

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

JUNE 30, 2011

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Wapello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Charles Kerr	President	2013
Larry Moser	Vice President	2011
Steve Dickey	Board Member	2011
Duane Boysen	Board Member	2013
Rob Pritchard	Board Member	2011
School Officials		
John M. Weidner, Sr.	Superintendent	2011
Eric Small	District Secretary	2011
Janell Heater	District Treasurer	2011
Roger Huddle	District Attorney	2011
Brian Gruhn	District Attorney	2011

WAPELLO COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Wapello Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2012 on our consideration of the Wapello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Wapello Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ending June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget(OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$7,062,053 in fiscal 2010 to \$7,452,784 in fiscal 2011, while General Fund expenditures decreased from \$7,467,522 in fiscal 2010 to \$7,377,804 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$350,122 in fiscal 2010 to \$425,102 in fiscal 2011, a 21.42% increase from the prior year.
- The increase in General Fund revenues was mainly attributable to an increase in state source revenues. The decrease in expenditures was a result of reduced spending in the support services functional area as compared to the previous year.
- The District's solvency ratio (unassigned fund balance/general fund revenues) decreased as compared to fiscal 2010. At June 30, 2010 the District's solvency ratio was 3.40% as compared to 2.24% at June 30, 2011.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

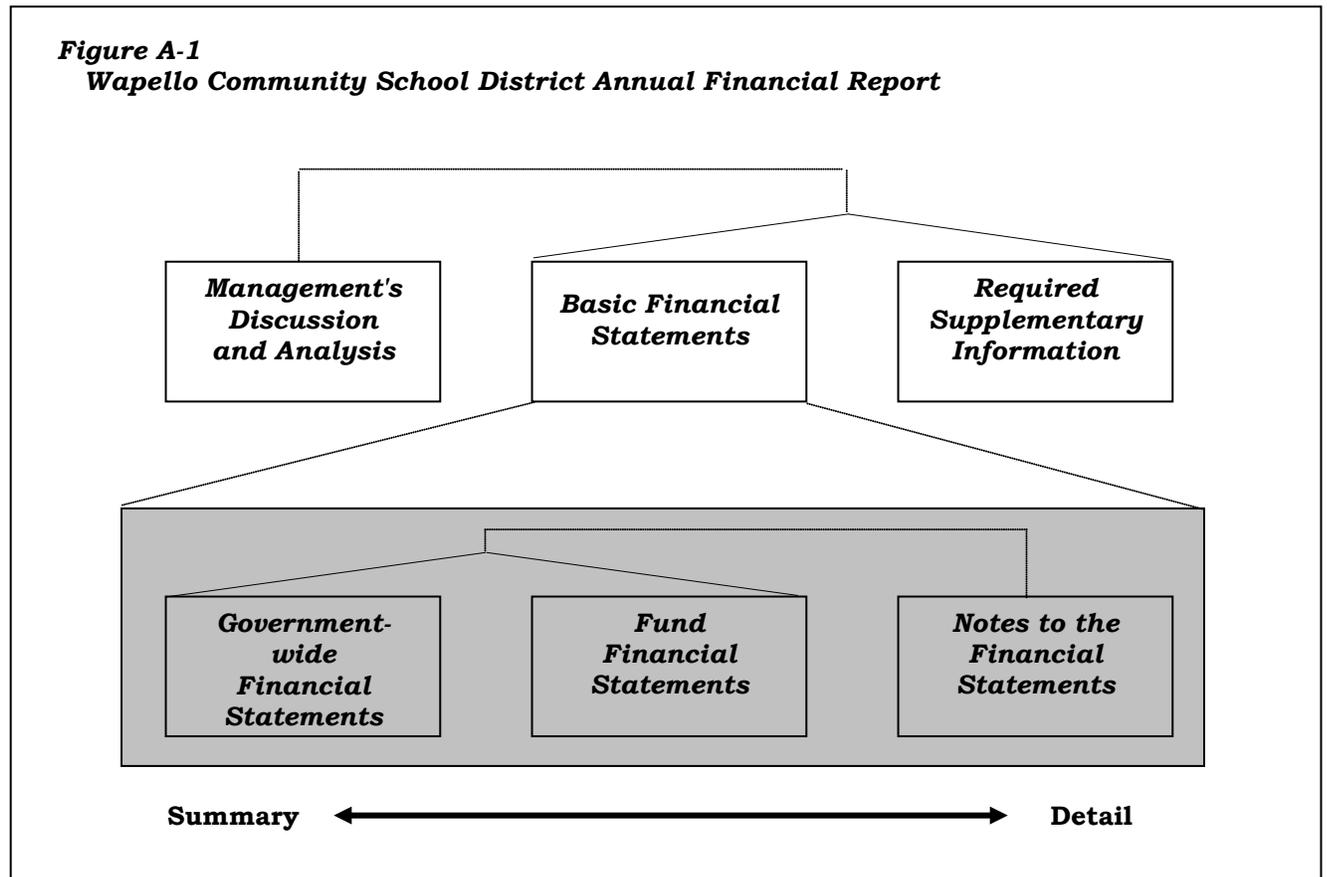


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to

measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets							
	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	\$ 6,784,200	6,266,249	62,099	25,807	6,846,299	6,292,056	8.81%
Capital assets	5,106,573	4,166,303	32,220	37,799	5,138,793	4,204,102	22.23%
Total assets	11,890,773	10,432,552	94,319	63,606	11,985,092	10,496,158	14.19%
Long-term obligations	2,984,653	1,698,871	973	564	2,985,626	1,699,435	75.68%
Other liabilities	3,543,325	3,600,329	9,663	7,961	3,552,988	3,608,290	-1.53%
Total liabilities	6,527,978	5,299,200	10,636	8,525	6,538,614	5,307,725	23.19%
Net assets:							
Invested in capital assets, net of related debt	2,250,052	2,531,622	32,220	37,799	2,282,272	2,569,421	-11.18%
Restricted	2,985,751	2,201,708	-	-	2,985,751	2,201,708	35.61%
Unrestricted	126,992	400,022	51,463	17,282	178,455	417,304	-57.24%
Total net assets	\$ 5,362,795	5,133,352	83,683	55,081	5,446,478	5,188,433	4.97%

The District's combined net assets increased by 4.97%, or \$258,045, over the prior year. A large portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$784,043, or 35.61% over the prior year. The increase was primarily a result of the increase in the Debt Service Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$238,849, or 57.24%. The decrease in unrestricted net assets is mainly attributable to the decrease in unassigned fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 as 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 and transfers:							
Program revenues:							
Charges for services	\$ 317,064	337,417	108,553	125,477	425,617	462,894	-8.05%
Operating grants, contributions and restricted interest	996,027	1,606,672	246,810	297,214	1,242,837	1,903,886	-34.72%
Capital grants, contributions and restricted interest	390	260	-	-	390	260	50.00%
General revenues:							
Property tax	2,789,003	2,827,298	-	-	2,789,003	2,827,298	-1.35%
Income surtax	148,282	192,317	-	-	148,282	192,317	-22.90%
Statewide sales, services and use tax	496,106	458,855	-	-	496,106	458,855	8.12%
Unrestricted state grants	3,700,839	2,783,853	-	-	3,700,839	2,783,853	32.94%
Nonspecific program federal grants	98,365	-	-	-	98,365	-	100.00%
Unrestricted investment earnings	30,914	21,220	-	-	30,914	21,220	45.68%
Other general revenue	126,594	79,390	21	-	126,615	79,390	59.48%
Transfers	-	(27,730)	-	27,730	-	-	0.00%
Total revenues, net transfers	<u>8,703,584</u>	<u>8,279,552</u>	<u>355,384</u>	<u>450,421</u>	<u>9,058,968</u>	<u>8,729,973</u>	<u>3.77%</u>
Program expenses:							
Governmental activities:							
Instructional	5,915,756	5,852,288	15,376	65,362	5,931,132	5,917,650	0.23%
Support services	1,949,520	1,819,368	-	-	1,949,520	1,819,368	7.15%
Non-instructional programs	-	-	311,406	359,175	311,406	359,175	-13.30%
Other expenses	608,865	641,637	-	-	608,865	641,637	-5.11%
Total expenses	<u>8,474,141</u>	<u>8,313,293</u>	<u>326,782</u>	<u>424,537</u>	<u>8,800,923</u>	<u>8,737,830</u>	<u>0.72%</u>
Changes in net assets	229,443	(33,741)	28,602	25,884	258,045	(7,857)	3384.27%
Net assets beginning of year	<u>5,133,352</u>	<u>5,167,093</u>	<u>55,081</u>	<u>29,197</u>	<u>5,188,433</u>	<u>5,196,290</u>	<u>-0.15%</u>
Net assets end of year	<u>\$ 5,362,795</u>	<u>5,133,352</u>	<u>83,683</u>	<u>55,081</u>	<u>5,446,478</u>	<u>5,188,433</u>	<u>4.97%</u>

In fiscal 2011, property tax and unrestricted state grants account for 74.57% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$9.06 million of which \$8.70 million was for governmental activities and approximately \$0.36 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.77% increase in revenues and a 0.72% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$8,703,584 and expenses were \$8,474,141 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.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 5,915,756	5,852,288	1.08%	4,916,079	4,219,958	16.50%
Support services	1,949,520	1,819,368	7.15%	1,949,130	1,819,368	7.13%
Other expenses	608,865	641,637	-5.11%	295,451	329,618	-10.37%
Totals	<u>\$ 8,474,141</u>	<u>8,313,293</u>	<u>1.93%</u>	<u>7,160,660</u>	<u>6,368,944</u>	<u>12.43%</u>

- The cost financed by users of the District’s programs was \$317,064.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$996,417.
- The net cost of governmental activities was financed with \$2,789,003 in property tax, \$148,282 in income surtax, \$496,106 in statewide sales, services and use tax, \$3,700,839 in unrestricted state grants, \$98,365 in nonspecific program federal revenues, \$30,914 in interest income and \$126,594 in other general revenue.

Business type Activities

Revenues of the District’s business type activities were \$355,384 and expenses were \$326,782. The District’s business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,131,703, above last year’s ending fund balances of a \$2,441,567. This primarily resulted from the increase in fund balance for the Debt Service Fund and the issuance of \$1,525,000 in revenue bonds.

Governmental Fund Highlights

- The District’s increase in General Fund financial position from \$350,122 to \$425,102 is the product of many factors. The increase in General Fund revenues resulted mainly from the District receiving more from state sources than the previous year. General Fund expenditures decreased from the prior year.

- The Capital Projects Fund increased from a restated balance of \$1,695,503 at the beginning of fiscal year 2011 to \$1,808,844 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 increase was due to the issuance of \$1,525,000 in revenue bonds to be used for various construction projects.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$64,181 at June 30, 2010 to \$92,403 at June 30, 2011, representing an increase of 43.97%. The Day Care Fund net assets increased from a deficit \$9,100 at June 30, 2010 to a deficit \$8,720 at June 30, 2011, representing an increase of 4.18%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$729,599 more than budgeted revenues, a variance of 8.71%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$5.14 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$354,130.

The original cost of the District's capital assets was \$9,734,813. Governmental funds account for \$9,643,848 with the remainder of \$90,965 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$3,259,462 at June 30, 2010, compared to \$4,232,768 reported at June 30, 2011. This increase resulted from the purchase of the administration building and the completion of various construction projects including the science lab renovation.

	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	\$ 35,000	35,000	-	-	35,000	35,000	0.00%
Construction in progress	136,902	187,061	-	-	136,902	187,061	-26.81%
Buildings	4,232,768	3,259,462	-	-	4,232,768	3,259,462	29.86%
Land improvements	362,989	389,316	-	-	362,989	389,316	-6.76%
Machinery and equipment	338,914	295,464	32,220	37,799	371,134	333,263	11.36%
Total	\$ 5,106,573	4,166,303	32,220	37,799	5,138,793	4,204,102	22.23%

Long-Term Debt

At June 30, 2011, the District had \$2,985,626 in revenue bonds and other long-term debt outstanding. This represents an increase of 75.68% 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 total outstanding Loans payable from the General and Capital Projects: Physical Plant and Equipment Levy Fund of \$52,451 at June 30, 2011.

The District had total outstanding Revenue Bonds payable of \$2,625,000 at June 30, 2011.

The District had total outstanding Computer Lease payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$44,463 at June 30, 2011.

The District had total outstanding Copier Lease payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$15,728 at June 30, 2011.

The District had total outstanding Computer Lease payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$118,879 at June 30, 2011.

The District had net OPEB liability of \$94,468 at June 30, 2011.

The District had compensated absences of \$34,637 of June 30, 2011.

	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
General Obligation Bonds	\$ -	175,000	-	-	-	175,000	-100.00%
Loans	52,451	68,612	-	-	52,451	68,612	-23.55%
Revenue Bonds	2,625,000	1,100,000	-	-	2,625,000	1,100,000	138.64%
Computer Lease	44,463	88,437	-	-	44,463	88,437	-49.72%
Copier Lease	15,728	25,969	-	-	15,728	25,969	-39.44%
Computer Lease	118,879	176,662	-	-	118,879	176,662	-32.71%
Compensated Absences	34,637	17,923	-	-	34,637	17,923	93.25%
Net OPEB Liability	93,495	46,268	973	564	94,468	46,832	101.72%
Total	\$ 2,984,653	1,698,871	973	564	2,985,626	1,699,435	75.68%

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 Eric Small, District Secretary, Wapello Community School District, 406 Mechanic Street, Wapello, Iowa, 52653.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,357,590	42,034	3,399,624
Receivables:			
Property tax:			
Delinquent	39,699	-	39,699
Succeeding year	2,650,163	-	2,650,163
Income surtax	192,327	-	192,327
Accounts	14,603	1,752	16,355
Due from other governments	529,818	3,434	533,252
Inventories	-	14,879	14,879
Capital assets, net of accumulated depreciation	5,106,573	32,220	5,138,793
Total assets	11,890,773	94,319	11,985,092
Liabilities			
Accounts payable	106,838	-	106,838
Salaries and benefits payable	517,111	7,647	524,758
Accrued interest payable	83,155	-	83,155
Deferred revenue:			
Succeeding year property tax	2,650,163	-	2,650,163
Other	186,058	-	186,058
Unearned revenue	-	2,016	2,016
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	252,385	-	252,385
Loans payable	16,807	-	16,807
Computer lease payable	44,463	-	44,463
Copier lease payable	11,556	-	11,556
Compensated Absences payable	34,637	-	34,637
Computer lease payable	58,880	-	58,880
Portion due after one year:			
Revenue bonds payable	2,372,615	-	2,372,615
Loans payable	35,644	-	35,644
Copier lease payable	4,172	-	4,172
Computer lease payable	59,999	-	59,999
Net OPEB liability	93,495	973	94,468
Total liabilities	6,527,978	10,636	6,538,614
Net Assets			
Invested in capital assets, net of related debt	2,250,052	32,220	2,282,272
Restricted for:			
Categorical funding	258,303	-	258,303
Debt service	540,196	-	540,196
Management levy purposes	241,941	-	241,941
Student activities	136,467	-	136,467
School infrastructure	1,627,265	-	1,627,265
Physical plant and equipment	181,579	-	181,579
Unrestricted	126,992	51,463	178,455
Total net assets	\$ 5,362,795	83,683	5,446,478

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Contributions	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,634,197	188,254	240,009	-	(3,205,934)	-	(3,205,934)
Special	1,161,792	23,082	144,534	-	(994,176)	-	(994,176)
Other	1,119,767	105,728	298,070	-	(715,969)	-	(715,969)
	<u>5,915,756</u>	<u>317,064</u>	<u>682,613</u>	<u>-</u>	<u>(4,916,079)</u>	<u>-</u>	<u>(4,916,079)</u>
Support services:							
Student	149,449	-	-	-	(149,449)	-	(149,449)
Instructional staff	94,232	-	-	-	(94,232)	-	(94,232)
Administration	727,972	-	-	-	(727,972)	-	(727,972)
Operation and maintenance of plant	545,719	-	-	390	(545,329)	-	(545,329)
Transportation	432,148	-	-	-	(432,148)	-	(432,148)
	<u>1,949,520</u>	<u>-</u>	<u>-</u>	<u>390</u>	<u>(1,949,130)</u>	<u>-</u>	<u>(1,949,130)</u>
Other expenditures:							
Long-term debt interest	91,852	-	-	-	(91,852)	-	(91,852)
AEA flowthrough	313,414	-	313,414	-	-	-	-
Depreciation(unallocated)*	203,599	-	-	-	(203,599)	-	(203,599)
	<u>608,865</u>	<u>-</u>	<u>313,414</u>	<u>-</u>	<u>(295,451)</u>	<u>-</u>	<u>(295,451)</u>
Total governmental activities	8,474,141	317,064	996,027	390	(7,160,660)	-	(7,160,660)
Business Type activities:							
Instruction:							
Other:							
Day care services	15,376	-	15,768	-	-	392	392
Non-instructional programs:							
Nutrition services	311,394	108,553	231,042	-	-	28,201	28,201
Day care services	12	-	-	-	-	(12)	(12)
	<u>311,406</u>	<u>108,553</u>	<u>231,042</u>	<u>-</u>	<u>-</u>	<u>28,189</u>	<u>28,189</u>
Total business type activities	<u>326,782</u>	<u>108,553</u>	<u>246,810</u>	<u>-</u>	<u>-</u>	<u>28,581</u>	<u>28,581</u>
Total	\$ 8,800,923	425,617	1,242,837	390	(7,160,660)	28,581	(7,132,079)
General Revenues:							
Property tax for:							
General purposes					\$ 2,428,975	-	2,428,975
Capital outlay					174,577	-	174,577
Debt service					185,451	-	185,451
Income surtax					148,282	-	148,282
Statewide sales, services and use tax					496,106	-	496,106
Unrestricted state grants					3,700,839	-	3,700,839
Nonspecific program federal grants					98,365	-	98,365
Unrestricted investment earnings					30,914	-	30,914
Other general revenue					126,594	21	126,615
Total general revenues					<u>7,390,103</u>	<u>21</u>	<u>7,390,124</u>
Changes in net assets					229,443	28,602	258,045
Net assets beginning of year					5,133,352	55,081	5,188,433
Net assets end of year					<u>\$ 5,362,795</u>	<u>83,683</u>	<u>5,446,478</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Capital			Total
	General	Projects	Nonmajor	
Assets				
Cash and pooled investments	\$ 945,586	1,518,827	893,177	3,357,590
Receivables:				
Property tax:				
Delinquent	32,519	2,600	4,580	39,699
Succeeding year	2,338,078	182,085	130,000	2,650,163
Income surtax	192,327	-	-	192,327
Accounts	14,603	-	-	14,603
Due from other governments	237,390	292,428	-	529,818
Total assets	\$ 3,760,503	1,995,940	1,027,757	6,784,200
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 101,827	5,011	-	106,838
Salaries and benefits payable	517,111	-	-	517,111
Deferred revenue:				
Succeeding year property tax	2,338,078	182,085	130,000	2,650,163
Income surtax	192,327	-	-	192,327
Other	186,058	-	-	186,058
Total liabilities	3,335,401	187,096	130,000	3,652,497
Fund Balances:				
Restricted for:				
Categorical funding	258,303	-	-	258,303
Debt service	-	-	540,196	540,196
Management levy purposes	-	-	241,941	241,941
Student activities	-	-	136,467	136,467
School infrastructure	-	1,627,265	-	1,627,265
Physical plant and equipment	-	181,579	-	181,579
Unassigned:				
General	166,799	-	-	166,799
Student activities	-	-	(20,847)	(20,847)
Total fund balances	425,102	1,808,844	897,757	3,131,703
Total liabilities and fund balances	\$ 3,760,503	1,995,940	1,027,757	6,784,200

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO 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)	\$ 3,131,703
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.	5,106,573
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	192,327
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(83,155)
Long-term liabilities, including revenue bonds payable, loans payable, copier lease payable, computer leases payable, compensated absences 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.	<u>(2,984,653)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 5,362,795</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 2,492,847	670,683	314,067	3,477,597
Tuition	211,213	-	-	211,213
Other	116,446	4,400	305,466	426,312
State sources	4,144,326	-	-	4,144,326
Federal sources	487,952	390	-	488,342
Total revenues	<u>7,452,784</u>	<u>675,473</u>	<u>619,533</u>	<u>8,747,790</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,501,433	24,299	14,294	3,540,026
Special	1,139,305	-	-	1,139,305
Other	807,231	-	290,049	1,097,280
	<u>5,447,969</u>	<u>24,299</u>	<u>304,343</u>	<u>5,776,611</u>
Support services:				
Student	112,419	-	13,549	125,968
Instructional staff	67,645	-	4,101	71,746
Administration	647,388	29,054	4,920	681,362
Operation and maintenance of plant	489,475	-	30,391	519,866
Transportation	299,494	158,422	13,984	471,900
	<u>1,616,421</u>	<u>187,476</u>	<u>66,945</u>	<u>1,870,842</u>
Other expenditures:				
Facilities acquisitions	-	1,280,311	-	1,280,311
Long-term debt:				
Principal	-	-	303,159	303,159
Interest and fiscal charges	-	-	20,877	20,877
AEA flowthrough	313,414	-	-	313,414
	<u>313,414</u>	<u>1,280,311</u>	<u>324,036</u>	<u>1,917,761</u>
Total expenditures	<u>7,377,804</u>	<u>1,492,086</u>	<u>695,324</u>	<u>9,565,214</u>
Excess(deficiency) of revenues over(under) expenditures	74,980	(816,613)	(75,791)	(817,424)
Other financing sources(uses):				
Transfers in	-	-	577,606	577,606
Transfers out	-	(577,606)	-	(577,606)
Issuance of bonds	-	1,525,000	-	1,525,000
Premium on bond issuance	-	2,036	-	2,036
Discount on issuance of bonds	-	(19,476)	-	(19,476)
Total other financing sources(uses)	<u>-</u>	<u>929,954</u>	<u>577,606</u>	<u>1,507,560</u>
Net change in fund balances	74,980	113,341	501,815	690,136
Fund balances beginning of year, as restated	350,122	1,695,503	395,942	2,441,567
Fund balances end of year	<u>\$ 425,102</u>	<u>1,808,844</u>	<u>897,757</u>	<u>3,131,703</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 690,136

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

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

Expenditures for capital assets	\$ 1,288,821	
Depreciation expense	<u>(348,551)</u>	940,270

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

Issued	(1,525,000)	
Repaid	<u>303,159</u>	(1,221,841)

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.

(70,975)

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

(44,206)

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

Other postemployment benefits	(47,227)	
Compensated absences	<u>(16,714)</u>	<u>(63,941)</u>

Changes in net assets of governmental activities(page 19) \$ 229,443

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 44,316	-	44,316
Accounts receivable	-	1,752	1,752
Due from other governments	3,434	-	3,434
Inventories	14,879	-	14,879
Non-current assets:			
Capital assets, net of accumulated depreciation	32,220	-	32,220
Total assets	94,849	1,752	96,601
Liabilities			
Excess of warrants issued over bank balance	-	2,282	2,282
Salaries and benefits payable	430	7,217	7,647
Unearned revenue	2,016	-	2,016
Net OPEB Liability	-	973	973
Total liabilities	2,446	10,472	12,918
Net Assets			
Invested in capital assets	32,220	-	32,220
Unrestricted	60,183	(8,720)	51,463
Total net assets	\$ 92,403	(8,720)	83,683

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 108,553	-	108,553
Miscellaneous	21	-	21
Total operating revenues	<u>108,574</u>	<u>-</u>	<u>108,574</u>
Operating expenses:			
Instruction:			
Other:			
Salaries	-	12,977	12,977
Benefits	-	2,399	2,399
	<u>-</u>	<u>15,376</u>	<u>15,376</u>
Non-instructional programs:			
Salaries	132,660	-	132,660
Benefits	19,095	12	19,107
Services	962	-	962
Supplies	153,098	-	153,098
Depreciation	5,579	-	5,579
	<u>311,394</u>	<u>12</u>	<u>311,406</u>
Total operating expenses	<u>311,394</u>	<u>15,388</u>	<u>326,782</u>
Operating loss	<u>(202,820)</u>	<u>(15,388)</u>	<u>(218,208)</u>
Non-operating revenues:			
State sources	3,308	15,768	19,076
Federal sources	227,734	-	227,734
Total non-operating revenues	<u>231,042</u>	<u>15,768</u>	<u>246,810</u>
Changes in net assets	28,222	380	28,602
Net assets beginning of year	<u>64,181</u>	<u>(9,100)</u>	<u>55,081</u>
Net assets end of year	<u>\$ 92,403</u>	<u>(8,720)</u>	<u>83,683</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 109,878	-	109,878
Cash received from miscellaneous operating activities	21	-	21
Cash payments to employees for services	(151,889)	(14,259)	(166,148)
Cash payments to suppliers for goods or services	(131,617)	-	(131,617)
Net cash used in operating activities	<u>(173,607)</u>	<u>(14,259)</u>	<u>(187,866)</u>
Cash flows from non-capital financing activities:			
State grants received	3,308	14,016	17,324
Federal grants received	206,841	-	206,841
Net cash provided by non-capital financing activities	<u>210,149</u>	<u>14,016</u>	<u>224,165</u>
Net increase(decrease) in cash and cash equivalents	36,542	(243)	36,299
Cash and cash equivalents at beginning of year	7,774	(2,039)	5,735
Cash and cash equivalents at end of year	<u>\$ 44,316</u>	<u>(2,282)</u>	<u>42,034</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (202,820)	(15,388)	(218,208)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	20,869	-	20,869
Depreciation	5,579	-	5,579
Decrease in inventories	1,783	-	1,783
Decrease in accounts payable	(209)	-	(209)
Increase(decrease) in net OPEB liability	(564)	973	409
Increase in salaries and benefits payable	430	156	586
Increase in unearned revenue	1,325	-	1,325
Net cash used in operating activities	<u>\$ (173,607)</u>	<u>(14,259)</u>	<u>(187,866)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$20,869 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 JUNE 30, 2011

	Private Purpose Trust Scholarship Fund	Agency Fund
Assets		
Cash and pooled investments	\$ 26,775	3,451
Liabilities		
Due to other groups	-	3,451
Net Assets		
Restricted for scholarships	\$ 26,775	-

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Donations	7,400
FFA concessions	\$ 12,037
Interest income	210
Total additions	19,647
Deductions:	
Regular instruction:	
Scholarships awarded	6,500
FFA supplies	7,434
Total deletions	13,934
Change in net assets	5,713
Net assets beginning of year	21,062
Net assets end of year	\$ 26,775

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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 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 \$165,461 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 500,910
Debt Service	Capital Projects: Physical Plant and Equipment Levy	76,696
Total		\$ 577,606

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

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bonds and computer lease.

(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	\$ 35,000	-	-	35,000
Construction in progress	187,061	1,035,861	1,086,020	136,902
Total capital assets not being depreciated	<u>222,061</u>	<u>1,035,861</u>	<u>1,086,020</u>	<u>171,902</u>
Capital assets being depreciated:				
Buildings	5,264,036	1,146,020	-	6,410,056
Land improvements	614,634	4,558	-	619,192
Machinery and equipment	2,254,296	188,402	-	2,442,698
Total capital assets being depreciated	<u>8,132,966</u>	<u>1,338,980</u>	<u>-</u>	<u>9,471,946</u>
Less accumulated depreciation for:				
Buildings	2,004,574	172,714	-	2,177,288
Land improvements	225,318	30,885	-	256,203
Machinery and equipment	1,958,832	144,952	-	2,103,784
Total accumulated depreciation	<u>4,188,724</u>	<u>348,551</u>	<u>-</u>	<u>4,537,275</u>
Total capital assets being depreciated, net	<u>3,944,242</u>	<u>990,429</u>	<u>-</u>	<u>4,934,671</u>
Governmental activities capital assets, net	<u>\$ 4,166,303</u>	<u>2,026,290</u>	<u>1,086,020</u>	<u>5,106,573</u>
Business type activities:				
Machinery and equipment	\$ 90,965	-	-	90,965
Less accumulated depreciation	53,166	5,579	-	58,745
Business type activities capital assets, net	<u>\$ 37,799</u>	<u>(5,579)</u>	<u>-</u>	<u>32,220</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 36,238
Support services:	
Administration	5,077
Operation and maintenance of plant	7,642
Transportation	95,995
	<u>144,952</u>
Unallocated depreciation	<u>203,599</u>
Total governmental activities depreciation expense	<u>\$ 348,551</u>
Business type activities:	
Food services	<u>\$ 5,579</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	\$ 175,000	-	175,000	-	-
Loans	68,612	-	16,161	52,451	16,807
Revenue bonds	1,100,000	1,525,000	-	2,625,000	252,385
Computer lease	88,437	-	43,974	44,463	44,463
Copier lease	25,969	-	10,241	15,728	11,556
Computer lease	176,662	-	57,783	118,879	58,880
Compensated absences	17,923	34,637	17,923	34,637	34,637
Net OPEB liability	46,268	47,227	-	93,495	-
Total	\$ 1,698,871	1,606,864	321,082	2,984,653	418,728
Business type activities:					
Net OPEB liability	\$ 564	409	-	973	-

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 27, 2010			Bond Issue of April 1, 2011			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	5.75 %	\$ 252,385	69,224	2.00 %	-	30,583	252,385	99,807	352,192
2013	5.75	266,898	48,738	2.00	-	40,778	266,898	89,516	356,414
2014	5.75	282,244	33,391	2.00	-	40,777	282,244	74,168	356,412
2015	5.75	298,473	17,162	2.00	-	40,778	298,473	57,940	356,413
2016	-	-	-	2.00	200,000	38,777	200,000	38,777	238,777
2017-2021	-	-	-	2.00-3.20	1,085,000	120,484	1,085,000	120,484	1,205,484
2022	-	-	-	3.35	240,000	4,020	240,000	4,020	244,020
Total		\$ 1,100,000	168,515		1,525,000	316,197	2,625,000	484,712	3,109,712

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,100,000 of bonds issued in May 2010 and the \$1,525,000 of bonds issued in April 2011. 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 2015 and 2022 respectively. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 71.0 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining on the notes is \$3,109,712. For the current year, no principal or interest was paid on the bonds and total statewide sales, service and use tax revenues were \$496,106.

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

- a) Separate bond reserve funds will be maintained in the amounts of \$110,000 and \$152,500 to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Loans Payable

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

Year Ending June 30,	Loan of July 31, 2003			
	Interest Rates	Principal	Interest	Total
2012	4.00 %	\$ 16,807	2,096	18,903
2013	4.00	17,480	1,423	18,903
2014	4.00	18,164	739	18,903
Total		\$ 52,451	4,258	56,709

Computer Lease Payable

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

Year Ending June 30,	Lease of July 15, 2008			
	Interest Rates	Principal	Interest	Total
2012	1.110 %	\$ 44,463	494	44,957

Copier Lease Payable

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

Year Ending June 30,	Lease of October 4, 2007			
	Interest Rates	Principal	Interest	Total
2012	12.125 %	\$ 11,556	1,282	12,838
2013	12.125	4,172	105	4,277
Total		\$ 15,728	1,387	17,115

Computer Lease Payable

On December 28, 2009, the District entered into a lease agreement with Apple for new computers. The lease is scheduled to be repaid as follows from the Capital Projects: Statewide Sales, Services and Use Tax Fund:

Year Ending June 30,	Lease of December 28, 2009			
	Interest Rates	Principal	Interest	Total
2012	1.900 %	\$ 58,880	2,259	61,139
2013	1.900	59,999	1,140	61,139
Total		\$ 118,879	3,399	122,278

(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 contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$312,062, \$302,167, and \$279,805 respectively, equal to the required contributions for each year.

(7) Other Post-employment Benefits (OPEB)

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

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

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

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

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

Annual required contribution	\$ 56,702
Interest on net OPEB obligation	1,171
Adjustment to annual required contribution	<u>(4,411)</u>
Annual OPEB cost	53,462
Contributions made	<u>(5,826)</u>
Increase in net OPEB obligation	47,636
Net OPEB obligation beginning of year	<u>46,832</u>
Net OPEB obligation end of year	<u><u>\$ 94,468</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$5,826 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 51,937	9.83%	\$ 46,832
2011	53,462	10.90%	94,468

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 \$359,314, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$359,314. The covered payroll (annual payroll of active employees covered by the plan) was \$3,823,201, and the ratio of the UAAL to covered payroll was 9.40%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Projected claim costs of the medical plan are \$428.19 for single or \$1,169.79 for family under the \$500 deductible plan for retirees less than age 65 and \$1,851 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$313,414 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) Construction Commitment

The District has entered into contracts for various construction projects. As of June 30, 2011, costs of \$136,902 had been incurred against the contracts. The balance of \$287,347 remaining at June 30, 2011 will be paid as work on the projects progresses. The total cost of the projects will be added to the District's fixed asset listing upon completion.

(11) Deficit Unassigned Fund Balance/Net Assets

The Special Revenue: Student Activity Fund contained 5 accounts with deficit balances totaling \$20,847. The Day Care Fund had deficit net assets of \$8,720 at June 30, 2011.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home School Assistance Program	\$ 37,426
Returning Dropouts and Dropout Prevention Programs	69,861
Beginning Teacher Mentoring and Induction Program	4,593
Teacher Salary Supplement	65,454
Market Factor	1,647
Beginning Administrator Mentoring and Induction Program	750
Iowa Early Intervention Block Grant	22,722
Statewide Voluntary Preschool Program	21,608
Professional Development for Model Core Curriculum	33,599
Professional Development	643
Total	<u><u>\$ 258,303</u></u>

(13) 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	\$ 1,441,323	254,180
Change in fund type classification per implementation of GASB Statement No. 54	254,180	(254,180)
Balances July 1, 2010, as restated	<u><u>\$ 1,695,503</u></u>	<u><u>-</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Types		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 4,115,122	108,574	4,223,696	3,637,858	3,637,858	585,838
State sources	4,144,326	19,076	4,163,402	4,483,617	4,483,617	(320,215)
Federal sources	488,342	227,734	716,076	252,100	252,100	463,976
Total revenues	8,747,790	355,384	9,103,174	8,373,575	8,373,575	729,599
Expenditures/Expenses:						
Instruction	5,776,611	15,376	5,791,987	6,248,901	6,248,901	456,914
Support services	1,870,842	-	1,870,842	2,193,692	2,193,692	322,850
Non-instructional programs	-	311,406	311,406	389,301	389,301	77,895
Other expenditures	1,917,761	-	1,917,761	3,176,553	3,176,553	1,258,792
Total expenditures/expenses	9,565,214	326,782	9,891,996	12,008,447	12,008,447	2,116,451
Excess(deficiency) of revenues over(under) expenditures/expenses	(817,424)	28,602	(788,822)	(3,634,872)	(3,634,872)	2,846,050
Other financing sources, net	1,507,560	-	1,507,560	1,700,000	1,700,000	(192,440)
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	690,136	28,602	718,738	(1,934,872)	(1,934,872)	2,653,610
Balances beginning of year	2,441,567	55,081	2,496,648	1,934,872	1,934,872	561,776
Balances end of year	\$ 3,131,703	83,683	3,215,386	-	-	3,215,386

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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 the GAAP basis.

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

WAPELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 359,314	359,314	0.0%	\$ 3,891,531	9.20%
2011	July 1, 2009	-	359,314	359,314	0.0%	3,823,201	9.40%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Assets					
Cash and pooled investments	\$ 240,123	115,620	355,743	537,434	893,177
Receivables:					
Property tax:					
Delinquent	1,818	-	1,818	2,762	4,580
Succeeding year	130,000	-	130,000	-	130,000
Total assets	\$ 371,941	115,620	487,561	540,196	1,027,757
Liabilities and Fund Balances					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 130,000	-	130,000	-	130,000
Fund Balances:					
Restricted for:					
Debt service	-	-	-	540,196	540,196
Management levy purposes	241,941	-	241,941	-	241,941
Student activities	-	136,467	136,467	-	136,467
Unassigned	-	(20,847)	(20,847)	-	(20,847)
Total fund balances	241,941	115,620	357,561	540,196	897,757
Total liabilities and fund balances	\$ 371,941	115,620	487,561	540,196	1,027,757

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 128,616	-	128,616	185,451	314,067
Other	8,810	272,428	281,238	24,228	305,466
Total revenues	<u>137,426</u>	<u>272,428</u>	<u>409,854</u>	<u>209,679</u>	<u>619,533</u>
Expenditures:					
Current:					
Instruction:					
Regular	14,294	-	14,294	-	14,294
Other	-	290,049	290,049	-	290,049
Support services:					
Student	13,549	-	13,549	-	13,549
Instructional staff	4,101	-	4,101	-	4,101
Administration	4,920	-	4,920	-	4,920
Operation and maintenance of plant	30,391	-	30,391	-	30,391
Transportation	13,984	-	13,984	-	13,984
Other expenditures:					
Long-term debt:					
Principal	-	-	-	303,159	303,159
Interest and fiscal charges	-	-	-	20,877	20,877
Total expenditures	<u>81,239</u>	<u>290,049</u>	<u>371,288</u>	<u>324,036</u>	<u>695,324</u>
Excess(deficiency) of revenues over(under) expenditures	56,187	(17,621)	38,566	(114,357)	(75,791)
Other financing sources:					
Transfer in	-	-	-	577,606	577,606
Net change in fund balances	56,187	(17,621)	38,566	463,249	501,815
Fund balances beginning of year, as restated	185,754	133,241	318,995	76,947	395,942
Fund balances end of year	<u>\$ 241,941</u>	<u>115,620</u>	<u>357,561</u>	<u>540,196</u>	<u>897,757</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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	\$ 1,339,848	178,979	1,518,827
Receivables:			
Property tax:			
Delinquent	-	2,600	2,600
Succeeding year	-	182,085	182,085
Due from other governments	292,428	-	292,428
Total assets	\$ 1,632,276	363,664	1,995,940
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 5,011	-	5,011
Deferred revenue:			
Succeeding year property tax	-	182,085	182,085
Total liabilities	5,011	182,085	187,096
Fund Balances:			
Restricted for:			
School infrastructure	1,627,265	-	1,627,265
Physical plant and equipment	-	181,579	181,579
Total fund balances	1,627,265	181,579	1,808,844
Total liabilities and fund balances	\$ 1,632,276	363,664	1,995,940

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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	\$ 496,106	174,577	670,683
Other	4,286	114	4,400
Federal sources	-	390	390
Total revenues	<u>500,392</u>	<u>175,081</u>	<u>675,473</u>
Expenditures:			
Instruction:			
Regular	-	24,299	24,299
Support Services:			
Administration	29,054	-	29,054
Transportation	29,211	129,211	158,422
Other expenditures:			
Facilities acquisitions	1,262,835	17,476	1,280,311
Total expenditures	<u>1,321,100</u>	<u>170,986</u>	<u>1,492,086</u>
Excess(deficiency) of revenues over(under) expenditures	(820,708)	4,095	(816,613)
Other financing sources(uses):			
Transfers out	(500,910)	(76,696)	(577,606)
Issuance of bonds	1,525,000	-	1,525,000
Premium on bond issuance	2,036	-	2,036
Discount on issuance of bonds	(19,476)	-	(19,476)
Total other financing sources(uses)	<u>1,006,650</u>	<u>(76,696)</u>	<u>929,954</u>
Net change in fund balances	185,942	(72,601)	113,341
Fund balances beginning of year, as restated	<u>1,441,323</u>	<u>254,180</u>	<u>1,695,503</u>
Fund balances end of year	<u>\$ 1,627,265</u>	<u>181,579</u>	<u>1,808,844</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expend- itures	Intra- fund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2009	\$ 907	-	268	(17)	622
2010	947	11	583	-	375
2011	2,130	377	1,257	-	1,250
2012	796	3,220	1,914	-	2,102
2013	446	-	-	-	446
2014	1	-	18	17	-
	5,227	3,608	4,040	-	4,795
<u>Clubs and Organizations:</u>					
FFA	27,918	80,319	93,819	-	14,418
FFA Farmland Project	8,256	-	6,209	-	2,047
FFA Greenhouse	1,111	3,833	4,554	-	390
FFA Software	2,269	570	645	-	2,194
FCCLA	226	562	749	-	39
Cheerleading - Football/Basketball	(388)	3,108	2,482	-	238
Cheerleading - Wrestling	209	2,161	1,946	-	424
Key Club	146	210	219	-	137
Poms	1,596	6,639	6,251	-	1,984
FFA Health Machine	3,244	19	-	-	3,263
	44,587	97,421	116,874	-	25,134
<u>Athletics:</u>					
Athletics	1,484	9,278	7,567	-	3,195
Wrestling / Resale	-	1,762	1,717	-	45
Wrestling Gates	1,829	5,494	2,863	-	4,460
Wrestling Fundraiser	-	1,379	-	-	1,379
Boys Basketball / Resale	1,016	1,052	1,632	-	436
Boys Basketball Gates	4,909	7,149	7,554	(45)	4,459
Boys Basketball Fundraiser	83	1,127	875	(37)	298
Boys Basketball Youth	619	-	701	82	-
Girls Basketball / Resale	98	-	-	-	98
Girls Basketball Gates	8,474	6,124	4,329	-	10,269
Girls Basketball Fundraiser	3,404	4	774	-	2,634
Volleyball / Resale	2,701	2,313	1,169	(1,204)	2,641
Volleyball Gates	2,795	5,193	4,982	-	3,006
Volleyball Fundraiser	-	423	1,627	1,204	-
Cross Country	-	712	1,905	-	(1,193)
Baseball / Resale	369	4,894	4,829	-	434
Baseball Gates	-	6,183	8,963	2,000	(780)
Baseball Fundraiser	2,071	5,405	5,063	(2,000)	413
Softball / Resale	756	2,466	2,261	-	961
Softball Gates	2,424	4,619	4,245	-	2,798
Softball Fundraiser	1,781	2,214	1,286	-	2,709
Boys Track / Resale	85	952	711	-	326
Boys Track Gates	211	2,564	6,429	2,506	(1,148)
Boys Track Fundraiser	(186)	310	41	454	537
Girls Track / Resale	(90)	1,307	1,549	332	-

Account	Balance Beginning of Year	Revenues	Expend- itures	Intra- fund Transfers	Balance End of Year
<u>Athletics(Continued):</u>					
Girls Track Gates	325	2,288	4,750	2,382	245
Girls Track Fundraiser	2,952	12,121	8,935	(5,674)	464
Football / Resale	217	5,132	4,103	-	1,246
Football Gates	-	15,227	11,791	-	3,436
Football Fundraiser	-	2,199	666	-	1,533
Golf / Resale	-	2,008	2,803	-	(795)
Golf Fundraiser	28	3	-	-	31
	<u>38,355</u>	<u>111,902</u>	<u>106,120</u>	<u>-</u>	<u>44,137</u>
<u>Acedemic Clubs:</u>					
Drama Trip	974	511	-	-	1,485
Drama and Speech	5,308	3,233	5,247	-	3,294
Drama Fundraiser	-	-	4	4	-
Vocal	4,790	2,005	2,486	1,350	5,659
Vocal Uniform	1,485	580	-	-	2,065
Vocal Trip	5,937	-	-	-	5,937
Vocal Fundraiser	247	7,375	4,853	(2,700)	69
Band	1,684	3,462	3,173	1,350	3,323
Band Uniforms	1,433	420	210	-	1,643
Instrument Repair	74	701	748	-	27
Art Club	-	595	752	183	26
Yearbook - Odd	(15,099)	2,624	4,456	-	(16,931)
Student Senate	1,214	3,363	4,279	(4)	294
National Honor Society	(36)	2,174	1,683	(183)	272
Prom	1,164	1,443	2,025	-	582
	<u>9,175</u>	<u>28,486</u>	<u>29,916</u>	<u>-</u>	<u>7,745</u>
<u>Junior High:</u>					
Junior High	2,679	5,003	5,684	-	1,998
Student Senate	251	706	747	-	210
Language Arts Fines	22	-	-	-	22
	<u>2,952</u>	<u>5,709</u>	<u>6,431</u>	<u>-</u>	<u>2,230</u>
<u>Elementary:</u>					
Elementary	17,386	8,163	9,426	-	16,123
Elem Vocal Music	4,027	1,189	1,478	-	3,738
Elem Student Council	7	2,139	1,787	-	359
Character Counts Program	148	290	166	-	272
Elem Walks	8	-	-	-	8
Elem Ticket Store	825	1,463	1,308	-	980
	<u>22,401</u>	<u>13,244</u>	<u>14,165</u>	<u>-</u>	<u>21,480</u>
<u>Miscellaneous:</u>					
Pop Machines	3,493	10,335	10,651	-	3,177
Sandpoint Fund	30	-	-	-	30
Bus Barn Pop	294	38	43	-	289
Student of the Month	23	179	81	-	121
Spanish Trip	15	342	342	-	15
Hometown Days	25	-	9	-	16
Interest Checking	35	289	-	-	324
School Nurse Fund	6,629	875	1,377	-	6,127
	<u>10,544</u>	<u>12,058</u>	<u>12,503</u>	<u>-</u>	<u>10,099</u>
Total	<u>\$ 133,241</u>	<u>272,428</u>	<u>290,049</u>	<u>-</u>	<u>115,620</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 4,278	407	1,234	3,451
Accounts Receivable	1,128	-	1,128	-
	<u>\$ 5,406</u>	<u>407</u>	<u>2,362</u>	<u>3,451</u>
Liabilities				
Due to other groups	\$ 5,406	407	2,362	3,451

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,477,597	3,469,688	3,440,859	3,192,897	3,358,514	3,046,344	2,873,859	2,424,992
Tuition	211,213	209,779	151,993	171,800	176,768	215,080	196,802	195,142
Other	426,312	406,404	383,733	453,729	442,145	422,413	424,466	333,130
State sources	4,144,326	3,626,844	4,347,592	4,219,007	4,098,662	3,834,209	3,446,281	3,158,613
Federal sources	488,342	585,785	269,075	222,304	204,199	221,391	193,239	210,696
Total	\$ 8,747,790	8,298,500	8,593,252	8,259,737	8,280,288	7,739,437	7,134,647	6,322,573
Expenditures:								
Current:								
Instruction:								
Regular	\$ 3,540,026	3,540,140	3,684,116	3,507,759	3,407,171	3,124,319	3,028,768	2,875,548
Special	1,139,305	1,086,232	879,598	906,180	870,521	958,535	999,754	863,058
Other	1,097,280	1,147,125	986,133	1,057,949	1,024,131	1,035,072	786,460	690,738
Support services:								
Student	125,968	123,859	104,190	117,735	127,343	117,265	105,746	98,238
Instructional staff	71,746	73,466	68,016	66,246	76,407	59,603	69,495	103,643
Administration	681,362	667,032	664,170	658,873	618,373	614,171	611,608	525,707
Operation and maintenance of plant	519,866	583,198	503,711	650,469	635,163	664,509	459,932	406,687
Transportation	471,900	305,753	394,984	359,840	345,497	317,789	368,999	314,209
Other expenditures:								
Facilities acquisitions	1,280,311	613,948	1,483,681	358,708	46,635	55,207	3,509	186,239
Long-term debt:								
Principal	303,159	289,416	222,691	218,886	159,102	153,158	204,865	129,462
Interest and fiscal charges	20,877	32,749	35,395	44,823	46,490	53,805	61,871	59,824
AEA flow-through	313,414	311,759	291,503	275,760	271,268	248,746	227,703	221,144
Total	\$ 9,565,214	8,774,677	9,318,188	8,223,228	7,628,101	7,402,179	6,928,710	6,474,497

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDI- TURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 46,672
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	175,195 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	5,867
			<u>227,734</u>
U.S. DEPARTMENT OF DEFENSE:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
FLOOD CONTROL PROJECTS	12.106	FY 11	390
U.S. DEPARTMENT OF JUSTICE:			
IOWA DEPARTMENT OF JUSTICE:			
DRUG-FREE COMMUNITIES SUPPORT PROGRAM GRANTS	16.729	FY 10	8,896
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	127,564 **
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	6,795
SPECIAL EDUCATION - TECHNOLOGY AND MEDIA SERVICES FOR INDIVIDUALS WITH DISABILITIES	84.327	FY 11	100
ENGLISH LANGUAGE ACQUISITION GRANTS	84.365	FY 11	857
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	35,387
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 11	451
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	42,650
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	22,353
			<u>65,003 **</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	21,872
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	40,431
			<u>62,303 ***</u>
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	36,062 ***
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	41,234
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	103,300
			<u>144,534</u>
TOTAL			<u>\$ 716,076</u>

* - Includes \$20,869 of non-cash awards.

** - Total for Title I, Part A Cluster is \$192,567.

*** - Total for State Fiscal Stabilization Fund Cluster is \$98,365.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapello Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 23, 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 Wapello Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Wapello Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wapello Community School District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2012

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited Wapello Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Wapello Community School District's major federal programs for the year ended June 30, 2011. Wapello Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Wapello Community School District's management. Our responsibility is to express an opinion on Wapello Community School District's compliance based on our audit.

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

In our opinion, Wapello Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Wapello Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Wapello Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wapello Community School District's internal control over compliance.

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2012

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency and a material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - CFDA Number 84.010 - Title I Grant to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grant to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Wapello Community School District did not qualify as a low-risk auditee.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON- COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Conclusion - Response accepted.

II-B-11 Title I Grant - We noted during our audit that the final report for Title I Budget was not completed using the financial statements and was not amended to reflect a carryover balance.

Recommendation - The District should contact the Iowa Department of Education and amend the Title I Budget final report to reflect the carryover balance.

Response - The District will contact the Iowa Department of Education and amend the Title I Budget final report to reflect the carryover balance.

Conclusion - Response accepted.

WAPELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
CFDA Number 10.559 - Summer Food Service Program for Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 - Title I Grant to Local Educational Agencies
CFDA Number 84.389 - ARRA - Title I Grant to Local Educational Agencies, Recovery Act
Federal Award Year: 2010/2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-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. We noted that the duties of two individuals include preparing checks and recording the transactions in the general ledger.

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

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

Conclusion - Response accepted.

III-B-11 Title I Grant - We noted during our audit that the final report for Title I Budget was not completed using the financial statements and was not amended to reflect a carryover balance.

Recommendation - The District should contact the Iowa Department of Education and amend the Title I Budget final report to reflect the carryover balance.

Response - The District will contact the Iowa Department of Education and amend the Title I Budget final report to reflect the carryover balance.

Conclusion - Response accepted.

WAPELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the certified budgeted amounts in any of the functional areas.

IV-B-11 Questionable Disbursements - We noted during our audit that the District gave cash prizes to individual students for being top sellers in fundraising activities. Cash prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to individual students as performance incentives, for being top sellers in fund raisers or for good behavior. Additionally, the District should refrain from giving cash to individual students.

Response - The District will change the practice of giving prizes to individual students as performance incentives. We will work with our Activities Director and Coaching Staff to educate them on the change of policy. The District will also not give cash to individual students.

Conclusion - Response accepted.

IV-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.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Vandenberg, Teacher Spouse owns Veas Tees	Supplies	\$3,000
Eric Small, Board Secretary Sister owns Stitches and Cream	Supplies	\$2,019
Mark McDonough, Custodian Owner of Graphic Images	Supplies	\$150
Lora Earnest, Teacher Spouse owns Earnest Insurance	Services	\$71,792

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

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

IV-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.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported was overstated by 6.9 students.

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

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

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting – No variances in basic enrollment data certified to the Iowa Department of Education were noted

IV-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.

IV-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.

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

IV-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. 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		\$ 1,441,323
Revenues:		
Sales tax revenues	\$ 496,106	
Other local revenues	4,286	
Sale of long-term debt	1,525,000	
Other	2,036	2,027,428
		<u>3,468,751</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 1,133,069	
Buildings purchased	60,000	
Equipment	29,211	
Other	118,296	
Transfers to other funds:		
Debt service fund	500,910	1,841,486
		<u>1,841,486</u>
Ending Balance		<u><u>\$ 1,627,265</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Corrective Transfer - We noted during our audit that the District did not make a requested corrective transfer from the fiscal year 2010 audit. The District had purchased various items totaling \$17,056.56 from the Capital Projects: Physical Plant and Equipment Levy (PPEL) Fund which did not appear to be in compliance with Chapter 298.3 of the Code of Iowa.

Recommendation - The District should make the corrective transfer to reimburse the PPEL Fund.

Response - The District will make the corrective transfer in the amount of \$17,056.56 from the General Fund to PPEL as reimbursement.

Conclusion - Response accepted.

IV-N-11 Deficit Balances - Five student activity accounts had deficit balances at June 30, 2011 totaling \$20,847. The District also had deficit net assets of \$8,720 in the Day Care Fund.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District will continue to investigate ways to eliminate the deficit balances.

Conclusion - Response accepted.

IV-O-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will determine the disposition of each of the checks listed as outstanding and take the appropriate action to resolve this issue. Checks will be reissued, voided, or submitted to the State Treasurer as unclaimed property.

Conclusion - Response accepted.

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

Donations - We noted donations from Target and Box Tops for Education were recorded in the Student Activity Fund.

Recommendation - Target donations are undesignated and Box Tops for Education donations specify that they are for educational purposes. Therefore, both the Target and Box Tops donations would be more appropriately deposited in and expended from the General Fund.

Response - The District has changed its policy on donations and will record these donations to the General Fund as they are for educational purposes.

Conclusion - Response accepted.

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

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

Response - The District will review the inactive accounts list and determine the best disposition for each of the accounts and take the appropriate action as needed.

Conclusion - Response accepted.

Administratively Maintained Accounts: We noted during our audit the District had a Pop Machines account and a Bus Barn Pop account in the Student Activity Fund. These accounts are not student run organizations and do not appear to be extracurricular in nature; furthermore, purchases from these accounts included expenditures for textbooks and other instructional supplies and should be run through the General Fund.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will review the propriety of receipts and expenditures in the Student Activity Fund and if changes are needed, the District will make the appropriate changes

Conclusion - Response accepted.

Interest - We noted during our audit that the Student Activity Fund earned interest. However, this interest revenue was not allocated out to the various accounts at year end.

Recommendation- Interest earned in the Student Activity Fund should be allocated among the various accounts prior to year end.

Response - The District will allocate the interest income to the various accounts prior to year end.

Conclusion - Response accepted.