

WACO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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WACO Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Tim Graber	President	2013
Gary Brose	Vice President	2011
Joellen Jepson	Board Member	2013
Todd Meyer	Board Member	2011
Jarod Graber	Board Member	2013
<b>(After September 2011 Election)</b>		
Tim Graber	President	2013
Gary Brose	Vice President	2015
Joellen Jepson	Board Member	2013
Todd Meyer	Board Member	2015
Jarod Graber	Board Member	2013
<b>School Officials</b>		
Pat Coen	Superintendent	2012
Carrie Coble	Board Secretary/ Business Manager	2012
Ron Peeler	Attorney	2012



**WACO  
COMMUNITY SCHOOL DISTRICT**

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
WACO Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District, Wayland Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of WACO Community School District at June 30, 2012, 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 January 29, 2013 on our consideration of WACO Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WACO Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2013

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

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WACO Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,972,375 in fiscal 2011 to \$6,421,955 in fiscal 2012, while General Fund expenditures increased from \$5,885,177 in fiscal 2011 to \$5,951,722 in fiscal 2012. Revenues outpaced expenditures resulting in an increase in the District's General Fund balance from \$375,692 in fiscal 2011 to a balance of \$845,925 in fiscal 2012, a 125.16% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state source revenues in fiscal 2012. The increase in expenditures was due primarily to increased spending in the instruction and support services functional areas.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

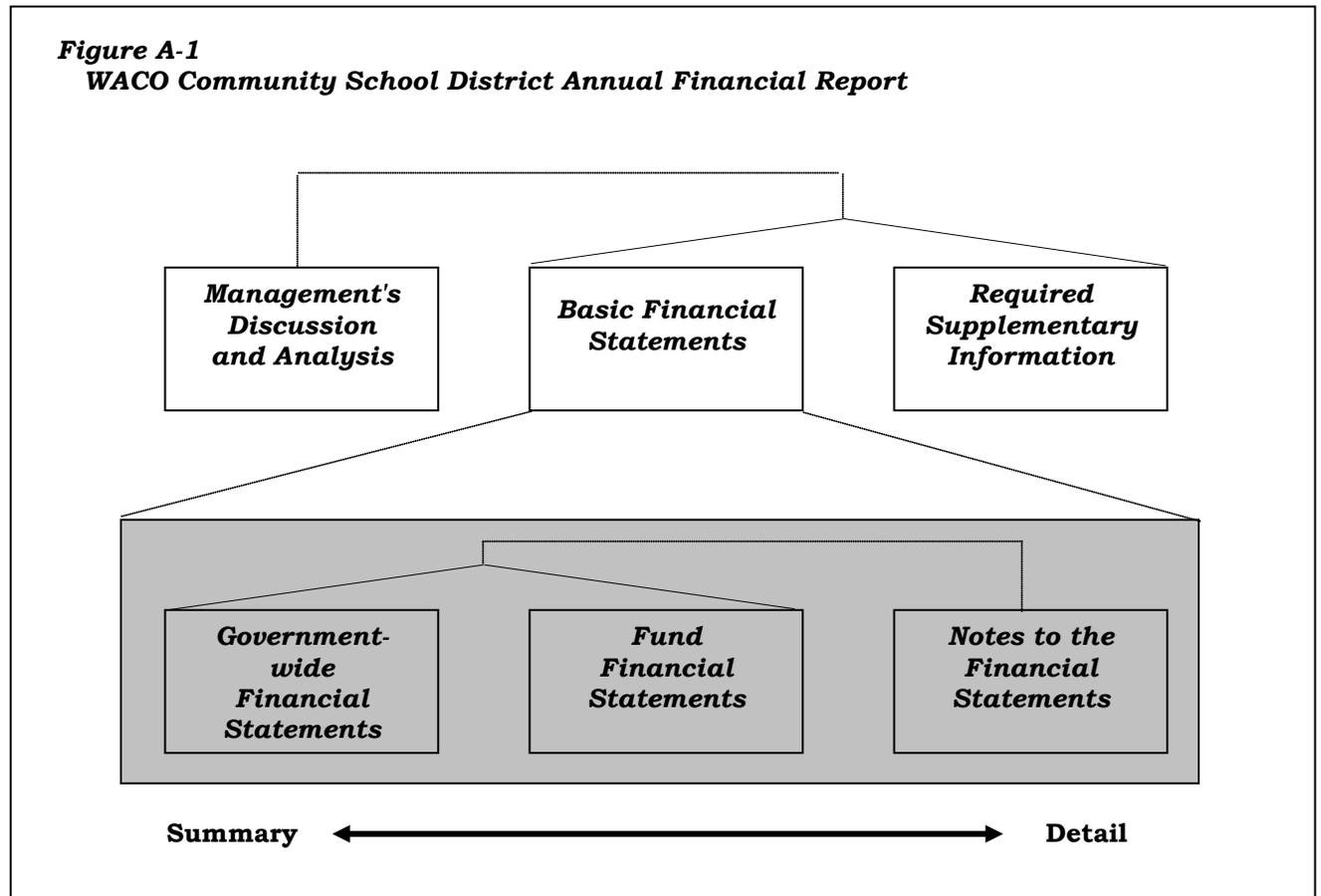


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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 fund 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.

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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, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2012 compared to June 30, 2011.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 5,705,543	4,441,150	70,196	49,281	5,775,739	4,490,431	28.62%
Capital assets	6,682,761	6,978,642	13,361	17,735	6,696,122	6,996,377	-4.29%
Total assets	<u>12,388,304</u>	<u>11,419,792</u>	<u>83,557</u>	<u>67,016</u>	<u>12,471,861</u>	<u>11,486,808</u>	<u>8.58%</u>
Long-term obligations	3,376,956	3,643,808	7,109	5,133	3,384,065	3,648,941	-7.26%
Other liabilities	3,627,466	3,111,045	2,814	3,187	3,630,280	3,114,232	16.57%
Total liabilities	<u>7,004,422</u>	<u>6,754,853</u>	<u>9,923</u>	<u>8,320</u>	<u>7,014,345</u>	<u>6,763,173</u>	<u>3.71%</u>
Net assets:							
Invested in capital assets, net of related debt	3,712,761	3,553,642	13,361	17,735	3,726,122	3,571,377	4.33%
Restricted	1,523,458	1,387,166	-	-	1,523,458	1,387,166	9.83%
Unrestricted	147,663	(275,869)	60,273	40,961	207,936	(234,908)	188.52%
Total net assets	<u>\$ 5,383,882</u>	<u>4,664,939</u>	<u>73,634</u>	<u>58,696</u>	<u>5,457,516</u>	<u>4,723,635</u>	<u>15.54%</u>

The District's combined net assets increased by 15.54%, or \$733,881 from the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$136,292, or 9.83% over the prior year. The increase in restricted net assets is largely a result of the improvement in fund balance in the Capital Projects: Statewide Sales, Services and Use Tax Fund and Capital Projects: Physical Plant and Equipment Levy.

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 \$442,844, or 188.52%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 696,975	651,203	127,699	122,151	824,674	773,354	6.64%
Operating grants and contributions and restricted interest	565,950	596,365	132,332	129,353	698,282	725,718	-3.78%
General revenues:							
Property tax	2,882,556	2,863,997	-	-	2,882,556	2,863,997	0.65%
Statewide sales, services and use tax	391,754	350,467	-	-	391,754	350,467	11.78%
Unrestricted state grants	2,779,364	2,561,126	-	-	2,779,364	2,561,126	8.52%
Nonspecific program federal grants	106,340	53,724	-	-	106,340	53,724	97.94%
Unrestricted interest earnings	5,102	13,935	159	213	5,261	14,148	-62.81%
Other	132,639	55,871	976	465	133,615	56,336	137.18%
Total revenues	<u>7,560,680</u>	<u>7,146,688</u>	<u>261,166</u>	<u>252,182</u>	<u>7,821,846</u>	<u>7,398,870</u>	<u>5.72%</u>
Program expenses:							
Governmental activities:							
Instructional	4,534,031	4,273,565	-	-	4,534,031	4,273,565	6.09%
Support services	1,747,458	1,660,047	-	-	1,747,458	1,660,047	5.27%
Non-instructional programs	-	-	246,228	247,102	246,228	247,102	-0.35%
Other expenses	560,248	600,810	-	-	560,248	600,810	-6.75%
Total expenses	<u>6,841,737</u>	<u>6,534,422</u>	<u>246,228</u>	<u>247,102</u>	<u>7,087,965</u>	<u>6,781,524</u>	<u>4.52%</u>
Changes in net assets	718,943	612,266	14,938	5,080	733,881	617,346	363.18%
Net assets beginning of year	4,664,939	4,052,673	58,696	53,616	4,723,635	4,106,289	15.03%
Net assets end of year	<u>\$ 5,383,882</u>	<u>4,664,939</u>	<u>73,634</u>	<u>58,696</u>	<u>5,457,516</u>	<u>4,723,635</u>	<u>15.54%</u>

In fiscal 2012, property tax, statewide sales and services tax and unrestricted state grants account for 80.07% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.57% of the revenue from business type activities.

The District's total revenues were approximately \$7.82 million, of which approximately \$7.56 million was for governmental activities and approximately \$0.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.72% increase in revenues and a 4.52% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$7,560,680 and expenses were \$6,841,737 for the year ended June 30, 2012.

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, 2012 compared to the year ended June 30, 2011.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,534,031	4,273,565	6.09%	3,474,190	3,283,415	5.81%
Support services	1,747,458	1,660,047	5.27%	1,739,799	1,617,575	7.56%
Other expenses	560,248	600,810	-6.75%	364,823	385,864	-5.45%
Totals	\$ 6,841,737	6,534,422	4.61%	5,578,812	5,286,854	5.52%

- The cost financed by users of the District's programs was \$696,975.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$565,950.
- The net cost of governmental activities was financed with \$2,882,556 in property tax, \$391,754 in statewide sales, services and use tax, \$2,779,364 in unrestricted state grants, \$106,340 in nonspecific program federal grants, \$5,102 in interest income and \$132,639 in other general revenue.

### Business Type Activities

Revenues of the District's business type activities were \$261,166 and expenses were \$246,228. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,082,103, compared to last year's ending fund balances of \$1,369,758. The primary reason for the increase was improvement in the Capital Projects Fund and Management Levy Fund balances.

### Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. As total revenues increased, the District was able to limit the increase expenditures enough to generate the improvement in fund balance.
- The Management Levy Fund balance increased from \$211,484 in 2011, to \$364,304 in 2012 due to a decrease in support services expenses during fiscal 2012.
- The Capital Projects Fund improved from a balance of \$554,084 at the beginning of fiscal year 2012 to \$720,586 at the end of fiscal year 2012. The Statewide Sales, Services and Use Tax Fund revenues increased \$32,571 and expenses increased \$25,050 when compared to the

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previous year. Physical Plant and Equipment Levy Fund revenues decreased \$59,429 and expenses decreased \$61,070 when compared to the previous year.

- The Debt Service Fund balance decreased from \$168,697 in 2011, to \$89,424 in 2012.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$58,696 at June 30, 2011 to \$73,634 at June 30, 2012, representing an increase of 25.45%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$265,943 less than budgeted revenues, a variance of 3.29%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2012, the District had invested approximately \$6.70 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 4.29% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$300,255.

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

The largest change in capital asset activity during the year occurred in the machinery and equipment category due mainly to scheduled depreciation. The District's machinery and equipment was \$109,248 at June 30, 2012, compared to \$165,423 reported at June 30, 2011.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 85,850	85,850	-	-	85,850	85,850	0.00%
Buildings	5,865,591	6,066,087	-	-	5,865,591	6,066,087	-3.31%
Land improvements	635,433	679,017	-	-	635,433	679,017	-6.42%
Machinery and equipment	95,887	147,688	13,361	17,735	109,248	165,423	-33.96%
Total	\$ 6,682,761	6,978,642	13,361	17,735	6,696,122	6,996,377	-4.29%

### Long-Term Debt

At June 30, 2012, the District had \$3,384,065 in long-term debt outstanding. This represents a decrease of 7.26% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had \$1,915,000 of outstanding general obligation bonds payable of at June 30, 2012.

The District had total outstanding revenue bonds of \$1,055,000 at June 30, 2012 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding early retirement payable from the Special Revenue, Management Fund of \$223,506 at June 30, 2012.

The District had a net OPEB liability of \$190,559 at June 30, 2012.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
General obligation bonds	\$ 1,915,000	2,165,000	-11.55%
Revenue bonds	1,055,000	1,260,000	-16.27%
Early retirement	223,506	86,359	158.81%
Net OPEB liability	190,559	137,582	38.51%
Total	\$ 3,384,065	3,648,941	-7.26%

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

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

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

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

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

BASIC FINANCIAL STATEMENTS

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,417,914	61,547	2,479,461
Receivables:			
Property tax:			
Delinquent	53,419	-	53,419
Succeeding year	2,927,368	-	2,927,368
Due from other governments	306,842	-	306,842
Inventories	-	8,649	8,649
Capital assets, net of accumulated depreciation	6,682,761	13,361	6,696,122
<b>Total assets</b>	<b>12,388,304</b>	<b>83,557</b>	<b>12,471,861</b>
<b>Liabilities</b>			
Accounts payable	85,174	-	85,174
Salaries and benefits payable	610,898	-	610,898
Accrued interest payable payable	4,026	-	4,026
Deferred revenue:			
Succeeding year property tax	2,927,368	-	2,927,368
Unearned revenue	-	2,814	2,814
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	260,000	-	260,000
Revenue bond payable	100,000	-	100,000
Early retirement	47,027	-	47,027
Portion due after one year:			
General obligation bonds payable	1,655,000	-	1,655,000
Revenue bond payable	955,000	-	955,000
Early retirement	176,479	-	176,479
Net OPEB liability	183,450	7,109	190,559
<b>Total liabilities</b>	<b>7,004,422</b>	<b>9,923</b>	<b>7,014,345</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,712,761	13,361	3,726,122
Restricted for:			
Categorical funding	510,786	-	510,786
Debt service	89,424	-	89,424
Management levy purposes	140,798	-	140,798
Student activities	61,864	-	61,864
School infrastructure	616,295	-	616,295
Physical plant and equipment	104,291	-	104,291
Unrestricted	147,663	60,273	207,936
<b>Total net assets</b>	<b>\$ 5,383,882</b>	<b>73,634</b>	<b>5,457,516</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,852,176	449,764	103,510	(2,298,902)	-	(2,298,902)
Special	818,047	109,644	84,556	(623,847)	-	(623,847)
Other	863,808	130,963	181,404	(551,441)	-	(551,441)
	<u>4,534,031</u>	<u>690,371</u>	<u>369,470</u>	<u>(3,474,190)</u>	<u>-</u>	<u>(3,474,190)</u>
Support services:						
Student	102,069	-	-	(102,069)	-	(102,069)
Instructional staff	179,636	-	-	(179,636)	-	(179,636)
Administration	779,112	-	-	(779,112)	-	(779,112)
Operation and maintenance of plant	383,761	-	-	(383,761)	-	(383,761)
Transportation	302,880	6,604	1,055	(295,221)	-	(295,221)
	<u>1,747,458</u>	<u>6,604</u>	<u>1,055</u>	<u>(1,739,799)</u>	<u>-</u>	<u>(1,739,799)</u>
Long-term debt interest	120,743	-	-	(120,743)	-	(120,743)
Other expenditures:						
AEA flowthrough	195,425	-	195,425	-	-	-
Depreciation(unallocated)*	244,080	-	-	(244,080)	-	(244,080)
	<u>439,505</u>	<u>-</u>	<u>195,425</u>	<u>(244,080)</u>	<u>-</u>	<u>(244,080)</u>
Total governmental activities	6,841,737	696,975	565,950	(5,578,812)	-	(5,578,812)
Business Type activities:						
Non-instructional programs:						
Nutrition services	246,228	127,699	132,332	-	13,803	13,803
Total business type activities	<u>246,228</u>	<u>127,699</u>	<u>132,332</u>	<u>-</u>	<u>13,803</u>	<u>13,803</u>
Total	<u>\$ 7,087,965</u>	<u>824,674</u>	<u>698,282</u>	<u>(5,578,812)</u>	<u>13,803</u>	<u>(5,565,009)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 2,541,301	-	2,541,301
Debt services				296,915	-	296,915
Capital outlay				44,340	-	44,340
Statewide sales, services and use tax				391,754	-	391,754
Unrestricted state grants				2,779,364	-	2,779,364
Nonspecific program federal grants				106,340	-	106,340
Unrestricted investment earnings				5,102	159	5,261
Other general revenues				132,639	976	133,615
Total general revenues				<u>6,297,755</u>	<u>1,135</u>	<u>6,298,890</u>
Change in net assets				718,943	14,938	733,881
Net assets beginning of year				4,664,939	58,696	4,723,635
Net assets end of year				<u>\$ 5,383,882</u>	<u>73,634</u>	<u>5,457,516</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	General	Management Levy	Capital Projects	Debt Service	Nonmajor:	
					Student Activity	Total
<b>Assets</b>						
Cash and pooled investments	\$ 1,290,976	359,758	621,531	83,938	61,711	2,417,914
Receivables:						
Property tax:						
Delinquent	42,568	4,546	819	5,486	-	53,419
Succeeding year	2,375,835	224,999	45,141	281,393	-	2,927,368
Due from other governments	207,864	-	98,236	-	742	306,842
<b>Total assets</b>	<b>\$ 3,917,243</b>	<b>589,303</b>	<b>765,727</b>	<b>370,817</b>	<b>62,453</b>	<b>5,705,543</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 84,585	-	-	-	589	85,174
Salaries and benefits payable	610,898	-	-	-	-	610,898
Deferred revenue:						
Succeeding year property tax	2,375,835	224,999	45,141	281,393	-	2,927,368
<b>Total liabilities</b>	<b>3,071,318</b>	<b>224,999</b>	<b>45,141</b>	<b>281,393</b>	<b>589</b>	<b>3,623,440</b>
Fund balances:						
Restricted for:						
Categorical funding	510,786	-	-	-	-	510,786
Debt service	-	-	-	89,424	-	89,424
Management levy purposes	-	364,304	-	-	-	364,304
Student activities	-	-	-	-	61,864	61,864
School infrastructure	-	-	616,295	-	-	616,295
Physical plant and equipment	-	-	104,291	-	-	104,291
Unassigned	335,139	-	-	-	-	335,139
<b>Total fund balances</b>	<b>845,925</b>	<b>364,304</b>	<b>720,586</b>	<b>89,424</b>	<b>61,864</b>	<b>2,082,103</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,917,243</b>	<b>589,303</b>	<b>765,727</b>	<b>370,817</b>	<b>62,453</b>	<b>5,705,543</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds(page 20)</b>	<b>\$ 2,082,103</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,682,761
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,026)
Long-term liabilities, including bonds payable, early retirement payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,376,956)</u>
<b>Net assets of governmental activities(page 18)</b>	<b><u><u>\$ 5,383,882</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
<b>Revenues:</b>						
<b>Local sources:</b>						
Local tax	\$ 2,296,098	245,203	436,094	296,915	-	3,274,310
Tuition	541,815	-	-	-	-	541,815
Other	190,031	7,076	1,514	255	151,668	350,544
State sources	3,074,719	-	-	-	-	3,074,719
Federal sources	319,292	-	-	-	-	319,292
Total revenues	<u>6,421,955</u>	<u>252,279</u>	<u>437,608</u>	<u>297,170</u>	<u>151,668</u>	<u>7,560,680</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	2,742,328	2,911	-	-	-	2,745,239
Special	794,786	-	-	-	-	794,786
Other	713,266	-	-	-	149,605	862,871
	<u>4,250,380</u>	<u>2,911</u>	<u>-</u>	<u>-</u>	<u>149,605</u>	<u>4,402,896</u>
<b>Support services:</b>						
Student	101,455	-	-	-	-	101,455
Instructional staff	125,134	-	-	-	-	125,134
Administration	681,095	70,761	-	22,885	-	774,741
Operation and maintenance of plant	340,704	20,203	-	-	-	360,907
Transportation	257,529	5,584	-	-	-	263,113
	<u>1,505,917</u>	<u>96,548</u>	<u>-</u>	<u>22,885</u>	<u>-</u>	<u>1,625,350</u>
Capital outlay	-	-	16,409	-	-	16,409
<b>Long-term debt:</b>						
Principal	-	-	-	2,370,000	-	2,370,000
Interest and fiscal charges	-	-	-	156,370	-	156,370
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,526,370</u>	<u>-</u>	<u>2,526,370</u>
<b>Other expenditures:</b>						
AEA flowthrough	195,425	-	-	-	-	195,425
Total expenditures	<u>5,951,722</u>	<u>99,459</u>	<u>16,409</u>	<u>2,549,255</u>	<u>149,605</u>	<u>8,766,450</u>
Excess(deficiency) of revenues over(under) expenditures	470,233	152,820	421,199	(2,252,085)	2,063	(1,205,770)
<b>Other financing sources(uses):</b>						
Premium on bonds	-	-	-	7,705	-	7,705
Discount on bonds	-	-	-	(4,590)	-	(4,590)
Issuance of general obligation bonds	-	-	-	1,915,000	-	1,915,000
Transfer in	-	-	-	254,697	-	254,697
Transfer out	-	-	(254,697)	-	-	(254,697)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(254,697)</u>	<u>2,172,812</u>	<u>-</u>	<u>1,918,115</u>
Net change in fund balances	470,233	152,820	166,502	(79,273)	2,063	712,345
Fund balances beginning of year	375,692	211,484	554,084	168,697	59,801	1,369,758
Fund balances end of year	<u>\$ 845,925</u>	<u>364,304</u>	<u>720,586</u>	<u>89,424</u>	<u>61,864</u>	<u>2,082,103</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ 712,345

**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. Capital outlays and depreciation expense for the current year are as follows:

Depreciation expense	(295,881)
----------------------	-----------

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

Issued	\$ (1,915,000)	
Repaid	2,370,000	455,000

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

35,627

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

Early retirement	(137,147)	
Net OPEB liability	(51,001)	(188,148)

Changes in net assets of governmental activities(page 19) \$ 718,943

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 61,547
Inventories	8,649
Capital assets, net of accumulated depreciation	<u>13,361</u>
<b>Total assets</b>	<u>83,557</u>
<b>Liabilities</b>	
Unearned revenues	2,814
Net OPEB liability	<u>7,109</u>
<b>Total liabilities</b>	<u>9,923</u>
<b>Net Assets</b>	
Invested in capital assets	13,361
Unrestricted	<u>60,273</u>
<b>Total net assets</b>	<u>\$ 73,634</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 127,699
Miscellaneous	976
Total operating revenues	128,675
Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	80,146
Benefits	38,457
Services	5,590
Supplies	117,661
Depreciation	4,374
Total operating expenses	246,228
Operating loss	(117,553)
Non-operating revenues:	
Interest income	159
State sources	2,529
Federal sources	129,803
Total non-operating revenues	132,491
Change in net assets	14,938
Net assets beginning of year	58,696
Net assets end of year	\$ 73,634

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 127,623
Cash received from miscellaneous operating activities	976
Cash payments to employees for services	(116,627)
Cash payments to suppliers for goods or services	(113,593)
Net cash used in operating activities	(101,621)
Cash flows from non-capital financing activities:	
State grants received	2,529
Federal grants received	118,797
Net cash provided by non-capital financing activities	121,326
Cash flows from investing activities:	
Interest on investments	159
Net increase in cash and cash equivalents	19,864
Cash and cash equivalents at beginning of year	41,683
Cash and cash equivalents at end of year	\$ 61,547
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (117,553)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,006
Depreciation	4,374
Increase in inventories	(1,051)
Decrease in accounts payable	(297)
Increase in net OPEB liability	1,976
Decrease in unearned revenue	(76)
Net cash used in operating activities	\$ (101,621)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received \$11,006 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The Management Fund is utilized to account for the payment of property insurance and unemployment benefits.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the other expenditures functional area.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$222,346 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 254,697</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 132,942	-	-	132,942
Less accumulated depreciation	115,207	4,374	-	119,581
Business type activities capital assets, net	<u>\$ 17,735</u>	<u>(4,374)</u>	-	<u>13,361</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 85,850	-	-	85,850
Total capital assets not being depreciated	85,850	-	-	85,850
Capital assets being depreciated:				
Buildings	8,923,496	-	-	8,923,496
Land improvements	978,749	-	-	978,749
Machinery and equipment	963,863	-	-	963,863
Total capital assets being depreciated	10,866,108	-	-	10,866,108
Less accumulated depreciation for:				
Buildings	2,857,409	200,496	-	3,057,905
Land improvements	299,732	43,584	-	343,316
Machinery and equipment	816,175	51,801	-	867,976
Total accumulated depreciation	3,973,316	295,881	-	4,269,197
Total capital assets being depreciated, net	6,892,792	(295,881)	-	6,596,911
Governmental activities capital assets, net	\$ 6,978,642	(295,881)	-	6,682,761

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,549
Other		937
Support services:		
Operation and maintenance of plant		7,834
Transportation		39,481
		51,801
Unallocated depreciation		244,080
Total governmental activities depreciation expense		\$ 295,881
Business type activities:		
Food service operations		\$ 4,374

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,165,000	1,915,000	2,165,000	1,915,000	260,000
Revenue bonds	1,260,000	-	205,000	1,055,000	100,000
Early retirement	86,359	164,848	27,701	223,506	47,027
Net OPEB liability	132,449	51,001	-	183,450	-
Total	\$ 3,643,808	2,130,849	2,397,701	3,376,956	407,027
<b>Business type activities:</b>					
Net OPEB liability	\$ 5,133	1,976	-	7,109	-

### General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Bond Issue of April 18, 2012			
	Interest Rates	Principal	Interest	Total
2013	1.00 %	\$ 260,000	20,893	280,893
2014	1.00	325,000	17,565	342,565
2015	1.00	325,000	14,315	339,315
2016	1.00	330,000	11,065	341,065
2017	1.10	335,000	7,765	342,765
2018	1.20	340,000	4,080	344,080
Total		\$ 1,915,000	75,683	1,990,683

### Revenue Bonds Payable

Details of the District's June 30, 2012 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 1, 2008			
	Interest Rates	Principal	Interest	Total
2013	3.750 %	\$ 100,000	43,453	143,453
2014	3.750	100,000	39,704	139,704
2015	4.000	100,000	35,704	135,704
2016	4.000	100,000	31,704	131,704
2017	4.000	100,000	27,704	127,704
2018-2022	4.000-4.375	555,000	73,495	628,495
Total		\$ 1,055,000	251,764	1,306,764

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,155,000 bonds issued in September 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales,

services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 71.04% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,330,366. For the current year, principal and interest paid on the bonds was \$278,300 and statewide sales, services and use tax revenues were \$391,754.

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

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

#### Early Retirement

The District had previously offered a voluntary early retirement plan to its certified employees, classified employees and administrative staff. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee are on the "per diem" basis based on the current contract at the time of retirement. "Per diem" is defined as per day pay based upon contract days and annual salary. Early retirement expenditures for the year ended June 30, 2012 totaled \$27,701.

#### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$281,530, \$235,738 and \$227,794, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

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

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 152,000
Interest on net OPEB obligation	6,191
Adjustment to annual required contribution	<u>(5,214)</u>
Annual OPEB cost	152,977
Contributions made	<u>(100,000)</u>
Increase in net OPEB obligation	52,977
Net OPEB obligation beginning of year	<u>137,582</u>
Net OPEB obligation end of year	<u><u>\$ 190,559</u></u>

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

For the year ended June 30, 2012, the District contributed \$100,000 to the medical plan. Plan members eligible for benefits contributed \$78,000, or 43.82% 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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 152,000	46.05%	\$ 82,000
2011	152,582	63.57%	137,582
2012	152,977	65.37%	190,559

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,372,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,372,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,144,268 and the ratio of the UAAL to covered payroll was 43.63%. As of June 30, 2012, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual health cost trend rate was 10.50% for the year ended June 30, 2012, grading down 0.5% each year until an ultimate health care cost trend rate is reached in 2021 of 5.00%.

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

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

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2012 were \$632,059.

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$195,425 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Over Expenditure**

During the year ended June 30, 2012, expenditures in the other expenditures functional area and the total budget exceeded the amounts budgeted.

**(11) Categorical Funding**

The District's ending restricted balances for categorical funding at June 30, 2012 are comprised of the following programs:

Program	Amount
Limited English Proficient	\$ 21,597
Home School Assistance Program	34,443
At-Risk Programs	59,161
Gifted and Talented Programs	27,300
Returning Dropouts and Dropout Prevention Programs	306,662
Beginning Teacher Mentoring and Induction Program	2,521
Teacher Salary Supplement	7,235
Beginning Administrator Mentoring and Induction Program	931
Professional Development for Model Core Curriculum	35,520
Professional Development	15,416
Total	<u>\$ 510,786</u>



**WACO**  
**COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,166,669	128,834	4,295,503	4,142,657	4,142,657	152,846
State sources	3,074,719	2,529	3,077,248	3,580,132	3,580,132	(502,884)
Federal sources	319,292	129,803	449,095	365,000	365,000	84,095
Total revenues	<u>7,560,680</u>	<u>261,166</u>	<u>7,821,846</u>	<u>8,087,789</u>	<u>8,087,789</u>	<u>(265,943)</u>
Expenditures/Expenses:						
Instruction	4,402,896	-	4,402,896	4,582,000	4,582,000	179,104
Support services	1,625,350	-	1,625,350	2,154,000	2,154,000	528,650
Non-instructional programs	-	246,228	246,228	300,000	300,000	53,772
Other expenditures	2,738,204	-	2,738,204	793,844	793,844	(1,944,360)
Total expenditures/expenses	<u>8,766,450</u>	<u>246,228</u>	<u>9,012,678</u>	<u>7,829,844</u>	<u>7,829,844</u>	<u>(1,182,834)</u>
Excess of revenues over expenditures/expenses	(1,205,770)	14,938	(1,190,832)	257,945	257,945	(1,448,777)
Other financing sources, net	1,918,115	-	1,918,115	-	-	1,918,115
Excess of revenues and other financing sources over expenditures/expenses	712,345	14,938	727,283	257,945	257,945	469,338
Balances beginning of year	1,369,758	58,696	1,428,454	595,971	595,971	832,483
Balances end of year	<u>\$ 2,082,103</u>	<u>73,634</u>	<u>2,155,737</u>	<u>853,916</u>	<u>853,916</u>	<u>1,301,821</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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

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

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

During the year ended June 30, 2012, expenditures in the other expenditures functional area and the total budget exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,372,000	1,372,000	0.00%	\$ 3,232,484	42.44%
2011	July 1, 2009	-	1,372,000	1,372,000	0.00%	3,598,119	38.13%
2012	July 1, 2009	-	1,372,000	1,372,000	0.00%	3,144,268	43.63%

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

OTHER SUPPLEMENTARY INFORMATION

WACO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 518,059	103,472	621,531
Receivables:			
Property tax:			
Delinquent	-	819	819
Succeeding year	-	45,141	45,141
Due from other governments	98,236	-	98,236
<b>Total assets</b>	<b>\$ 616,295</b>	<b>149,432</b>	<b>765,727</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	45,141	45,141
Total liabilities	-	45,141	45,141
Fund balances:			
Restricted for:			
School infrastructure	616,295	-	616,295
Physical plant and equipment	-	104,291	104,291
Total fund balances	616,295	104,291	720,586
<b>Total liabilities and fund balances</b>	<b>\$ 616,295</b>	<b>149,432</b>	<b>765,727</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 391,754	44,340	436,094
Other	1,449	65	1,514
Total revenues	393,203	44,405	437,608
Expenditures:			
Capital outlay	-	16,409	16,409
Excess of revenues over expenditures	393,203	27,996	421,199
Other financing uses:			
Transfers out	(254,697)	-	(254,697)
Net change in fund balances	138,506	27,996	166,502
Fund balances beginning year	477,789	76,295	554,084
Fund balances end of year	\$ 616,295	104,291	720,586

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Camp courageous	\$ 891	1,702	2,257	-	336
Elementary vending	439	2,559	2,302	-	696
Elementary student leadership	439	-	-	-	439
After school program	6,133	-	-	-	6,133
6th grade overnight	172	-	-	-	172
Quiz bowl	-	3,001	3,001	-	-
Spanish trip	-	12,665	12,416	-	249
Musical	1,692	449	1,582	-	559
Strings resale	-	604	722	118	-
Instrumental music	-	688	1,226	538	-
Vocal music	-	2,660	2,834	174	-
Safe schools committee	500	-	400	-	100
Elementary activity	7,919	1,215	1,048	(39)	8,047
Secondary activity	55	829	1,172	288	-
High school annual	2,183	3,250	481	-	4,952
Class of 2011	-	48	48	-	-
Class of 2012	1,683	4,095	5,912	134	-
Class of 2013	9	10,891	8,548	-	2,352
Class of 2014	22	-	-	-	22
Sr high student council	3,934	2,983	4,537	-	2,380
Leo club	-	1,854	1,620	-	234
Warrior way	-	839	551	-	288
National honor society	88	300	521	133	-
PTO	10,085	14,643	16,613	-	8,115
Football cheerleaders	1,312	6,159	6,660	-	811
Basketball cheerleaders	1,326	3,040	3,538	-	828
Drill team	-	5,423	2,051	-	3,372
Cross country	-	-	585	585	-
Boys basketball	-	1,732	5,403	3,671	-
Football	-	12,192	24,354	12,162	-
Boys track	-	1,417	3,843	2,426	-
Boys golf	-	61	830	769	-
Girls golf	-	71	749	678	-
Wrestling	-	1,510	2,670	1,160	-
Girls basketball	-	1,280	4,111	2,831	-
Volleyball	50	4,296	7,526	3,180	-
Softball	-	2,361	4,861	2,500	-
Girls track	-	2,012	3,881	1,869	-
Interest	-	105	105	-	-
Activity tickets	19,921	43,999	10,018	(32,583)	21,319
Vending machines	948	735	629	(594)	460
<b>Total</b>	<b>\$ 59,801</b>	<b>151,668</b>	<b>149,605</b>	<b>-</b>	<b>61,864</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,274,310	3,214,464	2,877,065	2,650,766	2,538,449	2,443,103	2,379,679	2,143,288	2,141,503
Tuition	541,815	458,816	447,100	545,597	546,965	561,972	526,416	485,178	443,289
Other	350,544	333,643	259,686	245,939	329,610	278,346	285,685	265,047	234,952
Intermediate sources	-	-	-	-	-	5,452	-	-	200
State sources	3,074,719	2,819,717	2,499,592	2,963,461	2,809,270	2,688,842	2,547,656	2,288,938	2,229,048
Federal sources	319,292	320,048	482,502	305,778	180,233	207,714	183,599	173,991	186,798
 Total	 \$ 7,560,680	 7,146,688	 6,565,945	 6,711,541	 6,404,527	 6,185,429	 5,923,035	 5,356,442	 5,235,790
Expenditures:									
Instruction:									
Regular	\$ 2,745,239	2,678,041	2,501,574	2,520,111	2,416,930	2,300,584	2,208,883	2,120,822	2,198,706
Special	794,786	762,151	822,874	827,486	815,142	758,374	685,666	582,360	569,022
Other	862,871	886,179	847,814	660,833	668,865	631,210	640,069	625,012	554,342
Support services:									
Student	101,455	102,386	24,564	122,920	127,124	88,836	104,327	95,489	95,975
Instructional staff	125,134	125,298	86,031	151,081	126,335	133,911	101,528	102,614	102,622
Administration	774,741	722,552	734,156	746,935	713,292	738,744	673,115	668,083	546,735
Operation and maintenance of plant	360,907	339,805	421,410	456,051	507,610	457,669	423,678	378,193	368,170
Transportation	263,113	281,879	240,624	317,688	272,761	356,428	338,645	237,125	269,558
Non-instructional:									
Food service operations	-	-	-	-	-	-	-	62,516	49,007
Capital outlay	16,409	90,879	189,378	891,915	150,988	606,302	73,268	60,950	-
Long term debt:									
Principal	2,370,000	370,000	379,649	368,524	393,267	240,930	225,199	224,852	185,000
Interest and fiscal charges	156,370	145,626	177,301	128,875	150,788	132,420	151,514	173,963	182,187
Other expenditures:									
AEA flow-through	195,425	214,946	213,346	200,335	190,469	180,677	166,328	157,060	160,044
 Total	 \$ 8,766,450	 6,719,742	 6,638,721	 7,392,754	 6,533,571	 6,626,085	 5,792,220	 5,489,039	 5,281,368

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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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  
WACO Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 29, 2013. 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

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 and I-C-12 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2013

WACO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-12 Board Policies - We noted during our audit some of the policies in the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We will create a policy review calendar that complies with the 5 year policy.

Conclusion - Response accepted.

I-C-12 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified coaches.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who received checks.

Response - We will track the hours for our non-certified coaches.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

WACO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the other expenditures functional area and the total budget.
- 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 watch our expenditures and amend the budget, as needed, in a timely manner.
- Conclusion - Response accepted.
- II-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-12 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-H-12 Supplemental Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 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, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning Balance		\$	477,789
Revenues:			
Statewide sales, services and use tax revenue	\$	391,754	
Other local revenues		1,449	393,203
			<hr/>
			870,992
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund			254,697
			<hr/>
Ending Balance		\$	<u>616,295</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	<hr/>	<hr/>
Debt service levy	\$ 1.89759	\$ 254,697

II-M-12 Checks Outstanding - We noted during our audit that the District had checks included in the nutrition fund bank reconciliation that have been outstanding for over a year.

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

Response - We will monitor our outstanding checks to determine if they need to be voided, reissued, or submitted as unclaimed property.

Conclusion - Response accepted.

II-N-12 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. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

**Questionable Purchases** - We noted the purchase of a refrigerator for the teacher's lounge from the secondary account in the Student Activity Fund. This item appears to be more administrative in nature.

Recommendation - The District should review the propriety of the expenditures that are approved in the Student Activity Fund to ensure recording in the proper fund. The expenditure appears to be administrative in nature and are more appropriate from the General Fund.

Response - We will review the propriety of expenditures that are approved for all funds.

Conclusion - Response accepted.

**Questionable Accounts** - We noted a PTO account in the Student Activity Fund. The expenditures related to the PTO account appear to be for instructional items and therefore, would be more appropriately handled in the general fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The expenditures in the PTO account appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - We will review the propriety of the expenditures that are approved for all funds.

Conclusion - Response accepted.