

WAYNE 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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Wayne Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Bill Homann	President	2011
Todd Wilson	Vice President	2011
Darrell Clark	Board Member	2009
Sam Moss	Board Member	2011
Diane Kelly	Board Member	2009
Board of Education (After September 2009 Election)		
Bill Homann	President	2011
Todd Wilson	Vice President	2011
John Allen	Board Member	2013
Sam Moss	Board Member	2011
Diane Kelly	Board Member	2013
School Officials		
Rob Busch	Superintendent	2010
Denise Larson	District Secretary/Treasurer and Business Manager	Indefinite
Alan Wilson, Ahlers & Cooney, P.C.	Attorney	Indefinite

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District at June 30, 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 October 25, 2010 on our consideration of Wayne Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 15 and 42 through 44 are not required parts of

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

October 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,114,917 in fiscal 2009 to \$5,644,958 in fiscal 2010, while General Fund expenditures decreased from \$5,678,344 in fiscal 2009 to \$5,509,588 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$854,357 in fiscal 2009 to a balance of \$989,727 in fiscal 2010, a 15.84% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state sources due to a 10% across the board cut in state foundation aid in fiscal 2010. The decrease in expenditures was due primarily to a decrease in regular instruction function.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Figure A-1
Wayne Community School District Annual Financial Report

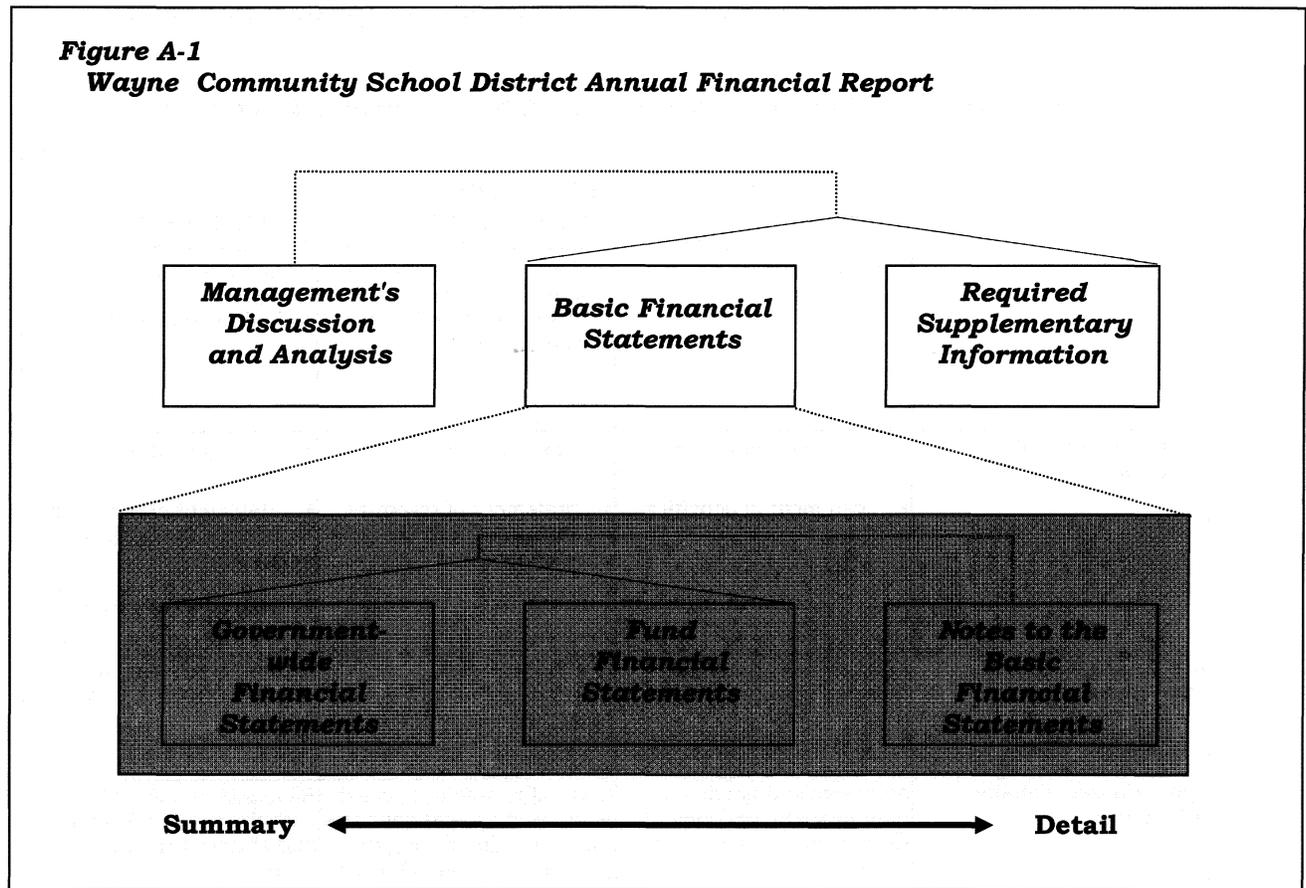


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 4,889,548	6,502,135	44,818	60,615	4,934,366	6,562,750	-24.81%
Capital assets	3,177,600	2,946,029	21,423	28,045	3,199,023	2,974,074	7.56%
Total assets	8,067,148	9,448,164	66,241	88,660	8,133,389	9,536,824	-14.72%
Long-term obligations	750,230	915,241	-	-	750,230	915,241	-18.03%
Other liabilities	3,099,331	4,582,160	17,331	22,231	3,116,662	4,604,391	-32.31%
Total liabilities	3,849,561	5,497,401	17,331	22,231	3,866,892	5,519,632	-29.94%
Net assets:							
Invested in capital assets, net of related debt	2,502,600	2,056,029	21,423	28,045	2,524,023	2,084,074	21.11%
Restricted	838,783	1,024,226	-	-	838,783	1,024,226	-18.11%
Unrestricted	876,204	870,508	27,487	38,384	903,691	908,892	-0.57%
Total net assets	\$ 4,217,587	3,950,763	48,910	66,429	4,266,497	4,017,192	6.21%

The District's combined net assets increased by 6.21%, or \$249,305, from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$185,443, or 18.11% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$5,201, or 0.57%. This reduction in unrestricted net assets was primarily a result of the District's net OPEB liability recorded in the current year.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues:							
Program revenues:							
Charges for services	\$ 421,774	467,159	127,323	147,770	549,097	614,929	-10.71%
Operating grants and contributions and restricted interest	1,454,294	1,330,636	185,217	172,816	1,639,511	1,503,452	9.05%
General revenues:							
Property tax	2,178,600	2,130,620	-	-	2,178,600	2,130,620	2.25%
Statewide sales, services and use tax	303,414	327,812	-	-	303,414	327,812	-7.44%
Income surtax	190,851	272,905	-	-	190,851	272,905	-30.07%
Unrestricted state grants	1,875,032	2,487,421	-	-	1,875,032	2,487,421	-24.62%
Unrestricted investment earnings	83,872	111,411	1,127	1,442	84,999	112,853	-24.68%
Other	30,858	81,298	-	-	30,858	81,298	-62.04%
Total revenues	6,538,695	7,209,262	313,667	322,028	6,852,362	7,531,290	-9.01%
Program expenses:							
Governmental activities:							
Instruction	4,114,827	4,229,216	-	-	4,114,827	4,229,216	-2.70%
Support services	1,586,393	2,812,660	-	-	1,586,393	2,812,660	-43.60%
Non-instructional programs	-	-	331,186	305,310	331,186	305,310	8.48%
Other expenses	570,651	239,650	-	-	570,651	239,650	138.12%
Total expenses	6,271,871	7,281,526	331,186	305,310	6,603,057	7,586,836	-12.97%
Excess(deficiency) of revenues over(under) expenses before extraordinary items	266,824	(72,264)	(17,519)	16,718	249,305	(55,546)	548.83%
Extraordinary items:							
Reorganization settlements	-	7,583	-	535	-	8,118	-100.00%
Change in net assets	266,824	(64,681)	(17,519)	17,253	249,305	(47,428)	625.65%
Beginning net assets	3,950,763	4,015,444	66,429	49,176	4,017,192	4,064,620	-1.17%
Ending net assets	\$ 4,217,587	3,950,763	48,910	66,429	4,266,497	4,017,192	6.21%

In fiscal 2010, local tax, statewide sales, services and use tax, income surtax, and unrestricted state grants account for 69.55% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.64% of the revenue from business type activities.

The District's total revenues were \$6,852,362 of which \$6,538,695 was for governmental activities and \$313,667 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.01% decrease in revenues and a 12.97% decrease in expenses. Unrestricted state grants decreased by \$612,389. The decreases in expenses were related to decreases in support services expenses.

Governmental Activities

Revenues for governmental activities were \$6,538,695 and expenses were \$6,271,871 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change	2010	2009	Change
			2009-10			2009-10
Instruction	\$ 4,114,827	4,229,216	-2.70%	2,454,098	2,633,108	-6.80%
Support services	1,586,393	2,812,660	-43.60%	1,586,393	2,812,660	-43.60%
Other expenses	570,651	239,650	138.12%	355,312	37,963	835.94%
Totals	<u>\$ 6,271,871</u>	<u>7,281,526</u>	<u>-13.87%</u>	<u>4,395,803</u>	<u>5,483,731</u>	<u>-19.84%</u>

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$421,774.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,454,294.
- The net cost of governmental activities was financed with \$2,178,600 in property tax, \$303,414 in statewide sales, services and uses tax, \$190,851 in income surtax, \$1,875,032 in unrestricted state grants, \$83,872 in interest income and \$30,858 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$313,667 and expenses were \$331,186. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,643,622, below last year's ending fund balances of \$1,799,468. The primary reason for the decrease in combined fund balance in fiscal 2010 is due to the increase in capital facilities construction expenditures in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from \$854,357 on June 30, 2009 to \$989,727 on June 30, 2010. The fluctuation in the District's General Fund financial position is the product of many factors. An increase in local tax and federal grant revenue was offset by a reduction in state sources. The increase in expenditures was due to the

increase in support services expenditures. Revenues exceeded expenditures ensuring the increase in the Districts financial position.

- The Special Revenue, Management Levy Fund balance increased from \$256,542 in 2009 to \$294,931 in 2010. This resulted from an increase in other local revenues.
- The Capital Projects fund balance decreased from \$516,912 in 2009 to \$216,856 in 2010. This resulted from the decrease in revenues and an increase in capital facility construction expenditures throughout the year.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$63,258 in 2009 to \$12,769 in 2010. This resulted from an increase in expenditures due to the purchase of a bus.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$66,429 at June 30, 2009 to \$48,910 at June 30, 2010, representing a decrease of 26.37%.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$1,846,320 less than total budgeted revenues, a variance of 21.31%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$3,199,023, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 7.56% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$262,909.

The original cost of the District's capital assets was \$9,268,604. Governmental funds account for \$9,083,403 with the remainder of \$185,201 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$651,679 at June 30, 2010, compared to \$270,066 reported at June 30, 2009. The increase in construction in progress was due to capital facility building improvements that were started and not completed by the end of the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 22,500	22,500	-	-	22,500	22,500	0.00%
Construction in progress	651,679	270,066	-	-	651,679	270,066	141.30%
Buildings	2,104,052	2,297,487	-	-	2,104,052	2,297,487	-8.42%
Land improvements	27,741	32,420	-	-	27,741	32,420	-14.43%
Machinery and equipment	371,628	323,556	21,423	28,045	393,051	351,601	11.79%
Total	\$ 3,177,600	2,946,029	21,423	28,045	3,199,023	2,974,074	7.56%

Long-Term Debt

At June 30, 2010, the District had \$750,230 in total long-term debt outstanding. This represents a decrease of 18.03% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had outstanding general obligation bonds payable of \$675,000 at June 30, 2010.

The District had early retirement payable of \$43,561 at June 30, 2010.

The District had net OPEB liability payable of \$31,669 at June 30, 2010.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2010	2009	2009-10
General obligation bonds	\$ 675,000	890,000	-24.16%
Early Retirement	43,561	25,241	72.58%
Net OPEB liability	31,669	-	100.00%
Totals	\$ 750,230	915,241	-18.03%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Larson, District Secretary/Treasurer and Business Manager, Wayne Community School District, 102 N Dekalb Street, Corydon, Iowa, 50060.

WAYNE COMMUNITY SCHOOL DISTRICT



BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,013,979	18,006	2,031,985
Receivables:			
Property tax:			
Delinquent	43,230	-	43,230
Succeeding year	2,314,339	-	2,314,339
Income surtax	148,630	-	148,630
Accounts	1,540	-	1,540
Due from other governments	367,830	19,909	387,739
Inventories	-	6,903	6,903
Capital assets, net of accumulated depreciation	3,177,600	21,423	3,199,023
TOTAL ASSETS	8,067,148	66,241	8,133,389
LIABILITIES			
Accounts payable	218,401	1,067	219,468
Salaries and benefits payable	564,556	16,264	580,820
Interest payable	2,035	-	2,035
Deferred revenue:			
Succeeding year property tax	2,314,339	-	2,314,339
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	220,000	-	220,000
Early retirement	27,048	-	27,048
Portion due after one year:			
General obligation bonds	455,000	-	455,000
Early retirement	16,513	-	16,513
Net OPEB liability	31,669	-	31,669
TOTAL LIABILITIES	3,849,561	17,331	3,866,892
NET ASSETS			
Invested in capital assets, net of related debt	2,502,600	21,423	2,524,023
Restricted for:			
Categorical funding	184,888	-	184,888
Debt service	56,558	-	56,558
Capital projects	216,856	-	216,856
Physical plant and equipment levy	12,769	-	12,769
Management levy	294,931	-	294,931
Other special revenue purposes	72,781	-	72,781
Unrestricted	876,204	27,487	903,691
TOTAL NET ASSETS	\$ 4,217,587	48,910	4,266,497

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,363,805	261,119	741,762	(1,360,924)	-	(1,360,924)
Special	796,328	147,913	132,069	(516,346)	-	(516,346)
Other	954,694	12,742	365,124	(576,828)	-	(576,828)
	<u>4,114,827</u>	<u>421,774</u>	<u>1,238,955</u>	<u>(2,454,098)</u>	<u>-</u>	<u>(2,454,098)</u>
Support services:						
Student	88,812	-	-	(88,812)	-	(88,812)
Instructional staff	111,415	-	-	(111,415)	-	(111,415)
Administration	589,474	-	-	(589,474)	-	(589,474)
Operation and maintenance of plant	534,723	-	-	(534,723)	-	(534,723)
Transportation	261,969	-	-	(261,969)	-	(261,969)
	<u>1,586,393</u>	<u>-</u>	<u>-</u>	<u>(1,586,393)</u>	<u>-</u>	<u>(1,586,393)</u>
Other expenditures:						
Facilities acquisitions	125,968	-	-	(125,968)	-	(125,968)
Long-term debt interest	31,230	-	-	(31,230)	-	(31,230)
AEA flowthrough	215,339	-	215,339	-	-	-
Depreciation (unallocated)*	198,114	-	-	(198,114)	-	(198,114)
	<u>570,651</u>	<u>-</u>	<u>215,339</u>	<u>(355,312)</u>	<u>-</u>	<u>(355,312)</u>
Total governmental activities	<u>6,271,871</u>	<u>421,774</u>	<u>1,454,294</u>	<u>(4,395,803)</u>	<u>-</u>	<u>(4,395,803)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	331,186	127,323	185,217	-	(18,646)	(18,646)
Total business type activities	<u>331,186</u>	<u>127,323</u>	<u>185,217</u>	<u>-</u>	<u>(18,646)</u>	<u>(18,646)</u>
Total	<u>\$ 6,603,057</u>	<u>549,097</u>	<u>1,639,511</u>	<u>(4,395,803)</u>	<u>(18,646)</u>	<u>(4,414,449)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,941,600	-	1,941,600
Debt service				194,548	-	194,548
Capital outlay				42,452	-	42,452
Statewide sales, services and use tax				303,414	-	303,414
Income surtax				190,851	-	190,851
Unrestricted state grants				1,875,032	-	1,875,032
Unrestricted investment earnings				83,872	1,127	84,999
Other general revenues				30,858	-	30,858
Total general revenues				<u>4,662,627</u>	<u>1,127</u>	<u>4,663,754</u>
Changes in net assets				266,824	(17,519)	249,305
Net assets beginning of year				<u>3,950,763</u>	<u>66,429</u>	<u>4,017,192</u>
Net assets end of year				<u>\$ 4,217,587</u>	<u>48,910</u>	<u>4,266,497</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.
SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Other Nonmajor Governmental		Total
	General	Funds	
Assets			
Cash and pooled investments	\$ 1,436,700	577,279	2,013,979
Receivables:			
Property tax:			
Delinquent	36,077	7,153	43,230
Succeeding year	1,908,187	406,152	2,314,339
Income surtax	148,630	-	148,630
Accounts	542	998	1,540
Due from other governments	237,610	130,220	367,830
Due from other funds	54,383	-	54,383
Total assets	\$ 3,822,129	1,121,802	4,943,931
Liabilities and fund balances			
Liabilities:			
Due to other funds	\$ -	54,383	54,383
Accounts payable	211,029	7,372	218,401
Salaries and benefits payable	564,556	-	564,556
Deferred revenue:			
Succeeding year property tax	1,908,187	406,152	2,314,339
Income surtax	148,630	-	148,630
Total liabilities	2,832,402	467,907	3,300,309
Fund balances:			
Reserved for:			
Categorical funding	184,888	-	184,888
Debt service	-	56,558	56,558
Unreserved	804,839	597,337	1,402,176
Total fund balances	989,727	653,895	1,643,622
Total liabilities and fund balances	\$ 3,822,129	1,121,802	4,943,931

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds (page 20)	\$	1,643,622
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		3,177,600
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		148,630
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,035)
Long-term liabilities, including general obligation bonds payable, early retirement payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(750,230)
		<hr style="border-top: 1px solid black;"/>
Net assets of governmental activities (page 18)	\$	<u><u>4,217,587</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,982,996	664,364	2,647,360
Tuition	388,892	-	388,892
Other	93,083	218,935	312,018
State sources	2,485,036	-	2,485,036
Federal sources	672,326	-	672,326
Total revenues	<u>5,622,333</u>	<u>883,299</u>	<u>6,505,632</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,263,497	50,139	2,313,636
Special	796,328	-	796,328
Other	792,656	158,029	950,685
	<u>3,852,481</u>	<u>208,168</u>	<u>4,060,649</u>
Support services:			
Student	88,812	-	88,812
Instructional staff	105,650	-	105,650
Administration	580,423	-	580,423
Operation and maintenance of plant	426,089	102,518	528,607
Transportation	240,794	94,368	335,162
	<u>1,441,768</u>	<u>196,886</u>	<u>1,638,654</u>
Other expenditures:			
Facilities acquisitions	-	507,581	507,581
Long-term debt:			
Principal	-	215,000	215,000
Interest and fiscal charges	-	31,813	31,813
AEA flowthrough	215,339	-	215,339
	<u>215,339</u>	<u>754,394</u>	<u>969,733</u>
Total expenditures	<u>5,509,588</u>	<u>1,159,448</u>	<u>6,669,036</u>
Excess (deficiency) of revenues over (under) expenditures	112,745	(276,149)	(163,404)
Other financing sources (uses):			
Proceeds from the disposal of property	7,130	428	7,558
Transfers in	15,495	50,000	65,495
Transfers out	-	(65,495)	(65,495)
Total other financing sources (uses)	<u>22,625</u>	<u>(15,067)</u>	<u>7,558</u>
Net change in fund balances	135,370	(291,216)	(155,846)
Fund balance beginning of year	854,357	945,111	1,799,468
Fund balance end of year	<u>\$ 989,727</u>	<u>653,895</u>	<u>1,643,622</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds (page 22) \$ (155,846)

**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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 479,276	
Depreciation expense	<u>(247,705)</u>	231,571

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 215,000

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. 583

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 25,505

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	\$ (18,320)	
Other postemployment benefits	<u>(31,669)</u>	<u>(49,989)</u>

Changes in net assets of governmental activities (page 19) \$ 266,824

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund <hr/> School Nutrition
ASSETS	
Cash and pooled investments	\$ 18,006
Due from other governments	19,909
Inventories	6,903
Capital assets, net of accumulated depreciation	21,423
TOTAL ASSETS	<hr/> 66,241 <hr/>
LIABILITIES	
Accounts payable	1,067
Salaries and benefits payable	16,264
TOTAL LIABILITIES	<hr/> 17,331 <hr/>
NET ASSETS	
Invested in capital assets	21,423
Unrestricted	27,487
TOTAL NET ASSETS	<hr/> \$ 48,910 <hr/>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund
	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 127,323
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	100,048
Benefits	38,137
Services	15,810
Supplies	160,919
Depreciation	15,204
Other	1,068
Total operating expenses	331,186
Operating loss	(203,863)
Non-operating revenues:	
State sources	2,829
Federal sources	182,388
Interest income	1,127
Total non-operating revenues	186,344
Change in net assets	(17,519)
Net assets beginning of year	66,429
Net assets end of year	\$ 48,910

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund
	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 126,360
Cash received from miscellaneous	1,142
Cash payments to employees for services	(136,160)
Cash payments to suppliers for goods or services	(170,785)
Net cash used in operating activities	(179,443)
Cash flows from non-capital financing activities:	
State grants received	2,829
Federal grants received	147,539
Net cash provided by non-capital financing activities	150,368
Cash flows from capital and related financing activities:	
Purchase of capital assets	(8,582)
Net cash used in capital and related financing activities	(8,582)
Cash flows from investing activities:	
Interest on investments	1,127
Net cash provided by investing activities	1,127
Net decrease in cash and cash equivalents	(36,530)
Cash and cash equivalents at beginning of year	54,536
Cash and cash equivalents at end of year	\$ 18,006
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (203,863)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,940
Depreciation	15,204
Increase in inventories	(1,003)
Decrease in accounts receivable	179
Decrease in accounts payable	(6,925)
Increase in salaries and benefits payable	2,025
Net cash used in operating activities	\$ (179,443)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	\$ 18,006

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$14,940.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

The District reports the following major governmental fund:

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

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	5-10 years
Machinery and equipment	3-15 years

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

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

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

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

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

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$32,825 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 50,000
General Fund	Capital Projects	<u>15,495</u>
Total		<u>\$ 65,495</u>

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

The District transferred from the Capital Projects, Statewide Sales, Services and Use Tax Fund to the Debt Service Fund to provide debt relief.

The District transferred from the Capital Projects, Statewide Sales, Services and Use Tax Fund to the General Fund to finance the deficit balance caused by the closing of the Russell Community School District.

On April 12, 2010, the Board of Directors of the Wayne Community School District adopted a resolution for the liquidation of deficit balance in the General Fund caused by the closing of the Russell Community School District, in agreement with Senate File 2289 signed by the Governor on March 19, 2010.

(4) Due from and Due to Other Funds

At June 30, 2010 the interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue, Physical Plant and Equipment Levy	\$ 18,950
General Fund	Capital Projects	<u>35,433</u>
Total		<u>\$ 54,383</u>

The Special Revenue, Physical Plant and Equipment Levy Fund is repaying the General Fund for a van purchase.

The Capital Projects Fund is repaying the General Fund for technology purchases.

(5) 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 Series 2009-10A warrants was 2.50%. 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	Interest Payable
2009-10A	6/25/09	6/23/10	\$ -	175,000	175,000	-	-

During the year ended June 30, 2010, the District paid \$14,564 of interest on the ISCAP warrants.

(6) 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	\$ 22,500	-	-	22,500
Construction in progress	270,066	381,613	-	651,679
Total capital assets not being depreciated	22,500	381,613	-	674,179
Capital assets being depreciated:				
Buildings	6,958,996	-	-	6,958,996
Land improvements	266,553	-	-	266,553
Machinery and equipment	1,313,744	97,663	227,732	1,183,675
Total capital assets being depreciated	8,539,293	97,663	227,732	8,409,224
Less accumulated depreciation for:				
Buildings	4,661,509	193,435	-	4,854,944
Land improvements	234,133	4,679	-	238,812
Machinery and equipment	990,188	49,591	227,732	812,047
Total accumulated depreciation	5,885,830	247,705	227,732	5,905,803
Total capital assets being depreciated, net	2,653,463	(150,042)	-	2,503,421
Governmental activities capital assets, net	\$ 2,675,963	231,571	-	3,177,600

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 216,473	8,582	39,854	185,201
Less accumulated depreciation	188,428	15,204	39,854	163,778
Business type activities capital assets, net	\$ 28,045	(504)	-	21,423

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 9,231
Other		7,304
Support services:		
Instructional staff		5,765
Operation and maintenance of plant		6,116
Transportation		21,175
		<u>49,591</u>
Unallocated depreciation		<u>198,114</u>
Total governmental activities depreciation expense		<u>\$ 247,705</u>
Business type activities:		
Food services		<u>\$ 15,204</u>

(7) Long-Term Liabilities

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
General obligation bonds	\$ 890,000	-	215,000	675,000	220,000
Early retirement	25,241	33,026	14,706	43,561	27,048
Net OPEB liability	-	31,669	-	31,669	-
Total	\$ 915,241	64,695	229,706	750,230	247,048

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2011	3.50 %	\$ 220,000	24,425	244,425
2012	3.60	225,000	16,725	241,725
2013	3.75	230,000	8,625	238,625
Total		\$ 675,000	49,775	724,775

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The District will pay the retiree an incentive based upon the retiree's current salary and years of service to the District. The early retirement incentive will be paid in four semi-annual installments toward a tax deferred compensation plan. The District paid \$14,706 in early retirement benefits during the year ended June 30, 2010.

(8) 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 payroll for the year ended June 30, 2010. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$238,195, \$223,319, and \$215,050 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 63 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any

unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 37,267
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>37,267</u>
Contributions made	(5,598)
Increase in net OPEB obligation	<u>31,669</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ 31,669</u></u>

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

For the year ended June 30, 2010, the District contributed \$5,598 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 37,267	15.2%	\$ 31,669

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$358,517, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$358,517. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.6 million, and the ratio of the UAAL to covered payroll was 9.9%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The health cost trend rate is 6% a year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male).

Projected claim costs of the medical plan are \$405.11 for single and \$1,047.40 for family under Plan C750, \$378.09 for single and \$977.54 for family under Plan C1250, and \$327.11 for single and \$845.73 for family under Plan HAS. Upon retirement, the retired participant is assumed to pay 100% of the required premium. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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

(11) 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 \$215,339 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.

(12) Construction Commitment

As of June 30, 2010, costs of \$651,679 had been incurred for various projects which included a computerized temperature control system, a new water heater for the junior high, new bathrooms for the softball field, and a windows replacement project at the high school. When the improvements are completed, the costs associated with the projects will be added to the capital assets.

(13) Categorical Funding

The District's categorical funding balances for the year ended June 30, 2010 are as follows:

<u>Project</u>	<u>Amount</u>
Home School Assistance Program	\$ 65,072
Four-year-old Preschool State Aid	43,041
Teacher Salary Supplement	27,572
Professional Development	29,951
Professional Development, Core Curriculum	18,968
Market Factor	284
Total	<u>\$ 184,888</u>

(14) Operating Lease

The District entered into a lease agreement with Xerox for three copiers for five years starting April 2010. Total costs for the lease were \$6,588 for the year ended June 30, 2010. The future minimum lease payments for the lease is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 26,351
2012	26,351
2013	26,351
2014	26,351
2015	19,763
Total	<u>\$ 125,167</u>

WAYNE COMMUNITY SCHOOL DISTRICT



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,348,270	128,450	3,476,720	3,825,809	3,825,809	(349,089)
State sources	2,485,036	2,829	2,487,865	3,314,810	3,314,810	(826,945)
Federal sources	672,326	182,388	854,714	1,525,000	1,525,000	(670,286)
Total revenues	6,505,632	313,667	6,819,299	8,665,619	8,665,619	(1,846,320)
Expenditures/Expenses:						
Instruction	4,060,649	-	4,060,649	4,732,628	4,732,628	671,979
Support services	1,638,654	-	1,638,654	3,675,000	3,675,000	2,036,346
Non-instructional programs	-	331,186	331,186	466,350	466,350	135,164
Other expenditures	969,733	-	969,733	1,303,204	1,303,204	333,471
Total expenditures/expenses	6,669,036	331,186	7,000,222	10,177,182	10,177,182	3,176,960
Deficiency of revenues under expenditures/expenses	(163,404)	(17,519)	(180,923)	(1,511,563)	(1,511,563)	1,330,640
Other financing sources, net	7,558	-	7,558	3,000	3,000	4,558
Deficiency of revenues and other financing sources under expenditures/expenses	(155,846)	(17,519)	(173,365)	(1,508,563)	(1,508,563)	1,335,198
Balance beginning of year	1,799,468	66,429	1,865,897	1,798,962	1,798,962	66,935
Balance end of year	\$ 1,643,622	48,910	1,692,532	290,399	290,399	1,402,133

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ -	\$ 358,517	\$ 358,517	0.0%	\$ 3,607,921	9.9%

See Note 9 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

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

	Nonmajor Special Revenue Funds						Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
ASSETS							
Cash and pooled investments	\$ 295,025	76,601	30,889	402,515	122,069	52,695	577,279
Receivables:							
Property tax:							
Delinquent	2,460	-	830	3,290	-	3,863	7,153
Succeeding year	123,339	-	45,030	168,369	-	237,783	406,152
Accounts	998	-	-	998	-	-	998
Due from other governments	-	-	-	-	130,220	-	130,220
TOTAL ASSETS	\$ 421,822	76,601	76,749	575,172	252,289	294,341	1,121,802
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	-	18,950	18,950	35,433	-	54,383
Accounts payable	3,552	3,820	-	7,372	-	-	7,372
Deferred revenue:							
Succeeding year property tax	123,339	-	45,030	168,369	-	237,783	406,152
TOTAL LIABILITIES	126,891	3,820	63,980	194,691	35,433	237,783	467,907
FUND BALANCES:							
Reserved for:							
Debt service	-	-	-	-	-	56,558	56,558
Unreserved	294,931	72,781	12,769	380,481	216,856	-	597,337
TOTAL FUND BALANCES	294,931	72,781	12,769	380,481	216,856	56,558	653,895
TOTAL LIABILITIES AND FUND BALANCES	\$ 421,822	76,601	76,749	575,172	252,289	294,341	1,121,802

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Nonmajor Special Revenue Funds						Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Projects	Debt Service	Other Nonmajor Governmental Funds
Revenues:							
Local sources:							
Local tax	\$ 123,950	-	42,452	166,402	303,414	194,548	664,364
Other	25,075	176,820	1,728	203,623	10,898	4,414	218,935
Total revenues	149,025	176,820	44,180	370,025	314,312	198,962	883,299
Expenditures:							
Current:							
Instruction:							
Regular	14,706	-	-	14,706	35,433	-	50,139
Other	-	158,029	-	158,029	-	-	158,029
Support services:							
Operation and maintenance of plant	95,930	-	-	95,930	6,588	-	102,518
Student transportation	-	-	94,368	94,368	-	-	94,368
Other expenditures:							
Facilities acquisitions	-	-	729	729	506,852	-	507,581
Long-term debt:							
Principal	-	-	-	-	-	215,000	215,000
Interest and fiscal charges	-	-	-	-	-	31,813	31,813
Total expenditures	110,636	158,029	95,097	363,762	548,873	246,813	1,159,448
Excess (deficiency) of revenues over (under) expenditures	38,389	18,791	(50,917)	6,263	(234,561)	(47,851)	(276,149)
Other financing sources (uses):							
Proceeds from the disposal of property	-	-	428	428	-	-	428
Transfer in	-	-	-	-	-	50,000	50,000
Transfer out	-	-	-	-	(65,495)	-	(65,495)
Total other financing sources (uses)	-	-	428	428	(65,495)	50,000	(15,067)
Net change in fund balances	38,389	18,791	(50,489)	6,691	(300,056)	2,149	(291,216)
Fund balance beginning of year	256,542	53,990	63,258	373,790	516,912	54,409	945,111
Fund balance end of year	\$ 294,931	72,781	12,769	380,481	216,856	56,558	653,895

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT



WAYNE 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	Intra- fund Transfers	Balance End of Year
Fund balance	\$ 980	-	-	(323)	657
Secondary students fund	2,727	4,509	4,301	(455)	2,480
Activity tickets	9,182	8,233	-	(17,415)	-
Publication/plays fund	1,071	1,527	1,099	-	1,499
HS music fund	394	1,646	1,689	-	351
JR music fund	(1,233)	1,382	2,075	-	(1,926)
Cross country	(16)	622	1,302	696	-
Golf	(957)	60	300	1,197	-
Boys basketball	2,708	5,066	6,265	-	1,509
Football	(6,653)	20,934	18,687	6,653	2,247
Baseball	(5,157)	10,324	15,196	5,395	(4,634)
Boys track	(924)	-	1,089	2,013	-
Wrestling	(5,402)	4,655	3,817	5,819	1,255
Girls basketball	8,865	4,228	3,045	(5,114)	4,934
Volleyball	492	13,492	12,771	-	1,213
Softball	1,213	9,024	10,265	-	(28)
Girls track	(483)	608	944	819	-
Class - seniors	19	1,111	1,198	278	210
Class - juniors	448	7,471	7,264	(676)	(21)
Class - sophmores	53	15	-	(14)	54
Class - freshman	(36)	54	-	(18)	-
Alternative school class	344	498	695	101	248
Yearbook	5,511	7,832	5,014	-	8,329
NHS	(101)	290	230	101	60
FBLA	610	125	40	-	695
FFA	3,573	15,801	14,612	-	4,762
FCCLA	614	1,372	773	-	1,213
At risk student fund	101	-	-	(101)	-
HS student council	6,520	2,864	3,413	-	5,971
Art club	3,011	-	96	-	2,915
FEA club	1,286	873	717	-	1,442
Spanish club	1,194	481	271	-	1,404
HS tech club	536	-	-	-	536
Cheerleaders	623	3,573	3,054	-	1,142
HS/JR library club	(57)	13	-	44	-
History club	797	2,533	786	-	2,544
Manufacturing tech	884	22	-	-	906
Physical education	1,433	1,961	2,110	-	1,284
HS math club	292	1,032	960	-	364
Falcons nest	(1,766)	6,016	4,807	-	(557)
Brain bowl	-	993	623	-	370
Teen leadership	721	-	-	(721)	-
JH clubs/organization	3,917	5,565	4,981	1,521	6,022
JH student council	495	1,904	1,605	200	994
Elem clubs/organization	6,122	14,126	10,107	-	10,141
Elem library fund	2,821	8,623	9,173	-	2,271
Living classroom	2,000	-	-	-	2,000
Elem sports	2,475	1,268	691	-	3,052
Elem after school program	1,784	2,889	1,447	-	3,226
Elem wrestling club	959	1,205	517	-	1,647
Total	\$ 53,990	176,820	158,029	-	72,781

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 2,647,360	2,608,212	2,459,198	2,407,816
Tuition	388,892	439,096	314,622	331,080
Other	312,018	417,019	323,661	334,553
State sources	2,485,036	3,127,493	3,018,542	2,605,909
Federal sources	672,326	494,317	426,635	459,477
Total	\$ 6,505,632	7,086,137	6,542,658	6,138,835
Expenditures:				
Current:				
Instruction:				
Regular	\$ 2,313,636	2,710,732	4,089,184	2,407,415
Special	796,328	1,150,170	-	891,771
Other	950,685	337,753	179,498	787,358
Support services:				
Student	88,812	85,372	63,985	73,139
Instructional staff	105,650	103,429	128,331	139,379
Administration	580,423	603,845	597,093	607,967
Operation and maintenance of plant	528,607	525,034	518,351	578,212
Transportation	335,162	255,080	328,252	282,432
Other support services	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisitions	507,581	317,442	64,866	403,365
Long-term debt:				
Principal	215,000	206,950	207,800	207,800
Interest	31,813	37,963	43,262	47,863
AEA flowthrough	215,339	201,687	190,754	183,137
Total	\$ 6,669,036	6,535,457	6,411,376	6,609,838

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
2,558,653	2,481,816	2,114,979	1,896,605	1,840,816	1,647,433
272,337	226,145	285,547	235,248	82,128	148,285
302,274	217,051	240,285	174,965	253,645	286,951
2,556,382	2,656,082	2,718,332	2,933,030	2,840,673	2,714,204
329,186	392,968	543,827	514,266	463,790	183,240
6,018,832	5,974,062	5,902,970	5,754,114	5,481,052	4,980,113
2,065,878	2,152,571	2,102,497	1,998,950	1,739,725	1,404,916
722,350	578,603	912,150	1,016,046	1,499,578	1,375,133
776,339	725,208	487,735	486,768	489,290	472,866
114,978	128,081	74,557	122,545	121,317	115,584
157,969	70,438	71,042	81,667	76,880	80,764
583,341	553,910	536,818	552,230	531,254	465,070
494,302	437,642	481,703	396,869	476,285	794,069
341,056	231,389	229,625	245,663	254,795	347,696
-	518	12,365	-	-	-
-	-	-	1,230	21,040	13,482
279,757	9,242	26,162	15,679	58,409	13,401
202,800	197,800	187,800	167,800	162,800	152,800
51,762	55,563	63,659	135,442	117,727	123,818
177,505	178,058	183,277	199,087	197,889	190,816
5,968,037	5,319,023	5,369,390	5,419,976	5,746,989	5,550,415

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM (REAP)	84.358	FY 10	\$ 23,940
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
RURAL OUTREACH - RURAL NETWORK DEVELOPMENT PROGRAM (RURAL HEALTH OUTREACH GRANT)	93.912	FY 09	714
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 10	33,829
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 10	137,518 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 10	11,041
			<u>182,388</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 10	123,318
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	68,235
			<u>191,553</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 10	2,395
READING FIRST STATE GRANTS	84.357	FY 09	7,058
READING FIRST STATE GRANTS	84.357	FY 10	22,621
			<u>29,679</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 10	32,823
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 10	3,894
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	248,161
CHARITON COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	7,098
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 10	28,726
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	78,548
			<u>107,274</u>
TOTAL			<u>\$ 829,919</u>

* - Includes \$14,940 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be 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 assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 deficiencies in internal control described in Part II of the accompany Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

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

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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.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 25, 2010

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Wayne Community School District

Compliance

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

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

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

Internal Control Over Compliance

The management of Wayne Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Wayne Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wayne Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

October 25, 2010

WAYNE 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 a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Wayne Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

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.

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

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

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,
Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

CFDA Number 10.559: Summer Food Service Program for Children

Federal Award Year: 2010

U.S. Department of Agriculture

Passed through the Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District wrote seventeen checks to students out of the Special Revenue, Student Activity Fund for fruit sale incentives totaling \$550. We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund. The checks to students and clothing for coaches do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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.

The District should review the procedures in place. The District should not write checks to students as cash prize incentives.

Response - We will review procedures in place and attempt to have the vendor pay the sale incentives. We will contact the Booster Club to provide the clothing to the coaches.

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 - No business transactions between the District and District officials or employees were noted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 16,943
Statewide sales, services and use tax		303,414
Expenditures/transfers out:		
School infrastructure:		
Buildings	\$ 53,501	
Debt service for school infrastructure:		
General obligation debt	50,000	103,501
Ending balance		<u>\$ 216,856</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.38504	\$ 50,000
Physical plant and equipment levy	1.34440	174,580
Total	<u>\$ 1.72944</u>	<u>\$ 224,580</u>

IV-M-10 Financial Condition - The District had negative accounts in the Special Revenue, Student Activity Fund totaling \$7,166.

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

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

Conclusion - Response accepted.

IV-N-10 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

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

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

Response - The Board will annually designate the donations to the Student Activity Fund.

Conclusion - Response accepted.

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

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually November 1st. In preparation of completing this report, the District review old outstanding checks, and reissue, void if appropriate, or submit to the State Treasurer as unclaimed property.

Response - We are working on this.

Conclusion - Response accepted.