

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

JUNE 30, 2012

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Wayne Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Bill Homann	President	2015
Todd Wilson	Vice President	2013
John Allen	Board Member	2015
David Brennecke	Board Member	2013
Diane Kelly	Board Member	2015
School Officials		
Dave Daughton	Superintendent	2012
Denise Larson	District Secretary/Treasurer and Business Manager	2012
Verle Norris	Attorney	2012

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

Independent Auditor's Report

To the Board of Education of
Wayne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District, Corydon, 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 Wayne 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 November 16, 2012 on our consideration of Wayne Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Members American Institute & Iowa Society of Certified Public Accountants

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne Community School District's basic financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

November 16, 2012

WAYNE COMMUNITY SCHOOL DISTRICT



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the District was consolidated with Lineville-Clio Community School District, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues were \$6,855,370 in fiscal 2012, while General Fund expenditures were \$5,637,290. This resulted in an increase in the District's General Fund balance of \$1,218,080 during the year ended June 30, 2012.
- The District's solvency ratio was 35.21% 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 Wayne Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

Figure A-1
Wayne Community School District Annual Financial Report

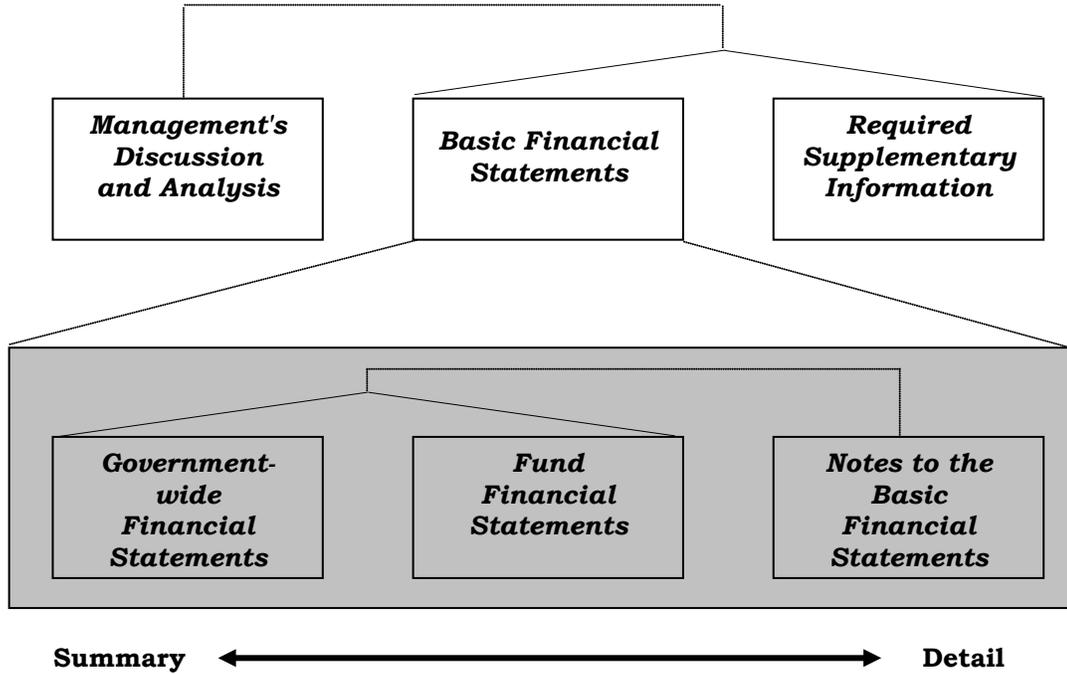


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Figure A-3 Condensed Statement of Net Assets		
	Governmental Activities	Business Type Activities	Total District
	June 30, 2012	June 30, 2012	June 30, 2012
Current and other assets	\$ 7,863,416	89,276	7,952,692
Capital assets	3,691,853	29,205	3,721,058
Total assets	<u>11,555,269</u>	<u>118,481</u>	<u>11,673,750</u>
Long-term obligations	1,067,654	2,429	1,070,083
Other liabilities	3,431,940	3,567	3,435,507
Total liabilities	<u>4,499,594</u>	<u>5,996</u>	<u>4,505,590</u>
Net assets:			
Invested in capital assets, net of related debt	2,836,853	29,205	2,866,058
Restricted	1,744,295	-	1,744,295
Unrestricted	2,474,527	83,280	2,557,807
Total net assets	<u>\$ 7,055,675</u>	<u>112,485</u>	<u>7,168,160</u>

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

	Figure A-4		
	Changes of Net Assets		
	Governmental Activities	Business Type Activities	Total District
	2012	2012	2012
Revenues:			
Program revenues:			
Charges for service	\$ 421,762	131,228	552,990
Operating grants and contributions and restricted interest	602,186	181,130	783,316
Capital grants and contributions and restricted interest	22,857	7,572	30,429
General revenues:			
Property tax	2,913,749	-	2,913,749
Income surtax	159,040	-	159,040
Statewide sales, services and use tax	445,664	-	445,664
Unrestricted state grants	3,199,909	-	3,199,909
Nonspecific program federal revenues	56,768	-	56,768
Unrestricted investment earnings	69,289	1,510	70,799
Other general revenue	128,327	1,205	129,532
Total revenues	<u>8,019,551</u>	<u>322,645</u>	<u>8,342,196</u>
Program expenses:			
Governmental activities:			
Instructional	4,309,541	-	4,309,541
Support services	1,727,194	3,020	1,730,214
Non-instructional programs	-	280,033	280,033
Other expenses	524,723	-	524,723
Total expenses	<u>6,561,458</u>	<u>283,053</u>	<u>6,844,511</u>
Change in net assets	1,458,093	39,592	1,497,685
Net assets beginning of year, as restated	<u>5,597,582</u>	<u>72,893</u>	<u>5,670,475</u>
Net assets end of year	<u>\$ 7,055,675</u>	<u>112,485</u>	<u>7,168,160</u>

In fiscal 2012, property tax, statewide sales, services and use tax, income surtax, and unrestricted state grants accounted for 83.77% of the revenue from governmental activities while charges for service and operating grants, contributions, and unrestricted interest accounted for 96.81% of the revenue from business type activities.

The District's total revenues were \$8,342,196 of which \$8,019,551 was for governmental activities and \$322,645 was for business type activities.

Governmental Activities

Revenues for governmental activities were \$8,019,551 and expenses were \$6,561,458 for the year ended June 30, 2012. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2012.

Figure A-5		
Total and Net Cost of Governmental Activities		
	Total Cost of Services	Net Cost of Services
	2012	2012
Instruction	\$ 4,309,541	3,516,394
Support services	1,727,194	1,697,773
Other expenses	524,723	300,486
Totals	<u>\$ 6,561,458</u>	<u>5,514,653</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$421,762.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$625,043.
- The net cost of governmental activities was financed with \$2,913,749 in property tax, \$445,664 in statewide sales, services and uses tax, \$159,040 in income surtax, \$3,199,909 in unrestricted state grants, \$69,289 in interest income, \$56,768 in non-specific program federal revenues, and \$128,327 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$322,645 and expenses were \$283,053. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, contributed capital, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,266,413.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,602,196 on July 1, 2011 to \$2,820,276 on June 30, 2012. The fluctuation in the District's General Fund financial position is the product of many factors. Increases in local tax and state grant revenue led to an increase in revenues. Revenues outpaced expenditures ensuring the increase in the District's financial position.
- The Capital Projects Fund balance increased from \$678,695 at July 1, 2011, to \$848,797 at June 30, 2012.
- The Debt Service Fund balance increased slightly from \$56,355 at July 1, 2011 to \$60,787 at June 30, 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$72,893 at July 1, 2011 to \$112,485 at June 30, 2012.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$285,117 less than total budgeted revenues, a variance of approximately 3.30%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District 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 \$3,721,058, 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 3 to the financial statements. Depreciation expense for the year was \$342,440.

The original cost of the District's capital assets was \$10,440,161. Governmental funds account for \$10,234,101 with the remainder of \$206,060 in the Proprietary, School Nutrition Fund.

	Figure A-6 Capital Assets, Net of Depreciation		
	Governmental Activities	Business Type Activities	Total District
	June 30, 2012	June 30, 2012	June 30, 2012
Land	\$ 187,500	-	187,500
Buildings	3,139,735	-	3,139,735
Land improvements	44,502	-	44,502
Machinery and equipment	320,116	29,205	349,321
Total	<u>\$ 3,691,853</u>	<u>29,205</u>	<u>3,721,058</u>

Long-Term Debt

At June 30, 2012, the District had \$1,070,083 in total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonds payable of \$855,000 at June 30, 2012.

The District had early retirement payable of \$108,078 at June 30, 2012.

The District had net OPEB liability payable of \$107,005 at June 30, 2012; \$104,576 is attributable to governmental activities while \$2,429 is attributable to business type activities.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Governmental Activities	Business Type Activities	Total District
	June 30, 2012	June 30, 2012	June 30, 2012
General obligation bonds	\$ 855,000	-	855,000
Early retirement	108,078	-	108,078
Net OPEB liability	104,576	2,429	107,005
Total	<u>\$ 1,067,654</u>	<u>2,429</u>	<u>1,070,083</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The national recession that has adversely impacted the state of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid (allowable growth) to schools will be based on the condition of the state and national economies. Given the current financial status of the State of Iowa, there is a possibility that the state aid rate will be reduced for the fiscal 2013 year.
- On July 1, 2012, the IPERS increase to 8.67% will increase the Wayne Community Schools employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal year 2014.
- Low allowable growth over several years and enrollment decreases may negatively impact the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

WAYNE COMMUNITY SCHOOL DISTRICT



BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,668,610	81,268	4,749,878
Receivables:			
Property tax:			
Delinquent	54,409	-	54,409
Succeeding year	2,689,269	-	2,689,269
Income surtax	168,119	-	168,119
Accounts	1,889	851	2,740
Due from other governments	281,120	-	281,120
Inventories	-	7,157	7,157
Capital assets, net of accumulated depreciation	3,691,853	29,205	3,721,058
Total assets	11,555,269	118,481	11,673,750
Liabilities			
Accounts payable	165,483	3,567	169,050
Salaries and benefits payable	569,686	-	569,686
Interest payable	3,056	-	3,056
Deferred revenue:			
Succeeding year property tax	2,689,269	-	2,689,269
Other	4,446	-	4,446
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	275,000	-	275,000
Early retirement	78,653	-	78,653
Portion due after one year:			
General obligation bonds	580,000	-	580,000
Early retirement	29,425	-	29,425
Net OPEB liability	104,576	2,429	107,005
Total liabilities	4,499,594	5,996	4,505,590
Net Assets			
Invested in capital assets, net of related debt	2,836,853	29,205	2,866,058
Restricted for:			
Categorical funding	406,236	-	406,236
Management levy purposes	307,314	-	307,314
Student activities	121,161	-	121,161
Debt service	60,787	-	60,787
School infrastructure	764,373	-	764,373
Physical plant and equipment	84,424	-	84,424
Unrestricted	2,474,527	83,280	2,557,807
Total net assets	\$ 7,055,675	112,485	7,168,160

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,529,811	193,843	112,729	-	(2,223,239)	-	(2,223,239)
Special	820,216	37,704	104,749	-	(677,763)	-	(677,763)
Other	959,514	184,019	160,103	-	(615,392)	-	(615,392)
	<u>4,309,541</u>	<u>415,566</u>	<u>377,581</u>	<u>-</u>	<u>(3,516,394)</u>	<u>-</u>	<u>(3,516,394)</u>
Support services:							
Student	67,933	-	-	-	(67,933)	-	(67,933)
Instructional staff	116,830	-	-	-	(116,830)	-	(116,830)
Administration	576,790	-	-	-	(576,790)	-	(576,790)
Operation and maintenance of plant	652,882	-	-	22,857	(630,025)	-	(630,025)
Transportation	312,759	6,196	368	-	(306,195)	-	(306,195)
	<u>1,727,194</u>	<u>6,196</u>	<u>368</u>	<u>22,857</u>	<u>(1,697,773)</u>	<u>-</u>	<u>(1,697,773)</u>
Other expenses:							
Long-term debt interest	46,747	-	-	-	(46,747)	-	(46,747)
AEA flowthrough	224,237	-	224,237	-	-	-	-
Depreciation(unallocated)*	253,739	-	-	-	(253,739)	-	(253,739)
	<u>524,723</u>	<u>-</u>	<u>224,237</u>	<u>-</u>	<u>(300,486)</u>	<u>-</u>	<u>(300,486)</u>
Total governmental activities	<u>6,561,458</u>	<u>421,762</u>	<u>602,186</u>	<u>22,857</u>	<u>(5,514,653)</u>	<u>-</u>	<u>(5,514,653)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	3,020	-	-	-	-	(3,020)	(3,020)
	<u>3,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,020)</u>	<u>(3,020)</u>
Non-instructional programs:							
Food service operations	280,033	131,228	181,130	7,572	-	39,897	39,897
Total business type activities	<u>283,053</u>	<u>131,228</u>	<u>181,130</u>	<u>7,572</u>	<u>-</u>	<u>36,877</u>	<u>36,877</u>
Total	\$ <u>6,844,511</u>	<u>552,990</u>	<u>783,316</u>	<u>30,429</u>	<u>(5,514,653)</u>	<u>36,877</u>	<u>(5,477,776)</u>
General Revenues:							
Local tax levied for:							
General purposes					\$ 2,535,763	-	2,535,763
Debt service					318,748	-	318,748
Capital outlay					59,238	-	59,238
Income surtax					159,040	-	159,040
Statewide sales, services and use tax					445,664	-	445,664
Unrestricted state grants					3,199,909	-	3,199,909
Nonspecific program federal revenues					56,768	-	56,768
Unrestricted investment earnings					69,289	1,510	70,799
Other					128,327	1,205	129,532
Total general revenues					<u>6,972,746</u>	<u>2,715</u>	<u>6,975,461</u>
Changes in net assets					1,458,093	39,592	1,497,685
Net assets beginning of year, as restated					5,597,582	72,893	5,670,475
Net assets end of year					\$ <u>7,055,675</u>	<u>112,485</u>	<u>7,168,160</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 3,390,006	54,835	680,280	543,489	4,668,610
Receivables:					
Property tax:					
Delinquent	44,780	5,952	1,106	2,571	54,409
Succeeding year	2,000,021	480,518	58,730	150,000	2,689,269
Income surtax	168,119	-	-	-	168,119
Accounts	1,889	-	-	-	1,889
Due from other governments	110,337	-	170,783	-	281,120
Total assets	\$ 5,715,152	541,305	910,899	696,060	7,863,416
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 152,604	-	3,372	9,507	165,483
Salaries and benefits payable	569,686	-	-	-	569,686
Deferred revenue:					
Succeeding year property tax	2,000,021	480,518	58,730	150,000	2,689,269
Income surtax	168,119	-	-	-	168,119
Other	4,446	-	-	-	4,446
Total liabilities	2,894,876	480,518	62,102	159,507	3,597,003
Fund balances:					
Restricted for:					
Categorical funding	406,236	-	-	-	406,236
Management levy purposes	-	-	-	415,392	415,392
Student activities	-	-	-	121,161	121,161
Debt service	-	60,787	-	-	60,787
School infrastructure	-	-	764,373	-	764,373
Physical plant and equipment	-	-	84,424	-	84,424
Unassigned	2,414,040	-	-	-	2,414,040
Total fund balances	2,820,276	60,787	848,797	536,553	4,266,413
Total liabilities and fund balances	\$ 5,715,152	541,305	910,899	696,060	7,863,416

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 4,266,413
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	3,691,853
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	168,119
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.	(3,056)
Long-term liabilities, including general obligation bonds payable, early retirement payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,067,654)</u>
Net assets of governmental activities(page 18)	<u>\$ 7,055,675</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,578,498	318,748	504,902	137,679	3,539,827
Tuition	211,339	-	-	-	211,339
Other	203,456	3,256	18,394	201,581	426,687
State sources	3,466,804	-	-	-	3,466,804
Federal sources	379,411	-	16,857	-	396,268
Total revenues	<u>6,839,508</u>	<u>322,004</u>	<u>540,153</u>	<u>339,260</u>	<u>8,040,925</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,464,871	-	-	67,716	2,532,587
Special	813,032	-	-	-	813,032
Other	770,708	-	-	179,991	950,699
	<u>4,048,611</u>	<u>-</u>	<u>-</u>	<u>247,707</u>	<u>4,296,318</u>
Support services:					
Student	67,089	-	-	-	67,089
Instructional staff	112,481	-	-	-	112,481
Administration	535,662	-	-	-	535,662
Operation and maintenance of plant	379,618	-	-	135,824	515,442
Transportation	269,592	-	43,000	14,250	326,842
	<u>1,364,442</u>	<u>-</u>	<u>43,000</u>	<u>150,074</u>	<u>1,557,516</u>
Other expenditures:					
Facilities acquisitions	-	-	330,151	-	330,151
Long-term debt:					
Principal	-	270,000	-	-	270,000
Interest and fiscal charges	-	47,572	-	-	47,572
AEA flowthrough	224,237	-	-	-	224,237
	<u>224,237</u>	<u>317,572</u>	<u>330,151</u>	<u>-</u>	<u>871,960</u>
Total expenditures	<u>5,637,290</u>	<u>317,572</u>	<u>373,151</u>	<u>397,781</u>	<u>6,725,794</u>
Excess(Deficiency) of revenues over(under) expenditures	1,202,218	4,432	167,002	(58,521)	1,315,131
Other financing sources:					
Sale of equipment	15,862	-	-	-	15,862
Proceeds from the sale of real property	-	-	3,100	-	3,100
Total other financing sources	<u>15,862</u>	<u>-</u>	<u>3,100</u>	<u>-</u>	<u>18,962</u>
Net change in fund balances	1,218,080	4,432	170,102	(58,521)	1,334,093
Fund balances beginning of year, as restated	1,602,196	56,355	678,695	595,074	2,932,320
Fund balances end of year	<u>\$ 2,820,276</u>	<u>60,787</u>	<u>848,797</u>	<u>536,553</u>	<u>4,266,413</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 1,334,093

**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. Depreciation expense and loss on disposal exceeded capital outlays in the current year as follows:

Capital outlays	\$ 264,538	
Depreciation expense	(336,978)	
Loss on disposal of capital assets	(15,224)	(87,664)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 270,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 825

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (21,374)

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	\$ (3,266)	
Other postemployment benefits	(34,521)	(37,787)

Change in net assets of governmental activities(page 19) \$ 1,458,093

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>School Nutrition</u>
Assets	
Cash and pooled investments	\$ 81,268
Accounts receivable	851
Inventories	7,157
Capital assets, net of accumulated depreciation	29,205
Total assets	<u>118,481</u>
Liabilities	
Accounts payable	3,567
Net OPEB liability	2,429
Total liabilities	<u>5,996</u>
Net Assets	
Invested in capital assets	29,205
Unrestricted	83,280
Total net assets	<u>\$ 112,485</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 131,228
Miscellaneous	1,205
Total operating revenues	132,433
Operating expenses:	
Support services:	
Operation and maintenance of plant	3,020
Non-instructional programs:	
Food service operations:	
Salaries	81,725
Benefits	26,915
Services	5,235
Supplies	160,149
Depreciation	5,462
Other	547
Total operating expenses	283,053
Operating loss	(150,620)
Non-operating revenues(expenses):	
State sources	2,721
Federal sources	178,409
Interest income	1,510
Total non-operating revenues(expenses)	182,640
Net income before contributions	32,020
Capital contributions	7,572
Change in net assets	39,592
Net assets beginning of year, as restated	72,893
Net assets end of year	\$ 112,485

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 131,138
Cash received from miscellaneous	1,205
Cash payments to employees for services	(108,645)
Cash payments to suppliers for goods or services	(151,341)
Net cash used in operating activities	(127,643)
Cash flows from non-capital financing activities:	
State grants received	2,721
Federal grants received	167,154
Net cash provided by non-capital financing activities	169,875
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,960)
Cash flows from investing activities:	
Interest on investments	1,510
Net increase in cash and cash equivalents	41,782
Cash and cash equivalents at beginning of year	39,486
Cash and cash equivalents at end of year	\$ 81,268
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (150,620)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	11,255
Depreciation	5,462
Decrease in inventories	3,850
Decrease in accounts receivable	71
Increase in accounts payable	2,505
Decrease in salaries and benefits payable	(689)
Increase in other postemployment benefits	684
Decrease in unearned revenue	(161)
Net cash used in operating activities	\$ (127,643)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$11,255 of federal commodities.

During the year ended June 30, 2012, the Nutrition Fund received capital contributions of \$7,572 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

WAYNE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and

instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$32,867 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) Capital Assets

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

	Balance Beginning of Year, as restated (Note 11)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,500	165,000	-	187,500
Total capital assets not being depreciated	<u>22,500</u>	<u>165,000</u>	<u>-</u>	<u>187,500</u>
Capital assets being depreciated:				
Buildings	8,602,739	-	-	8,602,739
Land improvements	278,636	17,317	-	295,953
Machinery and equipment	1,372,904	82,221	119,716	1,335,409
Total capital assets being depreciated	<u>10,254,279</u>	<u>99,538</u>	<u>119,716</u>	<u>10,234,101</u>
Less accumulated depreciation for:				
Buildings	5,215,413	247,591	-	5,463,004
Land improvements	245,303	6,148	-	251,451
Machinery and equipment	1,036,546	83,239	104,492	1,015,293
Total accumulated depreciation	<u>6,497,262</u>	<u>336,978</u>	<u>104,492</u>	<u>6,729,748</u>
Total capital assets being depreciated, net	<u>3,757,017</u>	<u>(237,440)</u>	<u>15,224</u>	<u>3,504,353</u>
Governmental activities capital assets, net	<u>\$ 3,779,517</u>	<u>(72,440)</u>	<u>15,224</u>	<u>3,691,853</u>
Business type activities:				
Machinery and equipment	\$ 196,528	9,532	-	206,060
Less accumulated depreciation	171,393	5,462	-	176,855
Business type activities capital assets, net	<u>\$ 25,135</u>	<u>4,070</u>	<u>-</u>	<u>29,205</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 10,106
Other		8,815
Support services:		
Instructional staff		3,850
Administration		226
Operation and maintenance of plant		8,151
Transportation		52,091
		<u>83,239</u>
Unallocated depreciation		<u>253,739</u>
		<u>\$ 336,978</u>
Business type activities:		
Food services		<u>\$ 5,462</u>

(4) Long-Term Liabilities

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

	Balance Beginning of Year, as restated (Note 11)	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,125,000	-	270,000	855,000	275,000
Early retirement	104,812	63,928	60,662	108,078	78,653
Net OPEB liability	70,055	34,521	-	104,576	-
				<u>1,067,654</u>	<u>353,653</u>
Total	\$ 1,299,867	98,449	330,662	1,067,654	353,653
Business type activities:					
Net OPEB liability	\$ 1,745	684	-	2,429	-

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2013	3.75 %	\$ 230,000	8,625	<u>238,625</u>

Year	Bond Issue of June 1, 2003				
	Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.00	% \$	45,000	28,048	73,048
2014	4.10		50,000	26,247	76,247
2015	4.20		50,000	24,198	74,198
2016	4.30		50,000	22,097	72,097
2017	4.40		55,000	19,948	74,948
2018	4.50		55,000	17,527	72,527
2019	4.60		60,000	15,053	75,053
2020	4.65		60,000	12,292	72,292
2021	4.70		65,000	9,503	74,503
2022	4.75		65,000	6,447	71,447
2023	4.80		70,000	3,360	73,360
Total			\$ 625,000	184,720	809,720

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. The District will pay the retiree an incentive based upon the retiree's current salary and years of service to the District. The early retirement incentive will be paid in four semi-annual installments toward a tax deferred compensation plan. The District paid \$60,662 in early retirement benefits during the year ended June 30, 2012.

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$287,396, \$247,993, and \$238,195 respectively, equal to the required contributions for each year.

(6) Other Postemployment Benefits(OPEB)

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

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

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

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

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

Annual required contribution	\$ 43,267
Interest on net OPEB obligation	1,695
Adjustment to annual required contribution	(3,284)
Annual OPEB cost	<u>41,678</u>
Contributions made	<u>(6,473)</u>
Increase in net OPEB obligation	35,205
Net OPEB obligation beginning of year	71,800
Net OPEB obligation end of year	<u><u>\$ 107,005</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$6,473 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	\$ 37,267	15.02%	\$ 31,669
2011	38,070	5.09	67,800
2012	41,678	15.53	107,005

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 \$358,292, with no actuarial value of assets, resulting in an

unfunded actuarial accrued liability (UAAL) of \$358,292. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,838,374, and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

(7) Risk Management

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational

services provided through the area education agency. The District's actual amount for this purpose totaled \$224,237 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.

(9) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2012 are broken out by the following projects:

Project	Amount
Home School Assistance Program	\$ 124,651
Returning Dropouts and Dropout Prevention Programs	44,337
Four-year-old Preschool State Aid	105,828
Teacher Salary Supplement	32,498
Beginning Administrator Mentoring and Induction Program	1,866
Professional Development for Model Core Curriculum	31,409
Professional Development	65,647
Total	\$ 406,236

(10) Operating Lease

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

Year Ended June 30,	Amount
2013	26,351
2014	26,351
2015	19,763
Total	\$ 72,465

(11) Combination of Lineville-Clio Community School District Restatement

The School Districts of Wayne and Lineville-Clio combined to form a new district, Wayne Community School District, effective July 1, 2011. All assets and liabilities were assumed by the newly formed district. The beginning balances have been restated to reflect this merger as follows:

	Fund Balance	Income Surtax Receivable	Capital Assets, Net of Accumulated Depreciation	Long-term Liabilities	Interest Payable	Total Net Assets
Combination of Governmental Activities:						
Net assets, June 30, 2011						
Wayne	\$ 2,426,290	165,341	2,936,996	(626,073)	(1,394)	4,901,160
Lineville-Clio	506,030	24,152	842,521	(673,794)	(2,487)	696,422
Net assets, July 1, 2011, as restated	\$ 2,932,320	189,493	3,779,517	(1,299,867)	(3,881)	5,597,582

	July 1, 2010	Revenues	Expenses	June 30, 2011
Governmental Funds:				
General Fund:				
Wayne	\$ 989,727	5,840,096	5,344,884	1,484,939
Lineville-Clio	(58,208)	1,058,688	883,223	117,257
	<u>931,519</u>	<u>6,898,784</u>	<u>6,228,107</u>	<u>1,602,196</u>
Student Activity Fund:				
Wayne	72,781	183,540	153,300	103,021
Lineville-Clio	20,047	8,244	12,375	15,916
	<u>92,828</u>	<u>191,784</u>	<u>165,675</u>	<u>118,937</u>
Management Fund:				
Wayne	294,931	139,662	110,228	324,365
Lineville-Clio	32,582	141,556	22,366	151,772
	<u>327,513</u>	<u>281,218</u>	<u>132,594</u>	<u>476,137</u>
Capital Projects: Statewide Sales, Services and Use Tax				
Wayne	216,856	371,571	181,383	407,044
Lineville-Clio	79,079	59,075	30,000	108,154
	<u>295,935</u>	<u>430,646</u>	<u>211,383</u>	<u>515,198</u>
Capital Projects: Physical Plant and Equipment Levy				
Wayne	12,769	47,073	6,768	53,074
Lineville-Clio	91,179	21,659	2,415	110,423
	<u>103,948</u>	<u>68,732</u>	<u>9,183</u>	<u>163,497</u>
Debt Service Fund:				
Wayne	56,558	242,164	244,875	53,847
Lineville-Clio	2,975	76,630	77,097	2,508
	<u>59,533</u>	<u>318,794</u>	<u>321,972</u>	<u>56,355</u>
Total Governmental Funds	<u>\$ 1,811,276</u>	<u>8,189,958</u>	<u>7,068,914</u>	<u>2,932,320</u>
Proprietary Fund:				
School Nutrition Fund				
Wayne	\$ 48,910	316,516	272,916	92,510
Lineville-Clio	(15,294)	17,346	21,669	(19,617)
	<u>\$ 33,616</u>	<u>333,862</u>	<u>294,585</u>	<u>72,893</u>

WAYNE COMMUNITY SCHOOL DISTRICT



REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,177,853	133,943	4,311,796	4,214,372	4,214,372	97,424
State sources	3,466,804	2,721	3,469,525	3,681,743	3,681,743	(212,218)
Federal sources	396,268	178,409	574,677	745,000	745,000	(170,323)
Total revenues	<u>8,040,925</u>	<u>315,073</u>	<u>8,355,998</u>	<u>8,641,115</u>	<u>8,641,115</u>	<u>(285,117)</u>
Expenditures/Expenses:						
Instruction	4,296,318	-	4,296,318	5,450,828	5,450,828	1,154,510
Support services	1,557,516	3,020	1,560,536	4,546,174	4,546,174	2,985,638
Non-instructional programs	-	280,033	280,033	450,000	450,000	169,967
Other expenditures	871,960	-	871,960	1,064,435	1,064,435	192,475
Total expenditures/expenses	<u>6,725,794</u>	<u>283,053</u>	<u>7,008,847</u>	<u>11,511,437</u>	<u>11,511,437</u>	<u>4,502,590</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,315,131	32,020	1,347,151	(2,870,322)	(2,870,322)	4,217,473
Other financing sources, net	18,962	7,572	26,534	-	-	26,534
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,334,093	39,592	1,373,685	(2,870,322)	(2,870,322)	4,244,007
Balances beginning of year, as restated	2,932,320	72,893	3,005,213	2,936,895	2,936,895	68,318
Balances end of year	<u>\$ 4,266,413</u>	<u>112,485</u>	<u>4,378,898</u>	<u>66,573</u>	<u>66,573</u>	<u>4,312,325</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE 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 comparisons for the General Fund and each major Special Revenue Fund.

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 358,292	358,292	0.0%	\$ 3,607,921	9.9%
2011	July 1, 2009	-	\$ 358,292	358,292	0.0%	\$ 2,805,385	12.8%
2012	July 1, 2009	-	\$ 358,292	358,292	0.0%	\$ 2,838,374	12.6%

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

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 412,821	130,668	543,489
Receivables:			
Property tax:			
Delinquent	2,571	-	2,571
Succeeding year	150,000	-	150,000
Total assets	\$ 565,392	130,668	696,060
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	9,507	9,507
Deferred revenue:			
Succeeding year property tax	150,000	-	150,000
Total liabilities	150,000	9,507	159,507
Fund Balances:			
Restricted for:			
Management levy purposes	415,392	-	415,392
Student activities	-	121,161	121,161
Total fund balances	415,392	121,161	536,553
Total liabilities and fund balances	\$ 565,392	130,668	696,060

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 137,679	-	137,679
Other	17,562	184,019	201,581
Total revenues	155,241	184,019	339,260
Expenditures:			
Current:			
Instruction:			
Regular	67,716	-	67,716
Other	-	179,991	179,991
Support services:			
Operation and maintenance of plant	134,020	1,804	135,824
Transportation	14,250	-	14,250
Total expenditures	215,986	181,795	397,781
Net change in fund balances	(60,745)	2,224	(58,521)
Fund balances beginning of year, as restated	476,137	118,937	595,074
Fund balances end of year	\$ 415,392	121,161	536,553

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 596,019	84,261	680,280
Receivables:			
Property tax:			
Delinquent	-	1,106	1,106
Succeeding year	-	58,730	58,730
Due from other governments	170,783	-	170,783
Total assets	\$ 766,802	144,097	910,899
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,429	943	3,372
Deferred revenue:			
Succeeding year property tax	-	58,730	58,730
Total liabilities	2,429	59,673	62,102
Fund balances:			
Restricted for:			
School infrastructure	764,373	-	764,373
Physical plant and equipment	-	84,424	84,424
Total fund balances	764,373	84,424	848,797
Total liabilities and fund balances	\$ 766,802	144,097	910,899

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 445,664	59,238	504,902
Other	11,502	6,892	18,394
Federal sources	-	16,857	16,857
Total revenues	<u>457,166</u>	<u>82,987</u>	<u>540,153</u>
Expenditures:			
Current:			
Support services:			
Transportation	-	43,000	43,000
Other expenditures:			
Facilities acquisitions	207,991	122,160	330,151
Total expenditures	<u>207,991</u>	<u>165,160</u>	<u>373,151</u>
Excess(deficiency) of revenues over(under) expenditures	249,175	(82,173)	167,002
Other financing sources:			
Proceeds from the sale of real property	-	3,100	3,100
Net change in fund balances	249,175	(79,073)	170,102
Fund balances beginning of year, as restated	<u>515,198</u>	<u>163,497</u>	<u>678,695</u>
Fund balances end of year	<u>\$ 764,373</u>	<u>84,424</u>	<u>848,797</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE 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
Fund balance	\$ 657	-	-	(657)	-
Secondary students fund	18,398	5,234	9,144	2,663	17,151
Activity tickets	2,355	7,437	201	(5,737)	3,854
Publication/plays fund	1,778	1,464	1,516	-	1,726
HS music fund	1,269	3,863	3,078	-	2,054
JR music fund	-	1,256	764	(492)	-
Cross country	-	731	1,289	558	-
Golf	-	1,599	2,310	741	30
Boys basketball	3,042	8,852	7,321	-	4,573
Football	3,150	12,664	12,367	-	3,447
Baseball	489	10,259	9,256	-	1,492
Boys track	-	589	1,315	726	-
Wrestling	342	2,254	3,155	559	-
Girls basketball	5,503	5,862	3,639	-	7,726
Volleyball	2,323	7,997	8,229	-	2,091
Softball	1,273	8,806	7,822	-	2,257
Girls track	-	2,729	3,869	1,140	-
Class - seniors	259	-	291	32	-
Class - juniors	104	4,622	4,414	-	312
Class - sophmores	141	-	-	-	141
Alternative school class	260	16	91	-	185
Yearbook	12,360	9,338	7,350	-	14,348
NHS	371	243	100	-	514
FBLA	763	1,990	1,176	(690)	887
FFA	6,183	24,111	27,284	-	3,010
FCCLA	983	745	1,175	-	553
HS student council	4,647	9,530	11,308	-	2,869
Art club	3,155	1,848	2,296	-	2,707
FEA club	1,113	-	202	-	911
Spanish club	1,553	-	-	-	1,553
HS tech club	536	-	-	-	536
Cheerleaders	2,246	1,435	4,299	618	-
HS/JR library club	180	942	862	-	260
History club	1,999	90	-	-	2,089
Manufacturing tech	906	65	75	-	896
Physical education	1,531	-	399	-	1,132
HS math club	-	772	1,351	579	-
Falcons nest	-	40	-	(40)	-
Brain bowl	1,298	120	364	-	1,054
Career tech business fund	404	-	-	-	404
Athletic leadership council	-	6,572	4,346	-	2,226
JH clubs/organization	7,673	5,760	6,993	-	6,440
JH student council	1,086	4,829	1,475	-	4,440
Elem clubs/organization	12,387	19,407	18,937	-	12,857
Elem library fund	3,352	3,763	6,227	-	888
Living classroom	2,000	1,500	1,255	-	2,245
Elem afterschool program	3,052	405	-	-	3,457
Elem sports	5,164	3,866	3,409	-	5,621
Elem wrestling club	2,652	414	841	-	2,225
Total	\$ 118,937	184,019	181,795	-	121,161

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WAYNE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES

	Modified Accrual Basis
	2012
Revenues:	
Local sources:	
Local tax	\$ 3,539,827
Tuition	211,339
Other	426,687
State sources	3,466,804
Federal sources	396,268
	Total
	\$ 8,040,925
Expenditures:	
Current:	
Instruction:	
Regular	\$ 2,532,587
Special	813,032
Other	950,699
Support services:	
Student	67,089
Instructional staff	112,481
Administration	535,662
Operation and maintenance of plant	515,442
Transportation	326,842
Other support services	-
Non-instructional programs	-
Other expenditures:	
Facilities acquisitions	330,151
Long-term debt:	
Principal	270,000
Interest	47,572
AEA flowthrough	224,237
	Total
	\$ 6,725,794

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Direct:			
U.S. Department of Education:			
Rural Education	84.358	FY12	\$ 21,484
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY12	40,275
National School Lunch Program	10.555	FY12	128,854 *
Summer Food Service Program for Children	10.559	FY12	5,607
			<u>174,736</u>
Fresh Fruit and Vegetable Program	10.582	FY12	<u>3,673</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	G-6854	148,655
Title I Grants to Local Educational Agencies	84.010	GC-6854	3,045
			<u>151,700</u>
Career and Technical Education - Basic Grants to States	84.048	FY12	<u>7,887</u>
Improving Teacher Quality State Grants	84.367	FY12	<u>32,143</u>
English Language Acquisition State Grants	84.365	FY12	<u>516</u>
Grants for State Assessments and Related Activities	84.369	FY12	<u>3,796</u>
Education Jobs Fund	84.410	FY11	54,885
Education Jobs Fund	84.410	FY12	1,883
			<u>56,768</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY12	<u>31,514</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FY11	15,471
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FY12	1,386
			<u>16,857</u>
Total			<u>\$ 501,074</u>

* - Includes \$11,255 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
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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
Wayne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 and II-C-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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 Waynes, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wayne Community School District's responses to 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 Wayne Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wayne Community School District and other parties to whom Wayne Community School District may report, including federal awarding agencies and pass-through entities, 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 Wayne Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORMAN & JOHNSON, P.C.

November 16, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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

To the Board of Education of
Wayne Community School District

Compliance

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

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

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

Internal Control Over Compliance

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

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in 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.

Wayne 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 Wayne 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 Wayne Community School District and other parties to whom Wayne 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.

November 16, 2012

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

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-12 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all event admissions. Currently, the District's practice is to use pre-numbered tickets for indoor events only.

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

Response - When a new facility is finished and there is a gate for attendees to enter, numbered tickets will be used for all events.

Conclusion - Response accepted. However, a process involving reconciling pre-numbered tickets to the deposit amount is needed to ensure that all funds are collected and subsequently deposited.

II-C-12 Supporting Documentation - We noted instances of checks being written to vendors without an invoice or statement to be used as supporting documentation.

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

Response - The District will require that supporting documentation be attached to all checks.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 84.010: Title I Grants To Local Educational Agencies
Federal Award Year: 2011/2012
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2012
U.S. Department of Agriculture
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. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

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

IV-B-12 Questionable Disbursements -

Gift Certificates: We noted during our audit that the District wrote checks to purchase gift certificates to give to students for sales incentives or as a reward. Gift certificates do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has discontinued the practice of purchasing gift certificates for students.

Conclusion - Response accepted.

Clothing for Coaches: We noted during our audit that the District purchased clothing for coaches out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are "public funds" the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District should refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups. The costs associated with the clothing should be reimbursed from the employee or added to their W-2's as additional compensation.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing for coaches and other District employees in lieu of using public funds.

Response - The District will inventory all new shirts purchased for coaches with District funds and will seek Booster Club assistance with the purchase of clothing that coaches keep.

Conclusion - Response accepted.

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

- 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 no variances in the basic enrollment data certified to the Department of Education.
- IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting 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 used to supplant rather than supplement other funds.
- IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance, as Restated (Note 11)		\$	515,198
Revenues:			
Sales tax revenues	\$	445,664	
Other local revenues		11,502	457,166
		<u> </u>	<u>972,364</u>
Expenditures:			
School infrastructure construction	\$	48,405	
Land Purchased		159,586	207,991
		<u> </u>	<u> </u>
Ending balance			<u><u>\$ 764,373</u></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 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. 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.

Response - We have put in place the practice of stamping with the Board President's signature all officials contracts after receiving Board approval and approval from the Board President to use his stamp.

Conclusion - Response accepted.