

WACO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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WACO Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Tim Graber	President	2013
Gary Brose	Vice President	2011
Joellen Jepson	Board Member	2013
Todd Meyer	Board Member	2011
Jarod Graber	Board Member	2013
School Officials		
Pat Coen	Superintendent	2011
Carrie Coble	Board Secretary/ Business Manager	2011
Robert Meyer	District Treasurer	2011
Ron Peeler	Attorney	2011



**WACO
COMMUNITY SCHOOL DISTRICT**

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
WACO Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District, Wayland Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of WACO Community School District at June 30, 2011, 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 February 15, 2012 on our consideration of WACO Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WACO Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

WACO Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,658,968 in fiscal 2010 to \$5,972,375 in fiscal 2011, while General Fund expenditures increased from \$5,643,309 in fiscal 2010 to \$5,885,177 in fiscal 2011. Revenues outpaced expenditures resulting in an increase in the District's General Fund balance from of \$288,494 in fiscal 2010 to a balance of \$375,692 in fiscal 2011, a 30.23% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state source revenues in fiscal 2011. The increase in expenditures was due primarily to increased spending in the instruction and support services functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

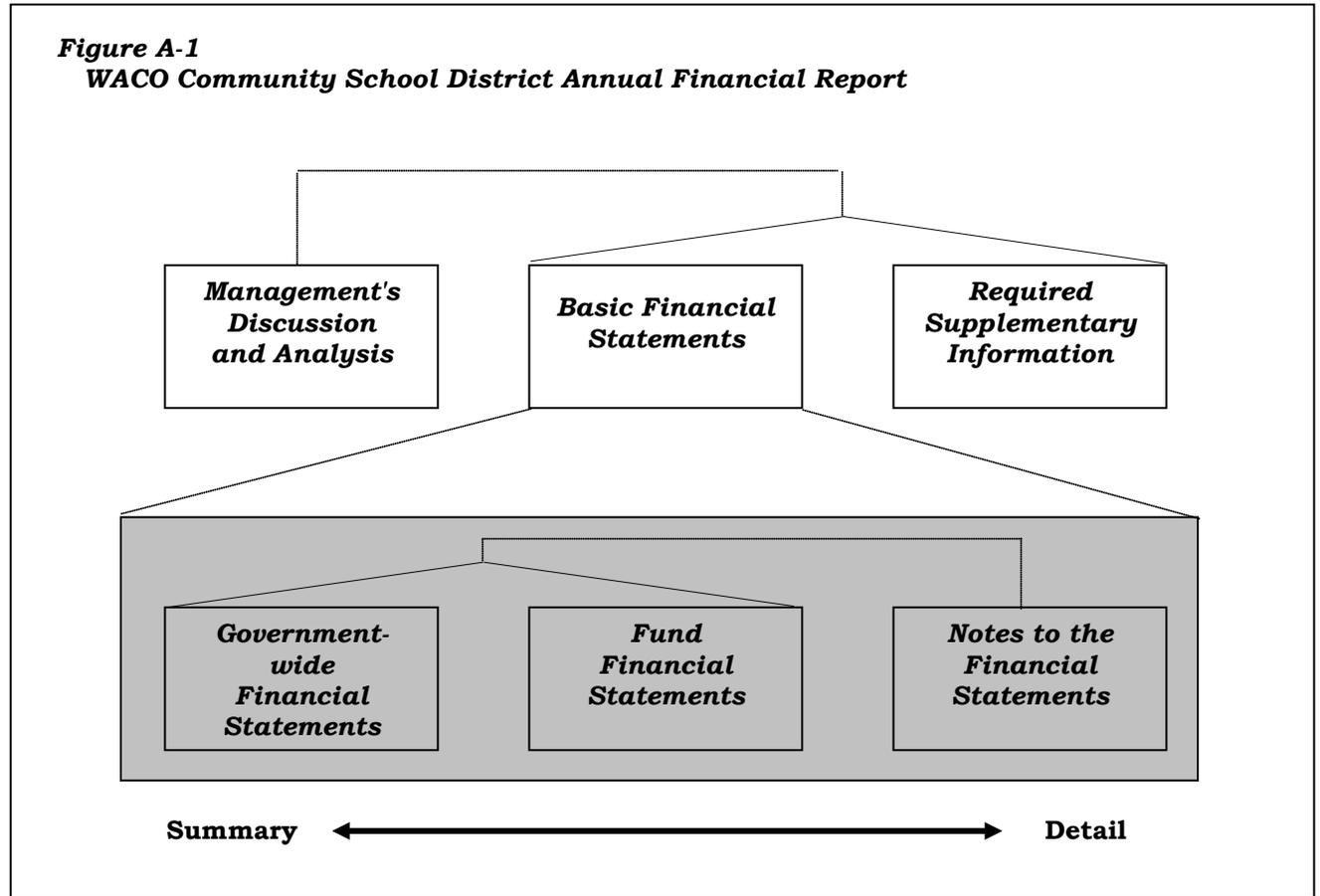


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 4,441,150	4,663,381	49,281	38,932	4,490,431	4,702,313	-4.51%
Capital assets	6,978,642	7,253,961	17,735	22,492	6,996,377	7,276,453	-3.85%
Total assets	<u>11,419,792</u>	<u>11,917,342</u>	<u>67,016</u>	<u>61,424</u>	<u>11,486,808</u>	<u>11,978,766</u>	<u>-4.11%</u>
Long-term obligations	3,643,808	4,100,605	5,133	3,060	3,648,941	4,103,665	-11.08%
Other liabilities	3,111,045	3,764,064	3,187	4,748	3,114,232	3,768,812	-17.37%
Total liabilities	<u>6,754,853</u>	<u>7,864,669</u>	<u>8,320</u>	<u>7,808</u>	<u>6,763,173</u>	<u>7,872,477</u>	<u>-14.09%</u>
Net assets:							
Invested in capital assets, net of related debt	3,553,642	3,458,961	17,735	22,492	3,571,377	3,481,453	2.58%
Restricted	1,387,166	1,098,540	-	-	1,387,166	1,098,540	26.27%
Unrestricted	(275,869)	(504,828)	40,961	31,124	(234,908)	(473,704)	50.41%
Total net assets	<u>\$ 4,664,939</u>	<u>4,052,673</u>	<u>58,696</u>	<u>53,616</u>	<u>4,723,635</u>	<u>4,106,289</u>	<u>15.03%</u>

The District's combined net assets increased by 15.03%, or \$617,346 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 represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$288,626, or 26.27% over the prior year. The increase in restricted net assets is largely a result of the improvement in fund balance in the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$238,796, or 50.41%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
2011	2010	2011	2010	2011	2010	2010-11	
Revenues:							
Program revenues:							
Charges for services	\$ 651,203	616,246	122,151	133,706	773,354	749,952	3.12%
Operating grants and contributions and restricted interest	596,365	1,210,448	129,353	125,125	725,718	1,335,573	-45.66%
General revenues:							
Property tax	2,863,997	2,586,883	-	-	2,863,997	2,586,883	10.71%
Statewide sales, services and use tax	350,467	290,182	-	-	350,467	290,182	20.77%
Unrestricted state grants	2,561,126	1,789,042	-	-	2,561,126	1,789,042	43.16%
Nonspecific program federal grants	53,724	-	-	-	53,724	-	100.00%
Other	69,806	73,144	678	2,832	70,484	75,976	-7.23%
Total revenues	<u>7,146,688</u>	<u>6,565,945</u>	<u>252,182</u>	<u>261,663</u>	<u>7,398,870</u>	<u>6,827,608</u>	<u>8.37%</u>
Program expenses:							
Governmental activities:							
Instructional	4,273,565	4,268,298	-	-	4,273,565	4,268,298	0.12%
Support services	1,660,047	1,635,065	-	-	1,660,047	1,635,065	1.53%
Non-instructional programs	-	-	247,102	236,577	247,102	236,577	4.45%
Other expenses	600,810	922,244	-	-	600,810	922,244	-34.85%
Total expenses	<u>6,534,422</u>	<u>6,825,607</u>	<u>247,102</u>	<u>236,577</u>	<u>6,781,524</u>	<u>7,062,184</u>	<u>-3.97%</u>
Changes in net assets	612,266	(259,662)	5,080	25,086	617,346	(234,576)	363.18%
Net assets beginning of year, as restated	<u>4,052,673</u>	<u>4,312,335</u>	<u>53,616</u>	<u>28,530</u>	<u>4,106,289</u>	<u>4,340,865</u>	<u>-5.40%</u>
Net assets end of year	<u>\$ 4,664,939</u>	<u>4,052,673</u>	<u>58,696</u>	<u>53,616</u>	<u>4,723,635</u>	<u>4,106,289</u>	<u>15.03%</u>

In fiscal 2011, property tax, statewide sales and services tax and unrestricted state grants account for 80.82% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.73% of the revenue from business type activities.

The District's total revenues were approximately \$7.40 million, of which approximately \$7.15 million was for governmental activities and approximately \$0.25 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.37% increase in revenues and a 3.97% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$7,146,688 and expenses were \$6,534,422 for the year ended June 30, 2011.

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, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,273,565	4,268,298	0.12%	3,283,415	2,658,770	23.49%
Support services	1,660,047	1,635,065	1.53%	1,617,575	1,631,245	-0.84%
Other expenses	600,810	922,244	-34.85%	385,864	708,898	-45.57%
Totals	\$ 6,534,422	6,825,607	-33.20%	5,286,854	4,998,913	5.76%

- The cost financed by users of the District's programs was \$651,203.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$596,365.
- The net cost of governmental activities was financed with \$2,863,997 in property tax, \$350,467 in statewide sales, services and use tax, \$2,561,126 in unrestricted state grants, \$53,724 in nonspecific program federal grants, \$13,935 in interest income and \$55,871 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were \$252,182 and expenses were \$247,102. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,369,758, compared to last year's ending fund balances of \$942,812. The primary reason for the increase was improvement in the Capital Projects Fund and Management Levy Fund balances.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. As total revenues increased, the District was able to limit the increase expenditures enough to generate the improvement in fund balance.
- The Management Levy Fund balance increased from \$40,685 in 2010, to \$211,484 in 2011 due to increased local tax revenue received during fiscal 2011.

-
- The Capital Projects Fund improved from a restated balance of \$396,744 at the beginning of fiscal year 2011 to \$554,084 at the end of fiscal year 2011. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The Statewide Sales, Services and Use Tax Fund revenues increased \$35,639 and expenses decreased \$99,921 when compared to the previous year. Physical Plant and Equipment Levy Fund revenues increased \$62,448 and expenses increased \$32,676 when compared to the previous year.
 - The Debt Service Fund balance increased from \$163,240 in 2010, to \$168,697 in 2011.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$53,616 at June 30, 2010 to \$58,696 at June 30, 2011, representing an increase of 9.47%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$459,618 less than budgeted revenues, a variance of 5.85%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$7.00 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.85% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$324,676.

The original cost of the District's capital assets was \$11,084,900. Governmental funds account for \$10,951,958 with the remainder of \$132,942 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category due mainly to scheduled depreciation. The District's machinery and equipment was \$165,423 at June 30, 2011, compared to \$228,272 reported at June 30, 2010.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 85,850	85,850	-	-	85,850	85,850	0.00%
Buildings	6,066,087	6,266,583	-	-	6,066,087	6,266,583	-3.20%
Land improvements	679,017	695,748	-	-	679,017	695,748	-2.40%
Machinery and equipment	147,688	205,780	17,735	22,492	165,423	228,272	-27.53%
Total	\$ 6,978,642	7,253,961	17,735	22,492	6,996,377	7,276,453	-3.85%

Long-Term Debt

At June 30, 2011, the District had \$3,648,941 in long-term debt outstanding. This represents a decrease of 11.08% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had \$2,165,000 of outstanding general obligation bonds payable of at June 30, 2011.

The District had total outstanding revenue bonds of \$1,260,000 at June 30, 2011 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$86,359 at June 30, 2011.

The District had a net OPEB liability of \$137,582 at June 30, 2011.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 2,165,000	2,430,000	-10.91%
Revenue bonds	1,260,000	1,365,000	-7.69%
Early retirement	86,359	221,700	-61.05%
Compensated absences	-	4,965	-100.00%
Net OPEB liability	137,582	82,000	67.78%
Total	\$ 3,648,941	4,103,665	-11.08%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,356,904	41,683	1,398,587
Receivables:			
Property tax:			
Delinquent	49,763	-	49,763
Succeeding year	2,880,707	-	2,880,707
Due from other governments	153,776	-	153,776
Inventories	-	7,598	7,598
Capital assets, net of accumulated depreciation	6,978,642	17,735	6,996,377
Total assets	11,419,792	67,016	11,486,808
Liabilities			
Accounts payable	85,896	297	86,193
Accrued interest payable payable	39,653	-	39,653
Deferred revenue:			
Succeeding year property tax	2,880,707	-	2,880,707
Other	104,789	-	104,789
Unearned revenue	-	2,890	2,890
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	275,000	-	275,000
Revenue bond payable	105,000	-	105,000
Early retirement	30,040	-	30,040
Portion due after one year:			
General obligation bonds payable	1,890,000	-	1,890,000
Revenue bond payable	1,155,000	-	1,155,000
Early retirement	56,319	-	56,319
Net OPEB liability	132,449	5,133	137,582
Total liabilities	6,754,853	8,320	6,763,173
Net Assets			
Invested in capital assets, net of related debt	3,553,642	17,735	3,571,377
Restricted for:			
Categorical funding	479,459	-	479,459
Debt service	168,697	-	168,697
Management levy purposes	125,125	-	125,125
Student activities	59,801	-	59,801
School infrastructure	477,789	-	477,789
Physical plant and equipment	76,295	-	76,295
Unrestricted	(275,869)	40,961	(234,908)
Total net assets	\$ 4,664,939	58,696	4,723,635

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,624,298	374,880	253,150	(1,996,268)	-	(1,996,268)
Special	762,151	96,544	63,777	(601,830)	-	(601,830)
Other	887,116	176,976	24,823	(685,317)	-	(685,317)
	<u>4,273,565</u>	<u>648,400</u>	<u>341,750</u>	<u>(3,283,415)</u>	<u>-</u>	<u>(3,283,415)</u>
Support services:						
Student	103,031	-	38,075	(64,956)	-	(64,956)
Instructional staff	126,243	-	300	(125,943)	-	(125,943)
Administration	727,855	-	-	(727,855)	-	(727,855)
Operation and maintenance of plant	357,220	-	-	(357,220)	-	(357,220)
Transportation	345,698	2,803	1,294	(341,601)	-	(341,601)
	<u>1,660,047</u>	<u>2,803</u>	<u>39,669</u>	<u>(1,617,575)</u>	<u>-</u>	<u>(1,617,575)</u>
Other expenditures:						
Long-term debt interest	141,784	-	-	(141,784)	-	(141,784)
AEA flowthrough	214,946	-	214,946	-	-	-
Depreciation(unallocated)*	244,080	-	-	(244,080)	-	(244,080)
	<u>600,810</u>	<u>-</u>	<u>214,946</u>	<u>(385,864)</u>	<u>-</u>	<u>(385,864)</u>
Total governmental activities	6,534,422	651,203	596,365	(5,286,854)	-	(5,286,854)
Business Type activities:						
Non-instructional programs:						
Nutrition services	247,102	122,151	129,353	-	4,402	4,402
Total business type activities	<u>247,102</u>	<u>122,151</u>	<u>129,353</u>	<u>-</u>	<u>4,402</u>	<u>4,402</u>
Total	<u>\$ 6,781,524</u>	<u>773,354</u>	<u>725,718</u>	<u>(5,286,854)</u>	<u>4,402</u>	<u>(5,282,452)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,529,985	-	2,529,985
Debt services				291,229	-	291,229
Capital outlay				42,783	-	42,783
Statewide sales, services and use tax				350,467	-	350,467
Unrestricted state grants				2,561,126	-	2,561,126
Nonspecific program federal grants				53,724	-	53,724
Unrestricted investment earnings				13,935	213	14,148
Other general revenues				55,871	465	56,336
Total general revenues				<u>5,899,120</u>	<u>678</u>	<u>5,899,798</u>
Change in net assets				612,266	5,080	617,346
Net assets beginning of year				<u>4,052,673</u>	<u>53,616</u>	<u>4,106,289</u>
Net assets end of year				<u>\$ 4,664,939</u>	<u>58,696</u>	<u>4,723,635</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 459,284	467,562	163,658	266,400	1,356,904
Receivables:					
Property tax:					
Delinquent	39,178	740	5,039	4,806	49,763
Succeeding year	2,294,819	44,293	296,595	245,000	2,880,707
Due from other governments	66,674	86,423	-	679	153,776
Total assets	\$ 2,859,955	599,018	465,292	516,885	4,441,150
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 84,655	641	-	600	85,896
Deferred revenue:					
Succeeding year property tax	2,294,819	44,293	296,595	245,000	2,880,707
Other	104,789	-	-	-	104,789
Total liabilities	2,484,263	44,934	296,595	245,600	3,071,392
Fund balances:					
Restricted for:					
Categorical funding	479,459	-	-	-	479,459
Debt service	-	-	168,697	-	168,697
Management levy purposes	-	-	-	211,484	211,484
Student activities	-	-	-	59,801	59,801
School infrastructure	-	477,789	-	-	477,789
Physical plant and equipment	-	76,295	-	-	76,295
Unassigned	(103,767)	-	-	-	(103,767)
Total fund balances	375,692	554,084	168,697	271,285	1,369,758
Total liabilities and fund balances	\$ 2,859,955	599,018	465,292	516,885	4,441,150

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20) \$ 1,369,758

***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. 6,978,642

Accrued interest payable in long-term liabilities is not
 due and payable in the current period and, therefore,
 is not reported as a liability in the governmental funds. (39,653)

Long-term liabilities, including 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. (3,643,808)

Net assets of governmental activities(page 18) \$ 4,664,939

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,253,569	393,250	291,229	276,416	3,214,464
Tuition	458,816	-	-	-	458,816
Other	120,225	10,219	207	202,992	333,643
State sources	2,819,717	-	-	-	2,819,717
Federal sources	320,048	-	-	-	320,048
Total revenues	5,972,375	403,469	291,436	479,408	7,146,688
Expenditures:					
Current:					
Instruction:					
Regular	2,675,655	-	-	2,386	2,678,041
Special	762,151	-	-	-	762,151
Other	696,743	-	-	189,436	886,179
	4,134,549	-	-	191,822	4,326,371
Support services:					
Student	102,386	-	-	-	102,386
Instructional staff	125,298	-	-	-	125,298
Administration	636,543	-	-	86,009	722,552
Operation and maintenance of plant	320,646	-	-	19,159	339,805
Transportation	276,412	-	-	5,467	281,879
	1,461,285	-	-	110,635	1,571,920
Other expenditures:					
Facilities acquisitions	13,400	77,479	-	-	90,879
Long-term debt:					
Principal	-	-	370,000	-	370,000
Interest and fiscal charges	-	-	145,626	-	145,626
AEA flowthrough	214,946	-	-	-	214,946
	228,346	77,479	515,626	-	821,451
Total expenditures	5,824,180	77,479	515,626	302,457	6,719,742
Excess(deficiency) of revenues over(under) expenditures	148,195	325,990	(224,190)	176,951	426,946
Other financing sources(uses):					
Transfer in	-	60,997	229,647	-	290,644
Transfer out	(60,997)	(229,647)	-	-	(290,644)
Total other financing sources(uses)	(60,997)	(168,650)	229,647	-	-
Net change in fund balances	87,198	157,340	5,457	176,951	426,946
Fund balances beginning of year, as restated	288,494	396,744	163,240	94,334	942,812
Fund balances end of year	\$ 375,692	554,084	168,697	271,285	1,369,758

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 426,946

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

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

Capital outlays	\$ 44,600	
Depreciation expense	<u>(319,919)</u>	(275,319)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 370,000

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. 3,842

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

Early retirement	135,341	
Compensated Absences	4,965	
Net OPEB liability	<u>(53,509)</u>	<u>86,797</u>

Changes in net assets of governmental activities(page 19) \$ 612,266

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 41,683
Inventories	7,598
Capital assets, net of accumulated depreciation	17,735
Total assets	<u>67,016</u>
Liabilities	
Accounts payable	297
Unearned revenues	2,890
Net OPEB liability	5,133
Total liabilities	<u>8,320</u>
Net Assets	
Invested in capital assets	17,735
Unrestricted	40,961
Total net assets	<u>\$ 58,696</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 122,151
Miscellaneous	465
Total operating revenues	122,616
Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	81,141
Benefits	37,306
Services	5,220
Supplies	118,678
Depreciation	4,757
Total operating expenses	247,102
Operating loss	(124,486)
Non-operating revenues:	
Interest income	213
State sources	2,479
Federal sources	126,874
Total non-operating revenues	129,566
Change in net assets	5,080
Net assets beginning of year	53,616
Net assets end of year	\$ 58,696

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 127,939
Cash received from miscellaneous operating activities	465
Cash payments to employees for services	(116,374)
Cash payments to suppliers for goods or services	(116,927)
Net cash used in operating activities	(104,897)
Cash flows from non-capital financing activities:	
State grants received	2,479
Federal grants received	117,291
Net cash provided by non-capital financing activities	119,770
Cash flows from investing activities:	
Interest on investments	213
Net increase in cash and cash equivalents	15,086
Cash and cash equivalents at beginning of year	26,597
Cash and cash equivalents at end of year	\$ 41,683
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (124,486)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	9,583
Depreciation	4,757
Increase in inventories	(374)
Decrease in accounts receivable	5,111
Decrease in accounts payable	(2,238)
Increase in net OPEB liability	2,073
Increase in unearned revenue	677
Net cash used in operating activities	\$ (104,897)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$9,583 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

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

The District also reports a fiduciary fund that focuses on net assets and change4s in net assets. The District's fiduciary fund is as follows:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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

D. Assets, Liabilities and Fund Equity

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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 Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$229,801 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 229,647
Capital Projects: Physical Plant and Equipment Levy	General	60,997
Total		<u>\$ 290,644</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred moneys to the Debt Service Fund to pay principal and interest requirements of the District's revenue bonded indebtedness and a portion of the general obligation bonded indebtedness.

The General Fund transferred moneys to the Capital Projects: Physical Plant and Equipment Levy Fund for expenses incorrectly recorded in the prior year.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 85,850	-	-	85,850
Total capital assets not being depreciated	85,850	-	-	85,850
Capital assets being depreciated:				
Buildings	8,923,496	-	-	8,923,496
Land improvements	951,896	26,853	-	978,749
Machinery and equipment	946,116	17,747	-	963,863
Total capital assets being depreciated	10,821,508	44,600	-	10,866,108
Less accumulated depreciation for:				
Buildings	2,656,913	200,496	-	2,857,409
Land improvements	256,148	43,584	-	299,732
Machinery and equipment	740,336	75,839	-	816,175
Total accumulated depreciation	3,653,397	319,919	-	3,973,316
Total capital assets being depreciated, net	7,168,111	(275,319)	-	6,892,792
Governmental activities capital assets, net	\$ 7,253,961	(275,319)	-	6,978,642
Business type activities:				
Machinery and equipment	\$ 132,942	-	-	132,942
Less accumulated depreciation	110,450	4,757	-	115,207
Business type activities capital assets, net	\$ 22,492	(4,757)	-	17,735

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,549
Other	937
Support services:	
Operation and maintenance of plant	7,834
Transportation	63,519
	<u>75,839</u>
Unallocated depreciation	244,080
	<u>244,080</u>
Total governmental activities depreciation expense	\$ <u>319,919</u>
Business type activities:	
Food service operations	\$ <u>4,757</u>

(5) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,430,000	-	265,000	2,165,000	275,000
Revenue bonds	1,365,000	-	105,000	1,260,000	105,000
Early retirement	221,700	-	135,341	86,359	30,040
Compensated absences	4,965	-	4,965	-	-
Net OPEB liability	78,940	53,509	-	132,449	-
Total	\$ 4,100,605	53,509	510,306	3,643,808	410,040
Business type activities:					
Net OPEB liability	\$ 3,060	2,073	-	5,133	-

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 1, 2005				
	Interest Rates	Principal	Interest	Total	
2012	3.45 %	\$ 275,000	81,345	356,345	
2013	3.55	285,000	71,858	356,858	
2014	3.65	300,000	61,740	361,740	
2015	3.75	305,000	50,790	355,790	
2016	3.85	320,000	39,352	359,352	
2017-2018	3.95-4.00	680,000	40,833	720,833	
Total		\$ 2,165,000	345,918	2,510,918	

Revenue Bonds Payable

Details of the District's June 30, 2011 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2006			Bond Issue of September 1, 2008			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	4.75 %	\$ 105,000	2,494	3.75 %	-	47,204	105,000	49,698	154,698
2013	-	-	-	3.75	100,000	45,329	100,000	45,329	145,329
2014	-	-	-	3.75	100,000	41,578	100,000	41,578	141,578
2015	-	-	-	4.00	100,000	37,704	100,000	37,704	137,704
2016	-	-	-	4.00	100,000	33,704	100,000	33,704	133,704
2017-2021	-	-	-	4.00-4.375	525,000	106,988	525,000	106,988	631,988
2022-2023	-	-	-	4.375	230,000	10,063	230,000	10,063	240,063
Total		\$ 105,000	2,494		\$ 1,155,000	322,570	1,260,000	325,064	1,585,064

The District has pledged future statewide sales, services and use tax revenues to repay the \$510,000 bonds issued in August 2006 and the \$1,155,000 bonds issued in September 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 45.53% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,585,064. For the current year, principal and interest paid on the bonds was \$159,554 and statewide sales, services and use tax revenues were \$350,467.

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

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

Early Retirement

The District had previously offered a voluntary early retirement plan to its certified employees, classified employees and administrative staff. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee are on the "per diem" basis based on the current contract at the time of retirement. "Per diem" is defined as per day pay based upon contract days and annual salary. Early retirement expenditures for the year ended June 30, 2011 totaled \$135,341.

(6) 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$235,738, \$227,794 and \$216,080, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 152,000
Interest on net OPEB obligation	3,690
Adjustment to annual required contribution	(3,108)
Annual OPEB cost	<u>152,582</u>
Contributions made	(97,000)
Increase in net OPEB obligation	<u>55,582</u>
Net OPEB obligation beginning of year	<u>82,000</u>
Net OPEB obligation end of year	<u>\$ 137,582</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, 2011, the District contributed \$97,000 to the medical plan. Plan members eligible for benefits contributed \$70,000, or 41.92% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 152,000	46.05%	\$ 82,000
2011	152,582	63.57%	137,582

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,372,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,372,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,598,119 and the ratio of the UAAL to covered payroll was 38.13%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual health cost trend rate was 10.50% for the year ended June 30, 2011, grading down 0.5% each year until an ultimate health care cost trend rate is reached in 2021 of 5.00%.

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

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

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2011 were \$637,614.

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

(9) 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 \$214,946 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2011 are comprised of the following programs:

Program	Amount
Limited English Proficient	\$ 21,597
Home School Assistance Program	12,523
At-Risk Programs	44,684
Gifted and Talented Programs	16,586
Returning Dropouts and Dropout Prevention Programs	266,457
Beginning Teacher Mentoring and Induction Program	2,101
Teacher Salary Supplement	62,922
Beginning Administrator Mentoring and Induction Program	931
Professional Development for Model Core Curriculum	28,356
Professional Development	23,302
Total	<u>\$ 479,459</u>

(11) Deficit Fund Balance/Net Assets

At June 30, 2011, the General Fund had a negative unassigned fund balance of \$103,767 and Governmental Activities had deficit unrestricted net assets of \$275,869.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously stated	\$ 346,804	49,940
Change in fund type classification per implementation of GASB Statement No. 54	49,940	(49,940)
Balances July 1, 2010, as restated	<u>\$ 396,744</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,006,923	122,829	4,129,752	4,170,938	4,170,938	(41,186)
Intermediate sources	-	-	-	3,500	3,500	(3,500)
State sources	2,819,717	2,479	2,822,196	3,218,550	3,218,550	(396,354)
Federal sources	320,048	126,874	446,922	465,500	465,500	(18,578)
Total revenues	7,146,688	252,182	7,398,870	7,858,488	7,858,488	(459,618)
Expenditures/Expenses:						
Instruction	4,326,371	-	4,326,371	4,619,712	4,619,712	293,341
Support services	1,571,920	-	1,571,920	1,903,000	1,903,000	331,080
Non-instructional programs	-	247,102	247,102	269,430	269,430	22,328
Other expenditures	821,451	-	821,451	1,063,879	1,063,879	242,428
Total expenditures/expenses	6,719,742	247,102	6,966,844	7,856,021	7,856,021	889,177
Excess of revenues over expenditures/expenses	426,946	5,080	432,026	2,467	2,467	429,559
Other financing sources, net	-	-	-	500	500	(500)
Excess of revenues and other financing sources over expenditures/expenses	426,946	5,080	432,026	2,967	2,967	429,059
Balances beginning of year	942,812	53,616	996,428	880,139	880,139	116,289
Balances end of year	\$ 1,369,758	58,696	1,428,454	883,106	883,106	545,348

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAA) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAA as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,372,000	1,372,000	0.00%	\$ 3,232,484	42.44%
2011	July 1, 2009	-	1,372,000	1,372,000	0.00%	3,598,119	38.13%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 206,678	59,722	266,400
Receivables:			
Property tax:			
Delinquent	4,806	-	4,806
Succeeding year	245,000	-	245,000
Due from other governments	-	679	679
Total assets	\$ 456,484	60,401	516,885
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	600	600
Deferred revenue:			
Succeeding year property tax	245,000	-	245,000
Total liabilities	245,000	600	245,600
Fund balances:			
Restricted for:			
Management levy purposes	211,484	-	211,484
Student activities	-	59,801	59,801
Total fund balances	211,484	59,801	271,285
Total liabilities and fund balances	\$ 456,484	60,401	516,885

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 276,416	-	276,416
Other	7,404	195,588	202,992
Total revenues	283,820	195,588	479,408
Expenditures:			
Current:			
Instruction:			
Regular	2,386	-	2,386
Other	-	189,436	189,436
Support services:			
Administration	86,009	-	86,009
Operation and maintenance of plant	19,159	-	19,159
Transportation	5,467	-	5,467
Total expenditures	113,021	189,436	302,457
Excess of revenues over expenditures	170,799	6,152	176,951
Fund balances beginning of year, as restated	40,685	53,649	94,334
Fund balances end of year	\$ 211,484	59,801	271,285

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 391,366	76,196	467,562
Receivables:			
Property tax:			
Delinquent	-	740	740
Succeeding year	-	44,293	44,293
Due from other governments	86,423	-	86,423
Total assets	\$ 477,789	121,229	599,018
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	641	641
Deferred revenue:			
Succeeding year property tax	-	44,293	44,293
Total liabilities	-	44,934	44,934
Fund balances:			
Restricted for:			
School infrastructure	477,789	-	477,789
Physical plant and equipment	-	76,295	76,295
Total fund balances	477,789	76,295	554,084
Total liabilities and fund balances	\$ 477,789	121,229	599,018

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 350,467	42,783	393,250
Other	10,165	54	10,219
Total revenues	360,632	42,837	403,469
Expenditures:			
Other expenditures:			
Facilities acquisitions	-	77,479	77,479
Excess(deficiency) of revenues over(under) expenditures	360,632	(34,642)	325,990
Other financing sources(uses):			
Transfers in	-	60,997	60,997
Transfers out	(229,647)	-	(229,647)
Total other financing sources(uses)	(229,647)	60,997	(168,650)
Net change in fund balances	130,985	26,355	157,340
Fund balances beginning year, as restated	346,804	49,940	396,744
Fund balances end of year	\$ 477,789	76,295	554,084

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Camp courageous	\$ -	2,491	1,600	-	891
Elementary vending	1,192	1,839	2,592	-	439
Elementary student leadership	511	-	72	-	439
After school program	6,441	14,223	14,531	-	6,133
6th grade overnight	172	-	-	-	172
Quiz bowl	-	-	14	14	-
Spanish trip	647	6,891	7,562	24	-
Musical	1,011	4,761	4,080	-	1,692
Strings resale	-	266	493	227	-
Instrumental music	-	88	590	502	-
Vocal music	-	1,880	2,133	253	-
Safe schools committee	500	-	-	-	500
Elementary activity	7,666	2,540	1,997	(290)	7,919
Secondary activity	357	557	535	(324)	55
High school annual	1,108	4,755	3,680	-	2,183
Class of 2010	48	-	48	-	-
Class of 2011	2,031	368	2,399	-	-
Class of 2012	-	10,316	8,633	-	1,683
Class of 2013	9	-	-	-	9
Class of 2014	-	22	-	-	22
Sr high student council	7,029	7,538	10,633	-	3,934
Leo club	510	1,388	1,931	33	-
National honor society	400	1,420	1,732	-	88
PTO	45	16,562	6,522	-	10,085
Football cheerleaders	2,233	8,624	9,545	-	1,312
Wrestling cheerleaders	-	-	20	20	-
Basketball cheerleaders	1,870	1,776	2,320	-	1,326
Drill team	704	3,676	5,622	1,242	-
Cross country	-	24	932	908	-
Boys basketball	-	335	3,298	2,963	-
Football	-	15,157	20,934	5,777	-
Baseball	-	-	350	350	-
Boys track	-	2,501	4,873	2,372	-
Boys golf	-	241	397	156	-
Girls golf	-	292	321	29	-
Wrestling	-	410	3,194	2,784	-
Girls basketball	922	834	3,337	1,581	-
Volleyball	-	3,474	7,411	3,987	50
Softball	-	4,666	7,284	2,618	-
Girls track	-	2,206	5,471	3,265	-
Interest	219	203	524	102	-
Activity tickets	17,382	69,913	38,781	(28,593)	19,921
Vending machines	642	3,351	3,045	-	948
Total	\$ 53,649	195,588	189,436	-	59,801

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Elementary PTO				
Assets:				
Cash and investments	\$ 13,057	-	13,057	-
Liabilities:				
Due to other groups	\$ 13,057	-	13,057	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,214,464	2,877,065	2,650,766	2,538,449	2,443,103	2,379,679	2,143,288	2,141,503
Tuition	458,816	447,100	545,597	546,965	561,972	526,416	485,178	443,289
Other	333,643	259,686	245,939	329,610	278,346	285,685	265,047	234,952
Intermediate sources	-	-	-	-	5,452	-	-	200
State sources	2,819,717	2,499,592	2,963,461	2,809,270	2,688,842	2,547,656	2,288,938	2,229,048
Federal sources	320,048	482,502	305,778	180,233	207,714	183,599	173,991	186,798
Total	\$ 7,146,688	6,565,945	6,711,541	6,404,527	6,185,429	5,923,035	5,356,442	5,235,790
Expenditures:								
Instruction:								
Regular	\$ 2,678,041	2,501,574	2,520,111	2,416,930	2,300,584	2,208,883	2,120,822	2,198,706
Special	762,151	822,874	827,486	815,142	758,374	685,666	582,360	569,022
Other	886,179	847,814	660,833	668,865	631,210	640,069	625,012	554,342
Support services:								
Student	102,386	24,564	122,920	127,124	88,836	104,327	95,489	95,975
Instructional staff	125,298	86,031	151,081	126,335	133,911	101,528	102,614	102,622
Administration	722,552	734,156	746,935	713,292	738,744	673,115	668,083	546,735
Operation and maintenance of plant	339,805	421,410	456,051	507,610	457,669	423,678	378,193	368,170
Transportation	281,879	240,624	317,688	272,761	356,428	338,645	237,125	269,558
Non-instructional:								
Food service operations	-	-	-	-	-	-	62,516	49,007
Other expenditures:								
Facilities acquisitions	90,879	189,378	891,915	150,988	606,302	73,268	60,950	-
Long term debt:								
Principal	370,000	379,649	368,524	393,267	240,930	225,199	224,852	185,000
Interest and fiscal charges	145,626	177,301	128,875	150,788	132,420	151,514	173,963	182,187
AEA flow-through	214,946	213,346	200,335	190,469	180,677	166,328	157,060	160,044
Total	\$ 6,719,742	6,638,721	7,392,754	6,533,571	6,626,085	5,792,220	5,489,039	5,281,368

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of
WACO Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 15, 2012

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-11 Flex Accounts - We noted during our audit that the District has a flex benefit (cafeteria) plan which is included in their General Fund. The Uniform Administrative Procedures Manual specifically instructs Districts to account for these transactions in an Internal Service Fund.

Recommendation - Internal Service Funds are used to account for the financing of services provided within the District to provide goods or services to other funds or other governments on a cost-reimbursement basis. As these moneys collected from employees and subsequently paid out for the reimbursement of medical expenses are paid on a cost-reimbursement basis, it would appear more appropriately accounted for in an Internal Service Fund. The current balance of the flex benefit (cafeteria) plan should be transferred to an Internal Service Fund.

Response - We will look to switch these moneys into an internal service fund.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

OTHER MATTERS:

I-C-11 Vending - We noted during our audit that the District had vending machines which they stock and withdrawal cash from the machine, but that those amounts were not reconciled to the counter in the machine.

Recommendation - The District should review their procedures regarding the operation of vending machines and develop a process for reconciling cash to the counter in the machine. Another alternative could be to allow the beverage company to stock and monitor the sales and then receive a profit check.

Response - We have switched to full service from our vending companies, so they now stock the machine as well as remove all money from the machine.

Conclusion - Response accepted.

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- II-B-11 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-11 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.
- II-D-11 Business Transactions - Business transactions between the District and District officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Massey, Custodian Owner of Mike's Service Stop	Supplies and Services	\$95

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

- II-E-11 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.
- II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The total number of students certified was overstated by 1.0 student.

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

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

Conclusion - Response accepted.
- II-H-11 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 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.
- II-J-11 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.

II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

Beginning Balance		\$	346,804
Revenues:			
Statewide sales, services and use tax revenue	\$	350,467	
Other local revenues		10,165	360,632
			<u>707,436</u>
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund			<u>229,647</u>
Ending Balance		\$	<u><u>477,789</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<u> </u>	<u> </u>
Debt service levy	\$ 0.54110	\$ 70,093

II-M-11 Deficit Balances - At June 30, 2011, the District had a deficit unassigned fund balance in the General Fund of \$103,767. The District also had deficit unrestricted net assets in governmental activities of \$275,869.

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

Response - We reduced these deficits from 2010 to 2011, and we will continue to monitor these funds and investigate ways to further reduce/eliminate these deficits.

Conclusion - Response accepted.

II-N-11 Capital Projects: Physical Plant and Equipment Levy Fund Expenditures - We noted during our audit that the District paid for cleaning supplies and an annual fire alarm system check from the Capital Projects: Physical Plant and Equipment Levy Fund that are unallowable under Chapter 298.3 of the Code of Iowa totaling \$8,879.64.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District should make a corrective transfer for \$8,879.64 from the General Fund to the Capital Projects: Physical Plant and Equipment Levy Fund.

Response - We will review the lists of allowable expenditures and we will make a corrective transfer on this purchase.

Conclusion - Response accepted.