

WASHINGTON 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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Washington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Eric Turner	President	2011
Heidi Vittetoe	Vice-President	2009
Cathy Rich	Board Member	2009
Patty Roe	Board Member	2009
Richard Bordwell	Board Member	2011
Stephanie Ellingson	Board Member	2011
Sid Ryan	Board Member (Resigned January 2009)	2011
Patrick Finney	Board Member (Appointed January 2009)	2009
Board of Education (After September 2009 Election)		
Eric Turner	President	2011
Heidi Vittetoe	Vice-President	2013
Sheryl Lewis	Board Member	2013
Patty Roe	Board Member	2013
Troy Suchan	Board Member	2013
Richard Bordwell	Board Member	2011
Stephanie Ellingson	Board Member	2011
School Officials		
David Sextro	Superintendent	2010
Jeff Dieleman	Business Manager/ District Secretary	2010
Brian Gruhn	Attorney	2010

Washington 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
Washington Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2011 on our consideration of Washington Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Washington Community School District's basic financial statements. We previously audited the financial statements for the three years ended June 30, 2009, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and an unqualified opinion was expressed on those financial statements. Another auditor previously audited the financial statements for the previous three years ended June 30, 2006, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,673,272 in fiscal 2009 to \$17,089,210 in fiscal 2010, while General Fund expenditures decreased from \$16,447,123 in fiscal 2009 to \$16,359,936 in fiscal 2010. This resulted in an increase in the District's General Fund balance from a deficit \$577,220 in fiscal 2009 to a balance of a positive \$152,054 in fiscal 2010, a 126.34% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and federal sources in fiscal 2010. The decrease in expenditures was made possible by efforts of the District to take measures to improve the ending General Fund balance.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased as compared to fiscal 2009. At June 30, 2009 the District's solvency ratio was -6.86% as compared to -5.69% at June 30, 2010. The State School Budget Review Committee recommends a solvency ratio of 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 Washington Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

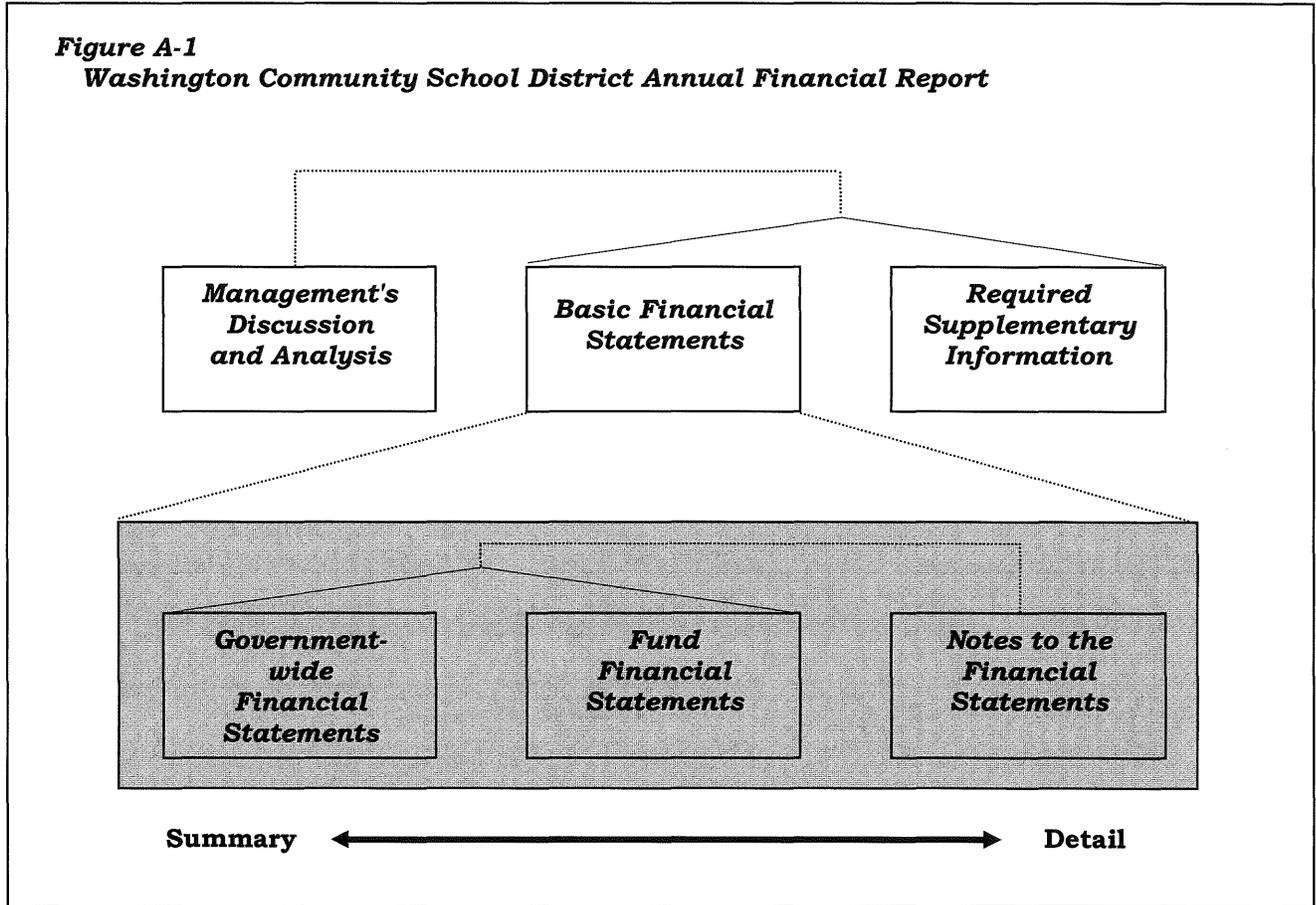


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 24,581,383	14,419,586	141,817	90,164	24,723,200	14,509,750	70.39%
Capital assets	8,499,440	7,615,364	276,778	285,395	8,776,218	7,900,759	11.08%
Total assets	33,080,823	22,034,950	418,595	375,559	33,499,418	22,410,509	49.48%
Long-term obligations	15,367,483	1,288,651	1,512	739	15,368,995	1,289,390	1091.96%
Other liabilities	8,602,123	12,573,011	57,405	64,179	8,659,528	12,637,190	-31.48%
Total liabilities	23,969,606	13,861,662	58,917	64,918	24,028,523	13,926,580	72.54%
Net assets:							
Invested in capital assets, net of related debt	7,723,103	6,615,364	276,778	285,395	7,999,881	6,900,759	15.93%
Restricted	2,273,181	2,206,705	0	0	2,273,181	2,206,705	3.01%
Unrestricted	(885,067)	(648,781)	82,900	25,246	(802,167)	(623,535)	-28.65%
Total net assets	\$ 9,111,217	8,173,288	359,678	310,641	9,470,895	8,483,929	11.63%

The District's combined net assets increased by 11.63%, or \$986,966, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 3.01%, or \$66,476, over the prior year. This increase is mainly attributable to the increase in fund balance of both the Management Levy Fund and the Student Activity Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$178,632, or 28.65%. This reduction in unrestricted net assets is due in part because of the District's net OPEB liability incurred during the year as a result of implementing GASB 45.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 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
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,228,871	1,085,506	338,561	308,388	1,567,432	1,393,894	12.45%
Operating grants and contributions and restricted interest	3,979,927	3,441,878	464,695	419,509	4,444,622	3,861,387	15.10%
Capital grants and contributions and restricted interest	100,000	0	0	0	100,000	0	100.00%
General revenues:							
Property tax	5,593,961	4,863,206	0	0	5,593,961	4,863,206	15.03%
Income surtax	728,145	660,137	0	0	728,145	660,137	10.30%
Statewide sales, services and use tax	1,046,678	1,080,002	0	0	1,046,678	1,080,002	-3.09%
Unrestricted state grants	6,807,676	7,603,149	0	0	6,807,676	7,603,149	-10.46%
Other	122,061	131,069	2,257	4,182	124,318	135,251	-8.08%
Transfers	0	(4,700)	0	4,700	0	0	0.00%
Total revenues and transfers	19,607,319	18,860,247	805,513	736,779	20,412,832	19,597,026	4.16%
Program expenses:							
Governmental activities:							
Instructional	11,884,424	11,582,653	0	0	11,884,424	11,582,653	2.61%
Support services	4,857,858	5,239,647	0	0	4,857,858	5,239,647	-7.29%
Non-instructional programs	0	0	756,476	759,488	756,476	759,488	-0.40%
Other expenses	1,927,108	1,111,414	0	0	1,927,108	1,111,414	73.39%
Total expenses	18,669,390	17,933,714	756,476	759,488	19,425,866	18,693,202	3.92%
Changes in net assets	937,929	926,533	49,037	(22,709)	986,966	903,824	9.20%
Beginning net assets	8,173,288	7,246,755	310,641	333,350	8,483,929	7,580,105	11.92%
Ending net assets	\$ 9,111,217	8,173,288	359,678	310,641	9,470,895	8,483,929	11.63%

In fiscal 2010, local tax (property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 72.30% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.72% of the revenue from business type activities.

The District's total revenues were approximately \$20.41 million of which approximately \$19.61 million was for governmental activities and approximately \$0.80 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.16% increase in revenues and a 3.92% increase in expenses. Property tax increased \$730,755 to fund increases in expenditures. The increase in expenditures can be attributed to increased construction costs associated with the construction of the new high school.

Governmental Activities

Revenues for governmental activities were \$19,607,319 and expenses were \$18,669,390.

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	\$ 11,884,424	11,582,653	2.61%	7,435,202	7,752,718	-4.10%
Support services	4,857,858	5,239,647	-7.29%	4,815,496	5,180,339	-7.04%
Other expenses	1,927,108	1,111,414	73.39%	1,109,894	473,273	134.51%
Totals	\$ 18,669,390	17,933,714	4.10%	13,360,592	13,406,330	-0.34%

- The cost financed by users of the District's programs was \$1,228,871.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,079,927.
- The net cost of governmental activities was financed with \$5,593,961 in property tax, \$728,145 in income surtax, \$1,046,678 in statewide sales, service and use tax, \$6,807,676 in state grants and \$80,810 in interest income and \$41,251 in other revenues.

Business type Activities

Revenues of the District's business type activity were \$805,513 and expenses were \$756,476. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$15,706,117, above last year's ending fund balances of \$1,246,767. The main reason for the increase in combined fund balances can be attributed to the revenue bond issuance of \$13,985,000 to fund the construction of a new high school.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and federal source revenues resulted in an increase in revenues. Conscious efforts by the District to decrease expenditures to return the General Fund to a positive ending fund balance were followed during the year. The increase in General Fund revenues coupled with the decrease in General Fund expenditures created the net result of an increase in fund balance from a deficit \$577,220 in fiscal 2009 to a positive \$152,054 in fiscal 2010.
- The Capital Projects fund balance overall increased from a balance of \$577,539 in fiscal 2009 to a balance of \$14,252,347 in fiscal 2010. The increase in fund balance for the Capital Projects Fund can be attributed to the issuance of \$13.985 million in revenue bonds to finance the construction of the new high school.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$310,641 at June 30, 2009 to \$359,678 at June 30, 2010, representing an increase of 15.79%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$1,292,895 less than budgeted revenues, a variance of 5.96%. The most significant dollar difference resulted from the District receiving less in state sources than originally anticipated.

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

During the year ended June 30, 2010, District expenditures in the other expenditures functional area exceeded the budgeted amount. Although the budget was exceeded in one functional area, the overall budgeted number was not exceeded.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$8,776,218, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 11.08% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$480,617.

The original cost of the District's capital assets was \$13,804,606. Governmental funds account for \$13,370,435 with the remainder of \$434,171 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2009 as compared to \$898,706 at June 30, 2010. The beginning of construction of the new high school led to the increase for construction in progress.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	2009-10
Land	\$ 710,542	552,557	0	0	710,542	552,557	28.59%
Construction in progress	898,706	0	0	0	898,706	0	100.00%
Buildings	5,939,382	6,168,261	0	0	5,939,382	6,168,261	-3.71%
Land improvements	133,194	107,492	0	0	133,194	107,492	23.91%
Machinery and equipment	817,616	787,054	276,778	285,395	1,094,394	1,072,449	2.05%
Total	\$ 8,499,440	7,615,364	276,778	285,395	8,776,218	7,900,759	11.08%

Long-Term Debt

At June 30, 2010, the District had \$15,368,995 in revenue bonds, QZAB bonds and other long-term debt. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Revenue Bonds	\$ 13,985,000	0	0	0	13,985,000	0	100.00%
QZAB Bonds	1,000,000	1,000,000	0	0	1,000,000	1,000,000	0.00%
Early Retirement	263,661	223,390	0	0	263,661	223,390	18.03%
Net OPEB Liability	118,822	65,261	1,512	739	120,334	66,000	100.00%
Total	\$ 15,367,483	1,288,651	1,512	739	15,368,995	1,289,390	1091.96%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District will need to stay abreast of political and economic data as a new governor takes office and the economy continues to waiver. Both of these factors will have an impact on future state aid payments, as well as statewide sales, services and use tax proceeds.
- IPERS implemented an employers' contribution increase to 6.95% on July 1, 2010. This will increase the Washington Community Schools employer benefit costs over the next year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeff Dieleman, Business Manager/District Secretary, Washington Community School District, P.O. Box 926, Washington, Iowa, 52353.

Washington Community School District

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 17,228,377	106,477	17,334,854
Receivables:			
Property tax:			
Delinquent	132,538	0	132,538
Succeeding year	6,071,040	0	6,071,040
Income surtax	623,378	0	623,378
Prepaid items	0	1,118	1,118
Due from other governments	526,050	15,845	541,895
Inventories	0	18,377	18,377
Capital assets, net of accumulated depreciation	8,499,440	276,778	8,776,218
TOTAL ASSETS	33,080,823	418,595	33,499,418
LIABILITIES			
Accounts payable	295,410	0	295,410
Retainage payable	214,626	0	214,626
Salaries and benefits payable	1,462,585	46,691	1,509,276
Accrued interest payable	350,235	0	350,235
Deferred revenue:			
Succeeding year property tax	6,071,040	0	6,071,040
Unearned revenue	0	10,714	10,714
Other	208,227	0	208,227
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	113,888	0	113,888
Portion due after one year:			
Revenue bonds payable	13,985,000	0	13,985,000
QZAB bonds payable	1,000,000	0	1,000,000
Early retirement payable	149,773	0	149,773
Net OPEB liability	118,822	1,512	120,334
TOTAL LIABILITIES	23,969,606	58,917	24,028,523
NET ASSETS			
Invested in capital assets, net of related debt	7,723,103	276,778	7,999,881
Restricted for:			
Debt service	773,477	0	773,477
Categorical funding	1,125,151	0	1,125,151
Physical plant and equipment levy	123,728	0	123,728
Capital projects	43,684	0	43,684
Other special revenue purposes	207,141	0	207,141
Unrestricted	(885,067)	82,900	(802,167)
TOTAL NET ASSETS	\$ 9,111,217	359,678	9,470,895

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges for Services		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Services	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,875,454	437,891	2,012,076	0	(4,425,487)	0	(4,425,487)
Special	2,473,846	71,766	391,867	0	(2,010,213)	0	(2,010,213)
Other	2,535,124	707,377	828,245	0	(999,502)	0	(999,502)
	11,884,424	1,217,034	3,232,188	0	(7,435,202)	0	(7,435,202)
Support services:							
Student	435,985	0	0	0	(435,985)	0	(435,985)
Instructional staff	618,645	0	0	0	(618,645)	0	(618,645)
Administration	1,864,325	0	30,525	0	(1,833,800)	0	(1,833,800)
Operation and maintenance							
of plant	1,264,316	0	0	0	(1,264,316)	0	(1,264,316)
Transportation	674,587	11,837	0	0	(662,750)	0	(662,750)
	4,857,858	11,837	30,525	0	(4,815,496)	0	(4,815,496)
Other expenditures:							
Facilities acquisitions	614,172	0	0	100,000	(514,172)	0	(514,172)
Long-term debt interest	350,735	0	0	0	(350,735)	0	(350,735)
AEA flowthrough	717,214	0	717,214	0	0	0	0
Depreciation (unallocated)*	244,987	0	0	0	(244,987)	0	(244,987)
	1,927,108	0	717,214	100,000	(1,109,894)	0	(1,109,894)
Total governmental activities	18,669,390	1,228,871	3,979,927	100,000	(13,360,592)	0	(13,360,592)
Business Type activities:							
Non-instructional programs:							
Nutrition services	756,476	338,561	464,695	0	0	46,780	46,780
Total	\$ 19,425,866	1,567,432	4,444,622	100,000	(13,360,592)	46,780	(13,313,812)
General Revenues:							
Property tax levied for:							
General purposes					\$ 5,135,413	0	5,135,413
Capital outlay					458,548	0	458,548
Income surtax					728,145	0	728,145
Statewide sales, services and use tax					1,046,678	0	1,046,678
Unrestricted state grants					6,807,676	0	6,807,676
Unrestricted investment earnings					80,810	901	81,711
Other					41,251	1,356	42,607
Total general revenues					14,298,521	2,257	14,300,778
Changes in net assets					937,929	49,037	986,966
Net assets beginning of year					8,173,288	310,641	8,483,929
Net assets end of year					\$ 9,111,217	359,678	9,470,895

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,549,747	14,394,924	1,283,706	17,228,377
Receivables:				
Property tax:				
Delinquent	114,528	0	18,010	132,538
Succeeding year	5,320,468	0	750,572	6,071,040
Income surtax	623,378	0	0	623,378
Due from other governments	326,097	199,953	0	526,050
TOTAL ASSETS	\$ 7,934,218	14,594,877	2,052,288	24,581,383
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 167,506	127,904	0	295,410
Retainage payable	0	214,626	0	214,626
Salaries and benefits payable	1,462,585	0	0	1,462,585
Deferred revenue:				
Succeeding year property tax	5,320,468	0	750,572	6,071,040
Income surtax	623,378	0	0	623,378
Other	208,227	0	0	208,227
Total liabilities	7,782,164	342,530	750,572	8,875,266
Fund balances:				
Reserved for:				
Debt service	0	0	773,477	773,477
Construction	0	14,208,663	0	14,208,663
Categorical funding	1,125,151	0	0	1,125,151
Unreserved	(973,097)	43,684	528,239	(401,174)
Total fund balances	152,054	14,252,347	1,301,716	15,706,117
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,934,218	14,594,877	2,052,288	24,581,383

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	15,706,117
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,499,440
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		623,378
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.		(350,235)
Long-term liabilities, including QZAB bonds payable, early retirement and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(15,367,483)</u>
Net assets of governmental activities (page 18)	\$	<u>9,111,217</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,540,553	1,046,678	757,983	7,345,214
Tuition	458,126	0	0	458,126
Other	312,429	49,449	539,868	901,746
State sources	8,915,991	0	561	8,916,552
Federal sources	1,862,111	0	100,000	1,962,111
Total revenues	<u>17,089,210</u>	<u>1,096,127</u>	<u>1,398,412</u>	<u>19,583,749</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,650,740	0	120,004	6,770,744
Special	2,468,311	0	0	2,468,311
Other	2,107,118	0	435,721	2,542,839
	<u>11,226,169</u>	<u>0</u>	<u>555,725</u>	<u>11,781,894</u>
Support services:				
Student	434,332	0	0	434,332
Instructional staff	602,734	0	0	602,734
Administration	1,571,500	53,847	37,152	1,662,499
Operation and maintenance of plant	1,194,879	0	107,771	1,302,650
Transportation	526,978	0	165,350	692,328
	<u>4,330,423</u>	<u>53,847</u>	<u>310,273</u>	<u>4,694,543</u>
Other expenditures:				
Facilities acquisitions	0	1,484,835	575,660	2,060,495
Long-term debt:				
Interest and fiscal charges	0	500	0	500
AEA flowthrough	717,214	0	0	717,214
	<u>717,214</u>	<u>1,485,335</u>	<u>575,660</u>	<u>2,778,209</u>
Total expenditures	<u>16,273,806</u>	<u>1,539,182</u>	<u>1,441,658</u>	<u>19,254,646</u>
Excess(Deficiency) of revenues over(under) expenditures	815,404	(443,055)	(43,246)	329,103
Other financing sources(uses):				
Transfer in	0	14,169,680	86,130	14,255,810
Transfer out	(86,130)	(14,169,680)	0	(14,255,810)
Revenue bond issuance	0	13,985,000	0	13,985,000
Premium on bond issuance	0	19,718	0	19,718
Accrued interest on bond issuance	0	33,356	0	33,356
Discount on bond issuance	0	(185,272)	0	(185,272)
Cost of bond issuance	0	(70,377)	0	(70,377)
Sale of property	0	335,438	12,384	347,822
Total other financing sources(uses)	<u>(86,130)</u>	<u>14,117,863</u>	<u>98,514</u>	<u>14,130,247</u>
Net change in fund balances	729,274	13,674,808	55,268	14,459,350
Fund balance beginning of year	(577,220)	577,539	1,246,448	1,246,767
Fund balance end of year	<u>\$ 152,054</u>	<u>14,252,347</u>	<u>1,301,716</u>	<u>15,706,117</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 22) \$ 14,459,350

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

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

Expenditures for capital assets	\$ 1,748,167	
Depreciation expense	(448,389)	
Loss on asset disposal	(415,702)	884,076

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. Current year issuances were the following:

Issued	(13,985,000)
--------	--------------

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

(350,235)

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

23,570

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

Early retirement	\$ (40,271)	
Other postemployment benefits	(53,561)	(93,832)

Changes in net assets of governmental activities (page 19)

\$ 937,929

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>School Nutrition</u>
ASSETS	
Current assets:	
Cash and pooled investments	\$ 106,477
Due from other governments	15,845
Inventories	18,377
Prepaid items	1,118
Total current assets	<u>141,817</u>
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	<u>276,778</u>
Total non-current assets	<u>276,778</u>
TOTAL ASSETS	<u>418,595</u>
LIABILITIES	
Current liabilities:	
Salaries and benefits payable	46,691
Unearned revenue	10,714
Total current liabilities	<u>57,405</u>
Long-term liabilities:	
Net OPEB liability	<u>1,512</u>
Total long-term liabilities	<u>1,512</u>
TOTAL LIABILITIES	<u>58,917</u>
NET ASSETS	
Invested in capital assets	276,778
Unrestricted	82,900
TOTAL NET ASSETS	<u>\$ 359,678</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 338,561
Miscellaneous	1,356
TOTAL OPERATING REVENUES	339,917
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	252,775
Benefits	52,175
Services	3,753
Supplies	415,545
Depreciation	32,228
TOTAL OPERATING EXPENSES	756,476
OPERATING LOSS	(416,559)
NON-OPERATING REVENUES:	
Interest	901
State sources	8,199
Federal sources	456,496
TOTAL NON-OPERATING REVENUES	465,596
Change in net assets	49,037
Net assets beginning of year	310,641
Net assets end of year	\$ 359,678

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 330,387
Cash received from miscellaneous operating activities	1,356
Cash payments to employees for services	(303,331)
Cash payments to suppliers for goods or services	(377,688)
Net cash used in operating activities	(349,276)
Cash flows from non-capital financing activities:	
State grants received	8,199
Federal grants received	399,648
Net cash provided by non-capital financing activities	407,847
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(23,611)
Cash flows from investing activities:	
Interest on investments	901
Net increase in cash and cash equivalents	35,861
Cash and cash equivalents at beginning of year	70,616
Cash and cash equivalents at end of year	\$ 106,477
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (416,559)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	54,745
Depreciation	32,228
Increase in inventories	(13,135)
Decrease in accounts receivable	564
Increase in salaries and benefits payable	846
Decrease in unearned revenue	(8,738)
Increase in other postemployment benefits	773
Net cash used in operating activities	\$ (349,276)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$54,745.

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2010

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 1,271,710
LIABILITIES	0
NET ASSETS	
Reserved for scholarships	\$ 1,271,710

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 45,532
Contributions	2,024
Total additions	<u>47,556</u>
Deductions:	
Support services:	
Administration:	43
Non-instructional programs:	
Scholarships awarded	29,825
Total deductions	<u>29,868</u>
Change in net assets	29,868
Net assets beginning of year	<u>1,241,842</u>
Net assets end of year	<u>\$ 1,271,710</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(1) Summary of Significant Accounting Policies

The Washington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District also operates or sponsors various adult education programs. The geographic area served primarily includes the City of Washington, Iowa, and the predominate agricultural territory of Washington and Jefferson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 years
Land improvements	15 years
Intangibles	2-5 years
Machinery and equipment	4-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been

recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, District expenditures in the other expenditures function exceeded the amount budgeted.

(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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$530,379 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 86,130
Capital Projects, High School Building	Statewide Sales, Services and Use Tax	14,169,680
Total		\$ 14,255,810

The transfer from the General Fund to the Debt Service Fund was needed to make the annual payment for the extinguishment of QZAB debt during fiscal 2013.

The transfer from the Statewide, Sales Services and Use Tax Fund to the Capital Projects, High School Building Fund was needed to move proceeds from the December 1, 2009 revenue bond issuance.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the 2009-10A warrants was 2.50% The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2009-10A	6/25/2009	6/23/2010	\$ 0	3,150,000	3,150,000	0

During the year ended June 30, 2010, the District paid \$108,696 of interest on the ISCAP warrants.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 552,557	557,985	400,000	710,542
Construction in progress	0	898,706	0	898,706
Total capital assets not being depreciated	<u>552,557</u>	<u>1,456,691</u>	<u>400,000</u>	<u>1,609,248</u>
Capital assets being depreciated:				
Buildings	8,035,925	0	7,208	8,028,717
Land improvements	896,588	43,432	0	940,020
Machinery and equipment	2,612,701	248,044	68,295	2,792,450
Total capital assets being depreciated	<u>11,545,214</u>	<u>291,476</u>	<u>75,503</u>	<u>11,761,187</u>
Less accumulated depreciation for:				
Buildings	1,867,664	227,257	5,586	2,089,335
Land improvements	789,096	17,730	0	806,826
Machinery and equipment	1,825,647	203,402	54,215	1,974,834
Total accumulated depreciation	<u>4,482,407</u>	<u>448,389</u>	<u>59,801</u>	<u>4,870,995</u>
Total capital assets being depreciated, net	<u>7,062,807</u>	<u>(156,913)</u>	<u>15,702</u>	<u>6,890,192</u>
Governmental activities capital assets, net	<u>\$ 7,615,364</u>	<u>1,299,778</u>	<u>415,702</u>	<u>8,499,440</u>
Business type activities:				
Machinery and equipment	\$ 410,560	23,611	0	434,171
Less accumulated depreciation	125,165	32,228	0	157,393
Business type activities capital assets, net	<u>\$ 285,395</u>	<u>(8,617)</u>	<u>0</u>	<u>276,778</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 6,897
Special		7,850
Other		794
Support services:		
Instructional services		13,367
Administration		5,689
Operation and maintenance		26,463
Transportation		142,342
		<u>203,402</u>
Unallocated depreciation		<u>244,987</u>
Total governmental activities depreciation expense		<u>\$ 448,389</u>
Business type activities:		
Food services		<u>\$ 32,228</u>

6) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 0	13,985,000	0	13,985,000	0
QZAB Bonds	1,000,000	0	0	1,000,000	0
Early Retirement	223,390	118,734	78,463	263,661	113,888
Net OPEB Liability	65,261	53,561	0	118,822	0
Total	\$ 1,288,651	14,157,295	78,463	15,367,483	113,888
Business Type Activities:					
Net OPEB Liability	\$ 739	773	0	1,512	0

Revenue Bonds

Details of the District's June 30, 2010, statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 2009			
	Interest Rates	Principal	Interest	Total
2011	-	% \$ 0	650,436	650,436
2012	3.00	355,000	595,078	950,078
2013	3.00	440,000	583,153	1,023,153
2014	3.00	460,000	569,653	1,029,653
2015	3.00	560,000	554,353	1,114,353
2016-2020	3.25-4.10	3,060,000	2,466,039	5,526,039
2021-2025	4.25-4.60	3,740,000	1,760,531	5,500,531
2026-2030	4.75-5.00	5,370,000	773,842	6,143,842
Total		\$ 13,985,000	7,953,085	21,938,085

The District has pledged future statewide sales, services and use tax revenues to repay the \$13,985,000 bonds issued December 1, 2009. The bonds were issued for the purpose of defraying a portion of the costs of school infrastructure within the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 62% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$21,938,085. For the current year there was no principal and interest payments due on the bonds and total statewide sales, services and use tax revenues were \$1,046,678.

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

- a) \$1,122,753 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) The District will make transfers from the statewide sales, services and use tax account and those proceeds shall be placed in a Revenue Account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Qualified Zone Academy Bonds (QZAB)

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

Early Retirement

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

The employee must notify the Board by March 1, 2009, to receive the early retirement benefit. For both certified and non-certified employees, the cash payout amount cannot exceed \$28,000 per employee.

During fiscal 2010, the District offered a voluntary early retirement plan to only licensed teachers that were over age fifty-five. The employee must have notified the Board by February 26, 2010 to receive the early retirement benefit. The amount of early retirement pay for teachers is equal to fifty-percent of the employees' fiscal year 2010 salary.

Early retirement benefits paid during the year ended June 30, 2010, totaled \$78,463. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(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 \$639,307, \$622,716 and \$593,309 respectively, equal to the required contributions for each year.

(8) **Other Postemployment Benefits (OPEB)**

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

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

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

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

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

Annual required contribution	\$ 79,000
Interest on net OPEB obligation	2,970
Adjustment of annual required contribution	(2,636)
Annual OPEB cost	<u>79,334</u>
Contributions made	<u>(25,000)</u>
Increase in net OPEB obligation	54,334
Net OPEB obligation - beginning of year	<u>66,000</u>
Net OPEB obligation - end of year	<u>\$ 120,334</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2010.

For fiscal year 2009, the District contributed \$25,000 to the medical plan. Plan members receiving benefits contributed \$44,000, or 64% of the premium costs.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 79,334	31.51%	\$ 120,334

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$0.676 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.676 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.788 million, and the ratio of the UAAL to the covered payroll was 6.9%. As of June 30, 2010, there were no trust fund assets.

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

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

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

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

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

(9) Risk Management

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

(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 \$717,214 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Homeschool assistance program	\$ 21,446
Limited english proficiency weighting	25,177
Talented and gifted	158,527
Modified allowable growth for retuning dropouts and dropout prevention	434,303
Beginning teacher mentoring	11,936
Teacher salary supplement	80,233
Market factor	6,370
Beginning administrator mentoring	366
Early intervention	71,415
Four-year-old preschool	114,654
Model core curriculum	58,166
Professional development	129,801
Market factor incentives	12,757
Total	<u>\$ 1,125,151</u>

(12) Deficit Fund Balance

At the year ended June 30, 2010, the District had a deficit unreserved fund balance of \$973,097 in the General Fund and deficit net assets in the governmental activities of \$885,067.

(13) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2010, the District exceeded its budgeted amount in the other expenditures function.

(14) Construction Commitments

The District has entered into various contracts for the construction of a new high school building. As of June 30, 2010, costs of \$1,328,947 had been incurred against the contracts. The balance remaining at June 30, 2010 will be paid as work on the projects progresses.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,705,086	340,818	9,045,904	9,091,040	9,091,040	(45,136)
State sources	8,916,552	8,199	8,924,751	10,996,117	10,996,117	(2,071,366)
Federal sources	1,962,111	456,496	2,418,607	1,595,000	1,595,000	823,607
Total revenues	19,583,749	805,513	20,389,262	21,682,157	21,682,157	(1,292,895)
Expenditures/Expenses:						
Instruction	11,781,894	0	11,781,894	12,436,616	12,436,616	654,722
Support services	4,694,543	0	4,694,543	6,405,000	6,405,000	1,710,457
Non-instructional programs	0	756,476	756,476	1,101,350	1,101,350	344,874
Other expenditures	2,778,209	0	2,778,209	2,355,939	2,355,939	(422,270)
Total expenditures/expenses	19,254,646	756,476	20,011,122	22,298,905	22,298,905	2,287,783
Excess (Deficiency) of revenues over (under) expenditures/expenses	329,103	49,037	378,140	(616,748)	(616,748)	994,888
Other financing sources, net	14,130,247	0	14,130,247	0	0	14,130,247
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses	14,459,350	49,037	14,508,387	(616,748)	(616,748)	15,125,135
Balance beginning of year	1,246,767	310,641	1,557,408	1,351,151	1,351,151	(206,257)
Balance end of year	\$ 15,706,117	359,678	16,065,795	734,403	734,403	14,918,878

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

During the year ended June 30, 2010, District expenditures in the other expenditures function exceeded the budgeted amount.

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$676	\$676	0.0%	\$8,430	8.0%
2010	July 1, 2008	\$ -	\$676	\$676	0.0%	\$9,788	6.9%

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

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

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total		
ASSETS						
Cash and pooled investments	\$ 190,278	207,141	112,810	510,229	773,477	1,283,706
Receivables:						
Property tax:						
Delinquent	7,092	0	10,918	18,010	0	18,010
Succeeding year	275,001	0	475,571	750,572	0	750,572
TOTAL ASSETS	\$ 472,371	207,141	599,299	1,278,811	773,477	2,052,288
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 275,001	0	475,571	750,572	0	750,572
Total liabilities	275,001	0	475,571	750,572	0	750,572
Fund balances:						
Reserved for debt service	0	0	0	0	773,477	773,477
Unreserved	197,370	207,141	123,728	528,239	0	528,239
Total fund balances	197,370	207,141	123,728	528,239	773,477	1,301,716
TOTAL LIABILITIES AND FUND BALANCES	\$ 472,371	207,141	599,299	1,278,811	773,477	2,052,288

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds				Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total		
REVENUES:						
Local sources:						
Local tax	\$ 299,435	0	458,548	757,983	0	757,983
Other	1,987	472,910	43,225	518,122	21,746	539,868
State sources	224	0	337	561	0	561
Federal sources	0	0	100,000	100,000	0	100,000
TOTAL REVENUES	301,646	472,910	602,110	1,376,666	21,746	1,398,412
EXPENDITURES:						
Current:						
Instruction:						
Regular	120,004	0	0	120,004	0	120,004
Other	0	435,721	0	435,721	0	435,721
Support services:						
Administration	36,848	29	275	37,152	0	37,152
Operation and maintenance of plant	107,771	0	0	107,771	0	107,771
Transportation services	23,689	0	141,661	165,350	0	165,350
Other expenditures:						
Facilities acquisition	0	0	575,660	575,660	0	575,660
TOTAL EXPENDITURES	288,312	435,750	717,596	1,441,658	0	1,441,658
Excess of revenues over expenditures	13,334	37,160	(115,486)	(64,992)	21,746	(43,246)
Other financing sources:						
Transfers in	0	0	0	0	86,130	86,130
Sale of property	0	0	12,384	12,384	0	12,384
Total other financing sources(uses)	0	0	12,384	12,384	86,130	98,514
Change in net assets	13,334	37,160	(103,102)	(52,608)	107,876	55,268
Fund balance beginning of year	184,036	169,981	226,830	580,847	665,601	1,246,448
Fund balance end of year	\$ 197,370	207,141	123,728	528,239	773,477	1,301,716

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Student activities	\$ 40,137	2,291	84	(12,384)	29,960
HS activities	0	39,233	1,835	(33,443)	3,955
Student wellness	55	0	25	(30)	0
Assure center fundraiser	322	41	148	0	215
CO pop fund	148	0	0	(148)	0
Special olympics	44	0	0	(44)	0
Stewart library	(175)	0	1,155	1,330	0
Stewart activities	2,232	0	75	(1,330)	827
Stewart book fair	1,827	0	0	0	1,827
Student activity fund balance	1,633	0	0	458	2,091
HS general concessions	(688)	17,199	16,845	334	0
HS popcorn	6,519	1,336	403	0	7,452
HS fundraiser	726	0	0	0	726
HS candy sales	2,238	0	0	0	2,238
HS best buddies	66	0	0	(66)	0
HS TATU	276	0	0	(276)	0
Renaissance	1,692	0	1,256	(436)	0
HS drama	3,658	5,427	6,807	0	2,278
HS La Onda	1,463	0	0	0	1,463
HS SADD	178	0	0	0	178
HS speech	166	748	864	0	50
HS vocal music	1,619	30,864	15,151	(15,513)	1,819
HS vocal robes	1,202	0	16,715	15,513	0
HS band uniforms	1,277	0	1,277	0	0
HS instrumental music	(785)	9,197	7,611	0	801
HS annual	(11,080)	24,483	38,450	25,047	0
HS newspaper	118	0	0	0	118
HS art club	2,402	10,318	10,682	0	2,038
HS cheerleaders	(180)	8,025	6,918	0	927
HS drill team	2,111	1,302	2,475	0	938
HS FFA	18,826	75,942	51,190	(12,442)	31,136
HS FHA	(24)	529	450	0	55
HS FOFES	127	0	0	0	127
VOW	934	605	190	0	1,349
HS NHS	251	782	314	0	719
HS office ed-BPA	7,918	14,337	19,112	0	3,143
HS science club	537	0	0	0	537
HS student congress	3,088	8,621	9,391	0	2,318
HS earth book	487	1,219	1,065	0	641
HS student recognition	1,417	6,545	3,265	779	5,476
Class of 2010	2,502	1,215	2,484	0	1,233
Class of 2011	1,667	661	9	0	2,319
Class of 2012	1,075	1,271	211	0	2,135
Class of 2013	1,648	313	0	0	1,961
Class of 2014	1,761	0	0	0	1,761
HS athletics	3,025	0	3,025	0	0
HS activity tickets	13,050	0	13,050	0	0
Cross country	(599)	1,833	2,194	960	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Football fundraising	10,528	6,140	1,650	(15,018)	0
HS boys basketball	971	10,820	6,969	0	4,822
HS football	2,907	14,919	16,922	15,018	15,922
HS baseball	(2,276)	3,006	5,629	4,899	0
HS boys track	(917)	11,512	14,656	4,061	0
HS boys golf	(1,514)	7,071	6,618	1,061	0
HS soccer	(2,978)	688	1,706	3,996	0
HS boys bowling	0	250	159	0	91
HS wrestling	(676)	11,644	11,313	345	0
HS girls basketball	5,405	10,075	10,470	0	5,010
HS volleyball	5,263	20,006	18,246	0	7,023
HS softball	(2,402)	8,975	12,626	6,053	0
HS girls track	(966)	6,969	11,287	5,284	0
HS girls golf	(2,399)	60	4,328	6,667	0
HS girls bowling	0	250	159	0	91
JH activity	5,522	5,775	1,427	(1,829)	8,041
JH concessions	2,944	11,164	10,933	0	3,175
JH fundraising	17,766	36,591	31,293	(1,110)	21,954
JH special travel	208	0	0	(208)	0
JH speech	(124)	80	204	248	0
JH student congress	3,351	2,914	3,285	0	2,980
JH vocal music	2,611	5,204	4,219	0	3,596
JH instrumental music	(566)	2,103	1,509	0	28
JH snowball	4,369	3,470	1,310	0	6,529
JH student awards	(557)	0	278	835	0
JH cheerleaders	2,282	7,712	7,363	0	2,631
JH dance team	72	0	0	0	72
9th boys basketball	512	1,352	630	377	1,611
8th boys basketball	217	548	600	(165)	0
7th boys basketball	325	665	778	(212)	0
JH cross country	(29)	80	240	189	0
9th football	570	1,555	1,252	684	1,557
8th football	346	2,975	2,722	(599)	0
7th football	266	581	761	(86)	0
7th & 8th boys track	128	4,340	3,764	20	724
7th & 8th wrestling	176	733	926	17	0
9th girls basketball	374	1,044	590	549	1,377
8th girls basketball	(195)	669	840	366	0
7th girls basketball	371	618	440	(549)	0
7th & 8th volleyball	1,541	1,209	495	0	2,255
7th & 8th girls track	(1,122)	925	1,060	1,257	0
5th grade	1	0	0	(1)	0
6th grade	486	0	28	(458)	0
HS dance marathon	299	3,881	1,339	0	2,841
Total	\$ 169,981	472,910	435,750	0	207,141

WASHINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET FOR CAPITAL PROJECTS FUND
 JUNE 30, 2010

	Capital Projects Fund			
	High School Building	Auditorium Project	Statewide Sales, Services and Use Tax	Total
ASSETS				
Cash and pooled investments	\$ 14,208,617	46	186,261	14,394,924
Due from other governments	0	0	199,953	199,953
TOTAL ASSETS	\$ 14,208,617	46	386,214	14,594,877
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 0	0	127,904	127,904
Retainage payable	0	0	214,626	214,626
Total liabilities	0	0	342,530	342,530
Fund balances:				
Reserved for construction	14,208,617	46	0	14,208,663
Unreserved fund balances	0	0	43,684	43,684
Total fund balances	14,208,617	46	43,684	14,252,347
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,208,617	46	386,214	14,594,877

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2010

	Capital Projects Fund			
	High School Building	Auditorium Project	Statewide Sales, Services and	
			Use Tax	Total
Revenues:				
Local sources:				
Local tax	\$ 0	0	1,046,678	1,046,678
Other	38,937	46	10,466	49,449
Total revenues	38,937	46	1,057,144	1,096,127
Expenditures:				
Current:				
Support services:				
Administration services	0	0	53,847	53,847
Other expenditures:				
Facilities acquisitions	0	0	1,484,835	1,484,835
Long-term debt:				
Interest and fiscal charges	0	0	500	500
Total expenditures	0	0	1,539,182	1,539,182
Excess(Deficiency) of revenues over(under) expenditures	38,937	46	(482,038)	(443,055)
Other financing sources(uses):				
Transfer in	14,169,680	0	0	14,169,680
Transfer out	0	0	(14,169,680)	(14,169,680)
Revenue bond issuance	0	0	13,985,000	13,985,000
Premium on bond issuance	0	0	19,718	19,718
Accrued interest on bond issuance	0	0	33,356	33,356
Discount on bond issuance	0	0	(185,272)	(185,272)
Cost of bond issuance	0	0	(70,377)	(70,377)
Sale of property	0	0	335,438	335,438
Total other financing sources(uses)	14,169,680	0	(51,817)	14,117,863
Deficiency of revenues under expenditures and other financing sources(uses)	14,208,617	46	(533,855)	13,674,808
Fund balance beginning of year	0	0	577,539	577,539
Fund balance end of year	\$ 14,208,617	46	43,684	14,252,347

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 7,345,214	6,633,278	6,203,595	5,950,653	5,860,594	5,042,238	4,878,498
Tuition	458,126	429,759	480,801	521,579	463,363	481,870	422,320
Other	901,746	937,456	713,819	923,221	622,688	574,431	470,914
Intermediate sources	0	0	0	20,117	0	0	0
State sources	8,916,552	9,653,403	9,349,024	8,550,259	8,380,075	7,863,313	7,394,727
Federal sources	1,962,111	1,240,984	1,474,441	1,340,093	1,250,747	1,557,552	1,333,779
Total	\$ 19,583,749	18,894,880	18,221,680	17,305,922	16,577,467	15,519,404	14,500,238
Expenditures:							
Instruction:							
Regular	\$ 6,770,744	6,825,611	6,609,575	6,370,101	6,246,527	5,706,369	5,633,256
Special	2,468,311	2,086,619	2,148,999	2,267,721	1,927,512	1,781,379	1,661,340
Other	2,542,839	2,464,786	2,182,943	2,237,144	1,585,794	1,539,347	1,103,684
Support services:							
Student	434,332	449,929	648,992	769,657	1,067,968	1,225,400	1,356,971
Instructional staff	602,734	1,053,063	884,585	899,178	1,061,102	1,102,230	1,054,190
Administration	1,662,499	1,669,948	1,562,848	1,505,329	1,400,167	1,317,264	1,209,895
Operation and maintenance of plant	1,302,650	1,369,223	1,332,687	1,365,133	1,349,345	1,184,544	1,039,827
Transportation	692,328	549,254	676,839	740,808	693,682	450,799	719,057
Other expenditures:							
Facilities acquisitions	2,060,495	536,100	3,778,154	1,327,430	239,146	197,846	563,676
Long-term debt:							
Principal	0	0	0	0	0	102,500	102,500
Interest and other charges	500	0	0	0	0	3,663	8,343
AEA flow-through	717,214	638,141	611,128	583,693	545,029	516,270	509,219
Total	\$ 19,254,646	17,642,674	20,436,750	18,066,194	16,116,272	15,127,611	14,961,958

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION			
(SMALLER LEARNING COMMUNITIES PROGRAM)	84.215	FY 10	\$ 188,949
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	66,276
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	363,953 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	26,267
			456,496
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 10	66,800
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	272,158
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	30,077
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	1
			369,036
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	6,210
FUND FOR THE IMPROVEMENT OF EDUCATION			
(IOWA DEMONSTRATION CONSTRUCTION GRANT)	84.215	FY 10	100,000
ADVANCED PLACEMENT PROGRAM	84.330	FY 10	56
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 10	72,671
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 10	11,109
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	807,154
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	98,979
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	54,129
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	98,721
			251,829
CAREER AND TECHNICAL EDUCATION BASIC GRANTS TO STATES	84.048	FY 10	15,559
TOTAL			\$ 2,279,069

* - Includes \$54,745 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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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
Washington Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Washington Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 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 Washington Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Washington Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Washington Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be 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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 and II-C-10 to be significant deficiencies.

Compliance and Other Matters

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

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

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2011

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of
Washington Community School District:

Compliance

We have audited the compliance of Washington Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Washington Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Washington Community School District's management. Our responsibility is to express an opinion on Washington Community School District's compliance based on our audit.

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

In our opinion, Washington Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Washington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Washington Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Washington Community School District's internal control over compliance.

A deficiency in 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2011

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

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and 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 the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Clustered
 - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
 - Individual
 - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF)
Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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

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

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

Conclusion - Response accepted.

II-B-10 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted purchase orders for the Student Activity Fund were being completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will monitor the use of purchase orders so items are not purchased until the purchase order has been approved.

Conclusion - Response accepted.

II-C-10 Receipting and Depositing Procedures - We noted during our audit of the receipting process that deposits made were difficult to reconcile to receipts because 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. 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 - District staff will provide more detailed information on deposit slips.

Conclusion - Response accepted.

OTHER MATTERS:

II-D-10 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - District staff will use the correct pricing guide for determining commodity inventory valuation.

Conclusion - Response accepted.

II-E-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a board policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should to adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The District will develop a board policy addressing capitalization of intangible assets.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

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 budgeted amount in the other expenditures function.

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

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

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District wrote checks for cash to give to students as sales incentives as top sellers for fundraisers. Checks written for cash to give to students as incentives for top seller prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - Giving cash to students as sales incentives has been discontinued.

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 are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mary Alice Smith, Special Education Director Spouse owns Community Medical	Supplies	\$449
Mark Bohr, Assistant Wrestling Coach Owner of Grand Slam Sports	Sports Supplies Sports apparel	\$9,252 \$14,150

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the spouse of the special education director does not appear to represent a conflict of interest.

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

The above transaction between the District and the wrestling coach appears to create a conflict of interest. Chapter 301.28 of the Code of Iowa states in part, "A school director, officer or teacher shall not act as an agent for the purchase of school textbooks or school supplies, including sports apparel or equipment, in any transaction..." The purchase of sports apparel from the wrestling coach's business appears to be in violation of this code section.

Recommendation - The District should contact its attorney regarding this matter to determine the legality of these transactions and if any corrective action is required.

Response - Mr. Bohr has sold the business and will no longer be a problem for the District.

Conclusion - Response accepted.

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. However, we noted that the minutes were not always published in a timely manner.

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

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

Conclusion - Response accepted.

IV-G-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 1 as resident students was overstated by .15 students.

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

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

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was understated by 2.89.

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

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

Conclusion - Response accepted.

IV-I-10 Deposits and Investments - Currently the District's Treasurer maintains a diversified portfolio of several investments in the Private Purpose Trust Fund. Investments in the portfolio consist of certificates of deposit, H bonds, savings accounts, annuities and mutual funds. Although these investments are allowable in accordance with the District's investment policy 802.6, the District's investments in mutual funds do not appear to be allowable according to Chapter 12B and Chapter 12C of the Code of Iowa. The District's investment policy 802.6 cannot expand the allowability of investments according to Chapter 12B and 12C of the Code of Iowa.

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

The District should develop a committee to review the accounts in the Private Purpose Trust Fund to determine allowable investments and explore options to simplify the several bank and investment accounts the District currently has in the trust fund. The District's

Board of Directors should require District personnel to maintain the records for this fund so that the information is more readily available to the board to be in compliance with the Code of Iowa.

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

Conclusion - Response accepted.

Certificates of Deposit Rates: We also noted that the District was not receiving the proper interest rate on some of the certificates of deposit as set by the State Rate Setting Committee.

Recommendation - The District should contact the banks in question and request that the District receive proper interest rates are applied on their certificates of deposit to be in compliance.

Response -The District will contact banks and request that proper rates of return be given on certificates of deposit.

Conclusion - Response accepted.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	608,250
Statewide sales, services and use tax revenue			1,046,678
Expenditures/Transfers out:			
School infrastructure:			
Land	\$	557,985	
Buildings		718,100	
Equipment		263,097	
		<u>263,097</u>	<u>1,539,182</u>
Ending Balance	\$		<u><u>115,746</u></u>

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Physical plant and equipment levy	\$ 0.34000	\$ 117,440

IV-M-10 Financial Condition - The District had a deficit unreserved fund balance of \$973,097 in the General Fund and deficit net assets in the governmental activities of \$885,067 at June 30, 2010.

Recommendation - The District should investigate alternatives to eliminate these deficit balances.

Response - The District has developed and implemented a financial workout plan that will eliminate deficit balances.

Conclusion - Response accepted.

IV-N-10 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity and Nutrition Funds which have been outstanding for over a year.

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

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

Conclusion - Response accepted.

IV-O-10 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 may wish to 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 - The District will discontinue the practice of providing shirts to coaching staff.

Conclusion - Response accepted.

IV-P-10 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Accounts: The Student Activity balance, HS popcorn, HS fundraiser, HS candy sales, JH activity, JH concessions and JH fundraising do not appear to be extra curricular or cocurricular in nature. The money in these accounts is used for fundraising purposes for other accounts in the Student Activity Fund.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in these accounts. It would appear that these accounts are administratively maintained, rather than maintained by a club or organization. The District should review these accounts and reclassify/transfer to the appropriate accounts in the Student Activity Fund to be in compliance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1).

Response - Student Activity accounts used for fundraising will be dispersed to appropriate individual accounts in the Student Activity Fund.

Conclusion - Response accepted.

Purchased Supplies: We noted during our audit purchases from the Student Activity Fund for the following: French testing supplies, biology books and materials and desks/chairs for classrooms. These types of expenditures do not appear to be cocurricular or extracurricular in nature.

Recommendation - The District should review the propriety of expenditures that are recorded in the Student Activity Fund. It would appear that the expenditures mentioned are more instructional in nature. Instructional supplies are more appropriately handled in the General Fund.

Response - Instructional supplies will be purchased from the General Fund.

Conclusion - Response accepted.

FFA Scholarship: We noted during our audit that as part of the District's FFA program, there are scholarships awarded to students from proceeds from fundraising during the year. Currently, these scholarships are being paid from the Student Activity Fund.

Recommendation - When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - Proceeds from the FFA Scholarship will be deposited and expended from the Private Purpose Trust Fund.

Conclusion - Response accepted.