

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

JUNE 30, 2012

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Projects Accounts:		
Combining Balance Sheet	3	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52-53
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	55
Schedule of Expenditures of Federal Awards	8	56
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 <u>Government Auditing Standards</u>		57-58
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		59-60
Schedule of Findings and Questioned Costs		61-68

Wapello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2011 Election)</b>		
Charles Kerr	President	2013
Larry Moser	Vice President	2011
Steve Dickey	Board Member	2011
Duane Boysen	Board Member	2013
Rob Pritchard	Board Member	2011

**Board of Education  
(After September 2011 Election)**

Charles Kerr	President	2013
Duane Boysen	Vice President	2013
Matt Stewart	Board Member	2015
Traci McCleary	Board Member	2015
Rob Pritchard	Board Member	2015

**School Officials**

Michael L. Peterson	Superintendent	2012
Eric Small	District Secretary	2012
Janell Heater	District Treasurer	2012
Roger Huddle	Attorney	2012
Brian Gruhn	Attorney	2012

WAPELLO COMMUNITY SCHOOL DISTRICT

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

Independent Auditor's Report

To the Board of Education of  
Wapello Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapello Community School District, Wapello 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 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 Wapello 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 March 21, 2013 on our consideration of Wapello 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 44 through 46 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 Wapello Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ending June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not 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.

March 21, 2013

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

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Wapello Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$7,452,784 in fiscal 2011 to \$7,755,108 in fiscal 2012, while General Fund expenditures increased from \$7,377,804 in fiscal 2011 to \$7,418,734 in fiscal 2012. Revenues outpaced expenditures resulting in an increase in the District's General Fund balance from \$425,102 at June 30, 2011 to \$761,476 at June 30, 2012, a 79.13% increase from the prior year.
- The increase in General Fund revenues was mainly attributable to an increase in state source revenues. The increase in expenditures occurred in the instruction and support services functional areas when compared to the previous year.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 2.34% at June 30, 2011 to 5.07% at June 30, 2012.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

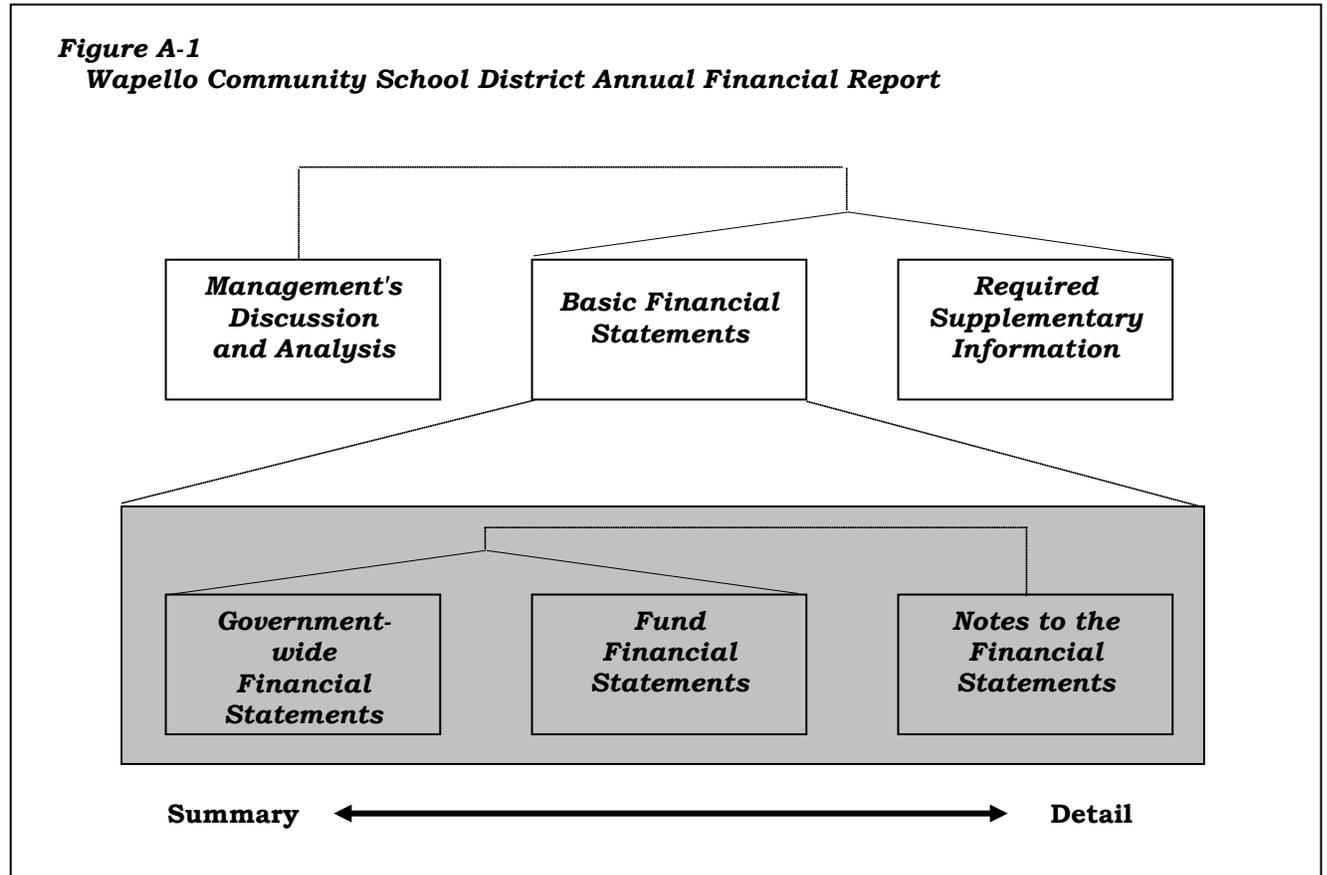


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011-12	
Current and other assets	\$ 6,049,442	6,784,200	62,112	62,099	6,111,554	6,846,299	-10.73%	
Capital assets	5,823,989	5,106,573	26,285	32,220	5,850,274	5,138,793	13.85%	
Total assets	11,873,431	11,890,773	88,397	94,319	11,961,828	11,985,092	-0.19%	
Long-term obligations	2,704,118	2,984,653	-	973	2,704,118	2,985,626	-9.43%	
Other liabilities	3,396,330	3,543,325	3,562	9,663	3,399,892	3,552,988	-4.31%	
Total liabilities	6,100,448	6,527,978	3,562	10,636	6,104,010	6,538,614	-6.65%	
Net assets:								
Invested in capital assets, net of related debt	3,355,731	2,250,052	26,285	32,220	3,382,016	2,282,272	48.19%	
Restricted	2,119,014	2,985,751	-	-	2,119,014	2,985,751	-29.03%	
Unrestricted	298,238	126,992	58,550	51,463	356,788	178,455	99.93%	
Total net assets	\$ 5,772,983	5,362,795	84,835	83,683	5,857,818	5,446,478	7.55%	

The District's combined net assets increased by 7.55%, or \$411,340, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$866,737, or 29.03% from the prior year. The decrease was

primarily a result of the decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$178,333, or 99.93%. The increase in unrestricted net assets is mainly attributable to the increase in unassigned fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 as 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	\$ 586,584	317,064	111,040	108,553	697,624	425,617	63.91%	
Operating grants, contributions and restricted interest	599,872	996,027	214,207	246,810	814,079	1,242,837	-34.50%	
Capital grants, contributions and restricted interest	1,306	390	-	-	1,306	390	234.87%	
General revenues:								
Property tax	2,677,720	2,789,003	-	-	2,677,720	2,789,003	-3.99%	
Income surtax	185,093	148,282	-	-	185,093	148,282	24.82%	
Statewide sales, services and use tax	574,659	496,106	-	-	574,659	496,106	15.83%	
Unrestricted state grants	4,148,771	3,700,839	-	-	4,148,771	3,700,839	12.10%	
Nonspecific program federal grants	155,899	98,365	-	-	155,899	98,365	58.49%	
Unrestricted investment earnings	19,607	30,914	-	-	19,607	30,914	-36.58%	
Other general revenue	42,621	126,594	997	21	43,618	126,615	-65.55%	
Total revenues	<u>8,992,132</u>	<u>8,703,584</u>	<u>326,244</u>	<u>355,384</u>	<u>9,318,376</u>	<u>9,058,968</u>	<u>2.86%</u>	
Program expenses:								
Governmental activities:								
Instructional	5,990,968	5,915,756	234	15,376	5,991,202	5,931,132	1.01%	
Support services	2,004,850	1,949,520	-	-	2,004,850	1,949,520	2.84%	
Non-instructional programs	-	-	324,858	311,406	324,858	311,406	4.32%	
Other expenses	586,126	608,865	-	-	586,126	608,865	-3.73%	
Total expenses	<u>8,581,944</u>	<u>8,474,141</u>	<u>325,092</u>	<u>326,782</u>	<u>8,907,036</u>	<u>8,800,923</u>	<u>1.21%</u>	
Changes in net assets	410,188	229,443	1,152	28,602	411,340	258,045	-59.41%	
Net assets beginning of year	<u>5,362,795</u>	<u>5,133,352</u>	<u>83,683</u>	<u>55,081</u>	<u>5,446,478</u>	<u>5,188,433</u>	<u>4.97%</u>	
Net assets end of year	<u>\$ 5,772,983</u>	<u>5,362,795</u>	<u>84,835</u>	<u>83,683</u>	<u>5,857,818</u>	<u>5,446,478</u>	<u>7.55%</u>	

In fiscal 2012, property tax and unrestricted state grants account for 75.92% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.69% of the revenue from business type activities. The District's total revenues were approximately \$9.32 million, of which approximately \$8.99 million was for governmental activities and approximately \$0.33 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.86% increase in revenues and a 1.21% increase in expenses. Unrestricted state grants increased \$447,932 to fund the increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$8,992,132 and expenses were \$8,581,944 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.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 5,990,968	5,915,756	1.27%	5,102,832	4,916,079	3.80%
Support services	2,004,850	1,949,520	2.84%	1,992,587	1,949,130	2.23%
Other expenses	586,126	608,865	-3.73%	298,763	295,451	1.12%
Totals	<u>\$ 8,581,944</u>	<u>8,474,141</u>	<u>1.27%</u>	<u>7,394,182</u>	<u>7,160,660</u>	<u>3.26%</u>

- The cost financed by users of the District's programs was \$586,584.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$601,178.
- The net cost of governmental activities was financed with \$2,677,720 in property tax, \$185,093 in income surtax, \$574,659 in statewide sales, services and use tax, \$4,148,771 in unrestricted state grants, \$155,899 in nonspecific program federal grants, \$19,607 in interest income and \$42,621 in other general revenue.

### Business type Activities

Revenues of the District's business type activities were \$326,244 and expenses were \$325,092. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were mostly comprised of charges for service and, federal and state reimbursements.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,531,582, below last year's ending fund balances of a \$3,131,703. This primarily resulted from the decrease in fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

### Governmental Fund Highlights

- The District's increase in General Fund financial position from \$425,102 to \$761,476 is the product of many factors. The increase in General Fund revenues resulted mainly from the District receiving more from state sources than the previous year. General Fund expenditures increased slightly from the prior year.

- The Capital Projects Fund balance decreased from \$1,808,844 at June 30, 2011 to \$839,392 at June 30, 2012 due to capital outlay expenditures on the District's various construction projects.

### Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$92,403 at June 30, 2011 to \$92,816 at June 30, 2012, representing an increase of 0.45%. The Day Care Fund net assets increased from a deficit \$8,720 at June 30, 2011 to a deficit \$7,981 at June 30, 2012, representing an increase of 8.47%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$317,668 more than budgeted revenues, a variance of 3.53%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, the District had invested approximately \$5.85 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$371,424.

The original cost of the District's capital assets was \$10,589,049. Governmental funds account for \$10,497,124 with the remainder of \$91,295 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$136,902 at June 30, 2011, compared to \$366,964 reported at June 30, 2012. This increase was due in part to work started and not yet completed on the elementary window replacement project.

	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	\$ 35,000	35,000	-	-	35,000	35,000	0.00%
Construction in progress	366,964	136,902	-	-	366,964	136,902	168.05%
Buildings	4,609,771	4,232,768	-	-	4,609,771	4,232,768	8.91%
Land improvements	605,863	362,989	-	-	605,863	362,989	66.91%
Machinery and equipment	206,391	338,914	26,285	32,220	232,676	371,134	-37.31%
Total	\$ 5,823,989	5,106,573	26,285	32,220	5,850,274	5,138,793	13.85%

## Long-Term Debt

At June 30, 2012, the District had \$2,704,118 in revenue bonds and other long-term debt outstanding. This represents a decrease of 9.43% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding loans payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$35,644 at June 30, 2012.

The District had total outstanding revenue bonds payable of \$2,372,615 at June 30, 2012.

The District had an outstanding computer lease payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$59,999 at June 30, 2012.

The District had outstanding early retirement benefits payable from the Special Revenue, Management Levy Fund of \$50,000 at June 30, 2012.

The District had accrued compensated absences of \$34,814 at June 30, 2012.

The District had net OPEB liability of \$151,046 at June 30, 2012.

	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
Loans	\$ 35,644	52,451	-	-	35,644	52,451	-32.04%
Revenue Bonds	2,372,615	2,625,000	-	-	2,372,615	2,625,000	-9.61%
Computer Lease	-	44,463	-	-	-	44,463	-100.00%
Copier Lease	-	15,728	-	-	-	15,728	-100.00%
Computer Lease	59,999	118,879	-	-	59,999	118,879	-49.53%
Compensated Absences	34,814	34,637	-	-	34,814	34,637	0.51%
Early Retirement	50,000	-	-	-	50,000	-	100.00%
Net OPEB Liability	151,046	93,495	-	973	151,046	94,468	59.89%
Total	\$ 2,704,118	2,984,653	-	973	2,704,118	2,985,626	-9.43%

## 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.
- On July 1, 2012, the IPERS employer contribution increase to 8.67% will increase the Wapello Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal 2014.

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

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,536,563	48,528	2,585,091
Receivables:			
Property tax:			
Delinquent	37,292	-	37,292
Succeeding year	2,742,859	-	2,742,859
Income surtax	192,573	-	192,573
Accounts	1,720	-	1,720
Due from other governments	538,435	3,481	541,916
Inventories	-	10,103	10,103
Capital assets, net of accumulated depreciation	5,823,989	26,285	5,850,274
<b>Total assets</b>	<b>11,873,431</b>	<b>88,397</b>	<b>11,961,828</b>
<b>Liabilities</b>			
Accounts payable	131,419	-	131,419
Salaries and benefits payable	439,896	-	439,896
Accrued interest payable	71,043	-	71,043
Deferred revenue:			
Succeeding year property tax	2,742,859	-	2,742,859
Other	11,113	-	11,113
Unearned revenue	-	3,562	3,562
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	266,898	-	266,898
Loans payable	17,480	-	17,480
Computer lease payable	59,999	-	59,999
Early retirement payable	50,000	-	50,000
Compensated Absences payable	34,814	-	34,814
Portion due after one year:			
Revenue bonds payable	2,105,717	-	2,105,717
Loans payable	18,164	-	18,164
Net OPEB liability	151,046	-	151,046
<b>Total liabilities</b>	<b>6,100,448</b>	<b>3,562</b>	<b>6,104,010</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,355,731	26,285	3,382,016
Restricted for:			
Categorical funding	383,203	-	383,203
Debt service	552,767	-	552,767
Management levy purposes	200,365	-	200,365
Student activities	143,287	-	143,287
School infrastructure	597,625	-	597,625
Physical plant and equipment	241,767	-	241,767
Unrestricted	298,238	58,550	356,788
<b>Total net assets</b>	<b>\$ 5,772,983</b>	<b>84,835</b>	<b>5,857,818</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO 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	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,699,338	180,649	64,820	-	(3,453,869)	-	(3,453,869)
Special	1,233,889	53,776	41,277	-	(1,138,836)	-	(1,138,836)
Other	1,057,741	341,202	206,412	-	(510,127)	-	(510,127)
	5,990,968	575,627	312,509	-	(5,102,832)	-	(5,102,832)
Support services:							
Student	140,809	-	-	-	(140,809)	-	(140,809)
Instructional staff	70,632	-	-	-	(70,632)	-	(70,632)
Administration	691,908	-	-	-	(691,908)	-	(691,908)
Operation and maintenance of plant	669,270	-	-	1,306	(667,964)	-	(667,964)
Transportation	432,231	10,957	-	-	(421,274)	-	(421,274)
	2,004,850	10,957	-	1,306	(1,992,587)	-	(1,992,587)
Long-term debt interest	88,671	-	-	-	(88,671)	-	(88,671)
Other expenses:							
AEA flowthrough	287,363	-	287,363	-	-	-	-
Depreciation(unallocated)*	210,092	-	-	-	(210,092)	-	(210,092)
	497,455	-	287,363	-	(210,092)	-	(210,092)
Total governmental activities	8,581,944	586,584	599,872	1,306	(7,394,182)	-	(7,394,182)
Business type activities:							
Instruction:							
Other	234	-	-	-	-	(234)	(234)
Non-instructional programs:							
Food service operations	324,858	111,040	214,207	-	-	389	389
Total business type activities	325,092	111,040	214,207	-	-	155	155
Total	\$ 8,907,036	697,624	814,079	1,306	(7,394,182)	155	(7,394,027)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,495,388	-	2,495,388
Capital outlay					182,332	-	182,332
Income surtax					185,093	-	185,093
Statewide sales, services and use tax					574,659	-	574,659
Unrestricted state grants					4,148,771	-	4,148,771
Nonspecific program federal grants					155,899	-	155,899
Unrestricted investment earnings					19,607	-	19,607
Other general revenues					42,621	997	43,618
Total general revenues					7,804,370	997	7,805,367
Change in net assets					410,188	1,152	411,340
Net assets beginning of year					5,362,795	83,683	5,446,478
Net assets end of year					\$ 5,772,983	84,835	5,857,818

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,047,552	552,861	936,150	2,536,563
Receivables:				
Property tax:				
Delinquent	32,966	2,512	1,814	37,292
Succeeding year	2,425,264	187,594	130,001	2,742,859
Income surtax	192,573	-	-	192,573
Accounts	1,312	-	408	1,720
Due from other governments	252,916	285,519	-	538,435
<b>Total assets</b>	<b>\$ 3,952,583</b>	<b>1,028,486</b>	<b>1,068,373</b>	<b>6,049,442</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 122,261	1,500	7,658	131,419
Salaries and benefits payable	439,896	-	-	439,896
Deferred revenue:				
Succeeding year property tax	2,425,264	187,594	130,001	2,742,859
Income surtax	192,573	-	-	192,573
Other	11,113	-	-	11,113
<b>Total liabilities</b>	<b>3,191,107</b>	<b>189,094</b>	<b>137,659</b>	<b>3,517,860</b>
Fund Balances:				
Restricted for:				
Categorical funding	383,203	-	-	383,203
Debt service	-	-	552,767	552,767
Management levy purposes	-	-	250,365	250,365
Student activities	-	-	143,287	143,287
School infrastructure	-	597,625	-	597,625
Physical plant and equipment	-	241,767	-	241,767
Unassigned:				
General	378,273	-	-	378,273
Student activities	-	-	(15,705)	(15,705)
<b>Total fund balances</b>	<b>761,476</b>	<b>839,392</b>	<b>930,714</b>	<b>2,531,582</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,952,583</b>	<b>1,028,486</b>	<b>1,068,373</b>	<b>6,049,442</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO 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>	\$	2,531,582
 <b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		5,823,989
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		192,573
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(71,043)
Long-term liabilities, including revenue bonds payable, loans payable, computer lease payable, early retirement payable, compensated absences payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(2,704,118)
		<hr style="width: 100%; border: 0.5px solid black;"/>
<b>Net assets of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>5,772,983</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,550,083	756,991	130,152	3,437,226
Tuition	234,223	-	-	234,223
Other	66,260	2,839	346,406	415,505
State sources	4,508,363	-	-	4,508,363
Federal sources	396,179	390	-	396,569
Total revenues	<u>7,755,108</u>	<u>760,220</u>	<u>476,558</u>	<u>8,991,886</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,554,530	20,459	21,705	3,596,694
Special	1,216,504	-	-	1,216,504
Other	730,906	-	310,673	1,041,579
	<u>5,501,940</u>	<u>20,459</u>	<u>332,378</u>	<u>5,854,777</u>
Support services:				
Student	117,878	-	21,269	139,147
Instructional staff	62,722	-	6,696	69,418
Administration	671,829	-	23,201	695,030
Operation and maintenance of plant	493,381	-	31,891	525,272
Transportation	283,621	23,775	23,638	331,034
	<u>1,629,431</u>	<u>23,775</u>	<u>106,695</u>	<u>1,759,901</u>
Capital outlay	-	1,200,920	-	1,200,920
Long-term debt:				
Principal	-	-	388,263	388,263
Interest and fiscal charges	-	-	100,783	100,783
	<u>-</u>	<u>-</u>	<u>489,046</u>	<u>489,046</u>
Other expenditures:				
AEA flowthrough	287,363	-	-	287,363
Total expenditures	<u>7,418,734</u>	<u>1,245,154</u>	<u>928,119</u>	<u>9,592,007</u>
Excess(deficiency) of revenues over(under)expenditures	336,374	(484,934)	(451,561)	(600,121)
Other financing sources(uses):				
Operating transfers in	-	-	484,518	484,518
Operating transfers out	-	(484,518)	-	(484,518)
Total other financing sources(uses)	<u>-</u>	<u>(484,518)</u>	<u>484,518</u>	<u>-</u>
Net change in fund balances	336,374	(969,452)	32,957	(600,121)
Fund balances beginning of year	<u>425,102</u>	<u>1,808,844</u>	<u>897,757</u>	<u>3,131,703</u>
Fund balances end of year	<u>\$ 761,476</u>	<u>839,392</u>	<u>930,714</u>	<u>2,531,582</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ (600,121)

*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 outlay expenditures, depreciation expense and loss on disposal in the current year, are as follows:

Expenditures for capital assets	\$ 1,103,658	
Depreciation expense	(365,159)	
Loss on disposal	(21,083)	717,416
	<u>                    </u>	

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. 388,263

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. 12,112

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 246

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

Early retirement	(50,000)	
Compensated absences	(177)	
Other postemployment benefits	(57,551)	(107,728)
	<u>                    </u>	

Changes in net assets of governmental activities(page 19) \$ 410,188

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
<b>Assets</b>			
Current assets:			
Cash and pooled investments	\$ 56,509	-	56,509
Due from other governments	3,481	-	3,481
Inventories	10,103	-	10,103
Non-current assets:			
Capital assets, net of accumulated depreciation	26,285	-	26,285
<b>Total assets</b>	<b>96,378</b>	<b>-</b>	<b>96,378</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	-	7,981	7,981
Unearned revenue	3,562	-	3,562
<b>Total liabilities</b>	<b>3,562</b>	<b>7,981</b>	<b>11,543</b>
<b>Net Assets</b>			
Invested in capital assets	26,285	-	26,285
Unrestricted	66,531	(7,981)	58,550
<b>Total net assets</b>	<b>\$ 92,816</b>	<b>(7,981)</b>	<b>84,835</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 111,040	-	111,040
Miscellaneous	24	973	997
Total operating revenues	<u>111,064</u>	<u>973</u>	<u>112,037</u>
Operating expenses:			
Instruction:			
Other:			
Salaries	-	202	202
Benefits	-	32	32
	<u>-</u>	<u>234</u>	<u>234</u>
Non-instructional programs:			
Food service operations:			
Salaries	142,079	-	142,079
Benefits	22,208	-	22,208
Services	2,803	-	2,803
Supplies	151,503	-	151,503
Depreciation	6,265	-	6,265
	<u>324,858</u>	<u>-</u>	<u>324,858</u>
Total operating expenses	<u>324,858</u>	<u>234</u>	<u>325,092</u>
Operating income(loss)	<u>(213,794)</u>	<u>739</u>	<u>(213,055)</u>
Non-operating revenues:			
State sources	3,292	-	3,292
Federal sources	210,915	-	210,915
Total non-operating revenues	<u>214,207</u>	<u>-</u>	<u>214,207</u>
Changes in net assets	413	739	1,152
Net assets beginning of year	<u>92,403</u>	<u>(8,720)</u>	<u>83,683</u>
Net assets end of year	<u>\$ 92,816</u>	<u>(7,981)</u>	<u>84,835</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 112,586	1,752	114,338
Cash received from miscellaneous operating activities	24	973	997
Cash payments to employees for services	(164,717)	(8,424)	(173,141)
Cash payments to suppliers for goods or services	(132,048)	-	(132,048)
Net cash used in operating activities	(184,155)	(5,699)	(189,854)
Cash flows from non-capital financing activities:			
State grants received	3,292	-	3,292
Federal grants received	193,386	-	193,386
Net cash provided by non-capital financing activities	196,678	-	196,678
Cash flows from capital financing activities:			
Acquisitions of assets	(330)	-	(330)
Net increase(decrease) in cash and cash equivalents	12,193	(5,699)	6,494
Cash and cash equivalents at beginning of year	44,316	(2,282)	42,034
Cash and cash equivalents at end of year	\$ 56,509	(7,981)	48,528
<b>Reconciliation of operating income(loss) to net cash used in operating activities:</b>			
Operating income(loss)	\$ (213,794)	739	(213,055)
Adjustments to reconcile operating income(loss) to net cash used in operating activities:			
Commodities consumed	17,482	-	17,482
Depreciation	6,265	-	6,265
Decrease in inventories	4,776	-	4,776
Decrease in accounts receivable	-	1,752	1,752
Decrease in net OPEB liability	-	(973)	(973)
Decrease in salaries and benefits payable	(430)	(7,217)	(7,647)
Increase in unearned revenue	1,546	-	1,546
Net cash used in operating activities	\$ (184,155)	(5,699)	(189,854)

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

During the year ended June 30, 2012, the District received \$17,482 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2012

	Private Purpose Trust	Agency Fund
	Scholarship Fund	
<b>Assets</b>		
Cash and pooled investments	\$ 25,995	2,870
<b>Liabilities</b>		
Due to other groups	-	2,870
<b>Net Assets</b>		
Restricted for scholarships	\$ 25,995	-

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Donations	\$ 800
FFA concessions	8,846
Interest income	137
Total additions	9,783
Deductions:	
Regular instruction:	
Scholarships awarded	5,600
FFA supplies	4,963
Total deletions	10,563
Change in net assets	(780)
Net assets beginning of year	26,775
Net assets end of year	\$ 25,995

SEE NOTES TO FINANCIAL STATEMENTS.

WAPELLO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, 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	\$ 300
Buildings	300
Land improvements	300
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	300
Other machinery and equipment	300

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

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

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

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

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

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

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

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

E. Budgeting and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits in banks 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 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 \$165,495 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 interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 409,103
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>75,415</u>
Total		<u>\$ 484,518</u>

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

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 35,000	-	-	35,000
Construction in progress	136,902	296,017	65,955	366,964
Total capital assets not being depreciated	171,902	296,017	65,955	401,964
Capital assets being depreciated:				
Buildings	6,410,056	556,510	-	6,966,566
Land improvements	619,192	273,459	-	892,651
Machinery and equipment	2,442,698	43,627	250,382	2,235,943
Total capital assets being depreciated	9,471,946	873,596	250,382	10,095,160
Less accumulated depreciation for:				
Buildings	2,177,288	179,507	-	2,356,795
Land improvements	256,203	30,585	-	286,788
Machinery and equipment	2,103,784	155,067	229,299	2,029,552
Total accumulated depreciation	4,537,275	365,159	229,299	4,673,135
Total capital assets being depreciated, net	4,934,671	508,437	21,083	5,422,025
Governmental activities capital assets, net	\$ 5,106,573	804,454	87,038	5,823,989
<b>Business type activities:</b>				
Machinery and equipment	\$ 90,965	330	-	91,295
Less accumulated depreciation	58,745	6,265	-	65,010
Business type activities capital assets, net	\$ 32,220	(5,935)	-	26,285

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 45,398
Support services:	
Instructional staff	1,214
Administration	6,114
Operation and maintenance of plant	2,918
Transportation	99,423
	<u>155,067</u>
Unallocated depreciation	<u>210,092</u>
Total governmental activities depreciation expense	<u>\$ 365,159</u>
Business type activities:	
Food services	<u>\$ 6,265</u>

(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>					
Loans	\$ 52,451	-	16,807	35,644	17,480
Revenue bonds	2,625,000	-	252,385	2,372,615	266,898
Computer lease	44,463	-	44,463	-	-
Copier lease	15,728	-	15,728	-	-
Computer lease	118,879	-	58,880	59,999	59,999
Early retirement	-	50,000	-	50,000	50,000
Compensated absences	34,637	34,814	34,637	34,814	34,814
Net OPEB liability	93,495	57,551	-	151,046	-
Total	\$ 2,984,653	142,365	422,900	2,704,118	429,191
<b>Business type activities:</b>					
Net OPEB liability	\$ 973	-	973	-	-

Revenue Bonds Payable

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 27, 2010			Bond Issue of April 1, 2011			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	5.75 %	\$ 266,898	48,738	2.00 %	-	40,778	266,898	89,516	356,414
2014	5.75	282,244	33,391	2.00	-	40,777	282,244	74,168	356,412
2015	5.75	298,473	17,162	2.00	-	40,778	298,473	57,940	356,413
2016	-	-	-	2.00	200,000	38,777	200,000	38,777	238,777
2017	-	-	-	2.00	205,000	34,728	205,000	34,728	239,728
2018-2022	-	-	-	2.30-3.35	1,120,000	89,776	1,120,000	89,776	1,209,776
Total		\$ 847,615	99,291		1,525,000	285,614	2,372,615	384,905	2,757,520

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,100,000 of bonds issued in May 2010 and the \$1,525,000 of bonds issued in April 2011. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015 and 2022 respectively. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 62.0 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining on the notes is \$2,757,520. For the current year, \$352,192 of principal and interest was paid on the bonds and total statewide sales, service and use tax revenues were \$574,659.

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

- a) Separate bond reserve funds will be maintained in the amounts of \$110,000 and \$152,500 to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Loans Payable

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

Year Ending June 30,	Loan of July 31, 2003			
	Interest Rates	Principal	Interest	Total
2013	4.00 %	\$ 17,480	1,423	18,903
2014	4.00	18,164	739	18,903
Total		\$ 35,644	2,162	37,806

Computer Lease Payable

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

Year Ending June 30,	Lease of December 28, 2009			
	Interest Rates	Principal	Interest	Total
2013	1.90 %	\$ 59,999	1,140	61,139

Early Retirement

The District offered a voluntary early retirement to certified employees. Eligible employees must be at least age fifty-five on or before July 1<sup>st</sup> of the year of retirement and have completed ten years of service with the District. The applicant must submit a written resignation which may be contingent upon approval by the Board of Education. The early retirement incentive for each employee is \$25,000 to be deposited into the applicant's choice of a 403(b) or HRA account.

**(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 contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$371,148, \$312,062, and \$302,167 respectively, equal to the required contributions for each year.

**(7) Other Post-employment Benefits (OPEB)**

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

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

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

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

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

Annual required contribution	\$ 61,763
Interest on net OPEB obligation	2,632
Adjustment to annual required contribution	<u>(5,064)</u>
Annual OPEB cost	59,331
Contributions made	<u>(2,753)</u>
Increase in net OPEB obligation	56,578
Net OPEB obligation beginning of year	<u>94,468</u>
Net OPEB obligation end of year	<u>\$ 151,046</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, 2012.

For the year ended June 30, 2012, the District contributed \$2,753 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 51,937	9.83%	\$ 46,832
2011	53,462	10.90%	94,468
2012	59,331	4.64%	151,046

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 \$359,233, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$359,233. The covered payroll (annual payroll of active employees covered by the plan) was \$3,870,571, and the ratio of the UAAL to covered payroll was 9.28%. 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$287,363 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) Construction Commitment**

The District has entered into contracts for the elementary window replacement project. As of June 30, 2012, costs of \$366,964 had been incurred against the contracts. The balance of \$4,846 remaining at June 30, 2012 will be paid as work on the projects progresses. The total cost of the projects will be added to the District's fixed asset listing upon completion.

**(11) Deficit Unassigned Fund Balance/Net Assets**

The Special Revenue: Student Activity Fund contained 4 accounts with deficit balances totaling \$15,705. The Day Care Fund had deficit net assets of \$7,981 at June 30, 2012.

**(12) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 36,250
Returning Dropouts and Dropout Prevention Programs	194,918
Four-year-old Preschool State Aid	21,608
Beginning Teacher Mentoring and Induction Program	1,419
Teacher Salary Supplement	82,903
Market Factor	1,647
Beginning Administrator Mentoring and Induction Program	750
Professional Development for Model Core Curriculum	39,389
Professional Development	4,319
Total	<u>\$ 383,203</u>

WAPELLO COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Types		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,086,954	112,037	4,198,991	3,933,900	3,933,900	265,091
State sources	4,508,363	3,292	4,511,655	4,576,562	4,576,562	(64,907)
Federal sources	396,569	210,915	607,484	490,000	490,000	117,484
Total revenues	<u>8,991,886</u>	<u>326,244</u>	<u>9,318,130</u>	<u>9,000,462</u>	<u>9,000,462</u>	<u>317,668</u>
Expenditures/Expenses:						
Instruction	5,854,777	234	5,855,011	5,865,326	5,865,326	10,315
Support services	1,759,901	-	1,759,901	2,170,550	2,170,550	410,649
Non-instructional programs	-	324,858	324,858	375,000	375,000	50,142
Other expenditures	1,977,329	-	1,977,329	2,052,040	2,052,040	74,711
Total expenditures/expenses	<u>9,592,007</u>	<u>325,092</u>	<u>9,917,099</u>	<u>10,462,916</u>	<u>10,462,916</u>	<u>545,817</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(600,121)	1,152	(598,969)	(1,462,454)	(1,462,454)	863,485
Other financing sources, net	-	-	-	(138,464)	(138,464)	138,464
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(600,121)	1,152	(598,969)	(1,600,918)	(1,600,918)	1,001,949
Balances beginning of year	<u>3,131,703</u>	<u>83,683</u>	<u>3,215,386</u>	<u>2,575,548</u>	<u>2,575,548</u>	<u>639,838</u>
Balances end of year	<u>\$ 2,531,582</u>	<u>84,835</u>	<u>2,616,417</u>	<u>974,630</u>	<u>974,630</u>	<u>1,641,787</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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 the GAAP basis.

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

WAPELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2012

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	-	\$ 351,708	351,708	0.0%	\$ 3,891,531	9.04%
2011	July 1, 2009	-	359,314	359,314	0.0%	3,823,201	9.40%
2012	July 1, 2009	-	359,233	359,233	0.0%	3,870,571	9.28%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

WAPELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue				
	Management Levy	Student Activity	Total	Debt Service	Total Nonmajor
<b>Assets</b>					
Cash and pooled investments	\$ 248,551	134,832	383,383	552,767	936,150
Receivables:					
Property tax:					
Delinquent	1,814	-	1,814	-	1,814
Succeeding year	130,000	-	130,000	1	130,001
Accounts	-	408	408	-	408
<b>Total assets</b>	<b>\$ 380,365</b>	<b>135,240</b>	<b>515,605</b>	<b>552,768</b>	<b>1,068,373</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	7,658	7,658	-	7,658
Deferred revenue:					
Succeeding year property tax	130,000	-	130,000	1	130,001
<b>Total liabilities</b>	<b>130,000</b>	<b>7,658</b>	<b>137,658</b>	<b>1</b>	<b>137,659</b>
Fund Balances:					
Restricted for:					
Debt service	-	-	-	552,767	552,767
Management levy purposes	250,365	-	250,365	-	250,365
Student activities	-	143,287	143,287	-	143,287
Unassigned	-	(15,705)	(15,705)	-	(15,705)
<b>Total fund balances</b>	<b>250,365</b>	<b>127,582</b>	<b>377,947</b>	<b>552,767</b>	<b>930,714</b>
<b>Total liabilities and fund balances</b>	<b>\$ 380,365</b>	<b>135,240</b>	<b>515,605</b>	<b>552,768</b>	<b>1,068,373</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 130,152	-	130,152	-	130,152
Other	6,672	322,635	329,307	17,099	346,406
Total revenues	136,824	322,635	459,459	17,099	476,558
Expenditures:					
Current:					
Instruction:					
Regular	21,705	-	21,705	-	21,705
Other	-	310,673	310,673	-	310,673
Support services:					
Student	21,269	-	21,269	-	21,269
Instructional staff	6,696	-	6,696	-	6,696
Administration	23,201	-	23,201	-	23,201
Operation and maintenance of plant	31,891	-	31,891	-	31,891
Transportation	23,638	-	23,638	-	23,638
Long-term debt:					
Principal	-	-	-	388,263	388,263
Interest and fiscal charges	-	-	-	100,783	100,783
Total expenditures	128,400	310,673	439,073	489,046	928,119
Excess(deficiency) of revenues over(under) expenditures	8,424	11,962	20,386	(471,947)	(451,561)
Other financing sources:					
Operating transfers in	-	-	-	484,518	484,518
Net change in fund balances	8,424	11,962	20,386	12,571	32,957
Fund balances beginning of year	241,941	115,620	357,561	540,196	897,757
Fund balances end of year	\$ 250,365	127,582	377,947	552,767	930,714

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO 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	\$ 312,106	240,755	552,861
Receivables:			
Property tax:			
Delinquent	-	2,512	2,512
Succeeding year	-	187,594	187,594
Due from other governments	285,519	-	285,519
<b>Total assets</b>	<b>\$ 597,625</b>	<b>430,861</b>	<b>1,028,486</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	1,500	1,500
Deferred revenue:			
Succeeding year property tax	-	187,594	187,594
<b>Total liabilities</b>	<b>-</b>	<b>189,094</b>	<b>189,094</b>
Fund Balances:			
Restricted for:			
School infrastructure	597,625	-	597,625
Physical plant and equipment	-	241,767	241,767
<b>Total fund balances</b>	<b>597,625</b>	<b>241,767</b>	<b>839,392</b>
<b>Total liabilities and fund balances</b>	<b>\$ 597,625</b>	<b>430,861</b>	<b>1,028,486</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 574,659	182,332	756,991
Other	1,856	983	2,839
Federal sources	-	390	390
Total revenues	<u>576,515</u>	<u>183,705</u>	<u>760,220</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	20,459	20,459
Support Services:			
Transportation	23,775	-	23,775
Capital outlay	1,173,277	27,643	1,200,920
Total expenditures	<u>1,197,052</u>	<u>48,102</u>	<u>1,245,154</u>
Excess(deficiency) of revenues over(under) expenditures	(620,537)	135,603	(484,934)
Other financing uses:			
Operating transfers out	(409,103)	(75,415)	(484,518)
Net change in fund balances	(1,029,640)	60,188	(969,452)
Fund balances beginning of year	1,627,265	181,579	1,808,844
Fund balances end of year	<u>\$ 597,625</u>	<u>241,767</u>	<u>839,392</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
<u>Graduating Classes:</u>					
Class of:					
2009	\$ 622	-	-	(622)	-
2010	375	-	-	(375)	-
2011	1,250	-	-	(1,250)	-
2012	2,102	379	881	-	1,600
2013	446	2,470	1,438	-	1,478
	4,795	2,849	2,319	(2,247)	3,078
<u>Clubs and Organizations:</u>					
FFA	14,418	86,389	93,626	774	7,955
FFA Farmland Project	2,047	-	2,233	186	-
FFA Greenhouse	390	3,284	3,988	-	(314)
FFA Software	2,194	1,176	688	-	2,682
FCCLA	39	650	676	-	13
Cheerleading - Football/Basketball	238	228	55	-	411
Cheerleading - Wrestling	424	6,074	5,630	-	868
Key Club	137	272	311	-	98
Poms	1,984	5,408	5,260	-	2,132
FFA Health Machine	3,263	-	-	-	3,263
FFA Rodeo	-	25,665	6,640	(1,360)	17,665
	25,134	129,146	119,107	(400)	34,773
<u>Athletics:</u>					
Athletics	3,195	38,710	40,751	26,756	27,910
Wrestling / Resale	45	251	250	-	46
Wrestling Gates	4,460	475	-	(4,935)	-
Wrestling Fundraiser	1,379	518	21	-	1,876
Boys Basketball / Resale	436	3,185	3,247	122	496
Boys Basketball Gates	4,459	-	339	(4,120)	-
Boys Basketball Fundraiser	298	100	105	-	293
Girls Basketball / Resale	98	-	-	-	98
Girls Basketball Gates	10,269	287	339	(10,217)	-
Girls Basketball Fundraiser	2,634	859	858	-	2,635
Volleyball / Resale	2,641	4,813	4,443	(211)	2,800
Volleyball Gates	3,006	6,686	4,844	(4,848)	-
Volleyball Fundraiser	-	14	475	461	-
Cross Country	(1,193)	1,106	713	800	-
Baseball / Resale	434	778	1,460	-	(248)
Baseball Gates	(780)	7,460	6,698	18	-
Baseball Fundraiser	413	10,250	8,990	95	1,768
Softball / Resale	961	3,322	1,762	-	2,521
Softball Gates	2,798	1,720	1,555	(2,555)	408
Softball Fundraiser	2,709	1,988	2,828	-	1,869
Boys Track / Resale	326	690	882	-	134
Boys Track Gates	(1,148)	-	58	1,206	-
Boys Track Fundraiser	537	358	193	-	702
Girls Track / Resale	-	991	1,198	-	(207)
Girls Track Gates	245	-	91	(154)	-
Girls Track Fundraiser	464	4,731	4,924	-	271
Football / Resale	1,246	-	5,268	4,022	-
Football Gates	3,436	13,932	14,271	(3,097)	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
<u>Athletics(Continued):</u>					
Football Fundraiser	1,533	6,835	4,065	(3,362)	941
Golf / Resale	(795)	1,270	893	418	-
Golf Fundraiser	31	10	-	-	41
Soccer	-	10,275	9,954	-	321
	<u>44,137</u>	<u>121,614</u>	<u>121,475</u>	<u>399</u>	<u>44,675</u>
<u>Academic Clubs:</u>					
Drama Trip	1,485	10,253	11,530	419	627
Drama and Speech	3,294	7,619	5,499	(419)	4,995
Vocal	5,659	1,533	2,100	-	5,092
Vocal Uniform	2,065	620	508	-	2,177
Vocal Trip	5,937	3,525	1,288	-	8,174
Vocal Fundraiser	69	-	-	-	69
Band	3,323	4,234	6,694	-	863
Band Uniforms	1,643	410	751	-	1,302
Instrument Repair	27	259	157	-	129
Art Club	26	620	597	-	49
Yearbook - Odd	(16,931)	3,780	4,093	2,308	(14,936)
Student Senate	294	3,387	3,351	-	330
National Honor Society	272	745	959	-	58
Prom	582	2,159	1,131	-	1,610
Mock Trial	-	320	44	-	276
	<u>7,745</u>	<u>39,464</u>	<u>38,702</u>	<u>2,308</u>	<u>10,815</u>
<u>Junior High:</u>					
Junior High	1,998	7,732	7,733	-	1,997
Student Senate	210	1,234	1,062	-	382
Language Arts Fines	22	-	-	(22)	-
	<u>2,230</u>	<u>8,966</u>	<u>8,795</u>	<u>(22)</u>	<u>2,379</u>
<u>Elementary:</u>					
Elementary	16,123	2,286	3,620	-	14,789
Elem Vocal Music	3,738	3,679	3,089	-	4,328
Elem Student Council	359	-	94	-	265
Character Counts Program	272	-	-	-	272
Elem Walks	8	-	-	(8)	-
Elem Ticket Store	980	3,129	2,530	-	1,579
	<u>21,480</u>	<u>9,094</u>	<u>9,333</u>	<u>(8)</u>	<u>21,233</u>
<u>Miscellaneous:</u>					
Pop Machines	3,177	9,778	9,550	-	3,405
Sandpoint Fund	30	-	-	(30)	-
Bus Barn Pop	289	58	187	-	160
Student of the Month	121	239	211	-	149
Spanish Trip	15	-	-	-	15
Pennies for Patients	-	505	505	-	-
Hometown Days	16	-	-	-	16
Interest Checking	324	147	161	-	310
School Nurse Fund	6,127	775	328	-	6,574
	<u>10,099</u>	<u>11,502</u>	<u>10,942</u>	<u>(30)</u>	<u>10,629</u>
Total	<u>\$ 115,620</u>	<u>322,635</u>	<u>310,673</u>	<u>-</u>	<u>127,582</u>

WAPELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 3,451	1,758	2,339	2,870
<b>Liabilities</b>				
Due to other groups	\$ 3,451	1,758	2,339	2,870

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,437,226	3,477,597	3,469,688	3,440,859	3,192,897	3,358,514	3,046,344	2,873,859	2,424,992
Tuition	234,223	211,213	209,779	151,993	171,800	176,768	215,080	196,802	195,142
Other	415,505	426,312	406,404	383,733	453,729	442,145	422,413	424,466	333,130
State sources	4,508,363	4,144,326	3,626,844	4,347,592	4,219,007	4,098,662	3,834,209	3,446,281	3,158,613
Federal sources	396,569	488,342	585,785	269,075	222,304	204,199	221,391	193,239	210,696
Total	\$ 8,991,886	8,747,790	8,298,500	8,593,252	8,259,737	8,280,288	7,739,437	7,134,647	6,322,573
Expenditures:									
Current:									
Instruction:									
Regular	\$ 3,596,694	3,540,026	3,540,140	3,684,116	3,507,759	3,407,171	3,124,319	3,028,768	2,875,548
Special	1,216,504	1,139,305	1,086,232	879,598	906,180	870,521	958,535	999,754	863,058
Other	1,041,579	1,097,280	1,147,125	986,133	1,057,949	1,024,131	1,035,072	786,460	690,738
Support services:									
Student	139,147	125,968	123,859	104,190	117,735	127,343	117,265	105,746	98,238
Instructional staff	69,418	71,746	73,466	68,016	66,246	76,407	59,603	69,495	103,643
Administration	695,030	681,362	667,032	664,170	658,873	618,373	614,171	611,608	525,707
Operation and maintenance of plant	525,272	519,866	583,198	503,711	650,469	635,163	664,509	459,932	406,687
Transportation	331,034	471,900	305,753	394,984	359,840	345,497	317,789	368,999	314,209
Capital outlay	1,200,920	1,280,311	613,948	1,483,681	358,708	46,635	55,207	3,509	186,239
Long-term debt:									
Principal	388,263	303,159	289,416	222,691	218,886	159,102	153,158	204,865	129,462
Interest and fiscal charges	100,783	20,877	32,749	35,395	44,823	46,490	53,805	61,871	59,824
Other expenditures:									
AEA flow-through	287,363	313,414	311,759	291,503	275,760	271,268	248,746	227,703	221,144
Total	\$ 9,592,007	9,565,214	8,774,677	9,318,188	8,223,228	7,628,101	7,402,179	6,928,710	6,474,497

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAPELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Agriculture:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY12	\$ 39,825
National School Lunch Program	10.555	FY12	166,568 *
Summer Food Service Program for Children	10.559	FY12	4,522
			<u>210,915</u>
U.S. Department of Defense:			
Iowa Department of Public Defense:			
Flood Control Projects	12.106	FY12	390
U.S. Department of Justice:			
Iowa Department of Justice:			
Drug-Free Communities Support Program Grants	16.729	FY12	10,387
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	2,898
Title I Grants to Local Educational Agencies	84.010	FY12	123,938
			<u>126,836 **</u>
Career and Technical Education - Basic Grants to States	84.048	FY12	7,925
English Language Acquisition State Grants	84.365	FY12	3,322
Improving Teacher Quality State Grants	84.367	FY12	28,304
Grants for State Assessments and Related Activities	84.369	FY11	660
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	21,569 **
Education Jobs Fund	84.410	FY11	153,625
Education Jobs Fund	84.410	FY12	2,274
			<u>155,899</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY12	41,175
Total			<u>\$ 607,382</u>

\* - Includes \$17,482 of non-cash awards.

\*\* - Total for Title I, Part A Cluster is \$148,405.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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  
Wapello Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wapello Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 21, 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 Wapello Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wapello Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wapello Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wapello Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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 II of the accompanying Schedule of Findings and Questioned Costs as item II-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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12, II-C-12 and II-D-12 to be significant deficiencies.

Compliance and Other Matters

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

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

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

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

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

  
NOLTE, CORMAN & JOHNSON, P.C.

March 21, 2013

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

To the Board of Education of  
Wapello Community School District:

Compliance

We have audited Wapello Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Wapello Community School District's major federal programs for the year ended June 30, 2012. Wapello Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Wapello Community School District's management. Our responsibility is to express an opinion on Wapello Community School District's compliance based on our audit.

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

In our opinion, Wapello Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

Wapello Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit Wapello Community School District's response and, accordingly, we express no opinion on it.

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 21, 2013

WAPELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.559 - Summer Food Service Program for Children
  - CFDA Number 84.410 - Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Wapello Community School District did not qualify as a low-risk auditee.

WAPELLO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

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

INSTANCES OF NON- COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - The District will review its control procedures and look for ways to gain additional segregation of duties within the District.

Conclusion - Response accepted.

II-B-12 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for performances and athletic events that require an admission fee. Individuals collecting cash at District events do not have a process for reconciling the number of people admitted to the event to the amount of cash collected for the event.

Recommendation -The District's Board of Directors should develop internal control procedures for handling cash for all events that the District charges an admission fee. The Board of directors should involve the District's business office staff in developing detailed procedures for handling cash before and after District events. Once the Board of Directors has approved these procedures, the procedures should be communicated and followed by persons involved in cash collection at District events. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.

- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District has implemented new procedures for Gate Admissions by using many of the suggestions offered in this report. The District will review these recommendations and implement further changes as needed upon review of these recommendations.

Conclusion - Response accepted.

II-C-12 Supporting Documentation - We noted a disbursement made from a statement identified as direct billing, however, the supporting documentation did not include the actual invoices to support the statement. Without the actual invoices, the District is unable to determine if the costs are appropriate.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice with a purchase order. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - The District will review current procedures to ensure that all bills are paid from invoices with approved purchase orders. The district will also look to establish a procedure to allow for payment of bills when the original invoice is not available such as requiring additional approval or support documentation other than the invoice.

Conclusion - Response accepted.

II-D-12 Personal Credit Card Usage - We noted that the District has P-cards and credit cards which may be checked out for use by employees. We noted however, that reimbursements to employees for expenses paid appeared to include high amounts charged on their personal credit cards. Although the expenses paid as reimbursements appeared to be appropriate, the amounts of charges reimbursed appeared to be excessive. We noted at least one individual who received reimbursements in excess of \$8,500.

Recommendation - The District should review their procedures and make changes as necessary. It may be unreasonable for the District to expect that level of expenses incurred from an employee.

Response - The District has made all employees aware that district P-Cards are to be used for purchases that require a credit card.

Conclusion - Response accepted.

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

**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program  
CFDA Number 10.559 - Summer Food Service Program for Children  
Federal Award Year: 2012  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 84.410 - Education Jobs Fund  
Federal Award Year: 2011/2012  
U.S. Department of Education  
Passed through the Iowa Department of Education

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

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

Response - The District will review its control procedures and look for ways to gain additional segregation of duties within the District.

Conclusion - Response accepted.

WAPELLO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2012

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

IV-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 did not exceed the certified budgeted amounts in any of the functional areas.

IV-B-12 Questionable Disbursements - No disbursements that do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.

IV-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.

IV-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Duane Boyson, Board Member Owns JD's Irish Ivy Owns Long Creek Candle Company	Supplies Fundraiser supplies	\$834 \$2,418
John Vandenberg, Teacher Spouse owns Veas Tees	Supplies	\$1,170
Eric Small, Board Secretary Sister owns Stitches and Cream	Supplies	\$57
Lora Earnest, Teacher Spouse owns Earnest Insurance	Services	\$96,322

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

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the District's Board Member do appear to represent a conflict of interest.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over \$2,500. The District should contact legal counsel to determine how to resolve the matter.

Response - The District will consult with legal counsel to determine the best resolution for this matter.

Conclusion - Response accepted.

IV-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.

- IV-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students which were reported was understated by 0.44 students.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter
- Conclusion - Response accepted.
- IV-H-12 Supplementary Weighting – No variances in basic enrollment data certified to the Iowa Department of Education were noted
- IV-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.
- IV-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.
- IV-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,627,265
Revenues:		
Sales tax revenues	\$ 574,659	
Other local revenues	1,856	576,515
		<u>2,203,780</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 1,156,604	
Equipment	23,775	
Other	16,673	
Transfers to other funds:		
Debt service fund	409,103	1,606,155
		<u>1,606,155</u>
Ending Balance		<u>\$ 597,625</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-12 Corrective Transfer- We noted during our audit that the District did not make a requested corrective transfer from the fiscal year 2010 audit. The District had purchased various items totaling \$17,056.56 from the Capital Projects: Physical Plant and Equipment Levy (PPEL) Fund which did not appear to be in compliance with Chapter 298.3 of the Code of Iowa. We also noted that the District purchased service agreements totaling \$6,677.56 from the Capital Projects: Physical Plant and Equipment Levy Fund in the current year which did not appear to be in compliance with Chapter 298.3 of the Code of Iowa.

Recommendation - The District should make a corrective transfer from the General Fund to the PPEL Fund for \$23,734.12. The District should review their procedures to ensure that purchases made from the Capital Projects: Physical Plant and Equipment Fund are in compliance with Chapter 298.3 of the Code of Iowa.

Response - The District will make a corrective transfer from the General Fund to the PPEL Fund in the amount of \$23,734.12 and make future service contract payments from the General Fund.

Conclusion - Response accepted.

IV-N-12 Deficit Balances - Four student activity accounts had deficit balances at June 30, 2012 totaling \$15,705. The District also had deficit net assets of \$7,981 in the Day Care Fund.

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

Response - The District will continue to look for ways to reduce the deficit balances in the Student Activity Fund. The District will also request a transfer of funds to cover the deficit balance in the Day Care Fund through the School Budget Review Committee.

Conclusion - Response accepted.

IV-O-12 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

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

Response - The District will review the Outstanding Check List and turn over unclaimed property to the State Treasurer, prior to November 1, 2013.

Conclusion - Response accepted.

IV-P-12 Copier Lease- We noted during our audit that a copier lease agreement was signed by the District Secretary. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with 291.1 of the Code of Iowa.

Response - The District will have the Board President sign all contracts entered into by the District in the future.

Conclusion - Response accepted.

IV-Q-12 Student Activity Fund - During our audit concerns arose about certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program.

**Donations** - We noted donations from Target were recorded in the Student Activity Fund.

Recommendation - Target donations are undesignated. Therefore, the Target donations would be more appropriately deposited in and expended from the General Fund.

Response - The District will watch for donations that come into the District and deposit them in the correct fund upon receipt.

Conclusion - Response accepted.

**Scholarships** - We noted that the District paid FFA scholarships from the FFA club account within the Student Activity Fund even though the District's Private Purpose Trust Fund also includes an FFA account.

Recommendation - When fundraising takes place, the District should deposit the proceeds into the appropriate fund. Moneys fundraised for scholarships should be receipted and expensed from the Private Purpose Trust Fund. Furthermore, scholarships should not be paid from the Student Activity Fund as those expenses are not extracurricular or co-curricular in nature.

Response - The Scholarships will be paid from the Private Purpose Trust Fund in the future and not the Student Activity Fund.

Conclusion - Response accepted.

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

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

Response - Administratively Maintained Accounts will be reviewed and moved to the appropriate fund. Accounts will be corrected and transferred to the proper fund where monies can be receipted and expended.

Conclusion - Response accepted.