

WASHINGTON 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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Washington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Eric Turner	President	2011
Heidi Vittetoe	Vice President	2013
Sheryl Lewis	Board Member	2013
Patty Roe	Board Member	2013
Troy Suchan	Board Member	2013
Richard Bordwell	Board Member	2011
Stephanie Ellingson	Board Member	2011
School Officials		
Mike Jorgensen	Superintendent	2011
Jeff Dieleman	Business Manager/ District Secretary	2011
Brian Gruhn	Attorney	2011

Washington Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2012 on our consideration of Washington Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 46 through 48 are not required parts of the

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Washington Community School District's basic financial statements. We previously audited the financial statements for the four years ended June 30, 2010, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and an unqualified opinion was expressed on those financial statements. Another auditor previously audited the financial statements for the previous three years ended June 30, 2006, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Washington Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$17,089,210 in fiscal 2010 to \$19,040,787 in fiscal 2011, while General Fund expenditures increased from \$16,359,936 in fiscal 2010 to \$17,111,751 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$152,054 in fiscal 2010 to a balance of \$2,081,090 in fiscal 2011, a 1,268.65% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2011. The increase in expenditures is mostly attributable to costs associated with the energy capital loan notes issued during the year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

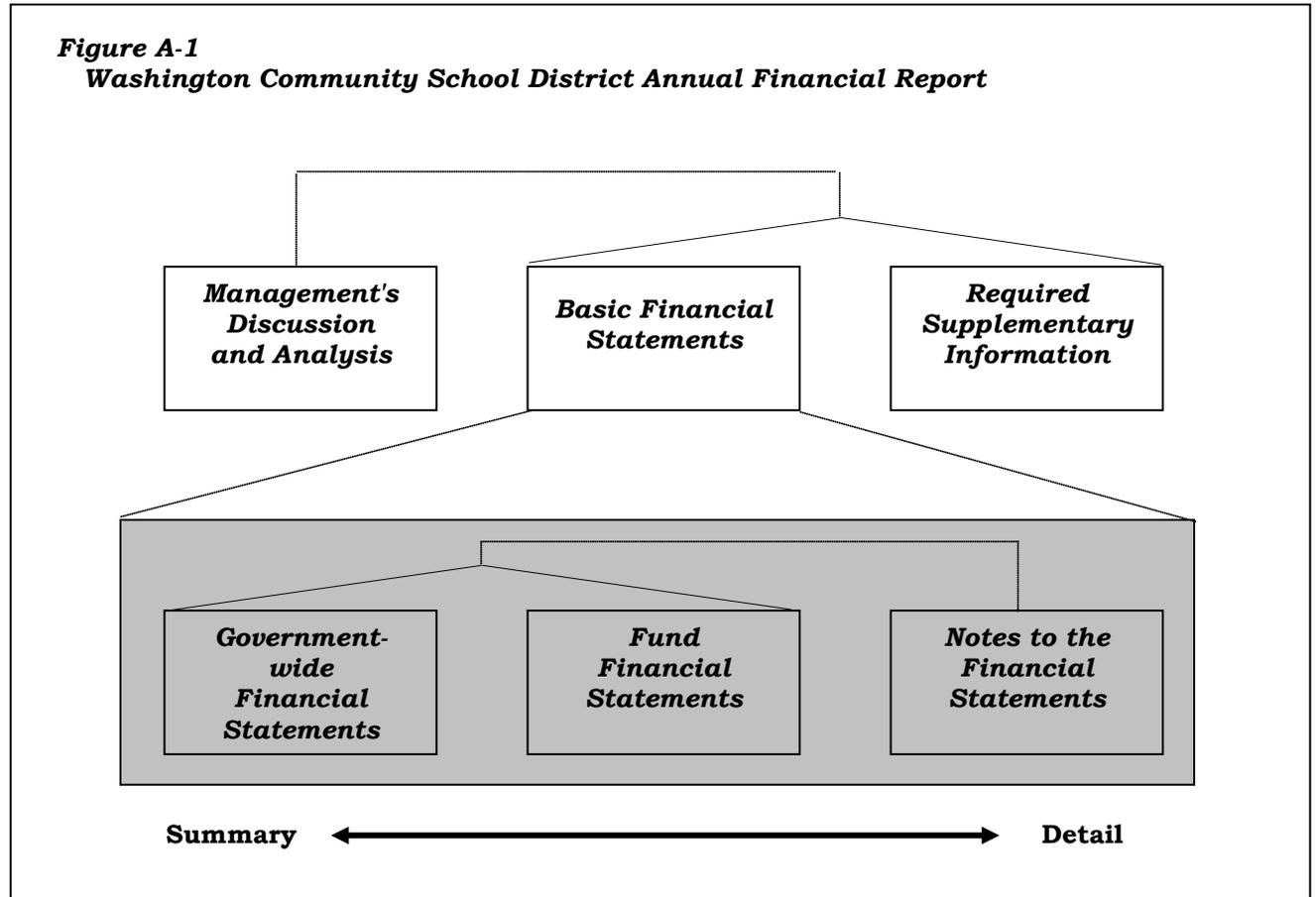


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 21,059,607	24,581,383	156,407	141,817	21,216,014	24,723,200	-14.19%
Capital assets	16,675,219	8,499,440	244,346	276,778	16,919,565	8,776,218	92.79%
Total assets	37,734,826	33,080,823	400,753	418,595	38,135,579	33,499,418	13.84%
Long-term obligations	15,992,112	15,367,483	2,138	1,512	15,994,250	15,368,995	4.07%
Other liabilities	9,602,661	8,602,123	55,868	57,405	9,658,529	8,659,528	11.54%
Total liabilities	25,594,773	23,969,606	58,006	58,917	25,652,779	24,028,523	6.76%
Net assets:							
Invested in capital assets, net of related debt	6,479,026	7,723,103	244,346	276,778	6,723,372	7,999,881	-15.96%
Restricted	4,596,943	2,273,181	-	-	4,596,943	2,273,181	102.23%
Unrestricted	1,064,084	(885,067)	98,401	82,900	1,162,485	(802,167)	244.92%
Total net assets	\$ 12,140,053	9,111,217	342,747	359,678	12,482,800	9,470,895	31.80%

The District's combined net assets increased by 31.80%, or \$3,011,905, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 102.23%, or \$2,323,762, over the prior year. The majority of the increase in restricted net assets can be attributed to the increase in fund balance of the Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,964,652, or 244.92%. The increase in unrestricted net assets is mainly attributable to the increase in General Fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	2010-11
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues:							
Charges for services	\$ 1,129,274	1,228,871	328,889	338,561	1,458,163	1,567,432	-6.97%
Operating grants and contributions and restricted interest	2,298,229	3,979,927	480,929	464,695	2,779,158	4,444,622	-37.47%
Capital grants and contributions and restricted interest	135,000	100,000	-	-	135,000	100,000	35.00%
General revenues:							
Property tax	6,075,083	5,593,961	-	-	6,075,083	5,593,961	8.60%
Income surtax	614,358	728,145	-	-	614,358	728,145	-15.63%
Statewide sales, services and use tax	1,121,385	1,046,678	-	-	1,121,385	1,046,678	7.14%
Unrestricted state grants	8,816,571	6,807,676	-	-	8,816,571	6,807,676	29.51%
Nonspecific program federal grants	210,151	-	-	-	210,151	-	100.00%
Other	515,441	122,061	4,496	2,257	519,937	124,318	318.23%
Total revenues	20,915,492	19,607,319	814,314	805,513	21,729,806	20,412,832	6.45%
Program expenses:							
Governmental activities:							
Instructional	11,664,039	11,884,424	-	-	11,664,039	11,884,424	-1.85%
Support services	4,742,157	4,857,858	-	-	4,742,157	4,857,858	-2.38%
Non-instructional programs	-	-	831,245	756,476	831,245	756,476	9.88%
Other expenses	1,480,460	1,927,108	-	-	1,480,460	1,927,108	-23.18%
Total expenses	17,886,656	18,669,390	831,245	756,476	18,717,901	19,425,866	-3.64%
Changes in net assets	3,028,836	937,929	(16,931)	49,037	3,011,905	986,966	205.17%
Beginning net assets	9,111,217	8,173,288	359,678	310,641	9,470,895	8,483,929	11.63%
Ending net assets	\$ 12,140,053	9,111,217	342,747	359,678	12,482,800	9,470,895	31.80%

In fiscal 2011, local tax (property tax, income surtax and statewide sales, services and use tax) and unrestricted state grants account for 79.50% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.45% of the revenue from business type activities.

The District's total revenues were approximately \$21.73 million of which approximately \$20.92 million was for governmental activities and approximately \$0.81 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.45% increase in revenues and a 3.64% decrease in expenses. Property tax increased \$481,122 to fund District expenditures. The increase in revenues is mainly attributable to increases in state and local sources during fiscal 2011. The decrease in expenditures was made by efforts by the school District in their attempt to increase the General Fund ending balance.

Governmental Activities

Revenues for governmental activities were \$20,915,492 and expenses were \$17,886,656. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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	\$ 11,664,039	11,884,424	-1.85%	9,090,239	7,435,202	22.26%
Support services	4,742,157	4,857,858	-2.38%	4,472,038	4,815,496	-7.13%
Other expenses	1,480,460	1,927,108	-23.18%	761,876	1,109,894	-31.36%
Totals	\$ 17,886,656	18,669,390	-4.19%	14,324,153	13,360,592	7.21%

- The cost financed by users of the District's programs was \$1,129,274.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,433,229.
- The net cost of governmental activities was financed with \$6,075,083 in property tax, \$614,358 in income surtax, \$1,121,385 in statewide sales, service and use tax, \$8,816,571 in state grants and \$91,858 in interest income and \$423,583 in other revenues.

Business type Activities

Revenues of the District's business type activity were \$814,314 and expenses were \$831,245. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$11,131,743, below last year's ending fund balances of \$15,706,117. The main reason for the decrease in combined fund balances can be attributed to continuing construction costs associated with the new high school building and energy improvements.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and state source revenues was the primary reason for the increase in revenues during the year. Conscious efforts by the District to decrease expenditures were once again followed in an effort to increase ending General Fund balance. The increase in General Fund revenues was more than enough to outpace the increase in General Fund expenditures creating a net result of an increase in fund balance from \$152,054 in fiscal 2010 to \$2,081,090 in fiscal 2011.

- The Capital Projects Accounts balance decreased from a restated balance of \$14,376,075 in fiscal 2010 to a balance of \$6,011,050 in fiscal 2011. Now, due to reclassification as a result of GASB Statement No. 54, the Physical Plant and Equipment Levy is considered a Capital Project account along with the Statewide Sales, Services and Use Tax Fund. The decrease in overall fund balance can be attributed to continuing construction costs for energy improvement projects and the new high school building.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$359,678 at June 30, 2010 to \$342,747 at June 30, 2011, representing a decrease of 4.71%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$16,966 more than budgeted revenues, a variance of less than 1%. The most significant dollar difference resulted from the District receiving more in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$16,919,565, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 92.79% from the previous year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$390,770.

The original cost of the District's capital assets was \$22,332,271. Governmental funds account for \$21,898,552 with the remainder of \$433,719 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$898,706 at June 30, 2010 as compared to \$8,956,766 at June 30, 2011. Continuing costs associated with construction of the new high school as well as energy improvement projects lent to the increase in construction in progress.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 710,542	710,542	-	-	710,542	710,542	0.00%
Construction in progress	8,956,766	898,706	-	-	8,956,766	898,706	896.63%
Buildings	5,990,657	5,939,382	-	-	5,990,657	5,939,382	0.86%
Land improvements	330,475	133,194	-	-	330,475	133,194	148.12%
Machinery and equipment	686,779	817,616	244,346	276,778	931,125	1,094,394	-14.92%
Total	\$ 16,675,219	8,499,440	244,346	276,778	16,919,565	8,776,218	92.79%

Long-Term Debt

At June 30, 2011, the District had \$15,994,250 in revenue bonds, QZAB bonds and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenue Bonds	\$ 13,985,000	13,985,000	-	-	13,985,000	13,985,000	0.00%
Energy Capital Loan Notes	700,000	-	-	-	700,000	-	100.00%
QZAB Bonds	1,000,000	1,000,000	-	-	1,000,000	1,000,000	0.00%
Early Retirement	139,129	263,661	-	-	139,129	263,661	-47.23%
Net OPEB Liability	167,983	118,822	2,138	1,512	170,121	120,334	41.37%
Total	\$ 15,992,112	15,367,483	2,138	1,512	15,994,250	15,368,995	4.07%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections.
- It is anticipated that the new high school and energy improvement projects will be completed during fiscal 2012.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Washington Community Schools employer benefit costs during fiscal 2012. An additional increase to 8.67% is anticipated for FY13.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Washington Community School District

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 13,463,599	129,198	13,592,797
Receivables:			
Property tax:			
Delinquent	105,219	-	105,219
Succeeding year	6,219,527	-	6,219,527
Income surtax	634,259	-	634,259
Accounts	6,543	501	7,044
Due from other governments	630,460	17,681	648,141
Inventories	-	9,027	9,027
Capital assets, net of accumulated depreciation	16,675,219	244,346	16,919,565
TOTAL ASSETS	37,734,826	400,753	38,135,579
LIABILITIES			
Accounts payable	922,351	691	923,042
Retainage payable	214,626	-	214,626
Salaries and benefits payable	1,572,757	42,827	1,615,584
Accrued interest payable	309,056	-	309,056
Deferred revenue:			
Succeeding year property tax	6,219,527	-	6,219,527
Unearned revenue	-	12,350	12,350
Other	364,344	-	364,344
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	355,000	-	355,000
QZAB bonds payable	1,000,000	-	1,000,000
Early retirement payable	105,796	-	105,796
Portion due after one year:			
Revenue bonds payable	13,630,000	-	13,630,000
Capital loan notes payable	700,000	-	700,000
Early retirement payable	33,333	-	33,333
Net OPEB liability	167,983	2,138	170,121
TOTAL LIABILITIES	25,594,773	58,006	25,652,779
NET ASSETS			
Invested in capital assets, net of related debt	6,479,026	244,346	6,723,372
Restricted for:			
Categorical funding	1,174,226	-	1,174,226
Debt service	2,663,394	-	2,663,394
Management levy purposes	23,213	-	23,213
Student activities	213,867	-	213,867
School infrastructure	307,413	-	307,413
Physical plant and equipment	214,830	-	214,830
Unrestricted	1,064,084	98,401	1,162,485
TOTAL NET ASSETS	\$ 12,140,053	342,747	12,482,800

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Charges Contributions for and Restricted Services Interest		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 6,297,392	503,955	434,728	-	(5,358,709)	-	(5,358,709)
Special	2,542,753	92,009	232,559	-	(2,218,185)	-	(2,218,185)
Other	2,823,894	513,166	797,383	-	(1,513,345)	-	(1,513,345)
	<u>11,664,039</u>	<u>1,109,130</u>	<u>1,464,670</u>	<u>-</u>	<u>(9,090,239)</u>	<u>-</u>	<u>(9,090,239)</u>
Support services:							
Student	431,723	-	-	-	(431,723)	-	(431,723)
Instructional staff	819,557	-	83,564	-	(735,993)	-	(735,993)
Administration	1,685,168	-	1,500	-	(1,683,668)	-	(1,683,668)
Operation and maintenance of plant	1,063,412	-	-	135,000	(928,412)	-	(928,412)
Transportation	742,297	20,144	29,911	-	(692,242)	-	(692,242)
	<u>4,742,157</u>	<u>20,144</u>	<u>114,975</u>	<u>135,000</u>	<u>(4,472,038)</u>	<u>-</u>	<u>(4,472,038)</u>
Other expenses:							
Long-term debt interest	620,012	-	-	-	(620,012)	-	(620,012)
AEA flowthrough	718,584	-	718,584	-	-	-	-
Depreciation (unallocated)*	141,864	-	-	-	(141,864)	-	(141,864)
	<u>1,480,460</u>	<u>-</u>	<u>718,584</u>	<u>-</u>	<u>(761,876)</u>	<u>-</u>	<u>(761,876)</u>
Total governmental activities	17,886,656	1,129,274	2,298,229	135,000	(14,324,153)	-	(14,324,153)
Business type activities:							
Non-instructional programs:							
Nutrition services	831,245	328,889	480,929	-	-	(21,427)	(21,427)
Total	<u>\$ 18,717,901</u>	<u>1,458,163</u>	<u>2,779,158</u>	<u>135,000</u>	<u>(14,324,153)</u>	<u>(21,427)</u>	<u>(14,345,580)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 5,599,106	-		5,599,106
Capital outlay				475,977	-		475,977
Income surtax				614,358	-		614,358
Statewide sales, services and use tax				1,121,385	-		1,121,385
Unrestricted state grants				8,816,571	-		8,816,571
Nonspecific program federal grants				210,151	-		210,151
Unrestricted investment earnings				91,858	1,113		92,971
Other				423,583	3,383		426,966
Total general revenues				<u>17,352,989</u>	<u>4,496</u>		<u>17,357,485</u>
Changes in net assets				3,028,836	(16,931)		3,011,905
Net assets beginning of year				9,111,217	359,678		9,470,895
Net assets end of year				<u>\$ 12,140,053</u>	<u>342,747</u>		<u>12,482,800</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 3,690,736	6,733,798	3,039,065	13,463,599
Receivables:				
Property tax:				
Delinquent	89,659	10,926	4,634	105,219
Succeeding year	5,396,107	498,420	325,000	6,219,527
Income surtax	634,259	-	-	634,259
Accounts	6,543	-	-	6,543
Due from other governments	399,679	230,781	-	630,460
TOTAL ASSETS	\$ 10,216,983	7,473,925	3,368,699	21,059,607
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 168,426	749,829	4,096	922,351
Retainage payable	-	214,626	-	214,626
Salaries and benefits payable	1,572,757	-	-	1,572,757
Deferred revenue:				
Succeeding year property tax	5,396,107	498,420	325,000	6,219,527
Income surtax	634,259	-	-	634,259
Other	364,344	-	-	364,344
Total liabilities	8,135,893	1,462,875	329,096	9,927,864
Fund balances:				
Restricted for:				
Categorical funding	1,174,226	-	-	1,174,226
Construction	-	5,488,807	-	5,488,807
Debt service	-	-	2,663,394	2,663,394
Management levy purposes	-	-	162,342	162,342
Student activities	-	-	213,867	213,867
School infrastructure	-	307,413	-	307,413
Physical plant and equipment	-	214,830	-	214,830
Unassigned	906,864	-	-	906,864
Total fund balances	2,081,090	6,011,050	3,039,603	11,131,743
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,216,983	7,473,925	3,368,699	21,059,607

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON 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)	\$ 11,131,743
 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 the governmental funds.	16,675,219
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	634,259
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.	(309,056)
Long-term liabilities, including QZAB bonds payable, revenue bonds payable, capital loan notes payable, early retirement and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(15,992,112)
Net assets of governmental activities(page 18)	<u>\$ 12,140,053</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,927,404	1,597,362	275,179	7,799,945
Tuition	545,104	-	-	545,104
Other	793,357	195,267	499,616	1,488,240
State sources	9,938,665	79	188	9,938,932
Federal sources	1,132,390	-	-	1,132,390
TOTAL REVENUES	18,336,920	1,792,708	774,983	20,904,611
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,212,294	-	162,880	6,375,174
Special	2,533,722	-	-	2,533,722
Other	2,353,409	-	469,335	2,822,744
	11,099,425	-	632,215	11,731,640
Support services:				
Student	430,355	-	-	430,355
Instructional staff	800,018	-	4,709	804,727
Administration	1,719,899	5,830	13,776	1,739,505
Operation and maintenance of plant	1,015,261	-	66,899	1,082,160
Transportation	538,212	-	60,415	598,627
	4,503,745	5,830	145,799	4,655,374
Other expenditures:				
Facilities acquisitions	-	8,412,217	-	8,412,217
Long-term debt:				
Interest and fiscal charges	-	-	661,191	661,191
AEA flowthrough	718,584	-	-	718,584
	718,584	8,412,217	661,191	9,791,992
TOTAL EXPENDITURES	16,321,754	8,418,047	1,439,205	26,179,006
Excess(Deficiency) of revenues over(under) expenditures	2,015,166	(6,625,339)	(664,222)	(5,274,395)
Other financing sources(uses):				
Transfer in	-	700,021	2,525,837	3,225,858
Transfer out	(786,151)	(2,439,707)	-	(3,225,858)
Capital loan note issuance	700,000	-	-	700,000
Premium on capital loan note issuance	3,867	-	-	3,867
Discount on capital loan note issuance	(3,846)	-	-	(3,846)
Total other financing sources(uses)	(86,130)	(1,739,686)	2,525,837	700,021
Net change in fund balances	1,929,036	(8,365,025)	1,861,615	(4,574,374)
Fund balance beginning of year	152,054	14,376,075	1,177,988	15,706,117
Fund balance end of year	\$ 2,081,090	6,011,050	3,039,603	11,131,743

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ (4,574,374)

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

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

Expenditures for capital assets	\$ 8,534,117	
Depreciation expense	<u>(358,338)</u>	8,175,779

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Current year issuances were the following:

Issued		(700,000)
--------	--	-----------

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

41,179

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

10,881

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

Early retirement	\$ 124,532	
Other postemployment benefits	<u>(49,161)</u>	<u>75,371</u>

Changes in net assets of governmental activities(page 19) \$ 3,028,836

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 129,198
Accounts receivable	501
Due from other governments	17,681
Inventories	9,027
Total current assets	156,407
Non-current assets:	
Capital assets:	
Machinery and equipment, net of accumulated depreciation	244,346
Total non-current assets	244,346
TOTAL ASSETS	400,753
LIABILITIES	
Current liabilities:	
Accounts payable	691
Salaries and benefits payable	42,827
Unearned revenue	12,350
Total current liabilities	55,868
Long-term liabilities:	
Net OPEB liability	2,138
Total long-term liabilities	2,138
TOTAL LIABILITIES	58,006
NET ASSETS	
Invested in capital assets	244,346
Unrestricted	98,401
TOTAL NET ASSETS	\$ 342,747

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 328,889
Miscellaneous	3,383
TOTAL OPERATING REVENUES	332,272
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	248,374
Benefits	52,779
Services	7,230
Supplies	490,430
Depreciation	32,432
TOTAL OPERATING EXPENSES	831,245
OPERATING LOSS	(498,973)
NON-OPERATING REVENUES:	
Interest	1,113
State sources	7,849
Federal sources	473,080
TOTAL NON-OPERATING REVENUES	482,042
Change in net assets	(16,931)
Net assets beginning of year	359,678
Net assets end of year	\$ 342,747

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 330,024
Cash received from miscellaneous operating activities	3,383
Cash payments to employees for services	(303,273)
Cash payments to suppliers for goods or services	(455,073)
Net cash used in operating activities	(424,939)
Cash flows from non-capital financing activities:	
State grants received	7,849
Federal grants received	438,698
Net cash provided by non-capital financing activities	446,547
Cash flows from investing activities:	
Interest on investments	1,113
Net increase in cash and cash equivalents	22,721
Cash and cash equivalents at beginning of year	106,477
Cash and cash equivalents at end of year	\$ 129,198
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (498,973)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	32,546
Depreciation	32,432
Decrease in inventories	9,350
Increase in accounts receivable	(501)
Increase in accounts payable	691
Decrease in salaries and benefits payable	(2,746)
Increase in unearned revenue	1,636
Increase in other postemployment benefits	626
Net cash used in operating activities	\$ (424,939)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$32,546.

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 1,260,220
LIABILITIES	-
NET ASSETS	
Restricted for scholarships	\$ 1,260,220

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 32,691
Contributions	96,709
Total additions	<u>129,400</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>140,890</u>
Change in net assets	(11,490)
Net assets beginning of year	<u>1,271,710</u>
Net assets end of year	<u>\$ 1,260,220</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WASHINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Unspent bond and capital loan note proceeds have been added back to invested in capital assets, net of related debt.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

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

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

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

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

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

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

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

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

Fund 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 Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,197,275 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 86,130
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	661,191
Capital Projects: High School Building	General	700,021
Debt Service	Capital Projects: High School Building	1,778,516
Total		<u>\$ 3,225,858</u>

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

A transfer of \$651,936 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to pay interest and fees on the District's December 1, 2009 revenue bond indebtedness. In addition, a transfer of \$9,255 for interest and fees on the District's July 1, 2010 energy capital loan note indebtedness was done in error by the District. See Comment II-C-11, page 64 for additional details of this erroneous transfer.

The transfer from the General Fund to the Capital Projects: High School Building Fund was needed to move energy capital loan note proceeds.

The transfer from the Capital Projects: High School Building Fund to the Debt Service Fund was needed to move the 2009 revenue bond sinking, revenue and reserve accounts to the proper fund.

(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	\$ 710,542	-	-	710,542
Construction in progress	898,706	8,058,060	-	8,956,766
Total capital assets not being depreciated	<u>1,609,248</u>	<u>8,058,060</u>	<u>-</u>	<u>9,667,308</u>
Capital assets being depreciated:				
Buildings	8,028,717	160,615	-	8,189,332
Land improvements	940,020	229,805	-	1,169,825
Machinery and equipment	2,792,450	85,637	6,000	2,872,087
Total capital assets being depreciated	<u>11,761,187</u>	<u>476,057</u>	<u>6,000</u>	<u>12,231,244</u>
Less accumulated depreciation for:				
Buildings	2,089,335	109,340	-	2,198,675
Land improvements	806,826	32,524	-	839,350
Machinery and equipment	1,974,834	216,474	6,000	2,185,308
Total accumulated depreciation	<u>4,870,995</u>	<u>358,338</u>	<u>6,000</u>	<u>5,223,333</u>
Total capital assets being depreciated, net	<u>6,890,192</u>	<u>117,719</u>	<u>-</u>	<u>7,007,911</u>
Governmental activities capital assets, net	<u>\$ 8,499,440</u>	<u>8,175,779</u>	<u>-</u>	<u>16,675,219</u>
Business type activities:				
Machinery and equipment	\$ 434,171	-	452	433,719
Less accumulated depreciation	157,393	32,432	452	189,373
Business type activities capital assets, net	<u>\$ 276,778</u>	<u>(32,432)</u>	<u>-</u>	<u>244,346</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,777
Special		7,850
Other		794
Support services:		
Instructional services		13,367
Administration		17,746
Operation and maintenance		29,598
Transportation		142,342
		<u>216,474</u>
Unallocated depreciation		<u>141,864</u>
Total governmental activities depreciation expense		<u>\$ 358,338</u>
Business type activities:		
Food services		<u>\$ 32,432</u>

5) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 13,985,000	-	-	13,985,000	355,000
Capital Loan Notes	-	700,000	-	700,000	-
QZAB Bonds	1,000,000	-	-	1,000,000	1,000,000
Early Retirement	263,661	-	124,532	139,129	105,796
Net OPEB Liability	118,822	49,161	-	167,983	-
Total	\$ 15,367,483	749,161	124,532	15,992,112	1,460,796
Business Type Activities:					
Net OPEB Liability	\$ 1,512	626	-	2,138	-

Revenue Bonds

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 December 1, 2009				
	Interest Rates	Principal	Interest	Total	
2012	3.00	% \$ 355,000	595,078	950,078	
2013	3.00	440,000	583,153	1,023,153	
2014	3.00	460,000	569,653	1,029,653	
2015	3.00	560,000	554,353	1,114,353	
2016	3.25	565,000	545,953	1,110,953	
2017-2021	3.50-4.25	3,180,000	2,346,419	5,526,419	
2022-2026	4.40-4.75	3,910,000	1,587,314	5,497,314	
2027-2030	4.75-5.00	4,515,000	520,726	5,035,726	
Total		\$ 13,985,000	7,302,649	21,287,649	

The District has pledged future statewide sales, services and use tax revenues to repay the \$13,985,000 bonds issued December 1, 2009. The bonds were issued for the purpose of defraying a portion of the costs of school infrastructure within the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 85% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$21,287,649. For the current year there was no principal and \$650,436 in interest payments due on the bonds and total statewide sales, services and use tax revenues were \$1,121,385.

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

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

Energy Capital Loan Notes

During the year ended June 30, 2011, the District issued energy capital loan notes that will be repaid from the General Fund. Details of the District's June 30, 2011, energy capital loan note indebtedness are as follows:

Year Ending June 30,	Capital Loan Note Issue of July 1, 2010			
	Interest Rates	Principal	Interest	Total
2012	1.55 %	-	17,710	17,710
2013	1.55	-	17,710	17,710
2014	1.55	95,000	17,710	112,710
2015	2.00	95,000	16,238	111,238
2016	2.50	95,000	14,338	109,338
2017-2020	2.65-3.15	415,000	22,447	437,447
Total		\$ 700,000	106,153	806,153

Qualified Zone Academy Bonds (QZAB)

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

Early Retirement

In prior years, the District offered a voluntary early retirement plan to District employees who have fifteen years of continuous service to the District and are over age fifty-five. The amount of early retirement pay for certified employees is equal to

sixty-five percent of the employee's base salary. The amount of early retirement pay for non-certified employees is equal to sixty-five percent of the difference between the employee's salary and the amount of the annual pay if the federal minimum wage was used instead of the employee's current hourly rate.

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

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

Early retirement benefits paid during the year ended June 30, 2011, totaled \$124,532. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$663,425, \$639,307 and \$622,716 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a

level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 79,000
Interest on net OPEB obligation	5,415
Adjustment of annual required contribution	(4,628)
Annual OPEB cost	<u>79,787</u>
Contributions made	<u>(30,000)</u>
Increase in net OPEB obligation	49,787
Net OPEB obligation - beginning of year	<u>120,334</u>
Net OPEB obligation - end of year	<u><u>\$ 170,121</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

For fiscal year 2011, the District contributed \$30,000 to the medical plan. Plan members receiving benefits contributed \$57,000, or 66% 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
2009	\$ 79,000	16.46%	\$ 66,000
2010	79,334	31.51%	120,334
2011	79,787	37.60%	170,121

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$0.676 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.676 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.746 million, and the ratio of the UAAL to the covered payroll was 6.9%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental insurance. District contributions to ISEBA for the year ended June 30, 2011 were \$964,543.

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

(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 \$718,584 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 Commitments

The District has entered into various contracts totaling \$14,313,364 for the construction of a new high school building and improvements to Stewart Elementary. As of June 30, 2011, costs of \$7,921,653 had been incurred against the contracts. The balance remaining at June 30, 2011 will be paid as work on the projects progresses. Once the projects have been completed the construction costs will be capitalized and added to the District's capital asset listing.

(11) Categorical Funding

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

<u>Project</u>	<u>Amount</u>
Homeschool assistance program	\$ 45,185
Limited english proficiency weighting	2,851
Talented and gifted	222,509
Modified allowable growth for retuning dropouts and dropout prevention	294,616
Beginning teacher mentoring	12,706
Teacher salary supplement	127,863
Market factor	6,371
Beginning administrator mentoring	1,866
Early intervention	60,272
Four-year-old preschool	146,179
Model core curriculum	74,479
Professional development	133,623
Non-public transportation	27,910
Vocational education	5,039
Market factor incentives	12,757
Total	<u>\$ 1,174,226</u>

(12) Accounting Change/Restatement

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

	Statewide Sales, Services and Use Tax	Auditorium Project	High School Building	Total Capital Projects	Special Revenue: Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	43,684	46	14,208,617	14,252,347	123,728
Change in fund type classification per implementation of GASB Statement No. 54				123,728	(123,728)
July 1, 2010, as restated				\$ 14,376,075	-

Washington Community School District

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 9,833,289	333,385	10,166,674	9,293,386	9,293,386	873,288
State sources	9,938,932	7,849	9,946,781	10,798,573	10,798,573	(851,792)
Federal sources	1,132,390	473,080	1,605,470	1,610,000	1,610,000	(4,530)
Total revenues	20,904,611	814,314	21,718,925	21,701,959	21,701,959	16,966
Expenditures/Expenses:						
Instruction	11,731,640	-	11,731,640	13,557,395	13,557,395	1,825,755
Support services	4,655,374	-	4,655,374	6,325,000	6,325,000	1,669,626
Non-instructional programs	-	831,245	831,245	1,200,000	1,200,000	368,755
Other expenditures	9,791,992	-	9,791,992	14,777,605	14,777,605	4,985,613
Total expenditures/expenses	26,179,006	831,245	27,010,251	35,860,000	35,860,000	8,849,749
Excess(Deficiency) of revenues over(under) expenditures/expenses	(5,274,395)	(16,931)	(5,291,326)	(14,158,041)	(14,158,041)	8,866,715
Other financing sources, net	700,021	-	700,021	-	-	700,021
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(4,574,374)	(16,931)	(4,591,305)	(14,158,041)	(14,158,041)	9,566,736
Balance beginning of year	15,706,117	359,678	16,065,795	15,678,737	15,678,737	(387,058)
Balance end of year	\$ 11,131,743	342,747	11,474,490	1,520,696	1,520,696	9,179,678

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)				Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$676	\$676	0.0%	\$10,044	6.7%	
2010	July 1, 2008	\$ -	\$676	\$676	0.0%	\$9,788	6.9%	
2011	July 1, 2008	\$ -	\$676	\$676	0.0%	\$9,746	6.9%	

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

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

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total	Debt Service	
ASSETS					
Cash and pooled investments	\$ 161,804	213,867	375,671	2,663,394	3,039,065
Receivables:					
Property tax:					
Delinquent	4,634	-	4,634	-	4,634
Succeeding year	325,000	-	325,000	-	325,000
TOTAL ASSETS	\$ 491,438	213,867	705,305	2,663,394	3,368,699
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,096	-	4,096	-	4,096
Deferred revenue:					
Succeeding year property tax	325,000	-	325,000	-	325,000
Total liabilities	329,096	-	329,096	-	329,096
Fund balances:					
Restricted for:					
Debt service	-	-	-	2,663,394	2,663,394
Management levy purposes	162,342	-	162,342	-	162,342
Student activities	-	213,867	213,867	-	213,867
Total fund balances	162,342	213,867	376,209	2,663,394	3,039,603
TOTAL LIABILITIES AND FUND BALANCES	\$ 491,438	213,867	705,305	2,663,394	3,368,699

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue Funds			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 275,179	-	275,179	-	275,179
Other	20,321	454,024	474,345	25,271	499,616
State sources	188	-	188	-	188
TOTAL REVENUES	295,688	454,024	749,712	25,271	774,983
EXPENDITURES:					
Current:					
Instruction:					
Regular	162,880	-	162,880	-	162,880
Other	22,037	447,298	469,335	-	469,335
Support services:					
Instructional staff	4,709	-	4,709	-	4,709
Administration	13,776	-	13,776	-	13,776
Operation and maintenance of plant	66,899	-	66,899	-	66,899
Transportation	60,415	-	60,415	-	60,415
Long-term debt:					
Interest and fiscal charges	-	-	-	661,191	661,191
TOTAL EXPENDITURES	330,716	447,298	778,014	661,191	1,439,205
Excess(Deficiency) of revenues over(under) expenditures	(35,028)	6,726	(28,302)	(635,920)	(664,222)
Other financing sources:					
Transfer in	-	-	-	2,525,837	2,525,837
Net change in fund balances	(35,028)	6,726	(28,302)	1,889,917	1,861,615
Fund balance beginning of year, as restated	197,370	207,141	404,511	773,477	1,177,988
Fund balance end of year	\$ 162,342	213,867	376,209	2,663,394	3,039,603

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects					
	High School Building	Auditorium Project	Statewide Sales, Services and Use Tax		Physical Plant and Equipment Levy	Total
ASSETS						
Cash and pooled investments	\$ 6,223,600	46	291,258	218,894		6,733,798
Property tax:						
Delinquent	-	-	-	10,926		10,926
Succeeding year	-	-	-	498,420		498,420
Due from other governments	-	-	230,781	-		230,781
TOTAL ASSETS	\$ 6,223,600	46	522,039	728,240		7,473,925
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 734,839	-	-	14,990		749,829
Retainage payable	-	-	214,626	-		214,626
Succeeding year property tax	-	-	-	498,420		498,420
Total liabilities	734,839	-	214,626	513,410		1,462,875
Fund balances:						
Restricted for:						
Construction	5,488,761	46	-	-		5,488,807
School infrastructure	-	-	307,413	-		307,413
Physical plant and equipment	-	-	-	214,830		214,830
Total fund balances	5,488,761	46	307,413	214,830		6,011,050
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,223,600	46	522,039	728,240		7,473,925

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WASHINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects					
	High School Building	Auditorium Project	Statewide Sales, Services and		Physical Plant and Equipment Levy	Total
			Use Tax			
REVENUES						
Local sources:						
Local tax	\$ -	-	1,121,385	475,977		1,597,362
Other	39,693	-	19,704	135,870		195,267
State sources	-	-	-	79		79
TOTAL REVENUES	39,693	-	1,141,089	611,926		1,792,708
EXPENDITURES:						
Current:						
Support services:						
Adminstration	-	-	3,836	1,994		5,830
Other expenditures:						
Facilities acquisitions	7,681,054	-	212,333	518,830		8,412,217
TOTAL EXPENDITURES	7,681,054	-	216,169	520,824		8,418,047
Excess(Deficiency) of revenues over(under) expenditures	(7,641,361)	-	924,920	91,102		(6,625,339)
Other financing sources(uses):						
Transfer in	700,021	-	-	-		700,021
Transfer out	(1,778,516)	-	(661,191)	-		(2,439,707)
Total other financing sources(uses)	(1,078,495)	-	(661,191)	-		(1,739,686)
Net change in fund balances	(8,719,856)	-	263,729	91,102		(8,365,025)
Fund balance beginning of year, as restated	14,208,617	46	43,684	123,728		14,376,075
Fund balance end of year	\$ 5,488,761	46	307,413	214,830		6,011,050

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Student activities	\$ 29,960	15,856	10,500	-	35,316
HS activities	3,955	40,762	13,556	(16,650)	14,511
Assure center fundraiser	215	51	86	-	180
Demon café	-	1,932	609	-	1,323
Stewart activities	827	-	-	-	827
Stewart book fair	1,827	1,666	2,727	-	766
Student activity fund balance	2,091	4,577	1,364	-	5,304
HS general concessions	-	11,525	11,941	416	-
HS popcorn	7,452	1,440	106	-	8,786
HS fundraiser	726	-	-	(416)	310
HS candy sales	2,238	-	-	-	2,238
HS drama	2,278	4,128	3,479	-	2,927
HS La Onda	1,463	452	107	-	1,808
HS SADD	178	-	90	-	88
HS speech	50	404	683	229	-
HS vocal music	1,819	46,367	14,692	(31,820)	1,674
HS instrumental music	801	6,442	39,063	31,820	-
HS annual	-	24,775	23,236	-	1,539
HS newspaper	118	-	-	-	118
HS art club	2,038	3,573	1,294	-	4,317
HS cheerleaders	927	16,571	14,742	-	2,756
HS drill team	938	2,231	2,281	-	888
HS FFA	31,136	53,005	73,177	-	10,964
HS FHA	55	-	1,657	1,602	-
HS foreign language	127	-	-	-	127
VOW	1,349	-	67	-	1,282
HS NHS	719	471	709	-	481
HS office ed-BPA	3,143	19,265	21,277	-	1,131
HS science club	537	-	-	-	537
HS student congress	2,318	3,088	1,003	-	4,403
HS earth book	641	599	981	-	259
HS student recognition	5,476	277	2,871	-	2,882
Class of 2011	2,319	1,309	1,727	-	1,901
Class of 2012	2,135	456	88	-	2,503
Class of 2013	1,961	69	-	-	2,030
Class of 2014	1,761	314	-	-	2,075
Class of 2015	1,233	-	-	-	1,233
Cross country	-	1,003	1,238	235	-
HS boys basketball	4,822	16,713	9,585	-	11,950
HS football	15,922	32,819	29,493	-	19,248
HS baseball	-	3,397	6,771	3,374	-
HS boys track	-	11,130	13,131	2,001	-
HS boys golf	-	1,456	2,431	975	-
HS soccer	-	1,879	3,379	1,500	-
HS boys bowling	91	303	77	-	317
HS wrestling	-	8,383	9,389	1,006	-
HS girls basketball	5,010	13,180	19,468	1,278	-
HS volleyball	7,023	9,457	9,693	-	6,787

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
HS softball	-	7,760	8,083	323	-
HS girls track	-	4,416	5,953	1,537	-
HS girls golf	-	692	1,241	549	-
HS girls bowling	91	250	60	-	281
JH activity	8,041	8	1,841	-	6,208
JH concessions	3,175	7,589	6,923	-	3,841
JH fundraising	21,954	33,565	27,943	-	27,576
JH speech	-	221	221	-	-
JH student congress	2,980	3,771	3,274	-	3,477
JH vocal music	3,596	4,412	7,156	-	852
JH instrumental music	28	3,157	2,434	10	761
JH snowball	6,529	1,925	3,295	-	5,159
JH student awards	-	1,000	582	-	418
JH cheerleaders	2,631	8,732	8,549	-	2,814
JH dance team	72	860	593	-	339
9th boys basketball	1,611	1,416	1,559	-	1,468
JH cross country	-	140	150	10	-
9th football	1,557	3,727	6,108	824	-
7th & 8th boys track	724	918	1,801	159	-
7th & 8th wrestling	-	378	286	-	92
9th girls basketball	1,377	1,217	1,440	-	1,154
7th & 8th volleyball	2,255	1,375	495	-	3,135
7th & 8th girls track	-	654	1,692	1,038	-
JH Odyssey	-	500	194	-	306
HS dance marathon	2,841	4,016	6,657	-	200
Total	\$ 207,141	454,024	447,298	-	213,867

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 7,799,945	7,345,214	6,633,278	6,203,595	5,950,653	5,860,594	5,042,238	4,878,498
Tuition	545,104	458,126	429,759	480,801	521,579	463,363	481,870	422,320
Other	1,488,240	901,746	937,456	713,819	923,221	622,688	574,431	470,914
Intermediate sources	-	-	-	-	20,117	-	-	-
State sources	9,938,932	8,916,552	9,653,403	9,349,024	8,550,259	8,380,075	7,863,313	7,394,727
Federal sources	1,132,390	1,962,111	1,240,984	1,474,441	1,340,093	1,250,747	1,557,552	1,333,779
Total	\$ 20,904,611	19,583,749	18,894,880	18,221,680	17,305,922	16,577,467	15,519,404	14,500,238
Expenditures:								
Instruction:								
Regular	\$ 6,375,174	6,770,744	6,825,611	6,609,575	6,370,101	6,246,527	5,706,369	5,633,256
Special	2,533,722	2,468,311	2,086,619	2,148,999	2,267,721	1,927,512	1,781,379	1,661,340
Other	2,822,744	2,542,839	2,464,786	2,182,943	2,237,144	1,585,794	1,539,347	1,103,684
Support services:								
Student	430,355	434,332	449,929	648,992	769,657	1,067,968	1,225,400	1,356,971
Instructional staff	804,727	602,734	1,053,063	884,585	899,178	1,061,102	1,102,230	1,054,190
Administration	1,739,505	1,662,499	1,669,948	1,562,848	1,505,329	1,400,167	1,317,264	1,209,895
Operation and maintenance								
of plant	1,082,160	1,302,650	1,369,223	1,332,687	1,365,133	1,349,345	1,184,544	1,039,827
Transportation	598,627	692,328	549,254	676,839	740,808	693,682	450,799	719,057
Other expenditures:								
Facilities acquisitions	8,412,217	2,060,495	536,100	3,778,154	1,327,430	239,146	197,846	563,676
Long-term debt:								
Principal	-	-	-	-	-	-	102,500	102,500
Interest and other charges	661,191	500	-	-	-	-	3,663	8,343
AEA flow-through	718,584	717,214	638,141	611,128	583,693	545,029	516,270	509,219
Total	\$ 26,179,006	19,254,646	17,642,674	20,436,750	18,066,194	16,116,272	15,127,611	14,961,958

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION			
(SMALLER LEARNING COMMUNITIES PROGRAM)	84.215	FY 11	\$ 86,514
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	83,258
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	355,816 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	34,006
			<u>473,080</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I (SINA - SCHOOLS IN NEED OF ASSISTANCE)	84.010	FY 11	72,100
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1701-G	276,405
			<u>348,505</u> **
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	60,153
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 11	90,496
			<u>150,649</u> **
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 11	6,210
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 11	72,432
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI)	84.369	FY 11	10,667
STATE FISCAL STABILIZATION CLUSTER:			
STATE FISCAL STABILIZATION FUND EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	28,868
STATE FISCAL STABILIZATION FUND EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	98,647
			<u>127,515</u> ***
STATE FISCAL STABILIZATION FUND GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	82,636 ***
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	96,310
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	117,797
			<u>214,107</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	14,703
TOTAL			<u>\$ 1,587,018</u>

* - Includes \$32,432 of non-cash awards.

** - Total Title I Cluster Programs \$499,154.

*** - Total for State Fiscal Stabilization Cluster Programs \$210,151.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(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
Washington Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Washington Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 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 Washington Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Washington Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Washington Community School District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

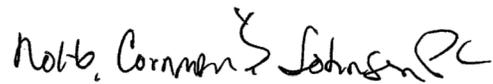
As part of obtaining reasonable assurance about whether Washington Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have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

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

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 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
Washington Community School District:

Compliance

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

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

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

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

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

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

WASHINGTON 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) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (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:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Clustered:
 - CFDA Number 84.010 - Title I (SINA - Schools in Need of Assistance)
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Washington Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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

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

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

Conclusion - Response accepted.

II-B-11 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted purchase orders for the Student Activity Fund were being completed after the product had been ordered.

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

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

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

Conclusion - Response accepted.

II-C-11 Energy Capital Loan Notes - We noted during our audit that the District has the same trustee, Banker's Trust, for payment of principal and interest for the District's revenue bonds and energy capital loan notes. When the initial payment of interest was due on January 1, 2011, for the District's energy capital loan notes, the trustee made the interest payment from the debt sinking account for the revenue bonds instead of requesting the payment from the District's General Fund. Subsequently, the District recorded a transfer of \$9,255 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund.

Recommendation - The District should make a corrective transfer to the Capital Projects: Statewide Sales, Services and Use Tax Fund from the General Fund for \$9,255. Although the District is using Banker's Trust as the trustee for payments of principal and interest on the District's revenue bonds and energy capital loan notes, ultimately the District is responsible to ensure that the payments for the revenue bonds and energy loan notes are being paid from the proper accounts.

Response - District staff will make the corrective transfer and make sure bond and capital loan note payments are taken from the proper accounts in the future.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted during our audit that the District wrote checks for cash to give to students as sales incentives as top sellers for fundraisers. Checks written for cash to give to students as incentives for top seller prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - The practice of giving cash to students as sales incentives will be discontinued.

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 are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Eric Turner, Board President Owns Washington Physical Therapy Services	Services	\$174
Mary Alice Smith, Special Education Director Spouse owns Community Medical	Supplies	\$3,851

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with the Board President do not appear to represent a conflict of interest.

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

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 resident students reported was understated by 2.25 students. In addition, one student reported on the English Language Learner summary on Project Easier had exceeded their funding by .22.

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

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

Conclusion - Response accepted.

IV-H-11 Supplementary Weighting - We noted a variance regarding the supplementary weighting certified to the Iowa Department of Education. Supplementary weighting was understated by 6.78.

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

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

Conclusion - Response accepted.

IV-I-11 Deposits and Investments - Currently the District's maintains a diversified portfolio of several investments in the Private Purpose Trust Fund. Investments in the portfolio consist of certificates of deposit, H bonds, savings accounts, annuities and mutual funds. Although these investments are allowable in accordance with the District's investment policy 802.6, the District's investments in mutual funds do not appear to be allowable according to Chapter 12B and Chapter 12C of the Code of Iowa. The District's investment policy 802.6 cannot expand the allowability of investments according to Chapter 12B and 12C of the Code of Iowa.

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

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

Conclusion - Response accepted.

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

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

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

Conclusion - Response accepted.

IV-J-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 used to supplant rather than supplement other funds. However, we noted during our audit that the District has several state allocation and categorical funding carryover balances.

Recommendation - The District should review the state allocation and categorical funding carryover balances. The District should develop a plan for expending the carryover balances.

Response - The District is working on spending the categorical funding on a timely basis while making sure we are good stewards of the funds spending where and when appropriate.

Conclusion - Response accepted.

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 revenue.

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

Beginning Balance		\$	43,684
Revenues:			
Sales tax revenues	\$	1,121,385	
Other local revenues		19,704	1,141,089
			<u>1,184,773</u>
Expenditures/Transfers out:			
School infrastructure construction	\$	36,972	
Other		3,836	
Transfers to other funds:			
Debt service		10,755	
Other transfers		825,797	877,360
			<u>877,360</u>
Ending Balance		\$	<u>307,413</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 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required for the Private Purpose Trust Fund.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - The District will contact the bank used for the Private Purpose Trust Fund and request both front and back of cancelled checks.

Conclusion - Response accepted.

IV-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity and Nutrition Funds which have been outstanding for over a year.

Recommendation - The District should research outstanding checks to determine if they should be reissued or voided. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa 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 if outstanding checks should be reissued, voided, or submitted to the State as unclaimed property and will be handled accordingly.

Conclusion - Response accepted.

IV-O-11 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

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

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

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

Conclusion - Response accepted.

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

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

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

Conclusion - Response accepted.