>	<b><u>46,167,150</u></b>	<b><u>60,000</u></b>	<b><u>46,227,150</u></b>	<b><u>40,000,000</u></b>	<b><u>6,227,150</u></b>
<b>Revenue Under Expenditures and Other Financing Sources .....</b>	<b>(13,982,351)</b>	<b>(316,081)</b>	<b>(14,298,432)</b>	<b>(6,427,206)</b>	<b><u>\$ (7,871,226)</u></b>
Balance - Beginning of Year .....	<u>33,535,740</u>	<u>2,005,187</u>	<u>35,540,927</u>	<u>29,351,017</u>	
<b>Balance - End of Year</b>	<b><u>\$ 19,553,389</u></b>	<b><u>\$ 1,689,106</u></b>	<b><u>\$ 21,242,495</u></b>	<b><u>\$ 22,923,811</u></b>	

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 and statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis.

Encumbrances pertain to commitments related to unperformed contracts for goods or services. Used in budgeting, encumbrances are not expenditures or liabilities. Encumbrances represent the estimated amount of expenditures which may result if the unperformed contracts in process are completed. The District is not required to use encumbrance accounting, and accordingly, commitments related to unperformed contracts for goods or services have not been recorded by the District.

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

During the year ended June 30, 2009, disbursements in the noninstructional programs and other expenditures areas exceeded the amounts budgeted.

## Schedule of Funding Progress for the Retiree Health Plan ---

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2008	\$—	\$10,796,000	\$10,796,000	0.0%	\$50,106,000	21.5%

See Note 12 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

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# Combining Balance Sheet - Nonmajor Governmental Funds

At June 30, 2009

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Govern- mental Funds</b>
	<b>Management Account</b>	<b>Student Activity</b>	<b>PPEL Fund</b>	
<b>Assets</b>				
Cash and pooled investments .....	\$ 1,874,864	\$ 1,070,606	\$ 1,010,841	\$ 3,956,311
Receivables, Net of Allowance for Uncollectible Amounts				
Property Taxes				
Current year delinquent .....	31,606	—	37,273	68,879
Succeeding year .....	1,999,990	—	2,502,603	4,502,593
Other .....	<u>168</u>	<u>—</u>	<u>65,534</u>	<u>65,702</u>
<b>Total Assets .....</b>	<b><u>\$ 3,906,628</u></b>	<b><u>\$ 1,070,606</u></b>	<b><u>\$ 3,616,251</u></b>	<b><u>\$ 8,593,485</u></b>
<b>Liabilities and Equities</b>				
<b>Liabilities</b>				
Accounts payable .....	\$ 25,416	\$ 6,534	\$ 302,355	\$ 334,305
Early retirement payable .....	438,826	—	—	438,826
Deferred Revenue				
Succeeding year property taxes	<u>1,999,990</u>	<u>—</u>	<u>2,502,603</u>	<u>4,502,593</u>
<b>Total Liabilities .....</b>	<b><u>2,464,232</u></b>	<b><u>6,534</u></b>	<b><u>2,804,958</u></b>	<b><u>5,275,724</u></b>
<b>Equities</b>				
Unreserved, undesignated fund balance .....	<u>1,442,396</u>	<u>1,064,072</u>	<u>811,293</u>	<u>3,317,761</u>
<b>Total Liabilities and Equities .....</b>	<b><u>\$ 3,906,628</u></b>	<b><u>\$ 1,070,606</u></b>	<b><u>\$ 3,616,251</u></b>	<b><u>\$ 8,593,485</u></b>

## Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2009

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Govern- mental Funds</b>
	<b>Management Account</b>	<b>Student Activity</b>	<b>PPEL Fund</b>	
<b>Revenue</b>				
Local Sources				
Property taxes .....	\$ 1,997,590	\$ —	\$ 2,364,500	\$ 4,362,090
Other.....	3,158	1,804,463	2,410	1,810,031
State sources.....	1,655	—	1,893	3,548
Federal sources.....	—	—	150,875	150,875
<b>Total Revenue .....</b>	<b><u>2,002,403</u></b>	<b><u>1,804,463</u></b>	<b><u>2,519,678</u></b>	<b><u>6,326,544</u></b>
<b>Expenditures</b>				
Instruction				
Regular instruction.....	1,018,486	—	—	1,018,486
Other instruction .....	—	1,721,329	—	1,721,329
Total Instruction .....	<u>1,018,486</u>	<u>1,721,329</u>	<u>—</u>	<u>2,739,815</u>
Support Services				
Student services .....	14,297	—	—	14,297
Instructional staff services .....	71,038	—	—	71,038
General administration services	11,462	—	—	11,462
School administration services ...	137,160	—	—	137,160
Business and central administration services .....	47,128	—	216,576	263,704
Operation and maintenance .....	531,877	—	475,364	1,007,241
Transportation services .....	102,413	—	300,000	402,413
Facilities acquisition and construction .....	—	—	5,685,534	5,685,534
Total Support Services .....	<u>915,375</u>	<u>—</u>	<u>6,677,474</u>	<u>7,592,849</u>
Noninstructional Programs .....	<u>14,950</u>	<u>—</u>	<u>—</u>	<u>14,950</u>
<b>Total Expenditures .....</b>	<b><u>1,948,811</u></b>	<b><u>1,721,329</u></b>	<b><u>6,677,474</u></b>	<b><u>10,347,614</u></b>
<b>Revenue Over (Under) Expenditures .....</b>	<b>53,592</b>	<b>83,134</b>	<b>(4,157,796)</b>	<b>(4,021,070)</b>
<b>Other Financing Sources</b>				
Operating transfers in .....	<u>—</u>	<u>41,821</u>	<u>—</u>	<u>41,821</u>
<b>Net Change in Fund Balance.....</b>	<b>53,592</b>	<b>124,955</b>	<b>(4,157,796)</b>	<b>(3,979,249)</b>
Fund Balance - Beginning of Year	<u>1,388,804</u>	<u>939,117</u>	<u>4,969,089</u>	<u>7,297,010</u>
<b>Fund Balance - End of Year .....</b>	<b><u>\$ 1,442,396</u></b>	<b><u>\$ 1,064,072</u></b>	<b><u>\$ 811,293</u></b>	<b><u>\$ 3,317,761</u></b>

# Combining Balance Sheet - Nonmajor Proprietary Funds

At June 30, 2009

	School Nutrition	Day Care	Total Nonmajor Enterprise Funds
<b>Assets</b>			
Cash and cash equivalents .....	\$ 248,271	\$ 110,902	\$ 359,173
Receivables, Net of Allowance for Uncollectible Amounts			
Intergovernmental.....	91,008	—	91,008
Inventories .....	47,683	—	47,683
Capital assets, net of accumulated depreciation .....	<u>1,126,811</u>	<u>144,358</u>	<u>1,271,169</u>
<b>Total Assets .....</b>	<b><u>\$ 1,513,773</u></b>	<b><u>\$ 255,260</u></b>	<b><u>\$ 1,769,033</u></b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable .....	\$ 17,231	\$ 538	\$ 17,769
Salaries and benefits payable .....	<u>20,448</u>	<u>41,710</u>	<u>62,158</u>
<b>Total Liabilities.....</b>	<b><u>37,679</u></b>	<b><u>42,248</u></b>	<b><u>79,927</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt .	1,126,811	144,358	1,271,169
Unrestricted .....	<u>349,283</u>	<u>68,654</u>	<u>417,937</u>
<b>Total Net Assets.....</b>	<b><u>1,476,094</u></b>	<b><u>213,012</u></b>	<b><u>1,689,106</u></b>
<b>Total Liabilities and Net Assets .....</b>	<b><u>\$ 1,513,773</u></b>	<b><u>\$ 255,260</u></b>	<b><u>\$ 1,769,033</u></b>

# Combining Schedule of Revenue, Expenses and Changes in Net Assets - Nonmajor Proprietary Funds

Year Ended June 30, 2009

	School Nutrition	Day Care	Total Nonmajor Enterprise Funds
<b>Revenue</b>			
Local Sources			
Charges for service .....	\$ 1,427,597	\$ —	\$ 1,427,597
Other receipts .....	30,955	16,587	47,542
<b>Total Operating Revenue .....</b>	<b><u>1,458,552</u></b>	<b><u>16,587</u></b>	<b><u>1,475,139</u></b>
<b>Operating Expenses</b>			
Noninstructional Programs			
Salaries.....	1,499,246	207,852	1,707,098
Benefits.....	739,220	94,258	833,478
Purchased services .....	2,545,210	18,411	2,563,621
Other.....	6,792	—	6,792
Depreciation .....	214,514	8,346	222,860
<b>Total Operating Expenses .....</b>	<b><u>5,004,982</u></b>	<b><u>328,867</u></b>	<b><u>5,333,849</u></b>
<b>Loss From Operations .....</b>	<b><u>(3,546,430)</u></b>	<b><u>(312,280)</u></b>	<b><u>(3,858,710)</u></b>
<b>Nonoperating Revenue</b>			
State sources.....	76,247	20,463	96,710
Federal sources.....	3,208,132	176,421	3,384,553
Interest on investments .....	1,160	206	1,366
<b>Total Nonoperating Revenue.....</b>	<b><u>3,285,539</u></b>	<b><u>197,090</u></b>	<b><u>3,482,629</u></b>
<b>Loss Before Other Financing Sources .....</b>	<b>(260,891)</b>	<b>(115,190)</b>	<b>(376,081)</b>
<b>Other Financing Sources</b>			
Transfers in.....	<u>—</u>	<u>60,000</u>	<u>60,000</u>
<b>Net Loss .....</b>	<b>(260,891)</b>	<b>(55,190)</b>	<b>(316,081)</b>
Net Assets - Beginning of Year .....	<u>1,736,985</u>	<u>268,202</u>	<u>2,005,187</u>
<b>Net Assets - End of Year .....</b>	<b><u>\$ 1,476,094</u></b>	<b><u>\$ 213,012</u></b>	<b><u>\$ 1,689,106</u></b>

## Combining Statement of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2009

	School Nutrition	Day Care	Total Nonmajor Enterprise Funds
<b>Cash Flows Used in Operating Activities</b>			
Cash received from sale of lunches and breakfasts....	\$ 1,475,062	\$ —	\$ 1,475,062
Cash received from other .....	30,955	16,587	47,542
Cash payments to employees for services.....	(2,236,048)	(290,796)	(2,526,844)
Cash payments to suppliers for goods and services ...	<u>(2,210,008)</u>	<u>(17,873)</u>	<u>(2,227,881)</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>(2,940,039)</u></b>	<b><u>(292,082)</u></b>	<b><u>(3,232,121)</u></b>
<b>Cash Flows Provided by Noncapital Financing Activities</b>			
State grants received.....	76,247	20,463	96,710
Federal grants received.....	2,879,657	181,368	3,061,025
Transfers .....	<u>—</u>	<u>60,000</u>	<u>60,000</u>
<b>Net Cash Provided by Noncapital Financing Activities.....</b>	<b><u>2,955,904</u></b>	<b><u>261,831</u></b>	<b><u>3,217,735</u></b>
<b>Cash Flows Used in Capital and Related Financing Activities</b>			
Acquisition of capital assets .....	<u>(13,930)</u>	<u>—</u>	<u>(13,930)</u>
<b>Cash Flows From Investing Activities</b>			
Interest on investments .....	<u>1,160</u>	<u>206</u>	<u>1,366</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents .....</b>	<b>3,095</b>	<b>(30,045)</b>	<b>(26,950)</b>
Cash and Cash Equivalents - Beginning of Year .....	<u>245,176</u>	<u>140,947</u>	<u>386,123</u>
<b>Cash and Cash Equivalents - End of Year .....</b>	<b><u>\$ 248,271</u></b>	<b><u>\$ 110,902</u></b>	<b><u>\$ 359,173</u></b>
<b>Reconciliation of Loss From Operations to Net Cash Used in Operating Activities</b>			
Loss from operations.....	\$ (3,546,430)	\$ (312,280)	\$ (3,858,710)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities			
Commodities used .....	326,402	—	326,402
Depreciation.....	214,514	8,346	222,860
Changes in Assets and Liabilities			
Decrease in accounts receivable.....	47,465	—	47,465
Increase in accounts payable .....	15,592	538	16,130
Increase in salaries and benefits payable .....	<u>2,418</u>	<u>11,314</u>	<u>13,732</u>
<b>Net Cash Used in Operating Activities .....</b>	<b><u>\$ (2,940,039)</u></b>	<b><u>\$ (292,082)</u></b>	<b><u>\$ (3,232,121)</u></b>

## Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2009

Account	Balance - Beginning of Year	Revenue	Expenditures	Balance - End of Year
High Schools				
East.....	\$ 125,668	\$ 272,574	\$ 218,844	\$ 179,398
West.....	221,251	812,955	795,688	238,518
Expo.....	21,334	25,746	22,084	24,996
Middle Schools				
Central .....	85,262	33,345	35,310	83,297
Hoover .....	74,634	76,936	80,898	70,672
Logan .....	16,714	13,243	16,448	13,509
Bunger .....	34,874	29,188	27,895	36,167
Elementary Schools				
Black Hawk .....	3,744	8,683	6,234	6,193
Cunningham.....	(12,695)	162,672	129,637	20,340
Edison .....	15,708	42,466	35,457	22,717
Irving .....	15,118	18,936	8,197	25,857
Kingsley .....	57,857	52,749	66,731	43,875
Kittrell .....	31,702	21,781	17,363	36,120
Lincoln.....	12,866	14,290	10,056	17,100
Longfellow.....	9,206	716	9,922	—
Lowell.....	24,160	36,444	32,159	28,445
Orange .....	26,807	32,952	32,418	27,341
McKinstry .....	73,352	22,584	24,842	71,094
Lou Henry .....	37,790	66,344	58,047	46,087
Poyner.....	52,809	40,555	40,275	53,089
Other.....	<u>10,956</u>	<u>61,125</u>	<u>52,824</u>	<u>19,257</u>
<b>Total .....</b>	<b><u>\$ 939,117</u></b>	<b><u>\$ 1,846,284</u></b>	<b><u>\$ 1,721,329</u></b>	<b><u>\$ 1,064,072</u></b>

# Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund **——**

Year Ended June 30, 2009

	<b>Balance - Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance - End of Year</b>
<b>Assets</b>				
Cash.....	<u>\$ 145,553</u>	<u>\$ 62,181</u>	<u>\$ 145,553</u>	<u>\$ 62,181</u>
<b>Liabilities</b>				
Due to Other Governments.....	<u>\$ 145,553</u>	<u>\$ 62,181</u>	<u>\$ 145,553</u>	<u>\$ 62,181</u>

## Schedule of Revenue By Source and Expenditures By Function - All Governmental Fund Types (Modified Accrual Basis)

Years Ended June 30, 2009, 2008, 2007 and 2006

	2009	2008	2007	2006
<b>Revenue</b>				
Local Sources				
Local option.....	\$ 48,754,219	\$ 46,212,046	\$ 43,826,641	\$ 42,087,405
Other .....	3,997,924	5,363,665	5,803,902	4,545,891
Intermediate sources .....	—	10,330	2,215	2,725
State sources.....	61,072,325	60,639,195	55,888,686	52,891,722
Federal sources.....	<u>8,158,825</u>	<u>5,910,793</u>	<u>6,968,832</u>	<u>7,133,501</u>
<b>Total .....</b>	<b><u>\$ 121,983,293</u></b>	<b><u>\$ 118,136,029</u></b>	<b><u>\$ 112,490,276</u></b>	<b><u>\$ 106,661,244</u></b>
<b>Expenditures</b>				
Instruction				
Regular instruction .....	\$ 49,745,136	\$ 47,238,480	\$ 39,294,245	\$ 36,854,924
Special instruction.....	19,210,024	17,777,102	17,764,190	23,909,417
Vocational instruction...	185,276	225,193	1,238,916	1,441,783
Other instruction.....	2,672,282	2,725,126	7,171,142	2,610,481
Support Services				
Student services .....	3,133,821	2,487,719	2,828,831	2,995,164
Instructional staff services .....	3,390,257	3,173,912	2,776,296	1,744,630
General administration services .....	1,072,601	1,161,352	803,132	1,067,712
School administration services .....	5,471,176	5,720,145	5,915,315	5,656,379
Business and central administration services .....	5,325,264	2,766,553	2,663,198	3,308,954
Operation and maintenance of plant services .....	9,919,474	9,286,639	9,769,436	8,244,959
Transportation services	2,182,716	2,994,845	3,333,897	3,234,530
Noninstructional programs	14,950	27,082	30,907	5,264
Other Expenditures				
Facilities acquisition .....	38,925,059	14,066,142	22,003,212	10,164,017
Long-Term Debt				
Principal.....	35,000,000	—	—	—
Interest and other charges.....	1,663,100	1,663,891	1,662,500	—
AEA flowthrough.....	<u>4,221,658</u>	<u>4,047,085</u>	<u>3,790,584</u>	<u>3,558,701</u>
<b>Total .....</b>	<b><u>\$ 182,132,794</u></b>	<b><u>\$ 115,361,266</u></b>	<b><u>\$ 121,045,801</u></b>	<b><u>\$ 104,796,915</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass- Through Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Pass-Through From Iowa Department of Education			
Child and Adult Care Food Program.....	10.558	FY 09	<u>\$ 12,974</u>
Child Nutrition Cluster			
School Breakfast Program .....	10.553	FY 09	553,979
National School Lunch Program - Food Donation (noncash).....	10.555	FY 09	239,971
National School Lunch Program.....	10.555	FY 09	2,340,909
Summer Food Service Program for Children .....	10.559	FY 09	<u>73,273</u>
Total Child Nutrition Cluster .....			<u>3,208,132</u>
<b>Total U.S. Department of Agriculture.....</b>			<b><u>3,221,106</u></b>
<b>U.S. Department of Justice</b>			
Pass-Through From City of Waterloo, Iowa			
Public Safety Partnership and Community Policing Grants.....	16.710	FY 08	<u>65,345</u>
<b>National Endowment for the Arts</b>			
Pass-Through From Iowa Arts Council			
Promotion of the Arts - Partnership Agreements .....	45.025	FY 09	<u>200</u>
<b>U.S. Department of Education</b>			
Direct			
Fund for the Improvement of Education.....	84.215	FY 09	<u>341,364</u>
Indirect			
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies.....	84.010	FY 09	<u>3,012,013</u>
Career and Technical Education - Basic Grants to States	84.048	FY 09	<u>194,530</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States .....	84.126	FY 09	<u>80,913</u>
Safe and Drug-Free Schools and Communities - State Grants.....	84.186	FY 09	<u>74,815</u>
Fund for the Improvement of Education .....	84.215	FY 09	<u>64,873</u>
State Grants for Innovative Programs .....	84.298	FY 08	<u>8,851</u>
Advanced Placement Program.....	84.330	FY 09	<u>540</u>
Reading First State Grants.....	84.357	FY 09	<u>560,579</u>
English Language Acquisition Grants.....	84.365	FY 09	<u>77,991</u>
Improving Teacher Quality State Grant.....	84.367	FY 09	<u>839,221</u>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass- Through Number	Federal Expenditures
<b>U.S. Department of Education</b>			
Indirect			
Pass-Through From Iowa Department of Education			
Grants for State Assessments and Related Activities .....	84.369	FY 09	<u>\$ 66,222</u>
Special Education - Technical Assistance on State			
Data Collection.....	84.373	FY 09	<u>1,283</u>
ARRA - State Fiscal Stabilization Fund (SFSF) -			
Education State Grants, Recovery Act .....	84.394	FY 09	<u>962,526</u>
Total Pass-Through From Iowa Department of			
Education .....			<u>5,944,357</u>
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 09	<u>673,268</u>
Pass-Through From Hawkeye Community College			
Career and Technical Education - Basic Grants to States	84.048	FY 09	<u>1,340</u>
Pass-Through From Grant Wood Area Education Agency			
Education Technology State Grants.....	84.318	FY 09	<u>27,007</u>
<b>Total U.S. Department of Education</b> .....			<b><u>6,987,336</u></b>
<b>U.S. Department of Health and Human Services</b>			
Pass-Through From Department of Public Health			
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance.....	93.283	FY 09	<u>1,727</u>
Pass-Through From Iowa Department of Education			
Child Care and Development Block Grant .....	93.575	FY-09	<u>33,317</u>
Pass-Through From Tri-County Child and Family			
Development Council, Inc.			
Head Start .....	93.600	FY 09	<u>666,450</u>
<b>Total U.S. Department of Health and Human</b>			
<b>Services</b> .....			<b><u>701,494</u></b>
<b>Corporation for National and Community Service</b>			
Pass-Through From Iowa Department of Education			
Learn and Serve America School and Community			
Based Programs.....	94.004	FY 08	<u>1,758</u>
<b>U.S. Department of Homeland Security</b>			
Pass-Through From Iowa Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially			
Declared Disasters) .....	97.036	FY 09	<u>25,358</u>
<b>Total</b> .....			<b><u>\$ 11,002,597</u></b>

## Schedule of Expenditures of Federal Awards

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Year Ended June 30, 2009

### **Basis of Presentation**

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

### **Subrecipients**

The Waterloo Community School District provided no federal awards to subrecipients.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

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Board of Education  
Waterloo Community School District  
Waterloo, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Waterloo 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 December 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Waterloo 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 the Waterloo Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Waterloo Community School District's internal control over financial reporting.

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 the Waterloo Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the Waterloo Community School District's financial statements that is more than inconsequential will not be prevented or detected by the Waterloo Community School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Waterloo 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 or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Waterloo 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 grants, noncompliance 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 noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedules of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Waterloo Community School 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 Waterloo Community School 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.

The Waterloo 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 the Waterloo 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 the Waterloo Community School District, and other parties to whom the 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



HOGAN - HANSEN

Mason City, Iowa  
December 1, 2009

## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance**

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Board of Education  
Waterloo Community School District  
Waterloo, Iowa

### **Compliance**

We have audited the compliance of the Waterloo Community School District with the types of compliance requirements described in the *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. The Waterloo 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 grants applicable to each of its major federal programs is the responsibility of the Waterloo Community School District's management. Our responsibility is to express an opinion on the Waterloo Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 Nonprofit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 the Waterloo Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Waterloo Community School District's compliance with those requirements.

In our opinion, the Waterloo 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described as items 09-III-C-A and 09-III-C-B in the accompanying Schedule of Findings and Questioned Costs.

### **Internal Control Over Compliance**

The management of the Waterloo Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Waterloo 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 the District's internal control over compliance

A control deficiency in an entity'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 entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did identify a deficiency in internal control over compliance that we consider to be a material weakness as defined above and it is described in Finding 09-III-IC-A in Part III of the accompanying Schedule of Findings and Questioned Costs.

The Waterloo Community School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Waterloo Community School District and other parties to whom the Waterloo 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.

*HOGAN - HANSEN*

HOGAN - HANSEN

Mason City, Iowa  
December 1, 2009

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

## Part I: Summary of the Independent Auditor's Results

### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified?  yes  no

Significant deficiency identified not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

### Federal Awards

Internal control over major programs:

Material weakness identified?  yes  no

Significant deficiency identified not considered to be material weakness?  yes  no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?  yes  no

Identification of major programs:

#### **CFDA Numbers**

84.010  
84.215  
84.394

#### **Name of Federal Program or Cluster**

Title 1 Grants to Local Educational Agencies  
Fund for the Improvement of Education  
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

#### Clustered Programs

10.553  
10.555  
10.559

School Breakfast Program  
National School Lunch Program  
Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs:

\$330,078

Auditee qualified as low-risk auditee?  yes  no

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2009

## **Part II: Findings Related to the Financial Statements**

**Significant Deficiencies** - There were no matters reported.

**Instances of Noncompliance** - There were no current year reported instances of noncompliance.

## **Part III: Findings and Questioned Costs for Federal Awards**

### **Instances of Noncompliance**

**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**  
**Federal Award Year: 2009**  
**U.S. Department of Agriculture**  
**Passed through the Iowa Department of Education**

#### **09-III-C-A Verification of Free and Reduced Price Meal Applications**

**Finding** - The District is required to verify the free and reduced price eligibility of households selected from a sample of approved applications on file. The District indicated a random sampling method was used to select 3% of the total approved applications on file. We noted the following items related to the District's verification process:

The District did not select a full 3% of the applications. The District should have sampled 59 applications but only selected 49.

**Auditor's Recommendation** - The District should establish procedures to sample the appropriate number of applications.

**District's Response** - An appropriate sample selection will be done by the food service personnel.

**Auditor's Conclusion** - Response accepted.

#### **09-III-C-B Free and Reduced Price Meal Applications and Documentation**

**Finding** - The District is required to maintain applications or other documentation used to classify a student as a recipient of free or reduced price meals on file, as the program is supported by federal funding. We noted one student without proper supporting documentation.

**Auditor's Recommendation** - The District should periodically verify students approved as free or reduced price meal recipients have an application or other supporting documentation on file.

**District's Response** - This will be done by food service personnel.

**Auditor's Conclusion** - Response accepted.

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2009

## Significant Deficiencies

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  
Federal Award Year: 2009  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

### 09-III-IC-A Data Entry of Free and Reduced Price Meal Applications

**Finding** - The food service office manager keys all free and reduced price meal application data into the District's Winsnap software. The data is also reviewed by the food service office manager. The software is used to determine eligibility and classification of students for the free and reduced price meal program. Data inadvertently or intentionally keyed into the software in error could result in incorrect federal funding.

**Auditor's Recommendation** - The District should require review of free and reduced price meal application data entered into the Winsnap software be reviewed by someone independent of the individual performing the data entry.

**District's Response** - This will be done by food service personnel.

**Auditor's Conclusion** - Response accepted.

## **Part IV: Other Findings Related to Required Statutory Reporting**

### 09-IV-A Certified Budget

**Finding** - Disbursements for the year ended June 30, 2009 exceeded the certified budget amounts in the noninstructional program and other expenditures areas.

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

**District's Response** - The District did not exceed its total spending authority for the year ended June 30, 2009 and will in the future amend its budget by functional area as required to be in compliance with the Code of Iowa.

**Auditor's Conclusion** - Response accepted.

**09-IV-B Questionable Expenditures** - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**09-IV-C Travel Expense** - No disbursements 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.

**09-IV-D Business Transactions** - No business transactions between the District and District officials or employees were noted.

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

**09-IV-E 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 ensure that coverage is adequate for current operations.

**09-IV-F Board Minutes** - No transactions were found that we believe should have been included in the Board minutes but were not.

**09-IV-G Certified Enrollment** - The number of shared-time students attending nonpublic schools located within the District enrolled for PSEO or instructional services reported to the Iowa Department of Education on Line 4 of the Certified Enrollment Certification Form for October, 2008 was overstated. The District's certified enrollment count included one student who had dropped the course. This resulted in overstating the total actual enrollment at Line 7. Also, the number of four-year-olds attending DE-approved preschool reported on Line 10 was overstated. The District inadvertently included one additional student in its certification. This resulted in overstating the total school age students provided instructional programs/services by the District at Line 11.

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

**District's Response** - We will contact the Iowa Department of Education and the Department of Management.

**Auditor's Conclusion** - Response accepted.

**09-IV-H Deposits and Investments** - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

**09-IV-I Certified Annual Report** - The certified annual report was filed with the Iowa Department of Education.

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

**09-IV-K Statewide Sales and Services Tax** - No instances of noncompliance 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 .....	\$ —
Statewide sales and services tax revenue.....	11,210,010
Expenditures/Transfers Out	
School Infrastructure	
Construction in progress .....	11,210,010
<b>Ending Balance</b> .....	<b>\$ —</b>