

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

JUNE 30, 2010

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WACO Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
JoEllen Jepson	President	2009
Tim Graber	Vice President	2009
Gary Brose	Board Member	2011
Todd Meyer	Board Member	2011
Danielle Thomson	Board Member	2009
Board of Education (After September 2009 Election)		
JoEllen Jepson	President	2013
Tim Graber	Vice President	2013
Gary Brose	Board Member	2011
Todd Meyer	Board Member	2011
Ron Lutovsky	Board Member (Resigned)	2013
Jarod Graber	Board Member (Appointed)	2013
School Officials		
Greg Ray	Superintendent	2010
Carrie Coble	Board Secretary/ Business Manager	2010
Robert Meyer	District Treasurer	2010
Ron Peeler	Attorney	2010



WACO
COMMUNITY SCHOOL DISTRICT

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
WACO Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District, Wayland Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of WACO Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2011 on our consideration of WACO 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 WACO Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

WACO Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,863,896 in fiscal 2009 to \$5,658,968 in fiscal 2010, while General Fund expenditures decreased from \$5,721,913 in fiscal 2009 to \$5,643,309 in fiscal 2010. Revenues outpaced expenditures resulting in an increase in the District's General Fund balance from of \$272,835 in fiscal 2009 to a balance of \$288,494 in fiscal 2010, a 5.74% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state source revenues in fiscal 2010. The decrease in expenditures was due primarily to reduced spending in the support services functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding in Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides 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.

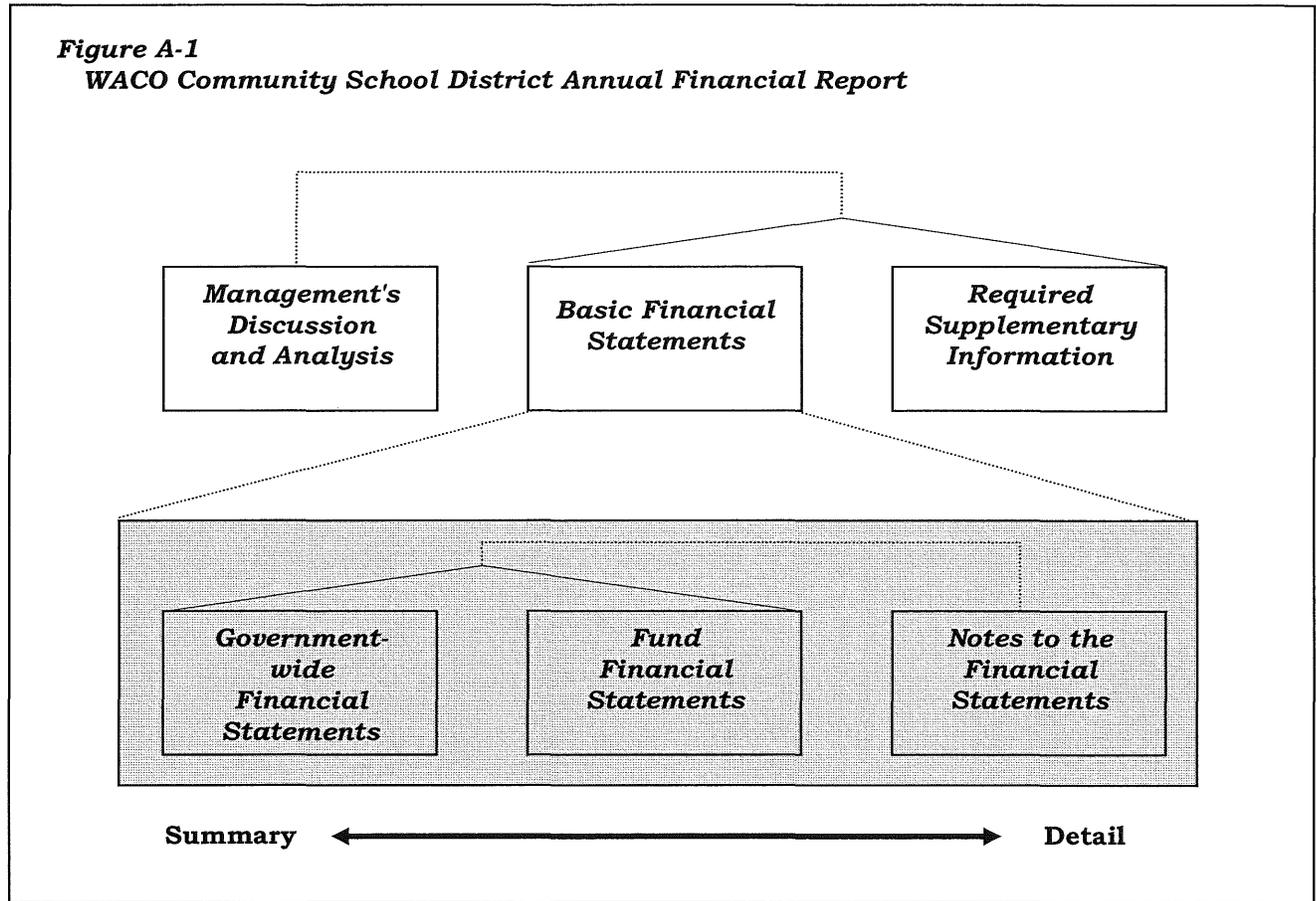


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund.

- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenues collected and expenditures paid for groups whose sole purpose is to benefit the District.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2010 compared to June 30, 2009.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 4,663,381	4,393,843	38,932	5,846	4,702,313	4,399,689	6.88%
Capital assets	7,253,961	7,675,422	22,492	25,083	7,276,453	7,700,505	-5.51%
Total assets	<u>11,917,342</u>	<u>12,069,265</u>	<u>61,424</u>	<u>30,929</u>	<u>11,978,766</u>	<u>12,100,194</u>	<u>-1.00%</u>
Long-term obligations	4,100,605	4,313,396	3,060	-	4,103,665	4,313,396	-4.86%
Other liabilities	3,764,064	3,443,534	4,748	2,399	3,768,812	3,445,933	9.37%
Total liabilities	<u>7,864,669</u>	<u>7,756,930</u>	<u>7,808</u>	<u>2,399</u>	<u>7,872,477</u>	<u>7,759,329</u>	<u>1.46%</u>
Net assets:							
Invested in capital assets, net of related debt	3,458,961	3,665,433	22,492	25,083	3,481,453	3,690,516	-5.66%
Restricted	1,098,540	777,704	-	-	1,098,540	777,704	41.25%
Unrestricted	(504,828)	(130,802)	31,124	3,447	(473,704)	(127,355)	-271.96%
Total net assets	<u>\$ 4,052,673</u>	<u>4,312,335</u>	<u>53,616</u>	<u>28,530</u>	<u>4,106,289</u>	<u>4,340,865</u>	<u>-5.40%</u>

The District's combined net assets decreased by 5.40%, or \$234,576, 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 \$320,836, or 41.25% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$346,349, or 271.96%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 616,246	714,550	133,706	124,166	749,952	838,716	-10.58%
Operating grants and contributions and restricted interest	1,210,448	899,562	125,125	128,887	1,335,573	1,028,449	29.86%
General revenues:							
Property tax	2,586,883	2,314,689	-	-	2,586,883	2,314,689	11.76%
Statewide sales, services and use tax	290,182	336,077	-	-	290,182	336,077	-13.66%
Unrestricted state grants	1,789,042	2,369,677	-	-	1,789,042	2,369,677	-24.50%
Other	73,144	156,049	2,832	256	75,976	156,305	-51.39%
Transfers	-	(22,414)	-	22,414	-	-	0.00%
Total revenues and transfers	6,565,945	6,768,190	261,663	275,723	6,827,608	7,043,913	-3.07%
Program expenses:							
Governmental activities:							
Instructional	4,268,298	3,944,752	-	-	4,268,298	3,944,752	8.20%
Support services	1,635,065	1,655,433	-	-	1,635,065	1,655,433	-1.23%
Non-instructional programs	-	-	236,577	283,246	236,577	283,246	-16.48%
Other expenses	922,244	662,146	-	-	922,244	662,146	39.28%
Total expenses	6,825,607	6,262,331	236,577	283,246	7,062,184	6,545,577	7.89%
Changes in net assets	(259,662)	505,859	25,086	(7,523)	(234,576)	498,336	-147.07%
Net assets beginning of year	4,312,335	3,806,476	28,530	36,053	4,340,865	3,842,529	12.97%
Net assets end of year	\$ 4,052,673	4,312,335	53,616	28,530	4,106,289	4,340,865	-5.40%

In fiscal 2010, property tax, statewide sales and services tax and unrestricted state grants account for 71.07% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.92% of the revenue from business type activities.

The District's total revenues were approximately \$6.83 million, of which \$6.57 million was for governmental activities and approximately \$0.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.07% decrease in revenues and a 7.89% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$6,565,945 and expenses were \$6,825,607 for the year ended June 30, 2010.

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, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 4,268,298	3,944,752	8.20%	2,658,770	2,534,044	4.92%
Support services	1,635,065	1,655,433	-1.23%	1,631,245	1,652,364	-1.28%
Other expenses	922,244	662,146	39.28%	708,898	461,811	53.50%
Totals	\$ 6,825,607	6,262,331	46.25%	4,998,913	4,648,219	7.54%

- The cost financed by users of the District's programs was \$616,246.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,210,448.
- The net cost of governmental activities was financed with \$2,586,883 in property tax, \$290,182 in statewide sales, services and use tax, \$1,789,042 in unrestricted state grants, \$6,798 in interest income and \$66,346 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$261,663 and expenses were \$236,577. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$942,812, compared to last year's ending fund balances of \$1,014,531. The primary reason for the decrease was the decrease in the Debt Service Fund balance.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. In spite of a slight reduction in total revenues, the District was able to trim expenditures enough to generate the improvement in fund balance.
- The Management Levy Fund balance decreased from \$43,646 in 2009, to \$40,685 in 2010.
- The Capital Projects Fund balance decreased from \$351,379 in 2009, to \$346,804 in 2010.
- The Debt Service Fund balance decreased from \$244,990 in 2009, to \$163,240 in 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$28,530 at June 30, 2009 to \$53,616 at June 30, 2010, representing an increase of 87.93%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$451,107 less than budgeted revenues, a variance of 6.20%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested approximately \$7.28 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 5.51% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$503,548.

The original cost of the District's capital assets was \$11,040,300. Governmental funds account for \$10,907,358 with the remainder of \$132,942 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category as the District completed the Geothermal Project started in the prior year. The District's construction in progress was \$0 at June 30, 2010, compared to \$855,252 reported at June 30, 2009.

	Figure A-6							
	Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,		
2010	2009	2010	2009	2010	2009	2009-10		
Land	\$ 85,850	85,850	-	-	85,850	85,850	0.00%	
Construction in progress	-	855,252	-	-	-	855,252	-100.00%	
Buildings	6,266,583	5,592,895	-	-	6,266,583	5,592,895	12.05%	
Land improvements	695,748	737,989	-	-	695,748	737,989	-5.72%	
Machinery and equipment	205,780	403,436	22,492	25,083	228,272	428,519	-46.73%	
Total	\$ 7,253,961	7,675,422	22,492	25,083	7,276,453	7,700,505	-5.51%	

Long-Term Debt

At June 30, 2010, the District had \$4,103,665 in long-term debt outstanding. This represents a decrease of 4.32% 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 \$2,430,000 of outstanding general obligation bonds payable of at June 30, 2010.

The District had total outstanding revenue bonds payable of \$1,365,000 at June 30, 2010.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$221,700 at June 30, 2010.

The District had total outstanding compensated absences payable from the General Fund of \$4,965 at June 30, 2010.

The District implemented GASB 45 during the year ended June 30, 2010 and recorded a net OPEB liability of \$82,000 for the initial year.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30, 2010	2009	June 30, 2009-10
General obligation bonds	\$ 2,430,000	2,685,000	-9.50%
Revenue bonds	1,365,000	1,465,000	-6.83%
Early retirement	221,700	128,695	72.27%
Compensated absences	4,965	10,052	-50.61%
Net OPEB liability	82,000	-	100.00%
Total	<u>\$ 4,103,665</u>	<u>4,288,747</u>	<u>-4.32%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carrie Coble, Board Secretary/Business Manager, WACO Community School District, 706 N. Pearl St., Wayland, Iowa, 52654.



WACO
COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,467,542	26,597	1,494,139
Receivables:			
Property tax:			
Delinquent	65,642	-	65,642
Succeeding year	2,859,905	-	2,859,905
Accounts	197,997	5,111	203,108
Due from other governments	72,295	-	72,295
Inventories	-	7,224	7,224
Capital assets, net of accumulated depreciation	7,253,961	22,492	7,276,453
Total assets	11,917,342	61,424	11,978,766
Liabilities			
Accounts payable	141,566	2,535	144,101
Salaries and benefits payable	641,090	-	641,090
Accrued interest payable payable	43,495	-	43,495
Deferred revenue:			
Succeeding year property tax	2,859,905	-	2,859,905
Other	78,008	-	78,008
Unearned revenue	-	2,213	2,213
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	265,000	-	265,000
Revenue bond payable	105,000	-	105,000
Early retirement	44,853	-	44,853
Compensated absences	4,965	-	4,965
Portion due after one year:			
General obligation bonds payable	2,165,000	-	2,165,000
Revenue bond payable	1,260,000	-	1,260,000
Early retirement	176,847	-	176,847
Net OPEB liability	78,940	3,060	82,000
Total liabilities	7,864,669	7,808	7,872,477
Net Assets			
Invested in capital assets, net of related debt	3,458,961	22,492	3,481,453
Restricted for:			
Categorical funding	484,907	-	484,907
Debt service	163,240	-	163,240
Capital projects	346,804	-	346,804
Physical plant and equipment levy	49,940	-	49,940
Other special revenue purposes	53,649	-	53,649
Unrestricted	(504,828)	31,124	(473,704)
Total net assets	\$ 4,052,673	53,616	4,106,289

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,596,673	398,995	823,560	(1,374,118)	-	(1,374,118)
Special	822,874	74,685	74,755	(673,434)	-	(673,434)
Other	848,751	139,505	98,028	(611,218)	-	(611,218)
	<u>4,268,298</u>	<u>613,185</u>	<u>996,343</u>	<u>(2,658,770)</u>	<u>-</u>	<u>(2,658,770)</u>
Support services:						
Student	25,514	-	-	(25,514)	-	(25,514)
Instructional staff	87,424	-	-	(87,424)	-	(87,424)
Administration	741,992	-	-	(741,992)	-	(741,992)
Operation and maintenance of plant	491,660	-	-	(491,660)	-	(491,660)
Transportation	288,475	3,061	759	(284,655)	-	(284,655)
	<u>1,635,065</u>	<u>3,061</u>	<u>759</u>	<u>(1,631,245)</u>	<u>-</u>	<u>(1,631,245)</u>
Other expenditures:						
Facilities acquisitions	168,783	-	-	(168,783)	-	(168,783)
Long-term debt interest	156,574	-	-	(156,574)	-	(156,574)
AEA flowthrough	213,346	-	213,346	-	-	-
Depreciation(unallocated)*	383,541	-	-	(383,541)	-	(383,541)
	<u>922,244</u>	<u>-</u>	<u>213,346</u>	<u>(708,898)</u>	<u>-</u>	<u>(708,898)</u>
Total governmental activities	6,825,607	616,246	1,210,448	(4,998,913)	-	(4,998,913)
Business Type activities:						
Non-instructional programs:						
Nutrition services	236,577	133,706	125,125	-	22,254	22,254
Total business type activities	<u>236,577</u>	<u>133,706</u>	<u>125,125</u>	<u>-</u>	<u>22,254</u>	<u>22,254</u>
Total	\$ <u>7,062,184</u>	<u>749,952</u>	<u>1,335,573</u>	<u>(4,998,913)</u>	<u>22,254</u>	<u>(4,976,659)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,255,760	-	2,255,760
Debt services				289,817	-	289,817
Capital outlay				41,306	-	41,306
Statewide sales, services and use tax				290,182	-	290,182
Unrestricted state grants				1,789,042	-	1,789,042
Unrestricted investment earnings				6,798	149	6,947
Other general revenues				66,346	2,683	69,029
Total general revenues				<u>4,739,251</u>	<u>2,832</u>	<u>4,742,083</u>
Change in net assets				(259,662)	25,086	(234,576)
Net assets beginning of year				<u>4,312,335</u>	<u>28,530</u>	<u>4,340,865</u>
Net assets end of year				<u>\$ 4,052,673</u>	<u>53,616</u>	<u>4,106,289</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments	\$ 896,515	571,027	1,467,542
Receivables:			
Property tax:			
Delinquent	54,813	10,829	65,642
Succeeding year	2,250,173	609,732	2,859,905
Accounts	196,494	1,503	197,997
Due from other governments	-	72,295	72,295
Total assets	\$ 3,397,995	1,265,386	4,663,381
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 140,628	938	141,566
Salaries and benefits payable	640,692	398	641,090
Deferred revenue:			
Succeeding year property tax	2,250,173	609,732	2,859,905
Other	78,008	-	78,008
Total liabilities	3,109,501	611,068	3,720,569
Fund balances:			
Reserved for:			
Categorical funding	484,907	-	484,907
Debt service	-	163,240	163,240
Unreserved	(196,413)	491,078	294,665
Total fund balances	288,494	654,318	942,812
Total liabilities and fund balances	\$ 3,397,995	1,265,386	4,663,381

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$	942,812
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		7,253,961
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(43,495)
Long-term liabilities, including bonds payable, net OPEB liability, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,100,605)</u>
Net assets of governmental activities (page 18)	\$	<u>4,052,673</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 2,156,070	720,995	2,877,065
Tuition	447,100	-	447,100
Other	72,647	187,039	259,686
State sources	2,499,592	-	2,499,592
Federal sources	482,502	-	482,502
Total revenues	<u>5,657,911</u>	<u>908,034</u>	<u>6,565,945</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,499,188	2,386	2,501,574
Special	822,874	-	822,874
Other	708,852	138,962	847,814
	<u>4,030,914</u>	<u>141,348</u>	<u>4,172,262</u>
Support services:			
Student	24,564	-	24,564
Instructional staff	86,031	-	86,031
Administration	650,529	83,627	734,156
Operation and maintenance of plant	397,468	23,942	421,410
Transportation	240,457	167	240,624
	<u>1,399,049</u>	<u>107,736</u>	<u>1,506,785</u>
Other expenditures:			
Facilities acquisitions	-	189,378	189,378
Long-term debt:			
Principal	-	379,649	379,649
Interest and fiscal charges	-	177,301	177,301
AEA flowthrough	213,346	-	213,346
	<u>213,346</u>	<u>746,328</u>	<u>959,674</u>
Total expenditures	<u>5,643,309</u>	<u>995,412</u>	<u>6,638,721</u>
Excess(deficiency) of revenues over(under) expenditures	14,602	(87,378)	(72,776)
Other financing sources(uses):			
Proceeds from the disposal of property	1,057	-	1,057
Transfer in	-	184,993	184,993
Transfer out	-	(184,993)	(184,993)
Total other financing sources(uses)	<u>1,057</u>	<u>-</u>	<u>1,057</u>
Net change in fund balances	15,659	(87,378)	(71,719)
Fund balances beginning of year	<u>272,835</u>	<u>741,696</u>	<u>1,014,531</u>
Fund balances end of year	<u>\$ 288,494</u>	<u>654,318</u>	<u>942,812</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds (page 22) \$ (71,719)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays and depreciation expense for the current year are as follows:

Capital outlays	\$ 77,163	
Depreciation expense	(498,624)	(421,461)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 379,649

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 20,727

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

Early retirement	(93,005)	
Compensated Absences	5,087	
Net OPEB liability	(78,940)	(166,858)

Changes in net assets of governmental activities (page 19) \$ (259,662)

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$ 26,597
Accounts receivable	5,111
Inventories	7,224
Capital assets, net of accumulated depreciation	22,492
Total assets	<u>61,424</u>
Liabilities	
Accounts payable	2,535
Unearned revenues	2,213
Net OPEB liability	3,060
Total liabilities	<u>7,808</u>
Net Assets	
Invested in capital assets	22,492
Unrestricted	31,124
Total net assets	<u>\$ 53,616</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2010

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 133,706
Miscellaneous	2,683
Total operating revenues	136,389
Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	74,203
Benefits	33,569
Services	1,532
Supplies	122,349
Depreciation	4,924
Total operating expenses	236,577
Operating loss	(100,188)
Non-operating revenues:	
Interest income	149
State sources	2,651
Federal sources	122,474
Total non-operating revenues	125,274
Change in net assets	25,086
Net assets beginning of year	28,530
Net assets end of year	\$ 53,616

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 128,409
Cash received from miscellaneous operating activities	2,683
Cash payments to employees for services	(104,712)
Cash payments to suppliers for goods or services	(112,009)
Net cash used in operating activities	<u>(85,629)</u>
Cash flows from non-capital financing activities:	
State grants received	2,651
Federal grants received	111,666
Net cash provided by non-capital financing activities	<u>114,317</u>
Cash flows from investing activities:	
Interest on investments	<u>149</u>
Cash flows from capital financing activities:	
Acquisition of assets	<u>(2,333)</u>
Net increase in cash and cash equivalents	26,504
Cash and cash equivalents at beginning of year	<u>93</u>
Cash and cash equivalents at end of year	<u>\$ 26,597</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (100,188)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	10,808
Depreciation	4,924
Increase in inventories	(1,471)
Increase in accounts receivable	(5,111)
Increase in accounts payable	2,535
Increase in net OPEB liability	3,060
Decrease in unearned revenue	(186)
Net cash used in operating activities	<u>\$ (85,629)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$10,808 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2010

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ 13,057
Liabilities	
Due to other groups	\$ 13,057

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

A. Reporting Entity

For financial reporting purposes, WACO Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The WACO Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District also reports a fiduciary fund that focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Interfund Receivables and Payables - During the course of its operations, the District has numerous transactions between funds. To the extent that certain transactions between funds

had not been paid or received as of June 30, 2010 balances of interfund accounts receivable or payable have been recorded.

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$394,126 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, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 184,993

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

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

(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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. 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. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. During the year ended June 30, 2010, the District made no borrowings from ISCAP.

During the year ended June 30, 2010, the District paid \$5 of interest on the ISCAP warrants.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 85,850	-	-	85,850
Construction in progress	855,252	19,538	874,790	-
Total capital assets not being depreciated	941,102	19,538	874,790	85,850
Capital assets being depreciated:				
Buildings	8,016,457	907,039	-	8,923,496
Land improvements	984,145	-	32,249	951,896
Machinery and equipment	1,060,937	25,376	140,197	946,116
Total capital assets being depreciated	10,061,539	932,415	172,446	10,821,508
Less accumulated depreciation for:				
Buildings	2,455,811	201,102	-	2,656,913
Land improvements	213,907	74,490	32,249	256,148
Machinery and equipment	657,501	223,032	140,197	740,336
Total accumulated depreciation	3,327,219	498,624	172,446	3,653,397
Total capital assets being depreciated, net	6,734,320	433,791	-	7,168,111
Governmental activities capital assets, net	\$ 7,675,422	453,329	874,790	7,253,961
Business type activities:				
Machinery and equipment	\$ 132,809	2,333	2,200	132,942
Less accumulated depreciation	107,726	4,924	2,200	110,450
Business type activities capital assets, net	\$ 25,083	(2,591)	-	22,492

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Other		\$ 937
Support services:		
Operation and maintenance of plant		9,112
Transportation		72,785
		<u>82,834</u>
Unallocated depreciation		415,790
Total governmental activities depreciation expense		<u>\$ 498,624</u>
Business type activities:		
Food service operations		\$ 4,924

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,685,000	-	255,000	2,430,000	265,000
Revenue bonds	1,465,000	-	100,000	1,365,000	105,000
Bus leases	24,649	-	24,649	-	-
Early retirement	128,695	117,151	24,146	221,700	44,835
Compensated absences	10,052	4,965	10,052	4,965	4,965
Net OPEB liability	-	78,940	-	78,940	-
Total	\$ 4,313,396	201,056	413,847	4,100,605	419,800
Business type activities:					
Net OPEB liability	\$ -	3,060	-	3,060	-

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2005			
	Interest Rates	Principal	Interest	Total
2011	3.35 %	\$ 265,000	90,222	355,222
2012	3.45	275,000	81,345	356,345
2013	3.55	285,000	71,858	356,858
2014	3.65	300,000	61,740	361,740
2015	3.75	305,000	50,790	355,790
2016-2018	3.75-4.00	1,000,000	80,185	1,080,185
Total		\$ 2,430,000	436,140	2,866,140

Revenue Bonds Payable

Details of the District's June 30, 2010 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2006			Bond Issue of September 1, 2008			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2011	4.50 %	\$ 105,000	7,350	3.75 %	0	47,204	105,000	54,554	159,554
2012	4.75	105,000	2,494	3.75	0	47,204	105,000	49,698	154,698
2013		0	0	3.75	100,000	45,329	100,000	45,329	145,329
2014		0	0	3.75	100,000	41,578	100,000	41,578	141,578
2015		0	0	4.00	100,000	37,704	100,000	37,704	137,704
2016-2020		0	0	4.00-4.10	510,000	128,114	510,000	128,114	638,114
2021-2023		0	0	4.375	345,000	22,641	345,000	22,641	367,641
Total		\$ 210,000	9,844		\$ 1,155,000	369,774	1,365,000	379,618	1,744,618

The District has pledged future statewide sales and services tax revenues to repay the \$510,000 bonds issued in August 2006 and the \$1,155,000 bonds issued in September 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely

from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 60.27% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,744,618. For the current year, principal and interest paid on the bonds was \$174,901 and statewide sales and services tax revenues were \$290,182.

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

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

Early Retirement

The District had previously offered a voluntary early retirement plan to its certified employees, classified employees and administrative staff. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee are on the "per diem" basis based on the current contract at the time of retirement. "Per diem" is defined as per day pay based upon contract days and annual salary. Early retirement expenditures for the year ended June 30, 2010 totaled \$24,146.

(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$227,794, \$216,080 and \$200,381, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical, dental and vision benefits for retirees and their spouses. There are 94 active and 9 retired members in the plan. Participants must be age 55 or older at age of retirement.

The benefits are provided through fully-insured plans with ISEBA and Delta Dental. Retirees under age 65 pay the same premiums for the medical, dental and vision benefits as active employees, which result in an implicit rate subsidy and an OPEB liability. In addition, the District contributes toward retiree health premiums creating an explicit subsidy.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 152,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>152,000</u>
Contributions made	<u>(70,000)</u>
Increase in net OPEB obligation	82,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u><u>\$ 82,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$70,000 to the medical plan. Plan members eligible for benefits contributed \$50,000, or 41.67% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$152,000	46.05%	\$82,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,372,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,372,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,828,619 and the ratio of the UAAL to covered payroll was 48.50%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual health cost trend rate was 11.00% for the year ended June 30, 2010, grading down 0.5% each year until an ultimate health care cost trend rate is reached in 2021 of 5.00%.

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$643 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

WACO Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets;

errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(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 \$213,346 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

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

Project	Amount
Weighted Limited English Proficient	\$ 21,597
Home School Assistance Program	14,171
Weighted At-Risk Programs	29,510
Gifted and Talented Programs	18,644
Returning Dropouts and Dropout Prevention Programs	159,813
Beginning Teacher Mentoring and Induction Program	1,469
Teacher Salary Supplement	72,122
Market Factor	1,381
Beginning Administrator Mentoring and Induction Program	931
Iowa Early Intervention Block Grant	68,573
Statewide Voluntary Preschool Program Grants	54,695
Professional Development for Model Core Curriculum	18,894
Professional Development	19,410
Market Factor Incentives	3,697
	<hr/>
Total	<u><u>\$ 484,907</u></u>

(12) Deficit Fund Balance/Net Assets

At June 30, 2010, the General Fund had a negative unreserved fund balance of \$196,413 and Governmental Activities had deficit unrestricted net assets of \$504,828.

REQUIRED SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,583,851	136,538	3,720,389	3,891,980	3,891,980	(171,591)
State sources	2,499,592	2,651	2,502,243	3,076,735	3,076,735	(574,492)
Federal sources	482,502	122,474	604,976	310,000	310,000	294,976
Total revenues	6,565,945	261,663	6,827,608	7,278,715	7,278,715	(451,107)
Expenditures/Expenses:						
Instruction	4,172,262	-	4,172,262	4,494,889	4,494,889	322,627
Support services	1,506,785	-	1,506,785	1,890,000	1,890,000	383,215
Non-instructional programs	-	236,577	236,577	317,953	317,953	81,376
Other expenditures	959,674	-	959,674	1,148,494	1,148,494	188,820
Total expenditures/expenses	6,638,721	236,577	6,875,298	7,851,336	7,851,336	976,038
Excess(Deficiency) of revenues over(under) expenditures/expenses	(72,776)	25,086	(47,690)	(572,621)	(572,621)	524,931
Other financing sources, net	1,057	-	1,057	-	-	1,057
Excess(deficiency) of revenues and other financing sources over(under) expenditures/ expenses and other financing uses	(71,719)	25,086	(46,633)	(572,621)	(572,621)	525,988
Balances beginning of year	1,014,531	28,530	1,043,061	939,835	939,835	103,226
Balances end of year	\$ 942,812	53,616	996,428	367,214	367,214	629,214

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

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

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

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	0	\$ 1,372,000	1,372,000	0.00%	\$ 2,828,619	48.50%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue						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	\$ 38,548	52,694	49,295	140,537	274,509	155,981	571,027
Receivables:							
Property tax:							
Delinquent	2,535	-	1,035	3,570	-	7,259	10,829
Succeeding year	276,000	-	42,748	318,748	-	290,984	609,732
Accounts	-	1,503	-	1,503	-	-	1,503
Due from other governments	-	-	-	-	72,295	-	72,295
Total assets	\$ 317,083	54,197	93,078	464,358	346,804	454,224	1,265,386
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	548	390	938	-	-	938
Salaries and benefits payable	398	-	-	398	-	-	398
Deferred revenue:							
Succeeding year property tax	276,000	-	42,748	318,748	-	290,984	609,732
Total liabilities	276,398	548	43,138	320,084	-	290,984	611,068
Fund balances:							
Reserved for debt service	-	-	-	-	-	163,240	163,240
Unreserved	40,685	53,649	49,940	144,274	346,804	-	491,078
Total fund balances	40,685	53,649	49,940	144,274	346,804	163,240	654,318
Total liabilities and fund balances	\$ 317,083	54,197	93,078	464,358	346,804	454,224	1,265,386

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue						Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Revenues:							
Local sources:							
Local tax	\$ 99,690	-	41,306	140,996	290,182	289,817	720,995
Other	7,471	144,287	80	151,838	34,811	390	187,039
Total revenues	<u>107,161</u>	<u>144,287</u>	<u>41,386</u>	<u>292,834</u>	<u>324,993</u>	<u>290,207</u>	<u>908,034</u>
Expenditures:							
Current:							
Instruction:							
Regular	2,386	-	-	2,386	-	-	2,386
Other	-	138,962	-	138,962	-	-	138,962
Support services:							
Administration	83,627	-	-	83,627	-	-	83,627
Operation and maintenance of plant	23,942	-	-	23,942	-	-	23,942
Student transportation	167	-	-	167	-	-	167
Other expenditures:							
Facilities acquisition	-	-	44,803	44,803	144,575	-	189,378
Long-term debt:							
Principal	-	-	-	-	-	379,649	379,649
Interest and fiscal charges	-	-	-	-	-	177,301	177,301
Total expenditures	<u>110,122</u>	<u>138,962</u>	<u>44,803</u>	<u>293,887</u>	<u>144,575</u>	<u>556,950</u>	<u>995,412</u>
Excess(deficiency) of revenues over(under) expenditures	(2,961)	5,325	(3,417)	(1,053)	180,418	(266,743)	(87,378)
Other financing sources(uses):							
Transfers in	-	-	-	-	-	184,993	184,993
Transfers out	-	-	-	-	(184,993)	-	(184,993)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184,993)</u>	<u>184,993</u>	<u>-</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(2,961)	5,325	(3,417)	(1,053)	(4,575)	(81,750)	(87,378)
Fund balances beginning of year	<u>43,646</u>	<u>48,324</u>	<u>53,357</u>	<u>145,327</u>	<u>351,379</u>	<u>244,990</u>	<u>741,696</u>
Fund balances end of year	<u>\$ 40,685</u>	<u>53,649</u>	<u>49,940</u>	<u>144,274</u>	<u>346,804</u>	<u>163,240</u>	<u>654,318</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Elementary vending	\$ 1,424	-	232	1,192
Elementary student leadership	511	-	-	511
After school program	4,383	2,059	1	6,441
6th grade overnight	172	-	-	172
Spanish trip	241	1,335	929	647
Musical	-	7,585	6,574	1,011
Strings resale	550	220	770	-
Instrumental music	-	608	608	-
Vocal music	178	1,639	1,817	-
Safe schools committee	-	500	-	500
Elementary activity	7,952	2,532	2,818	7,666
Secondary activity	-	686	329	357
High school annual	4,117	4,475	7,484	1,108
Class of 2009	1,886	-	1,886	-
Class of 2010	2,022	362	2,336	48
Class of 2011	-	11,289	9,258	2,031
Class of 2013	-	9	-	9
Sr high student council	7,171	10,486	10,628	7,029
Leo club	441	1,536	1,467	510
National honor society	750	857	1,207	400
PTO	-	45	-	45
Football cheerleaders	792	6,766	5,325	2,233
Basketball cheerleaders	2,058	1,650	1,838	1,870
Drill team	166	2,967	2,429	704
Cross country	-	380	380	-
Boys basketball	3,307	902	4,209	-
Football	6,305	10,873	17,178	-
Boys track	-	1,708	1,708	-
Boys golf	-	392	392	-
Girls golf	-	392	392	-
Wrestling	602	470	1,072	-
Girls basketball	4,419	1,832	5,329	922
Volleyball	-	2,216	2,216	-
Softball	1,992	3,650	5,642	-
Girls track	24	1,905	1,929	-
Interest	49	170	-	219
Activity tickets	-	54,469	37,087	17,382
Vending machines	438	3,696	3,492	642
Accruals	(3,626)	3,626	-	-
Total	\$ 48,324	144,287	138,962	53,649

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Elementary PTO				
Assets:				
Cash and investments	\$ 11,726	18,908	17,577	13,057
Liabilities:				
Due to other groups	\$ 11,726	18,908	17,577	13,057
Athletic Boosters				
Assets:				
Cash and investments	\$ 37,527	-	37,527	-
Liabilities:				
Due to other groups	\$ 37,527	-	37,527	-
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 49,253	18,908	55,104	13,057
Liabilities:				
Due to other groups	\$ 49,253	18,908	55,104	13,057

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 2,877,065	2,650,766	2,538,449	2,443,103	2,379,679	2,143,288	2,141,503
Tuition	447,100	545,597	546,965	561,972	526,416	485,178	443,289
Other	259,686	245,939	329,610	278,346	285,685	265,047	234,952
Intermediate sources		-	-	5,452	-	-	200
State sources	2,499,592	2,963,461	2,809,270	2,688,842	2,547,656	2,288,938	2,229,048
Federal sources	482,502	305,778	180,233	207,714	183,599	173,991	186,798
Total	\$ 6,565,945	6,711,541	6,404,527	6,185,429	5,923,035	5,356,442	5,235,790
Expenditures:							
Instruction:							
Regular	\$ 2,501,574	2,520,111	2,416,930	2,300,584	2,208,883	2,120,822	2,198,706
Special	822,874	827,486	815,142	758,374	685,666	582,360	569,022
Other	847,814	660,833	668,865	631,210	640,069	625,012	554,342
Support services:							
Student	24,564	122,920	127,124	88,836	104,327	95,489	95,975
Instructional staff	86,031	151,081	126,335	133,911	101,528	102,614	102,622
Administration	734,156	746,935	713,292	738,744	673,115	668,083	546,735
Operation and maintenance of plant	421,410	456,051	507,610	457,669	423,678	378,193	368,170
Transportation	240,624	317,688	272,761	356,428	338,645	237,125	269,558
Non-instructional:							
Food service operations	-	-	-	-	-	62,516	49,007
Other expenditures:							
Facilities acquisitions	189,378	891,915	150,988	606,302	73,268	60,950	-
Long term debt:							
Principal	379,649	368,524	393,267	240,930	225,199	224,852	185,000
Interest and fiscal charges	177,301	128,875	150,788	132,420	151,514	173,963	182,187
AEA flow-through	213,346	200,335	190,469	180,677	166,328	157,060	160,044
Total	\$ 6,638,721	7,392,754	6,533,571	6,626,085	5,792,220	5,489,039	5,281,368

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 24,457
National School Lunch Program	10.555	FY10	98,017 *
			<u>122,474</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	68,503
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY09	7,571
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	15,142
			<u>91,216</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	5,582
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	1,634
Improving Teacher Quality State Grants	84.367	FY10	21,488
Grants for State Assessments and Related Activities	84.369	FY10	3,276
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY10	240,800
Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	27,887
Special Education Grants to States, Recovery Act	84.391	FY09	15,251
Special Education Grants to States, Recovery Act	84.391	FY10	31,617
			<u>74,755</u>
U.S. Department of Health and Human Services - Centers for Disease Control and Prevention:			
Iowa Department of Health and Human Services:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY10	650
Total			<u>\$ 561,875</u>

* -Includes \$10,808 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of WACO Community School District and is presented on 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.



WACO
COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

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

To the Board of Education of
WACO Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WACO Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of WACO Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of WACO Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WACO Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

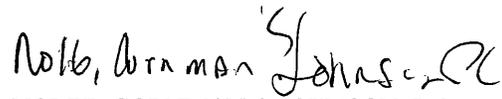
express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of WACO Community School District and other parties to whom WACO Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2011

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
WACO Community School District:

Compliance

We have audited the compliance of WACO 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, 2010. WACO 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 WACO Community School District's management. Our responsibility is to express an opinion on WACO Community School District's compliance based on our audit.

We conducted our audit on compliance in accordance with U.S. generally accepted accounting 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 WACO 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 WACO Community School District's compliance with those requirements.

In our opinion, WACO 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, 2010.

Internal Control Over Compliance

The management of WACO 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 WACO 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 WACO 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of WACO Community School District and other parties to whom WACO Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 18, 2011

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major Programs were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program.
 - CFDA Number 10.555 - National School Lunch Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) WACO Community School District did not qualify as a low-risk auditee.

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will continue to review our procedures and work to find different/better ways to maximize our internal control procedures given the limited number of office employees.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2010
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will continue to review our procedures and work to find different/better ways to maximize our internal control procedures given the limited number of office employees.

Conclusion - Response accepted.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-10 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-10 Business Transactions - Business transactions between the District and District officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Massey, Custodian Owner of Mike's Service Stop	Supplies and Services	\$512
JoEllen Jepson, Board President Husband owns Sticks on Stilts	Services	\$80

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

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

- IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-10 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 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-J-10 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-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	-
Statewide sales, services and use tax revenue			290,182
Expenditures/transfers out:			
School Infrastructure			
Buildings	\$	62,712	
Equipment		42,477	
Debt service for school infrastructure			
Revenue debt		159,166	
Lease debt		25,827	
			<u>290,182</u>
Ending Balance		\$	<u>-</u>

As a result of the statewide sales, services and use tax received during the year ended June 30, 2010, the district reduced the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 1.34000	\$ 168,193

IV-M-10 Deficit Balances - At June 30, 2010, the District had a deficit unreserved fund balance in the General Fund of \$196,413. The District also had deficit unrestricted net assets in governmental activities of \$504,828.

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

Response - We will continue to monitor these funds and look for ways to eliminate the deficits.

Conclusion - Response accepted.

IV-N-10 Checks Outstanding - We noted during our audit that the District had checks included in the General Fund bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should submit the outstanding checks to the State Treasurer as unclaimed property.

Response - We will look to resolve the issue with the outstanding checks. We will submit appropriate checks to the State Treasurer as unclaimed property.

Conclusion - Response accepted.