

WAPELLO 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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Wapello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 election)</b>		
Rod Fisher	President	2011
Larry Moser	Vice President	2011
Matt Gish	Board Member	2009
Charles Kerr	Board Member	2009
Rob Pritchard	Board Member	2011

<b>Board of Education (After September 2009 election)</b>		
Charles Kerr	President	2013
Larry Moser	Vice President	2011
Steve Dickey	Board Member (appointed)	2011
Duane Boysen	Board Member	2013
Rob Pritchard	Board Member	2011
Rod Fisher	Board Member (resigned)	2011

<b>School Officials</b>		
John M. Weidner, Sr.	Superintendent	2010
Eric Small	District Secretary	2010
Janell Heater	District Treasurer	2010
Roger Huddle	District Attorney	2010
Brian Gruhn	District Attorney	2010

WAPELLO 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 the  
Wapello Community School District:

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

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

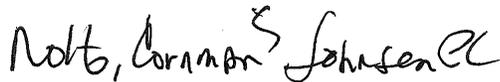
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District at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

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2011 on our consideration of the Wapello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Wapello Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ending June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 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 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 9, 2011

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

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Wapello Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$7,336,789 in fiscal 2009 to \$7,062,053 in fiscal 2010, while General Fund expenditures increased from \$6,916,324 in fiscal 2009 to \$7,467,522 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$755,591 in fiscal 2009 to a balance of \$350,122 in fiscal 2010, a 53.66% decrease from the prior year.
- The decrease in General Fund revenues was mainly attributable to decreases in state source revenues. The increase in expenditures was a result of an increase in expenditures in the instruction function as compared to the previous year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased as compared to fiscal 2009. At June 30, 2009 the District's solvency ratio was 9.37% as compared to 3.40% at June 30, 2010. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

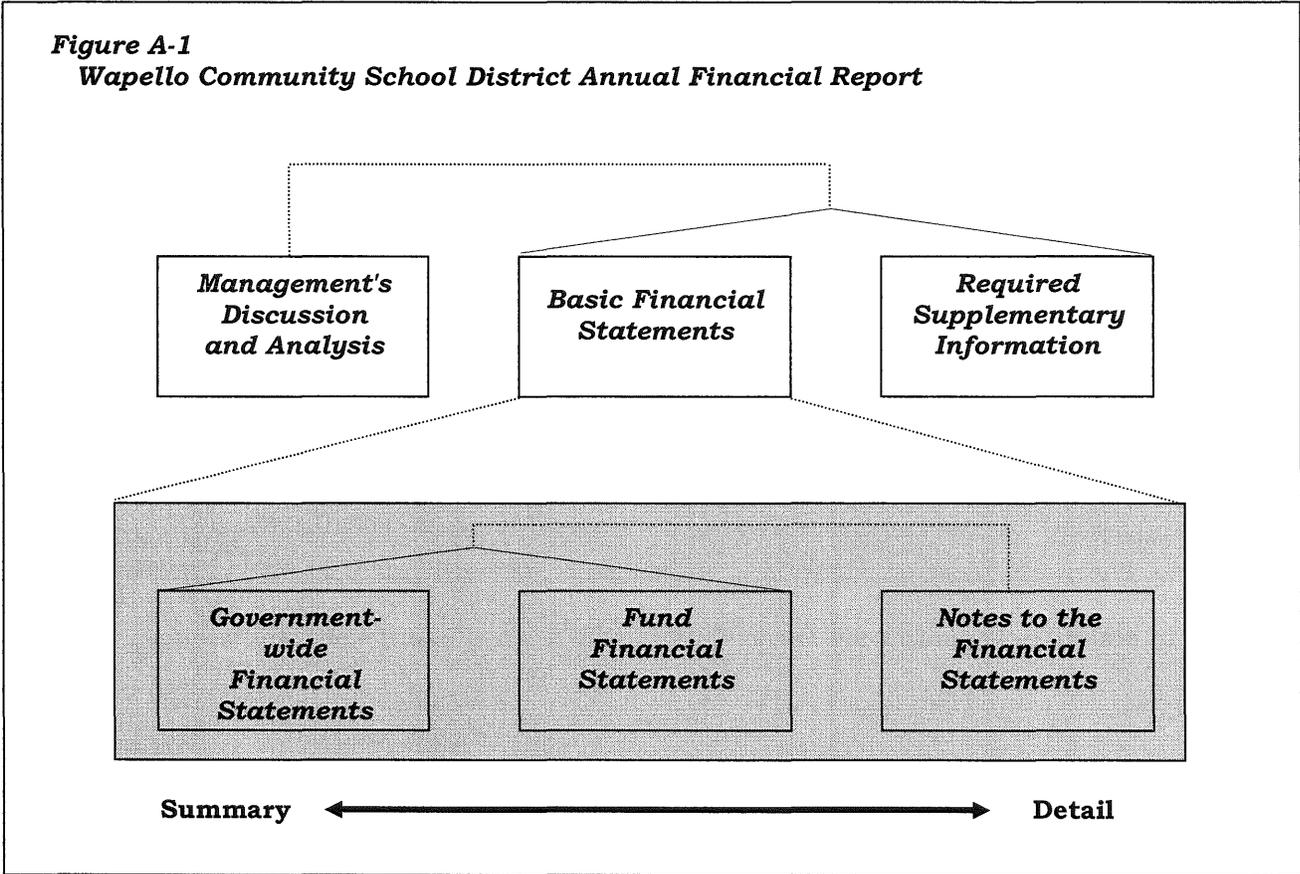


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 6,266,249	5,657,466	25,807	24,924	6,292,056	5,682,390	10.73%
Capital assets	4,166,303	3,924,641	37,799	41,230	4,204,102	3,965,871	6.01%
Total assets	10,432,552	9,582,107	63,606	66,154	10,496,158	9,648,261	8.79%
Long-term obligations	1,698,871	586,295	564	0	1,699,435	586,295	189.86%
Other liabilities	3,600,329	3,828,719	7,961	36,957	3,608,290	3,865,676	-6.66%
Total liabilities	5,299,200	4,415,014	8,525	36,957	5,307,725	4,451,971	19.22%
Net assets:							
Invested in capital assets, net of related debt	2,531,622	3,338,346	37,799	41,230	2,569,421	3,379,576	-23.97%
Restricted	2,201,708	920,216	0	0	2,201,708	920,216	139.26%
Unrestricted	400,022	908,531	17,282	(12,033)	417,304	896,498	-53.45%
Total net assets	\$ 5,133,352	5,167,093	55,081	29,197	5,188,433	5,196,290	-0.15%

The District's combined net assets decreased by 0.15%, or \$7,857, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,281,492, or 139.26% over the prior year. The increase was primarily a result of the increase in the Capital Projects fund balance due to the issuance of revenue bonds.

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 \$479,194, or 53.45%. The decrease in unrestricted net assets is mainly attributable to the decrease in fund balance for the General Fund.

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

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 337,417	259,334	125,477	127,563	462,894	386,897	19.64%
Operating grants and contributions and restricted interest	1,606,672	1,289,365	297,214	277,898	1,903,886	1,567,263	21.48%
Capital grants and contributions and restricted interest	260	260	0	0	260	260	0.00%
General revenues:							
Property tax	2,827,298	2,729,139	0	0	2,827,298	2,729,139	3.60%
Income surtax	192,317	236,920	0	0	192,317	236,920	-18.83%
Statewide sales, services and use tax	458,855	474,800	0	0	458,855	474,800	-3.36%
Unrestricted state grants	2,783,853	3,515,993	0	0	2,783,853	3,515,993	-20.82%
Unrestricted investment earnings	21,220	37,286	0	0	21,220	37,286	-43.09%
Other general revenue	79,390	52,251	0	0	79,390	52,251	51.94%
Transfers	(27,730)	0	27,730	0	0	0	0.00%
Total revenues, net transfers	8,279,552	8,595,348	450,421	405,461	8,729,973	9,000,809	-3.01%
Program expenses:							
Governmental activities:							
Instructional	5,852,288	5,593,328	65,362	54,188	5,917,650	5,647,516	4.78%
Support services	1,819,368	1,754,910	0	0	1,819,368	1,754,910	3.67%
Non-instructional programs	0	0	359,175	359,958	359,175	359,958	-0.22%
Other expenses	641,637	703,136	0	0	641,637	703,136	-8.75%
Total expenses	8,313,293	8,051,374	424,537	414,146	8,737,830	8,465,520	3.22%
Changes in net assets	(33,741)	543,974	25,884	(8,685)	(7,857)	535,289	101.47%
Beginning net assets	5,167,093	4,623,119	29,197	37,882	5,196,290	4,661,001	11.48%
Ending net assets	\$ 5,133,352	5,167,093	55,081	29,197	5,188,433	5,196,290	-0.15%

In fiscal 2010, property tax and unrestricted state grants account for 67.77% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 93.84% of the revenue from business type activities.

The District's total revenues and transfers were approximately \$8.73 million of which \$8.28 million was for governmental activities and approximately \$0.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.01% decrease in revenues and a 3.22% increase in expenses. Property tax increased \$98,159 to fund increases in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

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## Governmental Activities

Revenues for governmental activities were \$8,279,552 and expenses were \$8,313,293 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	\$ 5,852,288	5,593,328	4.63%	4,219,958	4,335,872	-2.67%
Support services	1,819,368	1,754,910	3.67%	1,819,368	1,754,910	3.67%
Other expenses	641,637	703,136	-8.75%	329,618	411,633	-19.92%
Totals	<u>\$ 8,313,293</u>	<u>8,051,374</u>	<u>3.25%</u>	<u>6,368,944</u>	<u>6,502,415</u>	<u>-2.05%</u>

- The cost financed by users of the District's programs was \$337,417.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,606,932.
- The net cost of governmental activities was financed with \$2,827,298 in property tax, \$192,317 in income surtax, \$458,855 in statewide sales, services and use tax, \$2,783,853 in unrestricted state grants, \$21,220 in interest income and \$79,390 in other general revenue.

## Business type Activities

Revenues of the District's business type activities were \$450,421 and expenses were \$424,537. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,441,567, above last year's ending fund balances of a \$1,607,673. This primarily resulted from the increase in fund balance for the Capital Projects Fund due to the issuance of \$1,100,000 in revenue bonds.

## Governmental Fund Highlights

- The District's decrease in General Fund financial position from \$755,591 to \$350,122 is the product of many factors. The decrease in General Fund revenues coupled with the increase in fund expenditures as compared to fiscal 2009 resulted in the decrease of \$405,469.
- The Capital Projects Fund balance increased from \$305,233 in fiscal 2009 to \$1,441,323 in fiscal 2010. The significant increase was the result of the issuance of the above mentioned revenue bonds.

## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$54,301 at June 30, 2009 to \$64,181 at June 30, 2010, representing an increase of 18.19%. The Day Care Fund net assets increased from a deficit \$25,104 at June 30, 2009 to a deficit \$9,100 at June 30, 2010, representing an increase of 63.75%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$671,994 less than budgeted revenues, a variance of 7.15%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$4.20 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$287,260.

The original cost of the District's capital assets was \$8,445,992. Governmental funds account for \$8,355,027 with the remainder of \$90,965 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2009, compared to \$187,061 reported at June 30, 2010. This increase resulted from the work on the science lab renovation being started.

Figure A-6

	Capital Assets, Net of Depreciation							
	Governmental		Business type		Total		Total	
	Activities		Activities		School District		Change	
	June 30,		June 30,		June 30,		June 30,	
	2010	2009	2010	2009	2010	2009	2009-10	
Land	\$ 35,000	35,000	0	0	35,000	35,000	0.00%	
Construction in progress	187,061	0	0	0	187,061	0	100.00%	
Buildings	3,259,462	3,179,418	0	0	3,259,462	3,179,418	2.52%	
Land improvements	389,316	334,099	0	0	389,316	334,099	16.53%	
Machinery and equipment	295,464	376,124	37,799	41,230	333,263	417,354	-20.15%	
Total	\$ 4,166,303	3,924,641	37,799	41,230	4,204,102	3,965,871	6.01%	

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## Long-Term Debt

At June 30, 2010, the District had \$1,698,871 in general obligation bond and other long-term debt outstanding. This represents an increase of 189.76% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$175,000 at June 30, 2010.

The District had total outstanding Loans payable from the General and Special Revenue, Physical Plant and Equipment Levy Fund of \$68,612 at June 30, 2010.

The District had total outstanding Computer Lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$88,437 at June 30, 2010.

The District had total outstanding Copier Lease payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$25,969 at June 30, 2010.

The District had total outstanding Revenue Bonds payable of \$1,100,000 at June 30, 2010.

The District had total outstanding Computer Lease payable from the Capital Projects Fund of \$176,662 at June 30, 2010.

The District had net OPEB liability payable of \$46,268 at June 30, 2010.

The District had compensated absences of \$17,923 of June 30, 2010.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General Obligation Bonds	\$ 175,000	335,000	-47.76%
Loans	68,612	84,322	-18.63%
Computer Lease	88,437	131,929	-32.97%
Copier Lease	25,969	35,044	-25.90%
Revenue Bonds	1,100,000	0	100.00%
Compensated Absences	17,923	0	100.00%
Net OPEB Liability	46,268	0	100.00%
Computer Lease	176,662	0	100.00%
Totals	<u>\$ 1,698,871</u>	<u>586,295</u>	<u>189.76%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- With the 2010 ten percent across-the-board reduction, the district will continue to implement cost-saving measures and put together a plan for the remainder of the 2010/2011 year. The

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Board of Education will determine what cost saving measures we will implement and how much we can spend from our reserves.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Eric Small, District Secretary, Wapello Community School District, 445 North Cedar Street, Wapello, Iowa, 52653.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments:			
Other	\$ 2,656,662	5,735	2,662,397
Receivables:			
Property tax:			
Delinquent	35,100	0	35,100
Succeeding year	2,830,786	0	2,830,786
Income surtax	236,533	0	236,533
Accounts	1,788	3,410	5,198
Due from other governments	505,380	0	505,380
Inventories	0	16,662	16,662
Capital assets, net of accumulated depreciation	4,166,303	37,799	4,204,102
<b>TOTAL ASSETS</b>	<b>10,432,552</b>	<b>63,606</b>	<b>10,496,158</b>
<b>LIABILITIES</b>			
Accounts payable	207,495	209	207,704
Salaries and benefits payable	378,335	7,061	385,396
Accrued interest payable	12,180	0	12,180
Deferred revenue:			
Succeeding year property tax	2,830,786	0	2,830,786
Other	171,533	0	171,533
Unearned revenue	0	691	691
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	175,000	0	175,000
Loans payable	16,161	0	16,161
Computer lease payable	43,974	0	43,974
Copier lease payable	10,241	0	10,241
Compensated Absences payable	17,923	0	17,923
Computer lease payable	57,783	0	57,783
Portion due after one year:			
Revenue bonds payable	1,100,000	0	1,100,000
Loans payable	52,451	0	52,451
Computer lease payable	44,463	0	44,463
Copier lease payable	15,728	0	15,728
Computer lease payable	118,879	0	118,879
Net OPEB liability	46,268	564	46,832
<b>TOTAL LIABILITIES</b>	<b>5,299,200</b>	<b>8,525</b>	<b>5,307,725</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,531,623	37,799	2,569,422
Restricted for:			
Debt service	76,947	0	76,947
Categorical funding	110,263	0	110,263
Capital projects	1,441,323	0	1,441,323
Management levy	185,754	0	185,754
Physical plant and equipment levy	254,180	0	254,180
Other special revenue purposes	133,241	0	133,241
Unrestricted	400,021	17,282	417,303
<b>TOTAL NET ASSETS</b>	<b>\$ 5,133,352</b>	<b>55,081</b>	<b>5,188,433</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
			Interest	Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,618,931	201,050	1,047,095	0	(2,370,786)	0	(2,370,786)
Special	1,086,232	26,800	69,662	0	(989,770)	0	(989,770)
Other	1,147,125	109,567	178,156	0	(859,402)	0	(859,402)
	<u>5,852,288</u>	<u>337,417</u>	<u>1,294,913</u>	<u>0</u>	<u>(4,219,958)</u>	<u>0</u>	<u>(4,219,958)</u>
Support services:							
Student	125,552	0	0	0	(125,552)	0	(125,552)
Instructional staff	73,466	0	0	0	(73,466)	0	(73,466)
Administration	676,179	0	0	0	(676,179)	0	(676,179)
Operation and maintenance of plant	592,014	0	0	0	(592,014)	0	(592,014)
Transportation	352,157	0	0	0	(352,157)	0	(352,157)
	<u>1,819,368</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,819,368)</u>	<u>0</u>	<u>(1,819,368)</u>
Other expenditures:							
Facilities acquisitions	126,499	0	0	260	(126,239)	0	(126,239)
Long-term debt interest	38,252	0	0	0	(38,252)	0	(38,252)
AEA flowthrough	311,759	0	311,759	0	0	0	0
Depreciation (unallocated)*	165,127	0	0	0	(165,127)	0	(165,127)
	<u>641,637</u>	<u>0</u>	<u>311,759</u>	<u>260</u>	<u>(329,618)</u>	<u>0</u>	<u>(329,618)</u>
Total governmental activities	8,313,293	337,417	1,606,672	260	(6,368,944)	0	(6,368,944)
Business Type activities:							
Instruction:							
Regular:							
Day care services	65,362	0	0	0	0	(65,362)	(65,362)
Non-instructional programs:							
Nutrition services	356,434	116,297	250,017	0	0	9,880	9,880
Day care services	2,741	9,180	47,197	0	0	53,636	53,636
	<u>359,175</u>	<u>125,477</u>	<u>297,214</u>	<u>0</u>	<u>0</u>	<u>63,516</u>	<u>63,516</u>
Total business type activities	424,537	125,477	297,214	0	0	(1,846)	(1,846)
Total	\$ 8,737,830	462,894	1,903,886	260	(6,368,944)	(1,846)	(6,370,790)
General Revenues and Transfers:							
<b>General Revenues:</b>							
Local tax for:							
General purposes				\$ 2,469,556	0		2,469,556
Capital outlay				180,101	0		180,101
Debt service				177,641	0		177,641
Income surtax				192,317	0		192,317
Statewide sales, services and use tax				458,855	0		458,855
Unrestricted state grants				2,783,853	0		2,783,853
Unrestricted investment earnings				21,220	0		21,220
Other general revenue				79,390	0		79,390
Transfers				(27,730)	27,730		0
Total general revenues and transfers				<u>6,335,203</u>	<u>27,730</u>		<u>6,362,933</u>
Changes in net assets				(33,741)	25,884		(7,857)
Net assets beginning of year				<u>5,167,093</u>	<u>29,197</u>		<u>5,196,290</u>
Net assets end of year				<u>\$ 5,133,352</u>	<u>55,081</u>		<u>5,188,433</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments:				
Other	\$ 862,895	1,143,946	649,821	2,656,662
Receivables:				
Property tax:				
Delinquent	29,309	0	5,791	35,100
Succeeding year	2,356,253	0	474,533	2,830,786
Income surtax	236,533	0	0	236,533
Accounts	1,788	0	0	1,788
Due from other governments	202,003	303,377	0	505,380
<b>TOTAL ASSETS</b>	<b>\$ 3,688,781</b>	<b>1,447,323</b>	<b>1,130,145</b>	<b>6,266,249</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 196,005	6,000	5,490	207,495
Salaries and benefits payable	378,335	0	0	378,335
Deferred revenue:				
Succeeding year property tax	2,356,253	0	474,533	2,830,786
Income surtax	236,533	0	0	236,533
Other	171,533	0	0	171,533
Total liabilities	3,338,659	6,000	480,023	3,824,682
Fund balances:				
Reserved for:				
Debt service	0	0	76,947	76,947
Categorical funding	110,263	0	0	110,263
Unreserved	239,859	1,441,323	573,175	2,254,357
Total fund balances	350,122	1,441,323	650,122	2,441,567
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,688,781</b>	<b>1,447,323</b>	<b>1,130,145</b>	<b>6,266,249</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 20)</b>	\$ 2,441,567
 <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.	4,166,303
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	236,533
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,180)
Long-term liabilities, including general obligation bonds, revenue bonds, loans payable, copier lease payable, compensated absences, and computer lease payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,698,871)</u>
<b>Net assets of governmental activities (page 18)</b>	<u><u>\$ 5,133,352</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 2,538,579	458,855	472,254	3,469,688
Tuition	209,779	0	0	209,779
Other	101,636	66	304,702	406,404
State sources	3,626,534	0	310	3,626,844
Federal sources	585,525	0	260	585,785
Total revenues	<u>7,062,053</u>	<u>458,921</u>	<u>777,526</u>	<u>8,298,500</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,487,467	0	52,673	3,540,140
Special	1,086,232	0	0	1,086,232
Other	869,009	0	278,116	1,147,125
	<u>5,442,708</u>	<u>0</u>	<u>330,789</u>	<u>5,773,497</u>
Support services:				
Student	121,468	0	2,391	123,859
Instructional staff	68,824	0	4,642	73,466
Administration	662,495	0	4,537	667,032
Operation and maintenance of plant	541,100	0	42,098	583,198
Transportation	291,438	0	14,315	305,753
	<u>1,685,325</u>	<u>0</u>	<u>67,983</u>	<u>1,753,308</u>
Other expenditures:				
Facilities acquisitions	0	593,493	20,455	613,948
Long-term debt:				
Principal	0	0	289,416	289,416
Interest and fiscal charges	0	6,000	26,749	32,749
AEA flowthrough	311,759	0	0	311,759
	<u>311,759</u>	<u>599,493</u>	<u>336,620</u>	<u>1,247,872</u>
Total expenditures	<u>7,439,792</u>	<u>599,493</u>	<u>735,392</u>	<u>8,774,677</u>
Excess(deficiency) of revenues over(under) expenditures	(377,739)	(140,572)	42,134	(476,177)
Other financing sources(uses):				
Issuance of Bonds	0	1,100,000	0	1,100,000
Transfer in	0	0	118,933	118,933
Transfer out	(27,730)	(61,139)	(57,794)	(146,663)
Proceeds from capital lease	0	237,801	0	237,801
Total other financing sources(uses)	<u>(27,730)</u>	<u>1,276,662</u>	<u>61,139</u>	<u>1,310,071</u>
Net change in fund balances	(405,469)	1,136,090	103,273	833,894
Fund balance beginning of year	755,591	305,233	546,849	1,607,673
Fund balance end of year	<u>\$ 350,122</u>	<u>1,441,323</u>	<u>650,122</u>	<u>2,441,567</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 22) \$ 833,894

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year, are as follows:

Expenditures for capital assets	\$ 521,676	
Depreciation expense	(280,014)	241,662

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments and issuances, are as follows:

Issued	(1,337,801)	
Repaid	289,416	(1,048,385)

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.

(5,503)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

8,782

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

Net OPEB obligation	(46,268)	
Compensated Absences	(17,923)	(64,191)

Changes in net assets of governmental activities (page 19) \$ (33,741)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities Enterprise Funds		
	School Nutrition	Day Care	Total
<b>ASSETS</b>			
Current assets:			
Cash and pooled investments	\$ 7,774	0	7,774
Accounts receivable	3,410	0	3,410
Inventories	16,662	0	16,662
Non-current assets:			
Capital assets, net of accumulated depreciation	37,799	0	37,799
<b>TOTAL ASSETS</b>	<b>65,645</b>	<b>0</b>	<b>65,645</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	2,039	2,039
Accounts payable	209	0	209
Salaries and benefits payable	0	7,061	7,061
Unearned revenue	691	0	691
Net OPEB Liability	564	0	564
<b>TOTAL LIABILITIES</b>	<b>1,464</b>	<b>9,100</b>	<b>10,564</b>
<b>NET ASSETS</b>			
Invested in capital assets	37,799	0	37,799
Unrestricted	26,382	(9,100)	17,282
<b>TOTAL NET ASSETS</b>	<b>\$ 64,181</b>	<b>(9,100)</b>	<b>55,081</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities Enterprise Funds		
	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 116,297	9,180	125,477
OPERATING EXPENSES:			
Instruction:			
Regular instruction:			
Salaries	0	50,817	50,817
Benefits	0	14,545	14,545
	0	65,362	65,362
Non-instructional programs:			
Salaries	162,338	400	162,738
Benefits	23,723	347	24,070
Services	1,269	376	1,645
Supplies	161,858	1,618	163,476
Depreciation	7,246	0	7,246
	356,434	2,741	359,175
TOTAL OPERATING EXPENSES	356,434	68,103	424,537
OPERATING LOSS	(240,137)	(58,923)	(299,060)
NON-OPERATING REVENUES:			
State sources	3,770	47,197	50,967
Federal sources	246,247	0	246,247
Transfer from General Fund	0	27,730	27,730
TOTAL NON-OPERATING REVENUES	250,017	74,927	324,944
Changes in net assets	9,880	16,004	25,884
Net assets beginning of year	54,301	(25,104)	29,197
Net assets end of year	\$ 64,181	(9,100)	55,081

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 110,986	0	110,986
Cash received from miscellaneous operating activities	0	9,180	9,180
Cash payments to employees for services	(185,497)	(62,668)	(248,165)
Cash payments to suppliers for goods or services	(138,000)	(1,994)	(139,994)
Net cash used in operating activities	(212,511)	(55,482)	(267,993)
Cash flows from non-capital financing activities:			
Transfer from General Fund	0	27,730	27,730
State grants received	3,770	53,048	56,818
Federal grants received	213,223	0	213,223
Net cash provided by non-capital financing activities	216,993	80,778	297,771
Cash flows from capital financing activities:			
Acquisitions of assets	(3,815)	0	(3,815)
Net increase in cash and cash equivalents	667	25,296	25,963
Cash and cash equivalents at beginning of year	7,107	(27,335)	(20,228)
Cash and cash equivalents at end of year	\$ 7,774	(2,039)	5,735
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (240,137)	(58,923)	(299,060)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	29,614	0	29,614
Depreciation	7,246	0	7,246
Increase in inventories	(4,696)	0	(4,696)
Increase in accounts payable	209	0	209
Increase in net OPEB liability	564	0	564
Increase in salaries and benefits payable	0	3,441	3,441
Decrease in unearned revenue	(5,311)	0	(5,311)
Net cash used in operating activities	\$ (212,511)	(55,482)	(267,993)

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

During the year ended June 30, 2010, the District received Federal commodities valued at \$29,614.

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2010

	Private Purpose Trust	
	Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 21,062	4,278
Accounts receivable	0	1,128
Total assets	<u>21,062</u>	<u>5,406</u>
LIABILITIES		
Due to other groups	<u>0</u>	<u>5,406</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 21,062</u>	<u>0</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Donations	6,020
FFA concessions	\$ 8,245
Interest income	210
Total additions	<u>14,475</u>
Deductions:	
Regular instruction:	
Scholarships awarded	4,000
FFA supplies	5,900
Total deletions	<u>9,900</u>
Change in net assets	4,575
Net assets beginning of year	<u>16,487</u>
Net assets end of year	<u>\$ 21,062</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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, 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	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

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

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

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

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

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

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 funds only if they have matured, for example, as a result of employee resignations or retirements. 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. During the year ended June 30, 2010, District expenditures in the other expenditures functions exceeded the budgeted amounts.

**(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 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 \$165,175 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Transfers**

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 12,838
Debt Service	Physical Plant and Equipment Levy	44,956
Debt Service	Capital Projects	61,139
Day Care	General	<u>27,730</u>
Total		<u>\$ 146,663</u>

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

The transfer from the Capital Project Fund to the Debt Service Fund was needed for principal and interest payments on the District's computer

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

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. 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 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 that 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%. No ISCAP activity in the General Fund was noted for the year ended June 30, 2010.

During the year ended June 30, 2010, the district paid \$15,152 of interest on 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	\$ 35,000	0	0	35,000
Construction in progress	0	187,061	0	187,061
Total capital assets not being depreciated	35,000	187,061	0	222,061
Capital assets being depreciated:				
Buildings	5,049,522	214,514	0	5,264,036
Land improvements	528,760	85,874	0	614,634
Machinery and equipment	2,220,069	34,227	0	2,254,296
Total capital assets being depreciated	7,798,351	334,615	0	8,132,966
Less accumulated depreciation for:				
Buildings	1,870,104	134,470	0	2,004,574
Land improvements	194,661	30,657	0	225,318
Machinery and equipment	1,843,945	114,887	0	1,958,832
Total accumulated depreciation	3,908,710	280,014	0	4,188,724
Total capital assets being depreciated, net	3,889,641	54,601	0	3,944,242
Governmental activities capital assets, net	\$ 3,924,641	241,662	0	4,166,303
Business type activities:				
Machinery and equipment	\$ 87,150	3,815	0	90,965
Less accumulated depreciation	45,920	7,246	0	53,166
Business type activities capital assets, net	\$ 41,230	(3,431)	0	37,799

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 36,821
Support services:		
Administration		5,762
Operation and maintenance of plant		7,994
Transportation		64,310
		<u>114,887</u>
Unallocated depreciation		165,127
		<u>280,014</u>
Total governmental activities depreciation expense		\$ 280,014
Business type activities:		
Food services		\$ 7,246
		<u>7,246</u>

**(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
General Obligation Bonds	\$ 335,000	0	160,000	175,000	175,000
Loans	84,322	0	15,710	68,612	16,161
Computer Lease	131,929	0	43,492	88,437	43,974
Copier Lease	35,044	0	9,075	25,969	10,241
Revenue Bonds	0	1,100,000	0	1,100,000	0
Compensated absences	0	17,923	0	17,923	17,923
Net OPEB Liability	0	46,268	0	46,268	0
Computer Lease	0	237,801	61,139	176,662	57,783
Total	<u>\$ 586,295</u>	<u>1,401,992</u>	<u>289,416</u>	<u>1,698,871</u>	<u>321,082</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of February 1, 1996			
	Interest Rates	Principal	Interest	Total
2011	5.40	175,000	9,450	184,450
Total		<u>\$ 175,000</u>	<u>9,450</u>	<u>184,450</u>

Revenue Bonds Payable

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

Year Ending June 30,	Revenue Bond of May 27, 2010			
	Interest Rates	Principal	Interest	Total
2011	5.750	0	0	0
2012	5.750	252,385	69,224	321,609
2013	5.750	266,898	48,738	315,636
2014	5.750	282,244	33,391	315,635
2015	5.750	298,473	17,162	315,635
Total		\$ 1,100,000	168,515	1,268,515

The District has pledged future statewide sales and services tax revenues to repay the \$1,100,000 bonds issued in May 2010 for the purpose of remodeling the science lab. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2015. 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 are expected to require nearly 100 percent of the statewide sales and services tax revenues. The total principal and interest remaining on the note is \$1,268,515. For the current year, no principal or interest was paid on the bonds and total statewide sales, service and use tax revenues were \$458,855.

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

- a) \$110,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a 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, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into the 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.

#### Loans Payable

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

Year		Loan of July 31, 2003		
Ending June 30,	Interest Rates	Principal	Interest	Total
2011	4.00	16,161	2,742	18,903
2012	4.00	16,807	2,096	18,903
2013	4.00	17,480	1,423	18,903
2014	4.00	18,164	739	18,903
Total		\$ 68,612	7,000	75,612

Computer Lease Payable

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

Year		Lease of July 15, 2008		
Ending June 30,	Interest Rates	Principal	Interest	Total
2011	1.110	43,974	982	44,956
2012	1.110	44,463	494	44,957
Total		\$ 88,437	1,476	89,913

Copier Lease Payable

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

Year		Lease of October 4, 2007		
Ending June 30,	Interest Rates	Principal	Interest	Total
2011	12.125	10,241	2,597	12,838
2012	12.125	11,556	1,282	12,838
2013	12.125	4,172	105	4,277
Total		\$ 25,969	3,984	29,953

Computer Lease Payable

On December 28, 2009, the District entered into a lease agreement with Apple for new computers. The lease is scheduled to be repaid as follows from the Capital Project Fund:

Year		Lease of December 28, 2009		
Ending June 30,	Interest Rates	Principal	Interest	Total
2011	1.900	57,783	3,356	61,139
2012	1.900	58,880	2,259	61,139
2013	1.900	59,999	1,140	61,139
Total		\$ 176,662	6,755	183,417

**(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 \$302,167, \$279,805, and \$260,941 respectively, equal to the required contributions for each year.

**(8) Other Post-employment Benefits (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 65 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (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 and unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 51,937
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	<u>51,937</u>
Contributions made	<u>(5,105)</u>
Increase in net OPEB obligation	<u>46,832</u>
Net OPEB obligation beginning of year	<u>0</u>

Net OPEB obligation end of year \$ 46,832

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 \$5,105 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% 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
6/30/2010	\$ 51,937	9.83%	\$ 46,832

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 \$359,314, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$359,314. The covered payroll (annual payroll of active employees covered by the plan) was \$3,891,531, and the ratio of the UAAL to covered payroll was 9.23%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$428.19 for single or \$1,169.79 for family under the \$500 deductible plan for retirees less than age 65 and \$1,851 per month for retirees who have attained 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**

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

**(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 \$311,759 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) Deficit Net Assets**

The Day Care Fund had deficit net assets of \$9,100 at June 30, 2010.

**(12) Construction Commitment**

The District has entered into a contract for the renovation of the science lab. As of June 30, 2010, costs of \$187,061 in architect fees had been incurred against the contracts. The total cost of the renovated science lab will be added to the District's fixed asset listing upon completion.

**(13) Categorical Funding**

The District's ending balances for state categorical funding by project as of the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Home school assistance program	\$ 30,339
LEP Weighting	2,458
Dropout and Dropout Prevention	30,158
Beginning teacher mentoring	915
Salary improvement program	18,104
Professional development, educator quality	666
Beginning administrator mentoring	750
Market factor	3,262
Model core curriculum	23,611
Total	<u>\$ 110,263</u>

**(14) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the budgeted amount.

WAPELLO COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 4,085,871	125,477	4,211,348	4,202,840	4,202,840	8,508
State sources	3,626,844	50,967	3,677,811	4,593,250	4,593,250	(915,439)
Federal sources	585,785	246,247	832,032	597,095	597,095	234,937
Total revenues	<u>8,298,500</u>	<u>422,691</u>	<u>8,721,191</u>	<u>9,393,185</u>	<u>9,393,185</u>	<u>(671,994)</u>
<b>Expenditures/Expenses:</b>						
Instruction	5,773,497	65,362	5,838,859	6,219,226	6,219,226	380,367
Support services	1,753,308	0	1,753,308	2,032,513	2,032,513	279,205
Non-instructional programs	0	359,175	359,175	384,561	384,561	25,386
Other expenditures	1,247,872	0	1,247,872	1,092,918	1,092,918	(154,954)
Total expenditures/expenses	<u>8,774,677</u>	<u>424,537</u>	<u>9,199,214</u>	<u>9,729,218</u>	<u>9,729,218</u>	<u>530,004</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(476,177)	(1,846)	(478,023)	(336,033)	(336,033)	(141,990)
Other financing sources, net	<u>1,310,071</u>	<u>27,730</u>	<u>1,337,801</u>	<u>0</u>	<u>0</u>	<u>1,337,801</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	833,894	25,884	859,778	(336,033)	(336,033)	1,195,811
Balance beginning of year	<u>1,607,673</u>	<u>29,197</u>	<u>1,636,870</u>	<u>1,112,644</u>	<u>1,112,644</u>	<u>524,226</u>
Balance end of year	<u>\$ 2,441,567</u>	<u>55,081</u>	<u>2,496,648</u>	<u>776,611</u>	<u>776,611</u>	<u>1,720,037</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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 the GAAP basis.

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

During the year ended June 30, 2010, District expenditures in the other expenditures functions exceeded the budgeted amounts.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2010

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	\$ 359,314	\$ 359,314	0.00%	\$ 3,891,531	9.23%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 184,324	133,241	257,475	575,040	74,781	649,821
Receivables:						
Property tax:						
Delinquent	1,430	0	2,195	3,625	2,166	5,791
Succeeding year	115,000	0	181,003	296,003	178,530	474,533
<b>TOTAL ASSETS</b>	<b>\$ 300,754</b>	<b>133,241</b>	<b>440,673</b>	<b>874,668</b>	<b>255,477</b>	<b>1,130,145</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 0	0	5,490	5,490	0	5,490
Deferred revenue:						
Succeeding year property tax	115,000	0	181,003	296,003	178,530	474,533
	115,000	0	186,493	301,493	178,530	480,023
Fund balances:						
Reserved for:						
Debt service	0	0	0	0	76,947	76,947
Unreserved:						
Undesignated	185,754	133,241	254,180	573,175	0	573,175
Total fund balances	185,754	133,241	254,180	573,175	76,947	650,122
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 300,754</b>	<b>133,241</b>	<b>440,673</b>	<b>874,668</b>	<b>255,477</b>	<b>1,130,145</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 114,512	0	180,101	294,613	177,641	472,254
Other	11,908	292,552	242	304,702	0	304,702
State sources	76	0	118	194	116	310
Federal sources	0	0	260	260	0	260
<b>TOTAL REVENUES</b>	<b>126,496</b>	<b>292,552</b>	<b>180,721</b>	<b>599,769</b>	<b>177,757</b>	<b>777,526</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular	15,564	0	37,109	52,673	0	52,673
Other	0	278,116	0	278,116	0	278,116
Support services:						
Student	2,391	0	0	2,391	0	2,391
Instructional staff	4,642	0	0	4,642	0	4,642
Administration	4,537	0	0	4,537	0	4,537
Operation and maintenance of plant	42,098	0	0	42,098	0	42,098
Transportation	14,315	0	0	14,315	0	14,315
Other expenditures:						
Facilities acquisition	0	0	20,455	20,455	0	20,455
Long-term debt:						
Principal	0	0	0	0	289,416	289,416
Interest and fiscal charges	0	0	0	0	26,749	26,749
<b>TOTAL EXPENDITURES</b>	<b>83,547</b>	<b>278,116</b>	<b>57,564</b>	<b>419,227</b>	<b>316,165</b>	<b>735,392</b>
<b>EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES</b>	<b>42,949</b>	<b>14,436</b>	<b>123,157</b>	<b>180,542</b>	<b>(138,408)</b>	<b>42,134</b>
<b>OTHER FINANCING SOURCES(USES):</b>						
Transfer in	0	0	0	0	118,933	118,933
Transfer out	0	0	(57,794)	(57,794)	0	(57,794)
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>0</b>	<b>0</b>	<b>(57,794)</b>	<b>(57,794)</b>	<b>118,933</b>	<b>61,139</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>42,949</b>	<b>14,436</b>	<b>65,363</b>	<b>122,748</b>	<b>(19,475)</b>	<b>103,273</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>142,805</b>	<b>118,805</b>	<b>188,817</b>	<b>450,427</b>	<b>96,422</b>	<b>546,849</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 185,754</b>	<b>133,241</b>	<b>254,180</b>	<b>573,175</b>	<b>76,947</b>	<b>650,122</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expend- itures	Intra- fund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2009	1,068	49	210	0	907
2010	1,677	514	1,244	0	947
2011	713	3,654	2,237	0	2,130
2012	901	0	105	0	796
2013	551	0	105	0	446
2014	0	20	19	0	1
	4,910	4,237	3,920	0	5,227
<u>Clubs and Organizations:</u>					
FFA	17,247	77,352	66,681	0	27,918
FFA Farmland Project	11,877	0	3,621	0	8,256
FFA Greenhouse	2,739	2,146	3,774	0	1,111
FFA Software	2,112	946	789	0	2,269
FCCLA	154	900	828	0	226
Cheerleading - Football/Basketball	2,026	2,185	4,599	0	(388)
Cheerleading - Wrestling	137	2,262	2,190	0	209
Key Club	265	225	344	0	146
Poms	1,181	4,586	4,171	0	1,596
FFA Health Machine	2,124	2,674	1,554	0	3,244
	39,862	93,276	88,551	0	44,587
<u>Athletics:</u>					
Athletics	5,807	6,295	10,618	0	1,484
Wrestling / Resale	1,008	806	2,165	351	0
Wrestling Gates	0	5,548	3,368	(351)	1,829
Boys Basketball / Resale	1,519	2,108	2,611	0	1,016
Boys Basketball Gates	3,496	7,643	6,230	0	4,909
Boys Basketball Fundraiser	910	302	1,129	0	83
Boys Basketball Youth	516	955	852	0	619
Girls Basketball / Resale	150	0	52	0	98
Girls Basketball Gates	5,801	6,586	3,913	0	8,474
Girls Basketball Fundraiser	2,366	1,962	924	0	3,404
Volleyball / Resale	2,900	4,416	4,177	(438)	2,701
Volleyball Gates	2,195	6,984	6,384	0	2,795
Volleyball Fundraiser	0	165	603	438	0
Cross Country	0	854	854	0	0
Baseball / Resale	731	6,265	6,627	0	369
Baseball Gates	(130)	4,333	4,571	368	0
Baseball Fundraiser	1,102	7,695	6,358	(368)	2,071
Softball / Resale	0	4,752	3,996	0	756
Softball Gates	1,642	8,478	7,696	0	2,424
Softball Fundraiser	1,277	3,771	3,267	0	1,781
Boys Track / Resale	814	60	789	0	85
Boys Track Gates	1,207	4,628	5,624	0	211
Boys Track Fundraiser	0	5,284	5,470	0	(186)
Girls Track / Resale	78	938	1,106	0	(90)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expend- tures and Interfund Transfers	Intra- fund Transfers	Balance End of Year
<u>Athletics (Continued):</u>					
Girls Track Gates	0	4,074	3,749	0	325
Girls Track Fundraiser	1,349	5,284	3,681	0	2,952
Football / Resale	0	490	237	(36)	217
Football Gates	0	13,847	12,460	(1,387)	0
Football Fundraiser	2,647	3,975	8,045	1,423	0
Golf / Resale	0	1,383	1,488	105	0
Golf Fundraiser	0	262	129	(105)	28
	<u>37,385</u>	<u>120,143</u>	<u>119,173</u>	<u>0</u>	<u>38,355</u>
<u>Academic Clubs:</u>					
Drama Trip	926	9,427	10,376	997	974
Drama and Speech	3,522	10,100	7,317	(997)	5,308
Vocal	5,369	1,057	1,636	0	4,790
Vocal Uniform	965	520	0	0	1,485
Vocal Trip	5,202	736	1	0	5,937
Vocal Fundraiser	0	1,947	1,700	0	247
Band	2,134	393	791	(52)	1,684
Band Uniforms	1,645	198	410	0	1,433
Instrument Repair	15	160	153	52	74
Yearbook - Odd	(17,130)	4,159	2,128	0	(15,099)
Student Senate	678	3,863	3,327	0	1,214
National Honor Society	184	425	645	0	(36)
Prom	0	2,177	1,013	0	1,164
	<u>3,510</u>	<u>35,162</u>	<u>29,497</u>	<u>0</u>	<u>9,175</u>
<u>Junior High</u>					
Junior High	0	9,745	7,066	0	2,679
Student Senate	145	1,047	941	0	251
Language Arts Fines	22	0	0	0	22
	<u>167</u>	<u>10,792</u>	<u>8,007</u>	<u>0</u>	<u>2,952</u>
<u>Elementary</u>					
Elementary	18,063	4,720	5,397	0	17,386
Elem Vocal Music	3,923	1,046	942	0	4,027
Elem Student Council	305	0	298	0	7
Character Counts Program	174	290	316	0	148
Elem Walks	8	0	0	0	8
Elem Ticket Store	354	1,926	1,455	0	825
	<u>22,827</u>	<u>7,982</u>	<u>8,408</u>	<u>0</u>	<u>22,401</u>
<u>Miscellaneous</u>					
Pop Machines	2,161	13,601	12,269	0	3,493
Sandpoint Fund	30	0	0	0	30
Bus Barn Pop	311	68	85	0	294
Student of the Month	303	184	464	0	23
Spanish Trip	58	5,802	5,845	0	15
Hometown Days	25	0	0	0	25
Pennies for Patients	0	204	204	0	0
Interest Checking	742	410	1,117	0	35
School Nurse Fund	6,514	691	576	0	6,629
	<u>10,144</u>	<u>20,960</u>	<u>20,560</u>	<u>0</u>	<u>10,544</u>
Total	<u>\$ 118,805</u>	<u>292,552</u>	<u>278,116</u>	<u>0</u>	<u>133,241</u>

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>ASSETS</b>				
Cash and pooled investments	\$ 6,681	1,520	3,923	4,278
Accounts Receivable	0	1,128	0	1,128
	<u>\$ 6,681</u>	<u>2,648</u>	<u>3,923</u>	<u>5,406</u>
<b>LIABILITIES</b>				
Due to other groups	\$ 6,681	2,648	3,923	5,406

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>							
Local sources:							
Local tax	\$ 3,469,688	3,440,859	3,192,897	3,358,514	3,046,344	2,873,859	2,424,992
Tuition	209,779	151,993	171,800	176,768	215,080	196,802	195,142
Other	406,404	383,733	453,729	442,145	422,413	424,466	333,130
State sources	3,626,844	4,347,592	4,219,007	4,098,662	3,834,209	3,446,281	3,158,613
Federal sources	585,785	269,075	222,304	204,199	221,391	193,239	210,696
<b>Total</b>	<b>\$ 8,298,500</b>	<b>8,593,252</b>	<b>8,259,737</b>	<b>8,280,288</b>	<b>7,739,437</b>	<b>7,134,647</b>	<b>6,322,573</b>
<b>Expenditures:</b>							
Current:							
Instruction:							
Regular	\$ 3,540,140	3,684,116	3,507,759	3,407,171	3,124,319	3,028,768	2,875,548
Special	1,086,232	879,598	906,180	870,521	958,535	999,754	863,058
Other	1,147,125	986,133	1,057,949	1,024,131	1,035,072	786,460	690,738
Support services:							
Student	123,859	104,190	117,735	127,343	117,265	105,746	98,238
Instructional staff	73,466	68,016	66,246	76,407	59,603	69,495	103,643
Administration	667,032	664,170	658,873	618,373	614,171	611,608	525,707
Operation and maintenance of plant	583,198	503,711	650,469	635,163	664,509	459,932	406,687
Transportation	305,753	394,984	359,840	345,497	317,789	368,999	314,209
Other expenditures:							
Facilities acquisitions	613,948	1,483,681	358,708	46,635	55,207	3,509	186,239
Long-term debt:							
Principal	289,416	222,691	218,886	159,102	153,158	204,865	129,462
Interest and fiscal charges	32,749	35,395	44,823	46,490	53,805	61,871	59,824
AEA flow-through	311,759	291,503	275,760	271,268	248,746	227,703	221,144
<b>Total</b>	<b>\$ 8,774,677</b>	<b>9,318,188</b>	<b>8,223,228</b>	<b>7,628,101</b>	<b>7,402,179</b>	<b>6,928,710</b>	<b>6,474,497</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	\$ 43,405
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	180,580 *
			<u>223,985</u>
TEAM NUTRITION GRANT	10.574	FY 10	<u>8,484</u>
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	<u>10,609</u>
ARRA - SCHOOL LUNCH EQUIPMENT GRANT	10.579	FY 10	<u>3,815</u>
U.S. DEPARTMENT OF DEFENSE:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
FLOOD CONTROL PROJECTS	12.106	FY 10	<u>260</u>
U.S. DEPARTMENT OF JUSTICE:			
IOWA DEPARTMENT OF JUSTICE:			
DRUG-FREE COMMUNITIES SUPPORT PROGRAM GRANTS	16.729	FY 10	<u>7,758</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PART A CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	132,086
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>1,138</u>
			<u>133,224</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	<u>7,021</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	<u>2,828</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	<u>34,062</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 09	<u>616</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>343,919</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	42,511
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	<u>12,940</u>
			<u>55,451</u>
TOTAL			<u>\$ 832,032</u>

\* - Includes \$29,614 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

(a professional corporation)

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapello Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 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 Wapello Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Wapello Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wapello Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Finding and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Finding and Questioned Costs as items II-B-10, and II-C-10, II-D-10 and II-E-10 to be significant deficiencies.

Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapello Community School District and other parties to whom Wapello Community School District may report, including federal awarding agencies and pass-through entities, 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 Wapello Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2011

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

**Certified Public Accountants**

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

To the Board of Education of  
Wapello Community School District

Compliance

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

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wapello 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 Wapello Community School District's compliance with those requirements.

In our opinion, Wapello 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 Wapello 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 Wapello 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 Wapello 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 the 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 Finding and Questionable Costs as item III-A-10 as a material weakness.

Wapello 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 Wapello Community School District's responses and, accordingly, we express no opinion on them.

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

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2011

WAPELLO 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) Significant deficiencies and a material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs were 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 did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund - Education State Grants, Recovery Act.
  - Clustered Programs:
    - CFDA Number 84.010 – Title I Grant to Local Educational Agencies
    - CFDA Number 84.389 – ARRA – Title I Grant to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Wapello Community School District did not qualify as a low-risk auditee.

WAPELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON- COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - The district realizes that this area is an aspect of internal control and continually looks at ways to improve this area. The district will review its control procedures to obtain the maximum internal control possible with the available resources.

Conclusion - Response accepted.

II-B-10 Receipting/Depositing Process - We noted during our audit that deposits made were extremely difficult to reconcile back to the receipts. The process of collection of money and issuance of the receipt, subsequently depositing the money and recording the receipt into the District accounting software appears to have weaknesses which do not allow for tracing of specific receipts. We noted that receipts are not handed out when money is collected in the Central Office. We also noted that the deposit slips did not contain a detail listing of the checks and cash included in the deposit.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipts numbers included on that deposit. The identification of the receipts to the deposit slip, aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are deposited.

Response - The district has changed our receipt process and is now issuing pre numbered receipts back to the various departments that deposit money. Once the deposit is counted and verified, the depositor receives a confirmation receipt from the Central Office detailing the deposit. Deposit tickets with the bank now also contain the receipt numbers that the deposit ticket encompasses.

Conclusion - Response accepted.

II-C-10 Timely Deposits - We noted during our audit that deposits for the Student Activity fund were not always deposited in a timely manner.

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

Response - The district has reviewed this area of concern and will concentrate on depositing funds to our bank in a more timely fashion.

Conclusion - Response accepted.

II-D-10 Employee Purchases From School Vendors - We noted during the audit that within the Enterprise, School Nutrition Fund there were checks from employees submitted to vendors for personal items included on invoices made to the school district.

Recommendation - The District should not allow employees to purchase items and subsequently pay through school vendors' payments; however, the vendors could set up an employee account for such purchases. When the District pays the vendor, the invoice needs to agree to the amount paid. Any instances of invoices differing from the amount to be paid must be documented and attached to the paid invoice as support for payment.

Response - The district has discontinued the practice of allowing employees to purchase from vendors.

Conclusion - Response accepted.

II-E-10 Activity Fund Invoices - We noted during our audit of the Student Activity Fund instances of vendors being paid from purchase orders without having the invoice as supporting documentation.

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

Response - The district has changed from an electronic purchase order back to a 4 part carbon purchase order and has stressed to all employees the importance of using purchase orders, or to gain additional supporting documentation in the event that a purchase order is not available.

Conclusion - Response accepted.

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

CFDA Number 84.010 – Title I Grant to Local Educational Agencies  
CFDA Number 84.389 – ARRA – Title I Grant to Local Educational Agencies, 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. We noted that the duties of two individuals include preparing checks and recording the transactions in the general ledger.

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

Response - The district realizes that this area is an aspect of internal control and continually looks at ways to improve this area. The district will review its control procedures to obtain the maximum internal control possible with the available resources.

Conclusion - Response accepted.

WAPELLO 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 disbursements for the year ended June 30, 2010 exceeded the amounts budgeted in the other expenditures program area.

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

Response - The district will watch these areas to determine whether an amendment is needed and will adopt any needed amendments as necessary before disbursements are allowed to exceed the budget.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements

**Checks Written to Alternative Vendors** - We noted during our audit that the District was invoiced for an athletic camp on William Penn University letterhead. However, the payment was made to the individual conducting the Sports Camp.

Recommendation - The District should write the check to the organization, rather than the individual. When invoices are received with a request to pay a different vendor, the invoices should be questioned and verified for authenticity.

Response - The district will only pay the vendor as invoiced. District staff will be more attentive and not issue payments to alternative vendors.

Conclusion - Response accepted.

**Clothing Purchased for Coaches** - We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing such as team jackets for coaches, to District employees in lieu of using public funds.

Response - All coaching staff and district sponsors have been made aware of this and have been instructed to purchase their own clothing. The district will also look at making this a board policy in the future.

Conclusion - Response accepted.

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 are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Vandenberg, Teacher Spouse of Susan Vandenberg	Supplies	\$3,434
Eric Small, Board Secretary Sister owns Stitches and Cream	Services	\$2,056

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

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 - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported on Line 2 as resident students was understated by 2.0 students.

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

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

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances in basic enrollment data 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 Financial Condition - The District had deficit net assets of \$9,100 in the Enterprise - Day Care Fund. We also noted during our audit five deficit account balances in the Special Revenue, Student Activity Fund totaling \$15,799.

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

Response - The district is making progress towards erasing these deficit balances and continues to work towards erasing these deficit balances permanently.

Conclusion - Response accepted.

IV-L-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-M-10 Statewide Sales, Services and Use Tax - We noted during our audit that the District entered into a lease-purchase agreement with Apple Computer Company for laptop computers, network set up, software and other related support/warranties for the District's One on One Initiative. The related debt obligation to this capital asset purchase has been recognized by the District as a Capital Projects capital-lease purchase. The first lease payment was due in fiscal 2010 and the District intends on paying the entire lease amount from the Capital Projects Fund. Per contents of the lease agreement, it appears not all of the items listed in the lease agreement would be allowable Capital Projects Fund expenditures.

Recommendation - According to the Uniform Administrative Procedures Manual, "Iowa school districts operate under Dillon's Rule which states that school corporations possess and can exercise the following powers and not others: Those granted in express words, those necessarily implied or necessarily incident to the powers expressly granted, and those absolutely essential to the declared objects and purposes of the school corporation -- not simply convenient or desired, but indispensable. School districts cannot do by indirect means anything they do not have direct authority to do, and laws granting powers to school districts shall be construed narrowly to limit district authority to the precise language of the authorizing statute. The mere absence of a prohibition against an action or activity in code does not give a school district authority to initiate that action or activity. Interpretation of school law and rules relating to the school laws may only be done by the Iowa Attorney General's Office and the Iowa Department of Education. These Opinions or Rules, once given, have the effect of law on school corporations."

According to the District's revenue purpose statement, statewide sales, services and use tax can be spent for PPEL type expenditures. According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used expressly for the purchase, lease or lease-purchase of a single unit of equipment or technology exceeding \$500 per unit. Additionally, Iowa Administrative Code 281-98.64(3) specifically identifies equipment maintenance as an inappropriate use of PPEL funds. Therefore, statewide sales, services and tax expenditures have the same restrictions outlined in the Code sections.

As school districts operate under Dillon's Rule, the purchase of the individual items for more than \$500 per unit would be allowable Capital Projects Fund expenditures. However, costs included in the lease-purchase agreement for items such as training, maintenance, warranties and software licensing do not appear to be allowable Capital Projects Fund expenditures as expressly stated in Chapter 298.3 of the Code of Iowa.

It would appear that \$21,561 of the lease is for expenditures unallowable from the Capital Projects Fund. It is our opinion that these costs are inappropriate Capital Projects/PPEL Fund expenditures and should be paid from the General Fund. A more detailed breakout of the questioned costs is as follows:

Warranties	\$	12,508
Software		9,053
		<u>21,561</u>

The District should contact the Iowa Department of Education for a Declaratory Ruling or the Iowa Attorney General's Office for an Attorney General's Opinion specific to the District's purchases made under the lease-purchase agreement.

Response - The District will contact the Iowa Department of Education for a Declaratory Ruling or the Iowa Attorney General's Office for an opinion specific to the district's purchases made under the lease agreement.

Conclusion - Response acknowledged.

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		\$	0
Statewide sales, services and use tax revenue			458,855
Expenditures/Transfers out:			
School infrastructure:			
Buildings	\$	61,139	
Other Improvements		355,693	
Debt Service for school infrastructure			
Revenue debt		6,000	422,832
Ending Balance		\$	<u>36,023</u>

As a result of the statewide sales, service and use tax revenue received during the year ended June 30, 2010 the District reduced in the following levy:

	<u>Per \$1000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical plant and equipment levy	<u>\$ 0.67000</u>	<u>\$ 121,272</u>

IV-N-10 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

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

Response - The district will obtain written authorization from each employee who desires to have their payroll check mailed.

Conclusion - Response accepted.

IV-O-10 PPEL Expenditures - We noted during our audit that the District had purchases from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund which do not appear to be in compliance with Chapter 298.3 of the Code of Iowa. The District purchased various items totaling \$17,056.56. These purchases are below the \$500 per unit of equipment restriction stated in 298.3 of the Code of Iowa.

Recommendation - The District should make a corrective transfer to reimburse the PPEL Fund and review their procedures to ensure that purchases made from these funds are in compliance with Chapter 298 of the Code of Iowa.

Response - The district will make a corrective transfer to reimburse the PPEL Fund and will review the procedures to ensure that purchases made are in compliance with Chapter 298 of the Iowa Code.

Conclusion - Response accepted.

IV-P-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. 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 1<sup>st</sup>.

Response - The district will address this issue and will determine which checks should be voided, reissued, or submitted to the State Treasurer as unclaimed property.

Conclusion - Response accepted.

IV-Q-10 Student Activity Fund - During our audit concerns arose about certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned items and recommendations are as follows:

**Commissions** - We noted that Lifetouch commissions were recorded in the Student Activity Fund.

Recommendation - The Student Activity fund contains Lifetouch picture commissions. The General Fund is the only allowable fund for commission revenue recognition. In the future, Lifetouch picture commissions should be receipted to the General Fund.

Response - The District will review procedures and make adjustments to comply with the recommendations.

Conclusion - Response accepted.

**Old and Inactive Accounts** - During our audit we noted inactive accounts within the Student Activity Fund.

Recommendation - The District should review the inactive accounts. Determination should be made as to whether the accounts should be closed or reallocated to other student accounts.

Response - Student Activity Accounts will be reviewed annually and inactive accounts will be closed or reallocated to other accounts within the Student Activity Fund

Conclusion - Response accepted.