

WAYNE 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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Wayne Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Bill Homann	President	2011
Todd Wilson	Vice President	2011
John Allen	Board Member	2013
Sam Moss	Board Member	2011
Diane Kelly	Board Member	2013
<b>School Officials</b>		
Dave Daughton	Superintendent	2011
Denise Larson	District Secretary/Treasurer and Business Manager	Indefinite
Alan Wilson, Ahlers & Cooney, P.C.	Attorney	Indefinite

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District at June 30, 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 December 21, 2011 on our consideration of Wayne Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 are not required parts of

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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.

December 21, 2011

WAYNE COMMUNITY SCHOOL DISTRICT



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increase from \$5,644,958 in fiscal 2010 to \$5,840,096 in fiscal 2011, while General Fund expenditures decreased from \$5,509,588 in fiscal 2010 to \$5,344,884 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$989,727 in fiscal 2010 to a balance of \$1,484,939 in fiscal 2011, a 50.03% increase from the prior year.
- The fiscal year 2011 General Fund revenue increase was attributable to increases in local and state sources revenues. The decrease in expenditures was due primarily to decreases in the regular instruction and support services functional areas.
- The District's solvency ratio increased from 14.32% at June 30, 2010 to 20.34% at June 30, 2011. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

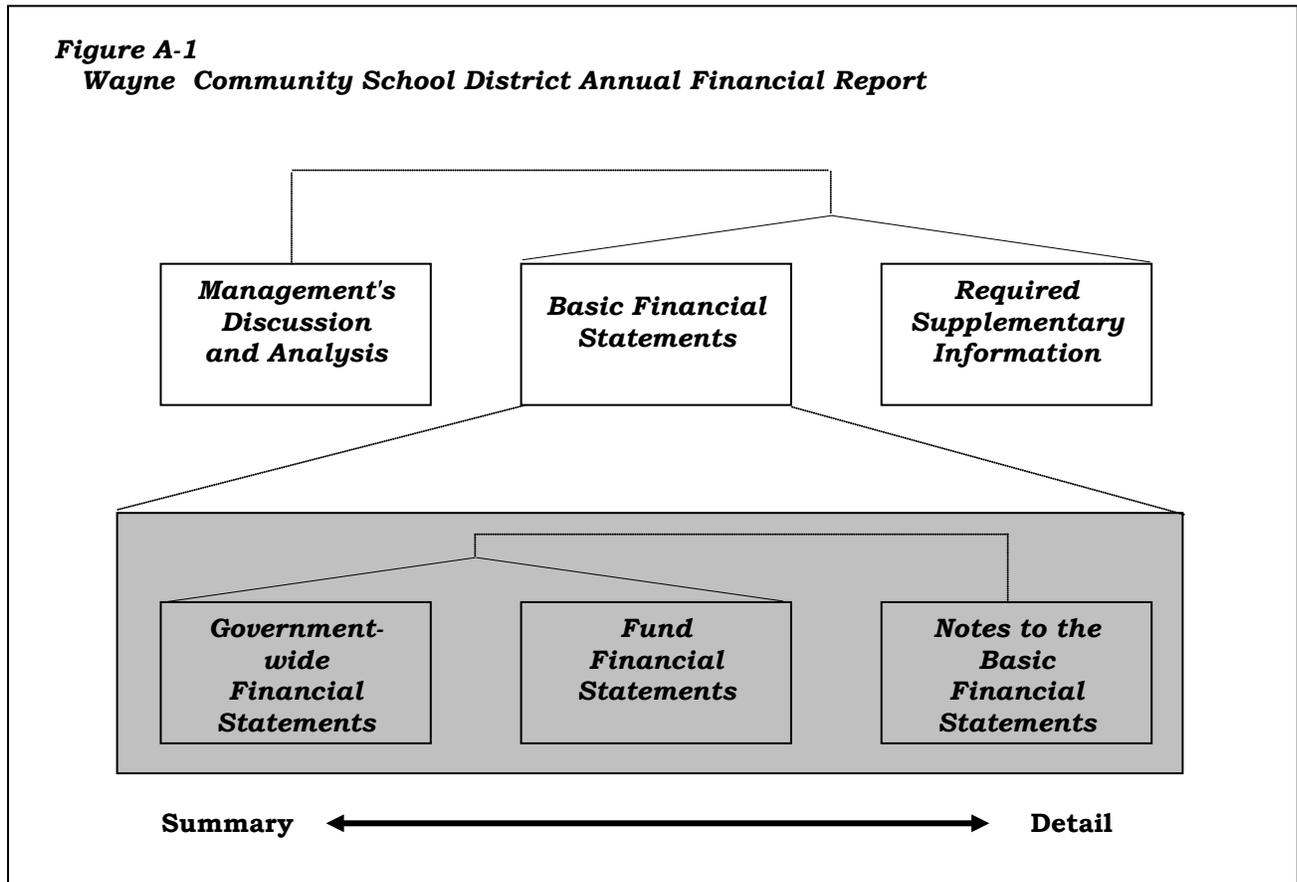


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 6,203,260	4,889,548	71,202	44,818	6,274,462	4,934,366	27.16%
Capital assets	2,936,996	3,177,600	24,598	21,423	2,961,594	3,199,023	-7.42%
Total assets	9,140,256	8,067,148	95,800	66,241	9,236,056	8,133,389	13.56%
Long-term obligations	626,073	750,230	1,539	-	627,612	750,230	-16.34%
Other liabilities	3,613,023	3,099,331	1,751	17,331	3,614,774	3,116,662	15.98%
Total liabilities	4,239,096	3,849,561	3,290	17,331	4,242,386	3,866,892	9.71%
Invested in capital assets, Net assets:							
net of related debt	2,481,996	2,502,600	24,598	21,423	2,506,594	2,524,023	-0.69%
Restricted	1,030,510	838,783	-	-	1,030,510	838,783	22.86%
Unrestricted	1,388,654	876,204	67,912	27,487	1,456,566	903,691	61.18%
Total net assets	\$ 4,901,160	4,217,587	92,510	48,910	4,993,670	4,266,497	17.04%

The District's combined net assets increased by 17.04%, or \$727,173, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$191,727, or 22.86% over the prior year. The increase in restricted net assets is primarily the result of an increase in carryover state categorical funding as well as increases in fund balance for the Statewide, Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy 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 \$552,875, or 61.18%. The increase in unrestricted net assets is primarily the result of the increase in fund balance for the General Fund.

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

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 443,930	421,774	127,794	127,323	571,724	549,097	4.12%
Operating grants and contributions and restricted interest	1,204,000	1,454,294	182,251	185,217	1,386,251	1,639,511	-15.45%
Capital grants, contributions and restricted interest	-	-	4,980	-	4,980	-	100.00%
General revenues:							
Property tax	2,337,349	2,178,600	-	-	2,337,349	2,178,600	7.29%
Statewide sales, services and use tax	367,170	303,414	-	-	367,170	303,414	21.01%
Income surtax	165,744	190,851	-	-	165,744	190,851	-13.16%
Unrestricted state grants	2,157,721	1,875,032	-	-	2,157,721	1,875,032	15.08%
Non specific federal funding	109,540	-	-	-	109,540	-	0.00%
Unrestricted investment earnings	42,463	83,872	762	1,127	43,225	84,999	-49.15%
Other	11,122	30,858	729	-	11,851	30,858	-61.60%
<b>Total revenues</b>	<b>6,839,039</b>	<b>6,538,695</b>	<b>316,516</b>	<b>313,667</b>	<b>7,155,555</b>	<b>6,852,362</b>	<b>4.42%</b>
Program expenses:							
Governmental activities:							
Instruction	4,050,153	4,114,827	-	-	4,050,153	4,114,827	-1.57%
Support services	1,629,406	1,586,393	-	-	1,629,406	1,586,393	2.71%
Non-instructional programs	-	-	272,916	331,186	272,916	331,186	-17.59%
Other expenses	475,907	570,651	-	-	475,907	570,651	-16.60%
<b>Total expenses</b>	<b>6,155,466</b>	<b>6,271,871</b>	<b>272,916</b>	<b>331,186</b>	<b>6,428,382</b>	<b>6,603,057</b>	<b>-2.65%</b>
Change in net assets	683,573	266,824	43,600	(17,519)	727,173	249,305	-191.68%
Beginning net assets, as restated	4,217,587	3,950,763	48,910	66,429	4,266,497	4,017,192	6.21%
Ending net assets	\$ 4,901,160	4,217,587	92,510	48,910	4,993,670	4,266,497	17.04%

In fiscal 2011, property tax, statewide sales, services and use tax, income surtax, and unrestricted state grants account for 73.52% of the revenue from governmental activities while charges for service and sales and operating grants, contributions, and unrestricted interest account for 97.96% of the revenue from business type activities.

The District's total revenues were \$7,155,555 of which \$6,839,039 was for governmental activities and \$316,516 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.42% increase in revenues and a 2.65% decrease in expenses. The increases in revenues were related to the unrestricted state grants which increased by \$282,689.

### Governmental Activities

Revenues for governmental activities were \$6,839,039 and expenses were \$6,155,466 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimmine 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	\$ 4,050,153	4,114,827	-1.57%	2,620,439	2,454,098	6.78%
Support services	1,629,406	1,586,393	2.71%	1,629,406	1,586,393	2.71%
Other expenses	475,907	570,651	-16.60%	257,691	355,312	-27.47%
Totals	<u>\$ 6,155,466</u>	<u>6,271,871</u>	<u>-1.86%</u>	<u>4,507,536</u>	<u>4,395,803</u>	<u>2.54%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$443,930.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,204,000.
- The net cost of governmental activities was financed with \$2,337,349 in property tax, \$367,170 in statewide sales, services and uses tax, \$165,744 in income surtax, \$2,157,721 in unrestricted state grants, \$42,463 in interest income, \$109,540 in non-specific federal funding, and \$11,122 in other general revenues.

### **Business Type Activities**

Revenues of the District's business type activities were \$316,516 and expenses were \$272,916. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,426,290, above last year's ending fund balances of \$1,643,622. The primary reason for the increase in combined fund balance in fiscal 2011 is due to the increases in General Fund and Capital Projects Fund balances.

### **Governmental Fund Highlights**

- The District's General Fund balance increased from \$989,727 on June 30, 2010 to \$1,484,939 on June 30, 2011. The fluctuation in the District's General Fund financial position is the product of many factors. Increases in local tax and state grant revenue led to an increase in revenues. The decrease in expenditures was due to reductions of expenditures in the instructional and support services functional areas. Revenues exceeded expenditures ensuring the increase in the District's financial position.

- Due to reclassification by GASB 54, the Capital Projects Fund now includes the Physical Plant and Equipment Levy Fund as well as the Statewide Sales, Services and Use Tax Fund. The Capital Projects Fund balance increased from \$216,856 at June 30, 2010, to \$460,118 at June 30, 2011. Revenues increased by \$104,332 or 33.19% and expenditures decreased by \$426,217 or 69.37%. The increase in revenues was primarily due to increased sales tax revenues received by the District.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$48,910 at June 30, 2010 to \$92,510 at June 30, 2011, representing an increase of 89.14%.

### **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$220,544 less than total budgeted revenues, a variance of approximately 3%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2011, the District had invested \$2,961,594, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 7.42% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$323,924.

The original cost of the District's capital assets was \$9,314,744. Governmental funds account for \$9,121,538 with the remainder of \$193,206 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2011, compared to \$651,679 reported at June 30, 2010. The decrease in construction in progress was due to capital facility building improvements that were completed by the end of the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 22,500	22,500	-	-	22,500	22,500	0.00%
Construction in progress	-	651,679	-	-	-	651,679	-100.00%
Buildings	2,578,371	2,104,052	-	-	2,578,371	2,104,052	22.54%
Land improvements	23,063	27,741	-	-	23,063	27,741	-16.86%
Machinery and equipment	313,062	371,628	24,598	21,423	337,660	393,051	-14.09%
Total	\$ 2,936,996	3,177,600	24,598	21,423	2,961,594	3,199,023	-7.42%

### Long-Term Debt

At June 30, 2011, the District had \$627,612 in total long-term debt outstanding. This represents a decrease of 16.34% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonds payable of \$455,000 at June 30, 2011.

The District had early retirement payable of \$104,812 at June 30, 2011.

The District had net OPEB liability payable of \$67,800 at June 30, 2011; \$66,261 is attributable to governmental activities while \$1,539 is attributable to business type activities.

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
General obligation bonds	\$ 455,000	675,000	0	0	455,000	675,000	-32.59%
Early Retirement	104,812	43,561	0	0	104,812	43,561	140.61%
Net OPEB liability	66,261	31,669	1,539	0	67,800	31,669	114.09%
Totals	\$ 626,073	750,230	1,539	0	627,612	750,230	-16.34%

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The national recession that has adversely impacted the state of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid (allowable growth) to schools will be based on the condition of the state and national economies. Given the current financial status of the State of Iowa, there is a possibility that the state aid rate will be reduced for the fiscal 2012 year.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Wayne Community Schools employer benefit costs during fiscal 2012. An additional increase to 8.67% is anticipated for fiscal year 2013.

- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- On December 7, 2010, the Lineville-Clio Community School District and the Wayne Community School District held a public meeting for consolidation of the two districts. Residents of the Lineville-Clio Community School District passed a resolution to merge with Wayne Community School District on a 60.9% vote. Residents of the Wayne Community School District passed a resolution to merge with Lineville-Clio Community School District on a 79.5% vote. As of July 1, 2011, the two districts will be consolidated as one.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,690,005	60,314	2,750,319
Receivables:			
Property tax:			
Delinquent	47,376	-	47,376
Succeeding year	2,899,980	-	2,899,980
Income surtax	165,341	-	165,341
Accounts	225	-	225
Due from other governments	297,130	922	298,052
Inventories	-	9,966	9,966
Prepaid expenses	103,203	-	103,203
Capital assets, net of accumulated depreciation	2,936,996	24,598	2,961,594
<b>Total Assets</b>	<b>9,140,256</b>	<b>95,800</b>	<b>9,236,056</b>
<b>Liabilities</b>			
Accounts payable	98,991	1,062	100,053
Salaries and benefits payable	542,302	689	542,991
Interest payable	1,394	-	1,394
Deferred revenue:			
Succeeding year property tax	2,899,980	-	2,899,980
Other	70,356	-	70,356
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	225,000	-	225,000
Early retirement	60,663	-	60,663
Portion due after one year:			
General obligation bonds	230,000	-	230,000
Early retirement	44,149	-	44,149
Net OPEB liability	66,261	1,539	67,800
<b>Total liabilities</b>	<b>4,239,096</b>	<b>3,290</b>	<b>4,242,386</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,481,996	24,598	2,506,594
Restricted for:			
Categorical funding	297,175	-	297,175
Management levy purposes	116,350	-	116,350
Student activities	103,021	-	103,021
Debt service	53,847	-	53,847
School infrastructure	407,043	-	407,043
Physical plant and equipment	53,074	-	53,074
Unrestricted	1,388,654	67,912	1,456,566
<b>Total net assets</b>	<b>\$ 4,901,160</b>	<b>92,510</b>	<b>4,993,670</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,316,546	367,208	436,890	-	(1,512,448)	-	(1,512,448)
Special	879,156	61,941	265,859	-	(551,356)	-	(551,356)
Other	854,451	14,781	283,035	-	(556,635)	-	(556,635)
	<u>4,050,153</u>	<u>443,930</u>	<u>985,784</u>	<u>-</u>	<u>(2,620,439)</u>	<u>-</u>	<u>(2,620,439)</u>
Support services:							
Student	45,095	-	-	-	(45,095)	-	(45,095)
Instructional staff	121,410	-	-	-	(121,410)	-	(121,410)
Administration	530,855	-	-	-	(530,855)	-	(530,855)
Operation and maintenance of plant	592,798	-	-	-	(592,798)	-	(592,798)
Transportation	339,248	-	-	-	(339,248)	-	(339,248)
	<u>1,629,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,629,406)</u>	<u>-</u>	<u>(1,629,406)</u>
Other expenses:							
Long-term debt interest	24,234	-	-	-	(24,234)	-	(24,234)
AEA flowthrough	218,216	-	218,216	-	-	-	-
Depreciation(unallocated)*	233,457	-	-	-	(233,457)	-	(233,457)
	<u>475,907</u>	<u>-</u>	<u>218,216</u>	<u>-</u>	<u>(257,691)</u>	<u>-</u>	<u>(257,691)</u>
Total governmental activities	<u>6,155,466</u>	<u>443,930</u>	<u>1,204,000</u>	<u>-</u>	<u>(4,507,536)</u>	<u>-</u>	<u>(4,507,536)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	272,916	127,794	182,251	4,980	-	42,109	42,109
Total business type activities	<u>272,916</u>	<u>127,794</u>	<u>182,251</u>	<u>4,980</u>	<u>-</u>	<u>42,109</u>	<u>42,109</u>
Total	<u>\$ 6,428,382</u>	<u>571,724</u>	<u>1,386,251</u>	<u>4,980</u>	<u>(4,507,536)</u>	<u>42,109</u>	<u>(4,465,427)</u>
General Revenues:							
Local tax levied for:							
General purposes					\$ 2,051,731	-	2,051,731
Debt service					239,353	-	239,353
Capital outlay					46,265	-	46,265
Statewide sales, services and use tax					367,170	-	367,170
Income surtax					165,744	-	165,744
Unrestricted state grants					2,157,721	-	2,157,721
Non specific federal funding					109,540	-	109,540
Unrestricted investment earnings					42,463	762	43,225
Other					11,122	729	11,851
Total general revenues					<u>5,191,109</u>	<u>1,491</u>	<u>5,192,600</u>
Changes in net assets					683,573	43,600	727,173
Net assets beginning of year					4,217,587	48,910	4,266,497
Net assets end of year					<u>\$ 4,901,160</u>	<u>92,510</u>	<u>4,993,670</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,975,424	337,664	376,917	2,690,005
Receivables:				
Property tax:				
Delinquent	39,078	919	7,379	47,376
Succeeding year	2,386,861	58,946	454,173	2,899,980
Income surtax	165,341	-	-	165,341
Accounts	225	-	-	225
Due from other governments	159,287	137,843	-	297,130
Prepaid expenses	-	-	103,203	103,203
<b>Total assets</b>	<b>\$ 4,726,216</b>	<b>535,372</b>	<b>941,672</b>	<b>6,203,260</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 91,888	837	6,266	98,991
Salaries and benefits payable	542,302	-	-	542,302
Deferred revenue:				
Succeeding year property tax	2,386,861	58,946	454,173	2,899,980
Income surtax	165,341	-	-	165,341
Other	54,885	15,471	-	70,356
<b>Total liabilities</b>	<b>3,241,277</b>	<b>75,254</b>	<b>460,439</b>	<b>3,776,970</b>
<b>Fund Balances:</b>				
Nonspendable	-	-	103,203	103,203
Restricted for:				
Categorical funding	297,175	-	-	297,175
Management levy purposes	-	-	221,162	221,162
Student activities	-	-	103,021	103,021
Debt service	-	-	53,847	53,847
School infrastructure	-	407,044	-	407,044
Physical plant and equipment	-	53,074	-	53,074
Unassigned	1,187,764	-	103,203	1,290,967
<b>Total fund balances</b>	<b>1,484,939</b>	<b>460,118</b>	<b>481,233</b>	<b>2,426,290</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,726,216</b>	<b>535,372</b>	<b>941,672</b>	<b>6,203,260</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 20)</b>	\$	2,426,290
 <b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		2,936,996
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		165,341
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.		(1,394)
Long-term liabilities, including general obligation bonds payable, early retirement payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(626,073)</u>
<b>Net assets of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>4,901,160</u></u></b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 2,076,198	413,435	363,919	2,853,552
Tuition	410,480	-	-	410,480
Other	56,297	5,209	201,447	262,953
State sources	2,880,642	-	-	2,880,642
Federal sources	414,701	-	-	414,701
Total revenues	<u>5,838,318</u>	<u>418,644</u>	<u>565,366</u>	<u>6,822,328</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,206,787	-	27,048	2,233,835
Special	871,807	-	-	871,807
Other	692,474	-	153,300	845,774
	<u>3,771,068</u>	<u>-</u>	<u>180,348</u>	<u>3,951,416</u>
Support services:				
Student	44,231	-	-	44,231
Instructional staff	114,834	-	-	114,834
Administration	531,544	-	-	531,544
Operation and maintenance of plant	378,311	26,453	74,239	479,003
Transportation	286,680	-	8,941	295,621
	<u>1,355,600</u>	<u>26,453</u>	<u>83,180</u>	<u>1,465,233</u>
Other expenditures:				
Facilities acquisitions	-	161,698	-	161,698
Long-term debt:				
Principal	-	-	220,000	220,000
Interest and fiscal charges	-	-	24,875	24,875
AEA flowthrough	218,216	-	-	218,216
	<u>218,216</u>	<u>161,698</u>	<u>244,875</u>	<u>624,789</u>
Total expenditures	<u>5,344,884</u>	<u>188,151</u>	<u>508,403</u>	<u>6,041,438</u>
Excess of revenues over expenditures	493,434	230,493	56,963	780,890
Other financing sources:				
Sale of equipment	1,778	-	-	1,778
Net change in fund balances	495,212	230,493	56,963	782,668
Fund balance beginning of year, as restated	989,727	229,625	424,270	1,643,622
Fund balance end of year	<u>\$ 1,484,939</u>	<u>460,118</u>	<u>481,233</u>	<u>2,426,290</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

**Net change in fund balances - total governmental funds (page 22)** \$ 782,668

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

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

Capital outlays	\$ 78,490	
Depreciation expense	<u>(319,094)</u>	(240,604)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	220,000
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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.	641
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	16,711
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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	\$ (61,251)
Other postemployment benefits	<u>(34,592)</u>
	<u>(95,843)</u>

**Changes in net assets of governmental activities (page 19)** \$ 683,573

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 60,314
Accounts receivable	922
Inventories	9,966
Capital assets, net of accumulated depreciation	24,598
Total assets	<u>95,800</u>
Liabilities	
Accounts payable	1,062
Salaries and benefits payable	689
Net OPEB liability	1,539
Total liabilities	<u>3,290</u>
Net Assets	
Invested in capital assets	24,598
Unrestricted	67,912
Total net assets	<u>\$ 92,510</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ 127,794
Miscellaneous	729
Total operating revenues	<u>128,523</u>
Non-instructional programs:	
Food service operations:	
Salaries	84,609
Benefits	24,394
Services	5,667
Supplies	152,069
Depreciation	4,830
Other	1,347
	<u>272,916</u>
Total operating expenses	<u>272,916</u>
Operating loss	<u>(144,393)</u>
Non-operating revenues:	
State sources	2,570
Federal sources	184,661
Interest income	762
Total non-operating revenues	<u>187,993</u>
Change in net assets	43,600
Net assets beginning of year	<u>48,910</u>
Net assets end of year	<u>\$ 92,510</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 126,872
Cash received from miscellaneous	729
Cash payments to employees for services	(123,039)
Cash payments to suppliers for goods or services	(145,244)
Net cash used in operating activities	(140,682)
Cash flows from non-capital financing activities:	
State grants received	2,570
Federal grants received	187,663
Net cash provided by non-capital financing activities	190,233
Cash flows from capital and related financing activities:	
Purchase of capital assets	(8,005)
Cash flows from investing activities:	
Interest on investments	762
Net increase in cash and cash equivalents	42,308
Cash and cash equivalents at beginning of year	18,006
Cash and cash equivalents at end of year	\$ 60,314
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (144,393)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,907
Depreciation	4,830
Increase in inventories	(3,063)
Increase in accounts receivable	(922)
Decrease in accounts payable	(5)
Decrease in salaries and benefits payable	(15,575)
Increase in other postemployment benefits	1,539
Net cash used in operating activities	\$ (140,682)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$16,907.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Nonspendable*** - Amounts that include prepaid property insurance for the District for fiscal 2012.

***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. For the year ended June 30, 2011, District expenditures in the other expenditures functional area exceed the budget amount.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$32,860 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 22,500	-	-	22,500
Construction in progress	651,679	51,419	703,098	-
Total capital assets not being depreciated	674,179	51,419	703,098	22,500
Capital assets being depreciated:				
Buildings	6,958,996	703,098	-	7,662,094
Land improvements	266,553	-	-	266,553
Machinery and equipment	1,183,675	27,071	40,355	1,170,391
Total capital assets being depreciated	8,409,224	730,169	40,355	9,099,038
Less accumulated depreciation for:				
Buildings	4,854,944	228,779	-	5,083,723
Land improvements	238,812	4,678	-	243,490
Machinery and equipment	812,047	85,637	40,355	857,329
Total accumulated depreciation	5,905,803	319,094	40,355	6,184,542
Total capital assets being depreciated, net	2,503,421	411,075	-	2,914,496
Governmental activities capital assets, net	\$ 3,177,600	462,494	703,098	2,936,996

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 185,201	8,005	-	193,206
Less accumulated depreciation	163,778	4,830	-	168,608
Business type activities capital assets, net	\$ 21,423	(504)	-	24,598

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 10,279
Other		8,677
Support services:		
Instructional staff		6,067
Administration		226
Operation and maintenance of plant		6,070
Transportation		54,318
		<u>85,637</u>
Unallocated depreciation		233,457
		<u>319,094</u>
Total governmental activities depreciation expense		\$ 319,094
Business type activities:		
Food services		\$ 4,830

#### (4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 675,000	-	220,000	455,000	225,000
Early retirement	43,561	88,299	27,048	104,812	60,663
Net OPEB liability	31,669	34,592	-	66,261	-
				<u>626,073</u>	<u>285,663</u>
Total	\$ 750,230	122,891	247,048	626,073	285,663
<b>Business type activities:</b>					
Net OPEB liability	\$ -	1,539	-	1,539	-

General Obligation Bonds

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

Year Ending June 30,	Interest Rates	Bond Issue of May 1, 2003		
		Principal	Interest	Total
2012	3.60 %	\$ 225,000	16,725	241,725
2013	3.75	230,000	8,625	238,625
Total		\$ 455,000	25,350	480,350

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The District will pay the retiree an incentive based upon the retiree's current salary and years of service to the District. The early retirement incentive will be paid in four semi-annual installments toward a tax deferred compensation plan. The District paid \$27,048 in early retirement benefits during the year ended June 30, 2011.

**(5) 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 \$247,993, \$238,195, and \$223,319 respectively, equal to the required contributions for each year.

**(6) Other Postemployment Benefits (OPEB)**

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

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 40,031
Interest on net OPEB obligation	792
Adjustment to annual required contribution	(2,753)
Annual OPEB cost	<u>38,070</u>
Contributions made	(1,939)
Increase in net OPEB obligation	<u>36,131</u>
Net OPEB obligation beginning of year	31,669
Net OPEB obligation end of year	<u><u>\$ 67,800</u></u>

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

For the year ended June 30, 2011, the District contributed \$1,939 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 37,267	15.02 %	\$ 31,669
2011	38,070	5.09 %	67,800

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$357,477, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$357,477. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,8005,385, and the ratio of the UAAL to covered payroll was 12.7%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

**(7) Risk Management**

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

**(8) 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 \$218,216 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.

**(9) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2011 are broken out by the following projects:

Project	Amount
Home School Assistance Program	\$ 104,228
Four-year-old Preschool State Aid	73,219
Dropout and Droupout Prevention	35,998
Teacher Salary Supplement	24,172
Professional Development	41,478
Professional Development, Core Curriculum	18,080
Total	<u>\$ 297,175</u>

**(10) Operating Lease**

The District entered into a lease agreement with Xerox for three copiers for five years starting April 2010. The future minimum lease payments for the lease are as follows:

Year Ended June 30,	Amount
2012	26,351
2013	26,351
2014	26,351
2015	19,763
Total	<u>\$ 98,816</u>

**(11) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the other expenditures functions exceeded the amounts budgeted.

**(12) Accounting Change/Restatement**

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

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 216,856	12,769
Change in fund type classification per implementation of GASB Statement No. 54	12,769	(12,769)
Balances July 1, 2010, as restated	<u>\$ 229,625</u>	<u>0</u>

**(13) District Consolidation**

On December 7, 2010, the Lineville-Clio Community School District and the Wayne Community School District held a public meeting for consolidation of the two districts. Residents of the Lineville-Clio Community School District passed a resolution to merge with Wayne Community School District on a 60.9% vote. Residents of the Wayne Community School District passed a resolution to merge with Lineville-Clio Community School District on a 79.5% vote. The two districts will be officially consolidated as of July 1, 2011.

WAYNE COMMUNITY SCHOOL DISTRICT



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,526,985	129,285	3,656,270	3,570,546	3,570,546	85,724
State sources	2,880,642	2,570	2,883,212	3,255,842	3,255,842	(372,630)
Federal sources	414,701	184,661	599,362	533,000	533,000	66,362
Total revenues	<u>6,822,328</u>	<u>316,516</u>	<u>7,138,844</u>	<u>7,359,388</u>	<u>7,359,388</u>	<u>(220,544)</u>
Expenditures/Expenses:						
Instruction	3,951,416	-	3,951,416	4,262,867	4,262,867	311,451
Support services	1,465,233	-	1,465,233	3,006,551	3,006,551	1,541,318
Non-instructional programs	-	272,916	272,916	1,261,358	1,261,358	988,442
Other expenditures	624,789	-	624,789	487,835	487,835	(136,954)
Total expenditures/expenses	<u>6,041,438</u>	<u>272,916</u>	<u>6,314,354</u>	<u>9,018,611</u>	<u>9,018,611</u>	<u>2,704,257</u>
Deficiency of revenues under expenditures/expenses	780,890	43,600	824,490	(1,659,223)	(1,659,223)	2,483,713
Other financing sources, net	1,778	-	1,778	-	-	1,778
Deficiency of revenues and other financing sources under expenditures/expenses	782,668	43,600	826,268	(1,659,223)	(1,659,223)	2,485,491
Balance beginning of year	<u>1,643,622</u>	<u>48,910</u>	<u>1,692,532</u>	<u>1,688,176</u>	<u>1,688,176</u>	<u>4,356</u>
Balance end of year	<u>\$ 2,426,290</u>	<u>92,510</u>	<u>2,518,800</u>	<u>28,953</u>	<u>28,953</u>	<u>2,489,847</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the budgeted amount.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 358,517	\$ 358,517	0.0%	\$ 3,607,921	9.9%
2011	July 1, 2009	\$ -	\$ 357,477	\$ 357,477	0.0%	\$ 2,805,385	12.7%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
<b>Assets</b>					
Cash and pooled investments	\$ 219,416	108,507	327,923	48,994	376,917
Receivables:					
Property tax:					
Delinquent	2,526	-	2,526	4,853	7,379
Succeeding year	137,000	-	137,000	317,173	454,173
Prepaid expenses	103,203	-	103,203	-	103,203
<b>Total assets</b>	<b>\$ 462,145</b>	<b>108,507</b>	<b>570,652</b>	<b>371,020</b>	<b>941,672</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	780	5,486	6,266	-	6,266
Deferred revenue:					
Succeeding year property tax	137,000	-	137,000	317,173	454,173
<b>Total liabilities</b>	<b>137,780</b>	<b>5,486</b>	<b>143,266</b>	<b>317,173</b>	<b>460,439</b>
Fund Balances:					
Nonspendable	103,203	-	103,203	-	103,203
Restricted for:					
Management levy purposes	221,162	-	221,162	-	221,162
Student activities	-	103,021	103,021	-	103,021
Debt service	-	-	-	53,847	53,847
<b>Total fund balances</b>	<b>324,365</b>	<b>103,021</b>	<b>427,386</b>	<b>53,847</b>	<b>481,233</b>
<b>Total liabilities and fund balances</b>	<b>\$ 462,145</b>	<b>108,507</b>	<b>570,652</b>	<b>371,020</b>	<b>941,672</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 124,566	-	124,566	239,353	363,919
Other	15,096	183,540	198,636	2,811	201,447
Total revenues	139,662	183,540	323,202	242,164	565,366
Expenditures:					
Current:					
Instruction:					
Regular	27,048	-	27,048	-	27,048
Other	-	153,300	153,300	-	153,300
Support services:					
Operation and maintenance of plant	74,239	-	74,239	-	74,239
Transportation	8,941	-	8,941	-	8,941
Other expenditures:					
Long-term debt:					
Principal	-	-	-	220,000	220,000
Interest and fiscal charges	-	-	-	24,875	24,875
Total expenditures	110,228	153,300	263,528	244,875	508,403
Net change in fund balances	29,434	30,240	59,674	(2,711)	56,963
Fund balance beginning of year, as restated	294,931	72,781	367,712	56,558	424,270
Fund balance end of year	\$ 324,365	103,021	427,386	53,847	481,233

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 269,201	68,463	337,664
Receivables:			
Property tax:			
Delinquent	-	919	919
Succeeding year	-	58,946	58,946
Due from other governments	137,843	-	137,843
<b>Total assets</b>	<b>\$ 407,044</b>	<b>128,328</b>	<b>535,372</b>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	837	837
Deferred revenue:			
Succeeding year property tax	-	58,946	58,946
Other	-	15,471	15,471
<b>Total liabilities</b>	<b>-</b>	<b>75,254</b>	<b>75,254</b>
Fund Balances:			
Restricted for:			
School infrastructure	407,044	-	407,044
Physical plant and equipment	-	53,074	53,074
<b>Total fund balances</b>	<b>407,044</b>	<b>53,074</b>	<b>460,118</b>
<b>Total liabilities and fund balances</b>	<b>\$ 407,044</b>	<b>128,328</b>	<b>535,372</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 367,170	46,265	413,435
Other	4,401	808	5,209
Total revenues	371,571	47,073	418,644
Expenditures:			
Support services:			
Operation and maintenance of plant	26,453	-	26,453
Other expenditures:			
Facilities acquisitions	154,930	6,768	161,698
Total expenditures	181,383	6,768	188,151
Net change in fund balances	190,188	40,305	230,493
Fund balances beginning of year, as restated	216,856	12,769	229,625
Fund balances end of year	\$ 407,044	53,074	460,118

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Fund balance	\$ 657	-	-	-	657
Secondary students fund	2,480	6,487	6,046	462	3,383
Activity tickets	-	8,295	-	(5,940)	2,355
Publication/plays fund	1,499	926	697	-	1,728
HS music fund	351	1,975	1,057	-	1,269
JR music fund	(1,926)	1,516	1,067	1,477	-
Cross country	-	996	1,140	144	-
Golf	-	1,160	1,500	340	-
Boys basketball	1,509	7,051	5,518	-	3,042
Football	2,247	16,794	15,891	-	3,150
Baseball	(4,634)	9,580	4,457	-	489
Boys track	-	-	795	795	-
Wrestling	1,255	3,069	3,982	-	342
Girls basketball	4,934	5,327	4,758	-	5,503
Volleyball	1,213	5,951	4,841	-	2,323
Softball	(28)	11,224	10,873	950	1,273
Girls track	-	736	1,653	917	-
Class - seniors	210	1,132	1,237	154	259
Class - juniors	(21)	6,245	5,966	(154)	104
Class - sophmores	54	50	-	37	141
Class - freshman	-	141	-	(141)	-
Alternative school class	248	12	-	-	260
Yearbook	8,329	9,820	6,098	-	12,051
NHS	60	347	389	-	18
FBLA	695	1,882	1,814	-	763
FFA	4,762	17,170	15,749	-	6,183
FCCLA	1,213	753	983	-	983
HS student council	5,971	2,643	4,010	-	4,604
Art club	2,915	752	512	-	3,155
FEA club	1,442	-	329	-	1,113
Spanish club	1,404	12,663	12,514	-	1,553
HS tech club	536	-	-	-	536
Cheerleaders	1,142	6,382	5,278	-	2,246
HS/JR library club	-	1,055	875	-	180
History club	2,544	-	545	-	1,999
Manufacturing tech	906	-	-	-	906
Physical education	1,284	1,717	1,470	-	1,531
HS math club	364	474	1,067	229	-
Falcons nest	(557)	2,706	2,879	730	-
Brain bowl	370	1,418	490	-	1,298
Career tech business fund	-	495	91	-	404
JH clubs/organization	6,022	6,942	5,291	-	7,673
JH student council	994	74	128	-	940
Elem clubs/organization	10,141	18,185	15,939	-	12,387
Elem library fund	2,271	4,223	3,142	-	3,352
Living classroom	2,000	-	-	-	2,000
Elem afterschool program	3,052	-	-	-	3,052
Elem sports	3,226	3,225	1,287	-	5,164
Elem wrestling club	1,647	1,947	942	-	2,652
<b>Total</b>	<b>\$ 72,781</b>	<b>183,540</b>	<b>153,300</b>	<b>-</b>	<b>103,021</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
Local sources:										
Local tax	\$ 2,853,552	2,647,360	2,608,212	2,459,198	2,407,816	2,558,653	2,481,816	2,114,979	1,896,605	1,840,816
Tuition	410,480	388,892	439,096	314,622	331,080	272,337	226,145	285,547	235,248	82,128
Other	262,953	312,018	417,019	323,661	334,553	302,274	217,051	240,285	174,965	253,645
State sources	2,880,642	2,485,036	3,127,493	3,018,542	2,605,909	2,556,382	2,656,082	2,718,332	2,933,030	2,840,673
Federal sources	414,701	672,326	494,317	426,635	459,477	329,186	392,968	543,827	514,266	463,790
Total	\$ 6,822,328	6,505,632	7,086,137	6,542,658	6,138,835	6,018,832	5,974,062	5,902,970	5,754,114	5,481,052
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,233,835	2,313,636	2,710,732	4,089,184	2,407,415	2,065,878	2,152,571	2,102,497	1,998,950	1,739,725
Special	871,807	796,328	1,150,170	-	891,771	722,350	578,603	912,150	1,016,046	1,499,578
Other	845,774	950,685	337,753	179,498	787,358	776,339	725,208	487,735	486,768	489,290
Support services:										
Student	44,231	88,812	85,372	63,985	73,139	114,978	128,081	74,557	122,545	121,317
Instructional staff	114,834	105,650	103,429	128,331	139,379	157,969	70,438	71,042	81,667	76,880
Administration	531,544	580,423	603,845	597,093	607,967	583,341	553,910	536,818	552,230	531,254
Operation and maintenance of plant	479,003	528,607	525,034	518,351	578,212	494,302	437,642	481,703	396,869	476,285
Transportation	295,621	335,162	255,080	328,252	282,432	341,056	231,389	229,625	245,663	254,795
Other support services	-	-	-	-	-	-	518	12,365	-	-
Non-instructional programs	-	-	-	-	-	-	-	-	1,230	21,040
Other expenditures:										
Facilities acquisitions	161,698	507,581	317,442	64,866	403,365	279,757	9,242	26,162	15,679	58,409
Long-term debt:										
Principal	220,000	215,000	206,950	207,800	207,800	202,800	197,800	187,800	167,800	162,800
Interest	24,875	31,813	37,963	43,262	47,863	51,762	55,563	63,659	135,442	117,727
AEA flowthrough	218,216	215,339	201,687	190,754	183,137	177,505	178,058	183,277	199,087	197,889
Total	\$ 6,041,438	6,669,036	6,535,457	6,411,376	6,609,838	5,968,037	5,319,023	5,369,390	5,419,976	5,746,989

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM (REAP)	84.358	FY 11	\$ 23,940
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	37,298
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	136,809 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	1,536
			<u>175,643</u>
SCHOOL LUNCH EQUIPMENT GRANTS STABILIZATION, RECOVERY ACT	10.579	FY 11	4,980
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 11	4,038
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	130,902
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	8,383
READING FIRST STATE GRANTS	84.357	FY 11	17,189
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 11	35,722
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 11	3,712
ARRA CLUSTER PROGRAMS:			
STATE FISCAL STABILIZATION FUND (SFSF) -			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	28,889
GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	25,767
			<u>54,656</u>
EDUCATION JOBS FUND	84.410	FY 11	54,884
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	28,891
TOTAL			<u>\$ 542,940</u>

\*INCLUDES \$16,907 OF NON-CASH AWARDS

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
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Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part 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 Wayne Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain 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.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2011

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Board of Education of  
Wayne Community School District

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2011

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
  - Individual:
    - CFDA Number 84.010 - Title I Grants To Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Wayne Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-11 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all event admissions. Currently, the District's practice is to use pre-numbered tickets for indoor events only.

Recommendation - The District should use pre-numbered tickets for all events that there is an admission fee charged.

Response - We use pre numbered tickets at all events that are logistically feasible.

Conclusion - We will continue to review the feasibility of taking tickets at the few events that we do not.

II-C-11 Nutrition Fund Procedures - We noted during our audit that there were no year-end adjustments made for the changes in receivables, inventories, capital assets or student lunch account balances in the Nutrition Fund.

Recommendation - The District should review procedures in place and make necessary year-end adjustments.

Response - We will review procedures and implement procedures to ensure that the necessary year-end adjustments are made.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I Grants To Local Educational Agencies  
Federal Award Year: 2010  
U.S. Department of Education  
Passed through the Iowa Department of Education

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

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, exceeded the certified budget amounts in the other expenditures functional area.

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

Response - We will review the certified budget in January to ensure that an amended certified budget can be filed when needed.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted during our audit that the District wrote checks that were subsequently cashed to purchase gift cards and Corydon Bucks to give to students for sales incentives or as a reward. Gift cards and Corydon Bucks 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.

Response - The district will discontinue the purchase of gift cards and or Corydon Bucks.

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

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 no variances in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	216,856
Revenues:			
Sales tax revenues	\$	367,170	
Other local revenues		4,401	371,571
			<u>588,427</u>
Expenditures:			
School infrastructure construction	\$	154,930	
Other		26,453	181,383
			<u>181,383</u>
Ending balance		\$	<u>407,044</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 Student Activity Fund - In accordance with 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.

**Commissions:** We noted that the District was receipting Lifetouch picture commissions into the Student Activity Fund. Iowa schools operate under "Dillon's Rule". Since commissions are not expressly stated as allowable for Student Activity Revenue, the commissions should be recorded in the General Fund.

Recommendation - Lifetouch picture commissions should be receipted into the General Fund.

Response – We will review procedures in place and receipt Lifetouch picture commissions in the General Fund.

Conclusion - Response accepted.