

WAYNE 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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Wayne Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
Bill Homann	President	2008
Darrell Clark	Vice President	2009
David Foster	Board Member	2008
Melissa Niday	Board Member (Resigned)	2009
Todd Wilson	Board Member (Appointed)	2009
Diane Kelly	Board Member	2010
Board of Education (After September 2008 Election)		
Bill Homann	President	2011
Todd Wilson	Vice President	2011*
Darrell Clark	Board Member	2009
Sam Moss	Board Member	2011
Diane Kelly	Board Member	2009*
School Officials		
Robert Busch	Superintendent	2009
Denise Larson	District Secretary/Treasurer and Business Manager	2009
Alan Wilson, Ahlers & Cooney, P.C.	Attorney	2009

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

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Wayne Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2010 on our consideration of Wayne Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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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 required supplementary information. 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 Wayne Community School District's basic financial statements. Another auditor 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 unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,609,244 in fiscal 2008 to \$6,113,549 in fiscal 2009, while General Fund expenditures decreased from \$5,741,864 in fiscal 2008 to \$5,662,849 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$417,784 in fiscal 2008 to a balance of \$854,357 in fiscal 2009, a 104.49% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local sources in fiscal 2009. The increase in expenditures was due primarily to an increase in support services functions.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wayne Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wayne Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wayne Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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

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

Figure A-1
Wayne Community School District Annual Financial Report

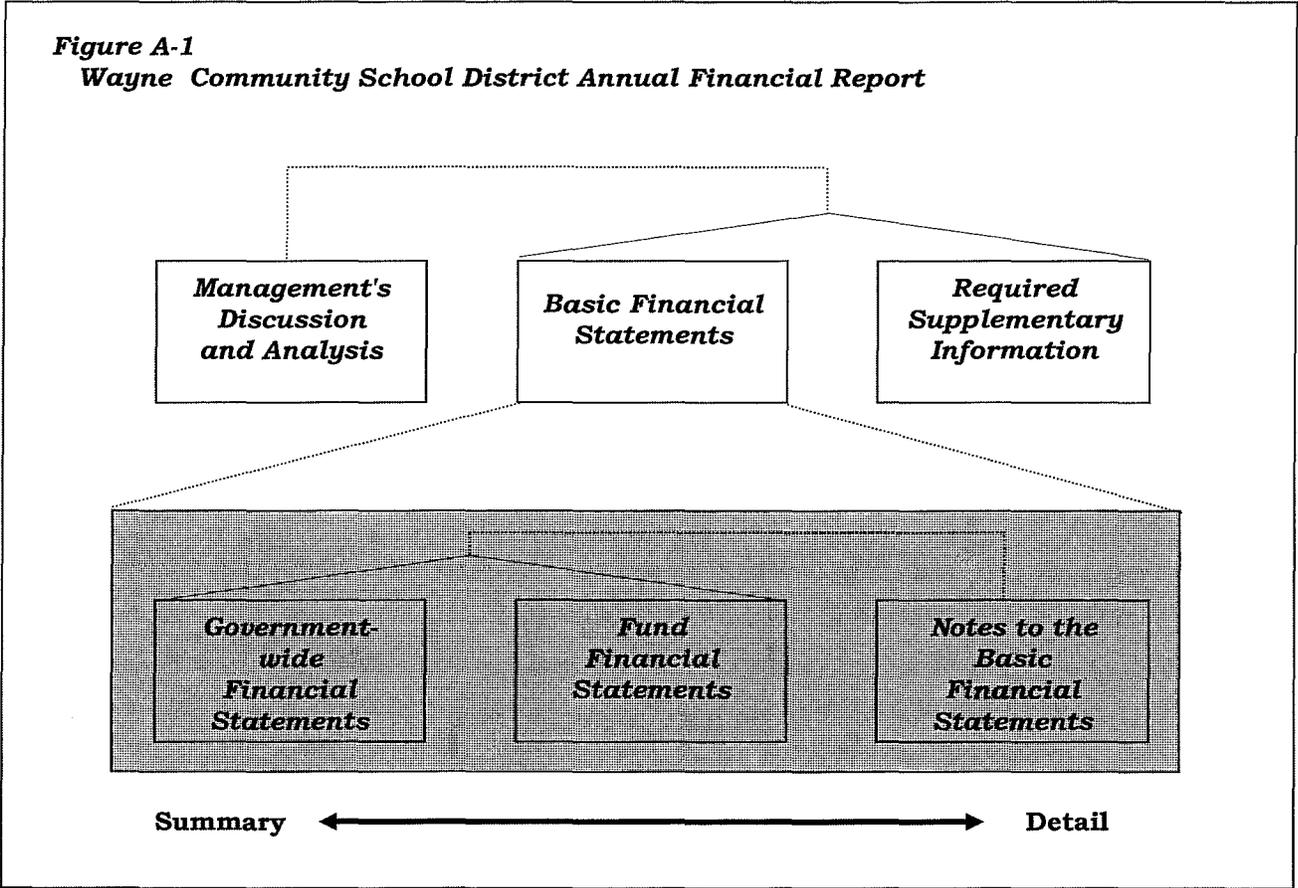


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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
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
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 6,502,135	5,622,452	60,615	45,758	6,562,750	5,668,210	15.78%
Capital assets	2,946,029	3,891,858	28,045	28,549	2,974,074	3,920,407	-24.14%
Total assets	9,448,164	9,514,310	88,660	74,307	9,536,824	9,588,617	-0.54%
Long-term obligations	915,241	898,314	0	0	915,241	898,314	1.88%
Other liabilities	4,582,160	4,600,552	22,231	25,131	4,604,391	4,625,683	-0.46%
Total liabilities	5,497,401	5,498,866	22,231	25,131	5,519,632	5,523,997	-0.08%
Net assets:							
Invested in capital assets, net of related debt	2,056,029	2,792,290	28,045	28,549	2,084,074	2,820,839	-26.12%
Restricted	1,024,226	844,388	0	0	1,024,226	844,388	21.30%
Unrestricted	870,508	378,766	38,384	20,627	908,892	399,393	127.57%
Total net assets	\$ 3,950,763	4,015,444	66,429	49,176	4,017,192	4,064,620	-1.17%

The District's combined net assets decreased by 1.17%, or \$47,428, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$179,838, or 21.30% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$509,499, or 127.57%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 467,159	332,497	147,770	123,242	614,929	455,739	34.93%
Operating grants and contributions and restricted interest	1,330,636	1,219,822	172,816	168,201	1,503,452	1,388,023	8.32%
General revenues:							
Local tax	2,130,620	2,006,727	0	0	2,130,620	2,006,727	6.17%
Statewide sales and services tax	327,812	329,786	0	0	327,812	329,786	-0.60%
Income surtax	272,905	5,578	0	0	272,905	5,578	4792.52%
Unrestricted state grants	2,487,421	2,393,083	0	0	2,487,421	2,393,083	3.94%
Unrestricted investment earnings	111,411	76,244	1,442	602	112,853	76,846	46.86%
Other	81,298	61,814	0	0	81,298	61,814	31.52%
Transfers	0	(29,495)	0	29,495	0	0	0.00%
Total revenues & transfers	7,209,262	6,396,056	322,028	321,540	7,531,290	6,717,596	12.11%
Program expenses:							
Governmental activities:							
Instructional	4,229,216	4,322,965	0	0	4,229,216	4,322,965	-2.17%
Support services	2,812,660	1,731,787	0	0	2,812,660	1,731,787	62.41%
Non-instructional programs	0	0	305,310	310,943	305,310	310,943	-1.81%
Other expenses	239,650	297,928	0	0	239,650	297,928	-19.56%
Total expenses	7,281,526	6,352,680	305,310	310,943	7,586,836	6,663,623	13.85%
Excess(deficiency)of revenues over(under) expenses before extraordinary items	(72,264)	43,376	16,718	10,597	(55,546)	53,973	-202.91%
Extraordinary items:							
Reorganization settlements	7,583	0	535	0	8,118	0	100.00%
Change in net assets	(64,681)	43,376	17,253	10,597	(47,428)	53,973	-187.87%
Beginning net assets	4,015,444	3,972,068	49,176	38,579	4,064,620	4,010,647	1.35%
Ending net assets	\$ 3,950,763	4,015,444	66,429	49,176	4,017,192	4,064,620	-1.17%

In fiscal 2009, local tax, statewide sales and services tax, income surtax, and unrestricted state grants account for 72.38% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.55% of the revenue from business type activities.

The District's total revenues were \$7,531,290 of which \$7,209,262 was for governmental activities and \$322,028 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.11% increase in revenues and a 13.85% increase in expenses. Taxes increased by \$389,246 to fund the expenditures. The increases in expenses were related to increases in support services expenses.

Governmental Activities

Revenues for governmental activities were \$7,209,262 and expenses were \$7,281,526 for the year ended June 30, 2009.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 4,229,216	4,322,965	-2.17%	2,633,108	2,961,400	-11.09%
Support services	2,812,660	1,731,787	62.41%	2,812,660	1,731,787	62.41%
Other expenses	239,650	297,928	-19.56%	37,963	107,174	-64.58%
Totals	\$ 7,281,526	6,352,680	14.62%	5,483,731	4,800,361	14.24%

For the year ended June 30, 2009:

- The cost financed by users of the District’s programs was \$467,159.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,330,636.
- The net cost of governmental activities was financed with \$2,130,620 in local tax, \$327,812 in statewide sales and services tax, \$272,905 in income surtax, \$2,487,421 in unrestricted state grants, \$111,411 in interest income and \$81,298 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$322,028 and expenses were \$305,310. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,799,468, above last year’s ending fund balances of \$1,239,837. The primary reason for the increase in combined fund balance in fiscal 2009 is due to the increase in the General Fund balance.

Governmental Fund Highlights

- The District’s General Fund balance increased from \$417,784 on June 30, 2008 to \$854,357 on June 30, 2009. The fluctuation in the District’s General Fund financial position is the product of many factors. An increase in local revenue during the year

resulted in an increase in total revenues. The increase in expenditures was due to the increase in support services expenditures. Revenues exceeded expenditures ensuring the increase in the Districts financial position.

- The Special Revenue, Management Levy Fund balance increased from \$219,559 in 2008 to \$256,542 in 2009. This resulted from an increase in local tax revenues.
- The Capital Projects fund balance increased from \$466,984 in 2008 to \$516,912 in 2009. This resulted from the increase in revenues exceeding the increase in expenditures throughout the year.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$29,186 in 2008 to \$63,258 in 2009. This resulted from a decrease in expenditures from the prior year.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$49,176 at June 30, 2008 to \$66,429 at June 30, 2009, representing an increase of 35.08%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$144,064 less than total budgeted revenues, a variance of 1.90%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$2,974,074, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 24.14% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$262,176.

The original cost of the District's capital assets was \$9,048,332. Governmental funds account for \$8,831,859 with the remainder of \$216,473 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$2,297,487 at June 30, 2009, compared to \$3,399,337 reported at June 30, 2008. The decrease in buildings was due to depreciation for fiscal 2009 as well as the District changing its capital asset threshold policy from \$500 to \$1500.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 22,500	22,500	0	0	22,500	22,500	0.00%
Construction in progress	270,066	0	0	0	270,066	0	100.00%
Buildings	2,297,487	3,399,337	0	0	2,297,487	3,399,337	-32.41%
Land improvements	32,420	30,664	0	0	32,420	30,664	5.73%
Machinery and equipment	323,556	439,357	28,045	28,549	351,601	467,906	-24.86%
Total	\$ 2,946,029	3,891,858	28,045	28,549	2,974,074	3,920,407	-24.14%

Long-Term Debt

At June 30, 2009, the District had \$915,241 in total long-term debt outstanding. This represents a decrease of 17.81% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds payable of \$890,000 at June 30, 2009.

The District had early retirement payable of \$25,241 at June 30, 2009.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 890,000	1,095,000	-18.72%
Boiler loan	0	1,950	-100.00%
Early Retirement	25,241	16,683	51.30%
Totals	\$ 915,241	1,113,633	-17.81%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- On March 11, 2008 the Iowa State Board of Education voted to dissolve the Russell Community School District at the end of the 2007-2008 school year. Property of the District was divided between Albia, Chariton, and Wayne Community School Districts.
- Wayne Community School District recorded this revenue of \$8,118.11 as other financing sources on the fund financial statements and as extraordinary items on the government-wide Statement of Activities.
- The District's Certified Enrollment for fiscal year ended June 30, 2009 decreased 36.2 students.

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 Denise Larson, District Secretary/Treasurer and Business Manager, Wayne Community School District, 102 N Dekalb Street, Corydon, Iowa, 50060.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP	\$ 1,583,393	0	1,583,393
Other	2,224,435	54,536	2,278,971
Receivables:			
Property tax:			
Delinquent	47,038	0	47,038
Succeeding year	2,189,854	0	2,189,854
Income surtax	123,125	0	123,125
Accounts	10,135	179	10,314
Accrued ISCAP interest	7,278	0	7,278
Due from other governments	316,877	0	316,877
Inventories	0	5,900	5,900
Capital assets, net of accumulated depreciation	2,946,029	28,045	2,974,074
TOTAL ASSETS	9,448,164	88,660	9,536,824
LIABILITIES			
Accounts payable	211,859	7,992	219,851
Salaries and benefits payable	559,232	14,239	573,471
ISCAP warrants payable	1,561,000	0	1,561,000
ISCAP accrued interest payable	10,410	0	10,410
ISCAP unamortized premium	23,705	0	23,705
Interest payable	2,618	0	2,618
Deferred revenue:			
Succeeding year property tax	2,189,854	0	2,189,854
Other	23,482	0	23,482
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	215,000	0	215,000
Early retirement	14,706	0	14,706
Portion due after one year:			
General obligation bonds	675,000	0	675,000
Early retirement	10,535	0	10,535
TOTAL LIABILITIES	5,497,401	22,231	5,519,632
NET ASSETS			
Invested in capital assets, net of related debt	2,056,029	28,045	2,084,074
Restricted for:			
Categorical funding	104,356	0	104,356
Capital projects	516,912	0	516,912
Physical plant and equipment levy	63,258	0	63,258
Management levy	231,301	0	231,301
Other special revenue purposes	53,990	0	53,990
Debt service	54,409	0	54,409
Unrestricted	870,508	38,384	908,892
TOTAL NET ASSETS	\$ 3,950,763	66,429	4,017,192

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 2,735,987	374,448	642,805	(1,718,734)	0	(1,718,734)
Special	1,150,170	79,805	303,829	(766,536)	0	(766,536)
Other	343,059	12,906	182,315	(147,838)	0	(147,838)
	<u>4,229,216</u>	<u>467,159</u>	<u>1,128,949</u>	<u>(2,633,108)</u>	<u>0</u>	<u>(2,633,108)</u>
Support services:						
Student	85,372	0	0	(85,372)	0	(85,372)
Instructional staff	101,650	0	0	(101,650)	0	(101,650)
Administration	1,214,879	0	0	(1,214,879)	0	(1,214,879)
Operation and maintenance of plant	1,145,151	0	0	(1,145,151)	0	(1,145,151)
Transportation	265,608	0	0	(265,608)	0	(265,608)
	<u>2,812,660</u>	<u>0</u>	<u>0</u>	<u>(2,812,660)</u>	<u>0</u>	<u>(2,812,660)</u>
Other expenditures:						
Facilities acquisitions	0	0	0	0	0	0
Long-term debt interest	37,963	0	0	(37,963)	0	(37,963)
AEA flowthrough	201,687	0	201,687	0	0	0
Depreciation(unallocated)*	0	0	0	0	0	0
	<u>239,650</u>	<u>0</u>	<u>201,687</u>	<u>(37,963)</u>	<u>0</u>	<u>(37,963)</u>
Total governmental activities	<u>7,281,526</u>	<u>467,159</u>	<u>1,330,636</u>	<u>(5,483,731)</u>	<u>0</u>	<u>(5,483,731)</u>
Business Type activities:						
Non-instructional programs:						
Food service operations	305,310	147,770	172,816	0	15,276	15,276
Total business type activities	<u>305,310</u>	<u>147,770</u>	<u>172,816</u>	<u>0</u>	<u>15,276</u>	<u>15,276</u>
Total	<u>\$ 7,586,836</u>	<u>614,929</u>	<u>1,503,452</u>	<u>(5,483,731)</u>	<u>15,276</u>	<u>(5,468,455)</u>
General revenues:						
Local tax for:						
General purposes				\$ 1,847,713	0	1,847,713
Debt Service				240,431	0	240,431
Capital outlay				42,476	0	42,476
Local option sales and services tax				327,812	0	327,812
Income surtax				272,905	0	272,905
Unrestricted state grants				2,487,421	0	2,487,421
Unrestricted investment earnings				111,411	1,442	112,853
Other general revenues				81,298	0	81,298
Total general revenues				<u>5,411,467</u>	<u>1,442</u>	<u>5,412,909</u>
Change in net assets before extraordinary items				(72,264)	16,718	(55,546)
Extraordinary items:						
Reorganization settlements				7,583	535	8,118
Changes in net assets				(64,681)	17,253	(47,428)
Net assets beginning of year				4,015,444	49,176	4,064,620
Net assets end of year				<u>\$ 3,950,763</u>	<u>66,429</u>	<u>4,017,192</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 1,583,393	0	1,583,393
Other	1,391,175	833,260	2,224,435
Receivables:			
Property tax:			
Delinquent	38,082	8,956	47,038
Succeeding year	1,825,760	364,094	2,189,854
Income surtax	123,125	0	123,125
Accounts	10,135	0	10,135
Accrued ISCAP interest	7,278	0	7,278
Due from other governments	195,342	121,535	316,877
Due from other funds	0	217	217
Total assets	<u>\$ 5,174,290</u>	<u>1,328,062</u>	<u>6,502,352</u>
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ 217	0	217
Accounts payable	193,002	18,857	211,859
Salaries and benefits payable	559,232	0	559,232
ISCAP warrants payable	1,561,000	0	1,561,000
ISCAP accrued interest payable	10,410	0	10,410
ISCAP unammortized premium	23,705	0	23,705
Deferred revenue:			
Succeeding year property tax	1,825,760	364,094	2,189,854
Income surtax	123,125	0	123,125
Other	23,482	0	23,482
Total liabilities	<u>4,319,933</u>	<u>382,951</u>	<u>4,702,884</u>
Fund balances:			
Reserved for:			
Categorical funding	104,356	0	104,356
Debt service	0	54,409	54,409
Unreserved	750,001	890,702	1,640,703
Total fund balances	<u>854,357</u>	<u>945,111</u>	<u>1,799,468</u>
Total liabilities and fund balances	<u>\$ 5,174,290</u>	<u>1,328,062</u>	<u>6,502,352</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 16)	\$	1,799,468
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		2,946,029
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		123,125
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.		(2,618)
Long-term liabilities, including general obligation bonds payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(915,241)</u>
Net assets of governmental activities (page 14)	\$	<u>3,950,763</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,872,865	735,347	2,608,212
Tuition	439,096	0	439,096
Other	179,778	237,241	417,019
State sources	3,127,493	0	3,127,493
Federal sources	494,317	0	494,317
Total revenues	<u>6,113,549</u>	<u>972,588</u>	<u>7,086,137</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,698,220	12,512	2,710,732
Special	1,150,170	0	1,150,170
Other	141,645	196,108	337,753
	<u>3,990,035</u>	<u>208,620</u>	<u>4,198,655</u>
Support services:			
Student	85,372	0	85,372
Instructional staff	103,429	0	103,429
Administration	603,845	0	603,845
Operation and maintenance of plant	426,556	98,478	525,034
Transportation	251,925	3,155	255,080
	<u>1,471,127</u>	<u>101,633</u>	<u>1,572,760</u>
Other expenditures:			
Facilities acquisitions	0	317,442	317,442
Long-term debt:			
Principal	0	206,950	206,950
Interest and fiscal charges	0	37,963	37,963
AEA flowthrough	201,687	0	201,687
	<u>201,687</u>	<u>562,355</u>	<u>764,042</u>
Total expenditures	<u>5,662,849</u>	<u>872,608</u>	<u>6,535,457</u>
Excess of revenues over expenditures	450,700	99,980	550,680
Other financing sources(uses):			
Reorganization settlement	(15,495)	23,078	7,583
Transfers in	0	1,950	1,950
Transfers out	0	(1,950)	(1,950)
Proceeds from sale of equipment	1,368	0	1,368
Total other financing sources(uses)	<u>(14,127)</u>	<u>23,078</u>	<u>8,951</u>
Net change in fund balances	436,573	123,058	559,631
Fund balance beginning of year	417,784	822,053	1,239,837
Fund balance end of year	<u>\$ 854,357</u>	<u>945,111</u>	<u>1,799,468</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 18)	\$	559,631
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:</p>		
Capital outlays	\$ 1,590,765	
Depreciation expense	<u>(2,536,594)</u>	(945,829)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.</p>		
		206,950
<p>Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.</p>		
		123,125
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Early retirement		<u>(8,558)</u>
Changes in net assets of governmental activities (page 15)	\$	<u>(64,681)</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

		Business Type Activities: Enterprise Fund School Nutrition
ASSETS		
Cash and pooled investments	\$	54,536
Accounts receivable		179
Inventories		5,900
Capital assets, net of accumulated depreciation		28,045
TOTAL ASSETS		88,660
 LIABILITIES		
Accounts payable		7,992
Salaries and benefits payable		14,239
TOTAL LIABILITIES		22,231
 NET ASSETS		
Invested in capital assets		28,045
Unrestricted		38,384
TOTAL NET ASSETS	\$	66,429

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund
	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 147,770
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	92,892
Benefits	34,417
Services	5,700
Supplies	171,520
Depreciation	504
Other	277
Total operating expenses	305,310
Operating loss	(157,540)
Non-operating revenues:	
State sources	3,649
Federal sources	169,167
Interest income	1,442
Total non-operating revenues	174,258
Change in net assets before extraordinary items	16,718
Extraordinary items:	
Reorganization settlements	535
Change in net assets	17,253
Net assets beginning of year	49,176
Net assets end of year	\$ 66,429

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund
	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 143,123
Cash received from miscellaneous	2,551
Cash payments to employees for services	(134,203)
Cash payments to suppliers for goods or services	(159,244)
Net cash used in operating activities	(147,773)
Cash flows from non-capital financing activities:	
Reorganization settlements	535
State grants received	3,649
Federal grants received	155,666
Net cash provided by non-capital financing activities	159,850
Cash flows from investing activities:	
Interest on investments	1,442
Net increase in cash and cash equivalents	13,519
Cash and cash equivalents at beginning of year	41,017
Cash and cash equivalents at end of year	\$ 54,536
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (157,540)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,501
Depreciation	504
Increase in inventories	(1,159)
Increase in accounts receivable	(179)
Increase in accounts payable	5,911
Decrease in salaries and benefits payable	(6,894)
Decrease in unearned revenue	(1,917)
Net cash used in operating activities	\$ (147,773)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 54,536

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$13,501.
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Wayne Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Corydon, Iowa, and the predominate agricultural territory in Wayne and Lucas Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Wayne 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 Wayne Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental fund:

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

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	3-15 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

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

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

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

	<u>Fair Value</u>
Diversified portfolio	<u>\$ 32,788</u>

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

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

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical plant and Equipment Levy	<u>\$ 1,950</u>

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

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

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

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09B	1/21/09	1/21/10	\$ 780,884	7,179	771,000	10,139
2009-10A	6/25/09	6/23/10	802,509	99	790,000	271
Total			<u>\$ 1,583,393</u>	<u>7,278</u>	<u>1,561,000</u>	<u>10,410</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 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:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09A	<u>\$ 0</u>	<u>280,000</u>	<u>280,000</u>	<u>0</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	3.500 %	3.469 %
2008-09B	3.000	2.110
2009-10A	2.500	0.902

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,500	0	0	22,500
Construction in progress	0	270,066	0	270,066
Total capital assets not being depreciated	22,500	0	0	292,566
Capital assets being depreciated:				
Buildings	8,006,123	4,700	1,051,827	6,958,996
Land improvements	263,729	0	(2,824)	266,553
Machinery and equipment	3,076,101	41,697	1,804,054	1,313,744
Total capital assets being depreciated	11,345,953	46,397	2,853,057	8,539,293
Less accumulated depreciation for:				
Buildings	4,606,786	194,077	139,354	4,661,509
Land improvements	233,065	4,678	3,610	234,133
Machinery and equipment	2,636,744	62,917	1,709,473	990,188
Total accumulated depreciation	7,476,595	261,672	1,852,437	5,885,830
Total capital assets being depreciated, net	3,869,358	(215,275)	1,000,620	2,653,463
Governmental activities capital assets, net	\$ 3,891,858	(215,275)	1,000,620	2,946,029
Business type activities:				
Machinery and equipment	\$ 173,725	0	(42,748)	216,473
Less accumulated depreciation	145,176	504	(42,748)	188,428
Business type activities capital assets, net	\$ 28,549	(504)	0	28,045

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 9,123
Other	8,056

Support services:

Instructional staff	7,071
Administration	523
Operation and maintenance of plant	5,096
Transportation	33,048
	<u>62,917</u>

Unallocated depreciation	<u>198,755</u>
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Total governmental activities depreciation expense	<u>\$ 261,672</u>
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Business type activities:

Food services	<u>\$ 504*</u>
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(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,095,000	0	205,000	890,000	215,000
Boiler loan payable	1,950	0	1,950	0	0
Early retirement	16,683	21,070	12,512	25,241	14,706
Total	<u>\$ 1,113,633</u>	<u>21,070</u>	<u>219,462</u>	<u>915,241</u>	<u>229,706</u>

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2010	3.250 %	\$ 215,000	\$ 31,413	246,413
2011	3.500	220,000	24,425	244,425
2012	3.600	225,000	16,725	241,725
2013	3.750	230,000	8,625	238,625
Total		<u>\$ 890,000</u>	<u>81,188</u>	<u>971,188</u>

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The District will pay the retiree an incentive based upon the

retiree's current salary and years of service to the District. The early retirement incentive will be paid in four semi-annual installments toward a tax deferred compensation plan. The District paid \$12,512 in early retirement benefits during the year ended June 30, 2009.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$223,319, \$215,050, and \$196,627 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

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

(9) Risk Management

Wayne 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

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 \$201,687 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitment

As of June 30, 2009, costs of \$270,066 had been incurred for various projects which included a new water heater for the junior high, new bathrooms for the softball field, and a windows replacement project at the high school. When the improvements are completed, the costs associated with the project will be added to the capital assets.

(12) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

Project	Amount
Professional Development	\$ 21,298
Market Factor	284
Four-year old Preschool State Aid	39,133
Professional Development Core Curriculum	10,558
Home School Assistance Program	28,824
Salary Improvement Program	4,259
Total	<u>\$ 104,356</u>

(13) Extraordinary Items

On March 11, 2008 the Iowa State Board of Education voted to dissolve the Russell Community School District at the end of the 2007-2008 school year. Property of the District was divided between Albia, Chariton, and Wayne Community School Districts.

The breakout of Russell balances to other districts per the voted resolution of distribution are as follows:

School District	Percent	Total Received
Albia	0.50%	\$ 811.82
Chariton	94.50%	153,433.76
Wayne	5.00%	8,118.19
	<u>100.00%</u>	<u>\$ 162,363.77</u>

Wayne Community School District recorded this revenue \$8,118.11 as other financing sources on the fund financial statements and as extraordinary items on the government-wide Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,464,327	149,212	3,613,539	3,587,232	3,587,232	26,307
State sources	3,127,493	3,649	3,131,142	3,314,997	3,314,997	(183,855)
Federal sources	494,317	169,167	663,484	650,000	650,000	13,484
Total revenues	<u>7,086,137</u>	<u>322,028</u>	<u>7,408,165</u>	<u>7,552,229</u>	<u>7,552,229</u>	<u>(144,064)</u>
Expenditures/Expenses:						
Instruction	4,198,655	0	4,198,655	4,780,497	4,780,497	581,842
Support services	1,572,760	0	1,572,760	2,158,038	2,158,038	585,278
Non-instructional programs	0	305,310	305,310	360,753	360,753	55,443
Other expenditures	764,042	0	764,042	933,030	933,030	168,988
Total expenditures/expenses	<u>6,535,457</u>	<u>305,310</u>	<u>6,840,767</u>	<u>8,232,318</u>	<u>8,232,318</u>	<u>1,391,551</u>
Excess(deficiency)of revenues over(under)expenditures/expenses	550,680	16,718	567,398	(680,089)	(680,089)	1,247,487
Other financing sources, net	8,951	535	9,486	0	0	9,486
Excess(deficiency)of revenues and other financing sources over(under)expenditures/expenses	559,631	17,253	576,884	(680,089)	(680,089)	1,256,973
Balance beginning of year	1,239,837	49,176	1,289,013	857,107	857,107	431,906
Balance end of year	<u>\$ 1,799,468</u>	<u>66,429</u>	<u>1,865,897</u>	<u>177,018</u>	<u>177,018</u>	<u>1,688,879</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

OTHER SUPPLEMENTARY INFORMATION

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

	Nonmajor Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 253,787	72,847	62,154	388,788	395,377	49,095	833,260
Receivables:							
Property tax:							
Delinquent	2,755	0	887	3,642	0	5,314	8,956
Succeeding year	125,000	0	42,281	167,281	0	196,813	364,094
Due from other governments	0	0	0	0	121,535	0	121,535
Due from other funds	0	0	217	217	0	0	217
TOTAL ASSETS	\$ 381,542	72,847	105,539	559,928	516,912	251,222	1,328,062
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 0	18,857	0	18,857	0	0	18,857
Deferred revenue:							
Succeeding year property tax	125,000	0	42,281	167,281	0	196,813	364,094
TOTAL LIABILITIES	125,000	18,857	42,281	186,138	0	196,813	382,951
FUND BALANCES:							
Reserved for:							
Debt Service	0	0	0	0	0	54,409	54,409
Unreserved	256,542	53,990	63,258	373,790	516,912	0	890,702
TOTAL FUND BALANCES	256,542	53,990	63,258	373,790	516,912	54,409	945,111
TOTAL LIABILITIES AND FUND BALANCES	\$ 381,542	72,847	105,539	559,928	516,912	251,222	1,328,062

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Nonmajor Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Revenues:							
Local sources:							
Local tax	\$ 124,628	0	42,476	167,104	327,812	240,431	735,347
Other	21,749	195,221	2,115	219,085	13,494	4,662	237,241
Total revenues	146,377	195,221	44,591	386,189	341,306	245,093	972,588
Expenditures:							
Current:							
Instruction:							
Regular	12,512	0	0	12,512	0	0	12,512
Other	0	196,108	0	196,108	0	0	196,108
Support services:							
Operation and maintenance of plant	98,478	0	0	98,478	0	0	98,478
Student transportation	0	0	3,155	3,155	0	0	3,155
Other expenditures:							
Facilities acquisitions	0	0	6,573	6,573	310,869	0	317,442
Long-term debt:							
Principal	0	0	0	0	0	206,950	206,950
Interest and fiscal charges	0	0	0	0	0	37,963	37,963
Total expenditures	110,990	196,108	9,728	316,826	310,869	244,913	872,608
Excess(deficiency)of revenues over(under) expenditures	35,387	(887)	34,863	69,363	30,437	180	99,980
Other financing sources(uses):							
Reorganization settlement	1,596	832	1,159	3,587	19,491	0	23,078
Transfer in	0	0	0	0	0	1,950	1,950
Transfer out	0	0	(1,950)	(1,950)	0	0	(1,950)
Total other financing sources(uses)	1,596	832	(791)	1,637	19,491	1,950	23,078
Net change in fund balances	36,983	(55)	34,072	71,000	49,928	2,130	123,058
Fund balance beginning of year	219,559	54,045	29,186	302,790	466,984	52,279	822,053
Fund balance end of year	\$ 256,542	53,990	63,258	373,790	516,912	54,409	945,111

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Fund balance	\$ 0	832	99	733
Secondary students fund	2,420	3,702	3,395	2,727
Activity tickets	0	9,204	22	9,182
Publication/plays fund	1,655	0	584	1,071
HS music fund	497	1,755	1,858	394
JR music fund	(1,590)	817	460	(1,233)
Cross country	65	280	361	(16)
Golf	0	0	957	(957)
Boys basketball	1,258	7,616	6,166	2,708
Football	(4,779)	18,576	20,450	(6,653)
Baseball	(3,689)	8,473	9,941	(5,157)
Boys track	0	235	1,159	(924)
Wrestling	(345)	3,685	8,742	(5,402)
Girls basketball	7,186	7,114	5,435	8,865
Volleyball	0	12,336	11,844	492
Softball	346	10,386	9,519	1,213
Girls track	0	0	483	(483)
Class - seniors	447	66	494	19
Class - juniors	0	5,805	5,357	448
Class - sophmores	38	15	0	53
Class - freshman	0	38	74	(36)
Alternative school class	421	677	754	344
Yearbook	5,096	7,593	7,178	5,511
NHS	0	207	308	(101)
FBLA	645	360	395	610
FFA	1,402	18,678	16,507	3,573
FCCLA	89	785	260	614
At risk student fund	101	0	0	101
HS student council	6,900	3,564	3,944	6,520
Art club	3,011	0	0	3,011
FEA club	1,207	111	32	1,286
Spanish club	913	21,709	21,428	1,194
HS tech club	536	0	0	536
Cheerleaders	(481)	1,332	228	623
HS/JR library club	428	1,425	1,910	(57)
History club	130	925	258	797
Manufacturing tech	546	697	359	884
Physical education	678	10,436	9,681	1,433
HS math club	305	234	0	539
Falcons nest	0	2,747	4,513	(1,766)
Teen leadership	721	0	0	721
JH clubs/organization	3,921	8,937	8,941	3,917
JH student council	562	88	155	495
Elem clubs/organization	13,279	17,969	25,126	6,122
Elem library fund	4,876	0	2,055	2,821
Living classroom	2,000	0	0	2,000
Elem sports	1,744	2,230	1,499	2,475
Elem after school program	1,506	1,176	898	1,784
Elem wrestling club	0	3,238	2,279	959
Total	\$ 54,045	196,053	196,108	53,990

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 2,608,212	2,459,198	2,407,816	2,558,653	2,481,816	2,114,979
Tuition	439,096	314,622	331,080	272,337	226,145	285,547
Other	417,019	323,661	334,553	302,274	217,051	240,285
State sources	3,127,493	3,018,542	2,605,909	2,556,382	2,656,082	2,718,332
Federal sources	494,317	426,635	459,477	329,186	392,968	543,827
Total	\$ 7,086,137	6,542,658	6,138,835	6,018,832	5,974,062	5,902,970
Expenditures:						
Current:						
Instruction:						
Regular	\$ 2,710,732	4,089,184	2,407,415	2,065,878	2,152,571	2,102,497
Special	1,150,170	0	891,771	722,350	578,603	912,150
Other	337,753	179,498	787,358	776,339	725,208	487,735
Support services:						
Student	85,372	63,985	73,139	114,978	128,081	74,557
Instructional staff	103,429	128,331	139,379	157,969	70,438	71,042
Administration	603,845	597,093	607,967	583,341	553,910	536,818
Operation and maintenance of plant	525,034	518,351	578,212	494,302	437,642	481,703
Transportation	255,080	328,252	282,432	341,056	231,389	229,625
Other expenditures:						
Facilities acquisitions	317,442	64,866	403,365	279,757	9,242	26,162
Long-term debt:						
Principal	206,950	207,800	207,800	202,800	197,800	187,800
Interest	37,963	43,262	47,863	51,762	55,563	63,659
AEA flow-through	201,687	190,754	183,137	177,505	178,058	183,277
Total	\$ 6,535,457	6,411,376	6,609,838	5,968,037	5,319,023	5,369,390

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
US DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM (REAP) (SMALL RURAL SCHOOL ACHIEVEMENT PROGRAM)	84.358	FY 09	\$ 21,554
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
RURAL OUTREACH - RURAL NETWORK DEVELOPMENT PROGRAM (RURAL HEALTH OUTREACH GRANT)	93.912	FY 09	130,950
INDIRECT:			
US DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	36,411
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	132,756
			<u>169,167</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	FY 09	127,474
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	13,609
			<u>141,083</u>
BASIC GRANTS TO STATES	84.048	FY 09	<u>7,896</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>5,968</u>
READING FIRST STATE GRANTS	84.357	FY 09	<u>22,942</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 09	<u>33,340</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 09	<u>3,692</u>
STATE FISCAL STABILIZATION FUND - EDUCATION STATE GRANTS (STATE AID)	84.394	FY 09	<u>48,077</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
FOLLOW UP SURVEY	84.027	FY 09	30,829
	84.027	FY 09	600
			<u>31,429</u>
TOTAL			<u>\$ 616,098</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Wayne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne 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 January 12, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne 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 Wayne Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne Community School District's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wayne 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 Wayne 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 Wayne Community School District and other parties to whom Wayne Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wayne Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 12, 2010

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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

To the Board of Education of
Wayne Community School District

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

Wayne 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 Wayne 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 Wayne Community School District and other parties to whom Wayne Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

January 12, 2010

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

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered Programs:
 - School Nutrition Cluster
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Title I Cluster
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
 - CFDA Number 84.389 - Title I grants to Local Educational agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Wayne Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 84.010: Title I grants to Local Educational agencies
CFDA Number 84.389: Title I grants to Local Educational agencies, Recovery Act
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

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

III-A-09 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amount budgeted.
- IV-B-09 Questionable Disbursements - We noted during our audit that the District wrote checks out of the Special Revenue, Student Activity Fund that were subsequently cashed to purchase gift cards. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.
- Response - The District will no longer purchase gift cards.
- Conclusion - Response accepted.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	0
Statewide sales and services tax revenue			327,812
Expenditures/transfers out:			
School infrastructure:			
Other improvements	\$	310,869	310,869
Ending balance		\$	16,943

IV-L-09 Financial Condition - The District had negative accounts in the Special Revenue, Student Activity Fund totaling \$22,785.

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

Response - The District will continue to monitor these accounts to ensure positive balances.

Conclusion - Response accepted.

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

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

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

We noted that the District writes various checks throughout the year for petty cash for events. It was noted that checks were being written to "Petty Cash" instead of the custodian/sponsor for these events. Checks made out to "Petty Cash" are bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

Response - The District will seek to have Target and Box Tops for Education for Box Tops be designated by the Board to be receipted into the Student Activity Fund. The District will no longer make checks out to "Petty Cash".

Conclusion - Response accepted.

IV-N-09 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters into to comply with Chapter 291.1 of the Code of Iowa.

Response - The Board President has designated the Superintendent's secretary to use his stamp to sign all officials contracts.

Conclusion - Response accepted.