WACO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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WACO Community School District

Officials

Name	Title	Term Expires
	Board of Education	
Tim Graber	President	2013
Gary Brose	Vice President	2015
Joellen Jepson	Board Member	2013
Todd Meyer	Board Member	2015
Jarod Graber	Board Member	2013
	School Officials	
Darrell Smith	Superintendent (Appointed April 15, 2013)	2013
Pat Coen	Superintendent (Resigned April 15, 2013)	2013
Carrie Coble	Board Secretary/Business Manager	2013
Ron Peeler	Attorney	2013

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of WACO Community School District, Wayland, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the WACO Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 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 inquires, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WACO Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2014, on our consideration of the WACO Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering WACO Community School District's internal control over financial reporting and compliance.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2014
Newton, Iowa

WACO
Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

WACO Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $6,421,955 in fiscal 2012 to $6,246,967 in fiscal 2013, while General Fund expenditures decreased from $5,951,722 in fiscal 2012 to $5,495,919 in fiscal 2013. The decrease in expenditures outpaced the decrease in revenues resulting in an increase in the District's General Fund balance from $845,925 in fiscal 2012 to a balance of $1,596,973 in fiscal 2013, a 88.78% increase from the prior year.

- The decrease in General Fund revenues was attributable to a decrease in federal source revenues in fiscal 2013. The decrease in expenditures was due primarily to decreased spending in the instruction and support services functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
WACO Community School District Annual Financial Report

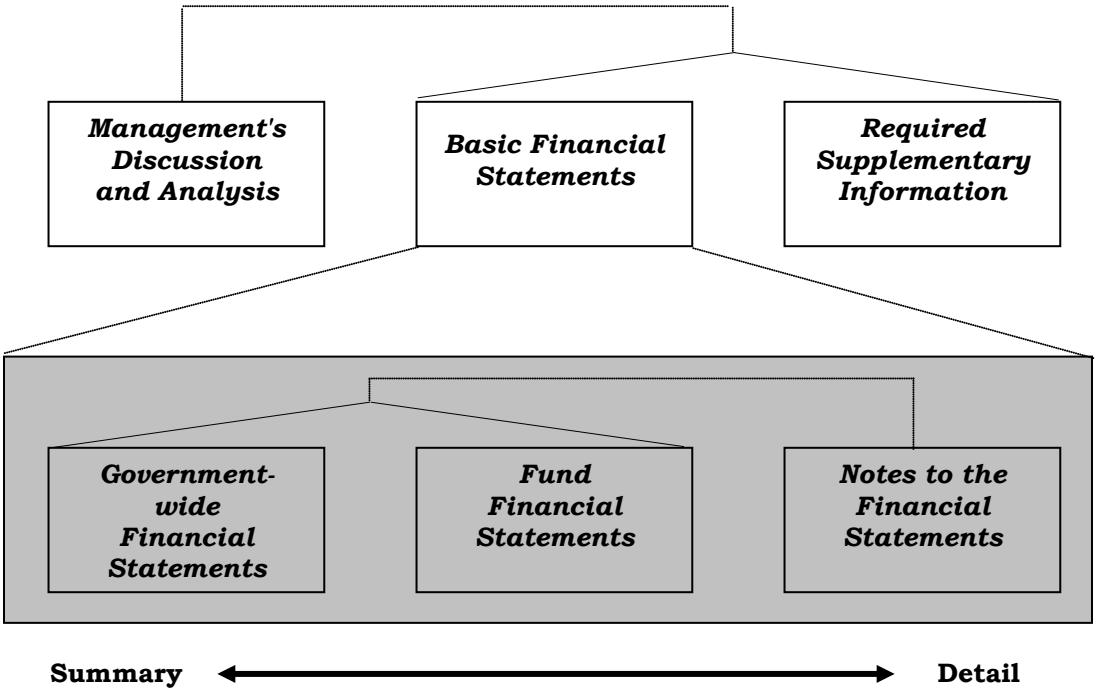

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of Net Position • Statement of revenues, expenses and changes in fund net position • 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 Position 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 position and how they have changed. Net position – 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 position 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, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position 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 total net position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	$ 6,897,273	5,705,543	71,710	70,196	6,968,983	5,775,739	20.66%
Capital assets	6,398,615	6,682,761	9,621	13,361	6,408,236	6,696,122	-4.30%
Total assets	13,295,888	12,388,304	81,331	83,557	13,377,219	12,471,861	7.26%
Long-term obligations	2,910,803	3,376,956	6,851	7,109	2,917,654	3,384,065	-13.78%
Other liabilities	3,682,733	3,627,466	2,774	2,814	3,685,507	3,630,280	1.52%
Total liabilities	6,593,536	7,004,422	9,625	9,923	6,603,161	7,014,345	-5.86%
Net position:							
Invested in capital assets, net of related debt	3,788,615	3,712,761	9,621	13,361	3,798,236	3,726,122	1.94%
Restricted	1,793,246	1,523,458	-	-	1,793,246	1,523,458	17.71%
Unrestricted	1,120,491	147,663	62,085	60,273	1,182,576	207,936	468.72%
Total net position	$ 6,702,352	5,383,882	71,706	73,634	6,774,058	5,457,516	24.12%

The District's combined net position increased by 24.12%, or $1,316,542 from the prior year. The largest portion of the District's net position is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased $269,788, or 17.71% over the prior year. The increase in restricted net position is largely a result of the improvement in fund balance in the Capital Projects: Statewide Sales, Services and Use Tax Fund and Capital Projects: Physical Plant and Equipment Levy.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased $974,640, or 468.72%. This is primarily due to the increase in the fund balance of the General Fund during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4
Changes of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	$ 594,624	696,975	113,278	127,699	707,902	824,674	-14.16%
Operating grants and contributions and restricted interest	511,142	565,950	127,284	132,332	638,426	698,282	-8.57%
General revenues:							
Property tax	2,931,655	2,882,556	-	-	2,931,655	2,882,556	1.70%
Statewide sales, services and use tax	434,066	391,754	-	-	434,066	391,754	10.80%
Unrestricted state grants	2,834,384	2,779,364	-	-	2,834,384	2,779,364	1.98%
Nonspecific program federal grants	-	106,340	-	-	-	106,340	-100.00%
Unrestricted interest earnings	3,207	5,102	113	159	3,320	5,261	-36.89%
Other	51,634	132,639	541	976	52,175	133,615	-60.95%
Total revenues	7,360,712	7,560,680	241,216	261,166	7,601,928	7,821,846	-2.81%
Program expenses:							
Governmental activities:							
Instructional	3,933,799	4,534,031	-	-	3,933,799	4,534,031	-13.24%
Support services	1,605,381	1,747,458	-	-	1,605,381	1,747,458	-8.13%
Non-instructional programs	-	-	243,144	246,228	243,144	246,228	-1.25%
Other expenses	503,062	560,248	-	-	503,062	560,248	-10.21%
Total expenses	6,042,242	6,841,737	243,144	246,228	6,285,386	7,087,965	-11.32%
Changes in net position	1,318,470	718,943	(1,928)	14,938	1,316,542	733,881	363.18%
Net position beginning of year	5,383,882	4,664,939	73,634	58,696	5,457,516	4,723,635	15.54%
Net position end of year	$ 6,702,352	5,383,882	71,706	73,634	6,774,058	5,457,516	24.12%

In fiscal 2013, property tax, statewide sales and services tax and unrestricted state grants account for 84.23% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.73% of the revenue from business type activities.

The District's total revenues were approximately $7.60 million, of which approximately $7.36 million was for governmental activities and approximately $0.24 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.81% decrease in revenues and a 11.32% decrease in expenses. The decrease in revenues was primarily due to decreases in charge for service and other revenue during the year. The decrease in expenditures was primarily due to the decreases in the instruction functional area as the District cut the number of employees on staff from 2012 to 2013.

Governmental Activities

Revenues for governmental activities were $7,360,712 and expenses were $6,042,242 for the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	$ 3,933,799	4,534,031	-13.24%	3,027,316	3,474,190	-12.86%
Support services	1,605,381	1,747,458	-8.13%	1,601,863	1,739,799	-7.93%
Other expenses	503,062	560,248	-10.21%	307,297	364,823	-15.77%
Totals	$ 6,042,242	6,841,737	-31.58%	4,936,476	5,578,812	-11.51%

- The cost financed by users of the District's programs was $594,624.
- Federal and state governments subsidized certain programs with grants and contributions totaling $511,142.
- The net cost of governmental activities was financed with $2,931,655 in property tax, $434,066 in statewide sales, services and use tax, $2,834,384 in unrestricted state grants, $3,207 in interest income and $51,634 in other general revenue.

Business Type Activities

Revenues of the District's business type activities were $241,216 and expenses were $243,144. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $3,217,436, compared to last year's ending fund balances of $2,082,103. The primary reason for the increase was improvement in the Capital Projects: Statewide, Sales, Services and Use Tax Fund and General Fund balances during the year.

Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. General Fund balance increased from $845,925 at June 30, 2012 to $1,596,973 at June 30, 2013. This increase was primarily due to the District reducing instructional expenditures when compared to the prior year. The District cut the number of employees on staff and did not replace them.

- The Capital Projects Fund improved from a balance of $720,586 at the beginning of fiscal year 2013 to $1,037,756 at the end of fiscal year 2013. The Statewide Sales, Services and Use Tax Fund balance increased from $616,295 at June 30, 2012 to $907,750 at June 30, 2013. The Physical Plant and Equipment Levy Fund balance increased from $104,291 at June 30, 2012 to $130,006 at June 30, 2013. Each of these funds increased primarily due to the increase in local tax revenue sources received during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from $73,634 at June 30, 2012 to $71,706 at June 30, 2013, representing a decrease of 2.25%. School Nutrition fund revenues decrease from fiscal 2012 to fiscal 2013. This decrease was primarily due to the District receiving less in charges for services and federal revenues as compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were $12,531 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013 the District had invested approximately $6.41 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a decrease of 4.30% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was $287,886.

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

The largest change in capital asset activity during the year occurred in the machinery and equipment category due mainly to scheduled depreciation. The District's machinery and equipment was $65,442 at June 30, 2013, compared to $109,248 reported at June 30, 2012.

Figure A-6 Capital Assets, Net of Depreciation	Governmental Activities June 30, 2013	Governmental Activities June 30, 2012	Business Type Activities June 30, 2013	Business Type Activities June 30, 2012	Total District June 30, 2013	Total District June 30, 2012	Total Change June 30, 2012-13
Land	$ 85,850	85,850	-	-	85,850	85,850	0.00%
Buildings	5,665,095	5,865,591	-	-	5,665,095	5,865,591	-3.42%
Land improvements	591,849	635,433	-	-	591,849	635,433	-6.86%
Machinery and equipment	55,821	95,887	9,621	13,361	65,442	109,248	-40.10%
Total	$ 6,398,615	6,682,761	9,621	13,361	6,408,236	6,696,122	-4.30%

Long-Term Debt

At June 30, 2013, the District had $2,917,654 in long-term debt outstanding. This represents a decrease of 13,78% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had $1,655,000 of outstanding general obligation bonds payable of at June 30, 2013.

The District had total outstanding revenue bonds of $955,000 at June 30, 2013 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue, Management Fund of $179,121 at June 30, 2013.

The District had a net OPEB liability of $128,553 at June 30, 2013. $121,682 of this total relates to the District's Governmental Activities while the remaining $6,851 related to the District's Business Type Activities.

Figure A-7 Outstanding Long-Term Obligations	Governmental Activities June 30, 2013	Governmental Activities June 30, 2012	Business Type Activites June 30, 2013	Business Type Activites June 30, 2012	Total 2013	Total 2012	Total Change June 30, 2012-13
General obligation bonds	$ 1,655,000	1,915,000	-	-	1,655,000	1,915,000	-13.58%
Revenue bonds	955,000	1,055,000	-	-	955,000	1,055,000	-9.48%
Termination benefits	179,121	223,506	-	-	179,121	223,506	-19.86%
Net OPEB liability	121,682	183,450	6,851	7,109	128,533	190,559	-32.55%
Total	$ 2,910,803	3,376,956	6,851	7,109	2,917,654	3,384,065	-13.78%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

EXHIBIT A

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	$ 3,588,667	64,113	3,652,780
Receivables:			
Property tax:			
Delinquent	53,866	-	53,866
Succeeding year	2,958,890	-	2,958,890
Due from other governments	295,850	-	295,850
Inventories		7,597	7,597
Capital assets, net of accumulated depreciation	6,398,615	9,621	6,408,236
Total assets	13,295,888	81,331	13,377,219
Liabilities			
Accounts payable	141,418	-	141,418
Salaries and benefits payable	579,529	-	579,529
Accrued interest payable payable	2,896	-	2,896
Deferred revenue:			
Succeeding year property tax	2,958,890	-	2,958,890
Unearned revenue	-	2,774	2,774
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	325,000	-	325,000
Revenue bond payable	100,000	-	100,000
Termination benefits	47,384	-	47,384
Portion due after one year:			
General obligation bonds payable	1,330,000	-	1,330,000
Revenue bond payable	855,000	-	855,000
Termination benefits	131,737	-	131,737
Net OPEB liability	121,682	6,851	128,533
Total liabilities	6,593,536	9,625	6,603,161
Net Position			
Invested in capital assets, net of related debt	3,788,615	9,621	3,798,236
Restricted for:			
Categorical funding	354,800	-	354,800
Debt service	86,561	-	86,561
Management levy purposes	271,507	-	271,507
Student activities	42,622	-	42,622
School infrastructure	907,750	-	907,750
Physical plant and equipment	130,006	-	130,006
Unrestricted	1,120,491	62,085	1,182,576
Total net position	$ 6,702,352	71,706	6,774,058

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT B

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern-mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	$ 2,366,396	408,277	81,568	(1,876,551)	-	(1,876,551)
Special	761,522	71,863	58,707	(630,952)	-	(630,952)
Other	805,881	111,716	174,352	(519,813)	-	(519,813)
	3,933,799	591,856	314,627	(3,027,316)	-	(3,027,316)
Support services:						
Student	75,597	-	-	(75,597)	-	(75,597)
Instructional staff	89,053	-	-	(89,053)	-	(89,053)
Administration	736,552	-	-	(736,552)	-	(736,552)
Operation and maintenance of plant	427,882	-	-	(427,882)	-	(427,882)
Transportation	276,297	2,768	750	(272,779)	-	(272,779)
	1,605,381	2,768	750	(1,601,863)	-	(1,601,863)
Long-term debt interest	64,347	-	-	(64,347)	-	(64,347)
Other expenditures:						
AEA flowthrough	195,765	-	195,765	-	-	-
Depreciation(unallocated)*	242,950	-	-	(242,950)	-	(242,950)
	438,715	-	195,765	(242,950)	-	(242,950)
Total governmental activities	6,042,242	594,624	511,142	(4,936,476)	-	(4,936,476)
Business type activities:						
Non-instructional programs:						
Nutrition services	243,144	113,278	127,284	-	(2,582)	(2,582)
Total business type activities	243,144	113,278	127,284	-	(2,582)	(2,582)
Total	$ 6,285,386	707,902	638,426	(4,936,476)	(2,582)	(4,939,058)
General Revenues:						
Property tax levied for:						
General purposes				$ 2,604,671	-	2,604,671
Debt services				281,780	-	281,780
Capital outlay				45,204	-	45,204
Statewide sales, services and use tax				434,066	-	434,066
Unrestricted state grants				2,834,384	-	2,834,384
Unrestricted investment earnings				3,207	113	3,320
Other general revenues				51,634	541	52,175
Total general revenues				6,254,946	654	6,255,600
Change in net position				1,318,470	(1,928)	1,316,542
Net position beginning of year				5,383,882	73,634	5,457,516
Net position end of year				$ 6,702,352	71,706	6,774,058

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

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT C

WACO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

		General	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	$	2,107,147	920,110	561,410	3,588,667
Receivables:					
Property tax:					
Delinquent		43,688	835	9,343	53,866
Succeeding year		2,369,127	47,197	542,566	2,958,890
Due from other funds		-	-	11,954	11,954
Due from other governments		158,006	137,844	-	295,850
Total assets	$	4,677,968	1,105,986	1,125,273	6,909,227
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	$	-	11,954	-	11,954
Accounts payable		132,339	9,079	-	141,418
Salaries and benefits payable		579,529	-	-	579,529
Deferred revenue:					
Succeeding year property tax		2,369,127	47,197	542,566	2,958,890
Total liabilities		3,080,995	68,230	542,566	3,691,791
Fund balances:					
Restricted for:					
Categorical funding		354,800	-	-	354,800
Debt service		-	-	89,457	89,457
Management levy purposes		-	-	450,628	450,628
Student activities		-	-	42,622	42,622
School infrastructure		-	907,750	-	907,750
Physical plant and equipment		-	130,006	-	130,006
Unassigned		1,242,173	-	-	1,242,173
Total fund balances		1,596,973	1,037,756	582,707	3,217,436
Total liabilities and fund balances	$	4,677,968	1,105,986	1,125,273	6,909,227

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT D

WACO COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances of governmental funds(page 20)	$	3,217,436
Amounts reported for governmental activities in the Statement of Net Position 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.		6,398,615
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,896)
Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(2,910,803)
Net position of governmental activities(page 18)	$	6,702,352

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT E

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 2,379,340	479,270	507,111	3,365,721
Tuition	462,041	-	-	462,041
Other	84,071	916	126,448	211,435
State sources	3,126,719	-	-	3,126,719
Federal sources	194,796	-	-	194,796
Total revenues	6,246,967	480,186	633,559	7,360,712
Expenditures:				
Current:				
Instruction:				
Regular	2,481,746	-	-	2,481,746
Special	742,704	-	-	742,704
Other	647,880	-	143,311	791,191
	3,872,330	-	143,311	4,015,641
Support services:				
Student	75,121	-	-	75,121
Instructional staff	88,874	-	-	88,874
Administration	641,063	-	111,993	753,056
Operation and maintenance of plant	380,459	-	23,899	404,358
Transportation	242,307	-	6,348	248,655
	1,427,824	-	142,240	1,570,064
Capital outlay	-	19,562	-	19,562
Long-term debt:				
Principal	-	-	360,000	360,000
Interest and fiscal charges	-	-	64,347	64,347
	-	-	424,347	424,347
Other expenditures:				
AEA flowthrough	195,765	-	-	195,765
Total expenditures	5,495,919	19,562	709,898	6,225,379
Excess(Deficiency) of revenues over(under) expenditures	751,048	460,624	(76,339)	1,135,333
Other financing sources(uses):				
Transfer in	-	-	143,454	143,454
Transfer out	-	(143,454)	-	(143,454)
Total other financing sources(uses)	-	(143,454)	143,454	-
Change in fund balances	751,048	317,170	67,115	1,135,333
Fund balances beginning of year	845,925	720,586	515,592	2,082,103
Fund balances end of year	$ 1,596,973	1,037,756	582,707	3,217,436

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT F

WACO COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22)		$ 1,135,333
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 Activites and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense for the current year is as follows:		
Depreciation expense		(284,146)
Repayment of long-term liabiliites is an expenditure in the governmental funds, but the repayment reduces long-term liabiliites in the Statement of Net Position.		360,000
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.		1,130
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
Termination benefits	44,385	
Other postemployment benefits	61,768	106,153
Change in net position of governmental activities(page 19)		$ 1,318,470

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT G

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
Assets	
Cash and cash equivalents	$ 64,113
Inventories	7,597
Capital assets, net of accumulated depreciation	9,621
Total assets	81,331
Liabilities	
Unearned revenue	2,774
Net OPEB liiability	6,851
Total liabilities	9,625
Net Position	
Invested in capital assets	9,621
Unrestricted	62,085
Total net position	$ 71,706

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT H

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	$ 113,278
Miscellaneous	541
Total operating revenues	113,819
Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	78,922
Benefits	35,672
Services	6,149
Supplies	118,661
Depreciation	3,740
Total operating expenses	243,144
Operating loss	(129,325)
Non-operating revenues:	
Interest income	113
State sources	2,249
Federal sources	125,035
Total non-operating revenues	127,397
Change in net positon	(1,928)
Net positon beginning of year	73,634
Netposition end of year	$ 71,706

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT I

WACO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2013

		School Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	$	113,238
Cash received from miscellaneous operating activities		541
Cash payments to employees for services		(114,852)
Cash payments to suppliers for goods or services		(117,168)
Net cash used in operating activities		(118,241)
Cash flows from non-capital financing activities:		
State grants received		2,249
Federal grants received		118,445
Net cash provided by non-capital financing activities		120,694
Cash flows from investing activities:		
Interest on investments		113
Net increase in cash and cash equivalents		2,566
Cash and cash equivalents at beginning of year		61,547
Cash and cash equivalents at end of year	$	64,113
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(129,325)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed		6,590
Depreciation		3,740
Decrease in inventories		1,052
Decrease in net OPEB liability		(258)
Decrease in unearned revenue		(40)
Net cash used in operating activities	$	(118,241)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received $6,590 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The District also reports the following nonmajor proprietary fund.

The Enterprise, Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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 - assigned and then unassigned fund balances.

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 balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents the 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 revenues consist of unspent federal 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 Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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 preceding classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E, Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of $240,380 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	$ 11,954

The Capital Projects: Statewide Sales, Services and Use Tax Fund is paying the Debt Service Fund for an unpaid monthly transfer between the funds associated with the District's revenue bond indebtedness requirements.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	$ 143,454

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

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 85,850	-	-	85,850
Total capital assets not being depreciated	85,850	-	-	85,850
Capital assets being depreciated:				
Buildings	8,923,496	-	-	8,923,496
Land improvements	978,749	-	-	978,749
Machinery and equipment	963,863	-	-	963,863
Total capital assets being depreciated	10,866,108	-	-	10,866,108
Less accumulated depreciation for:				
Buildings	3,057,905	200,496	-	3,258,401
Land improvements	343,316	43,584	-	386,900
Machinery and equipment	867,976	40,066	-	908,042
Total accumulated depreciation	4,269,197	284,146	-	4,553,343
Total capital assets being depreciated, net	6,596,911	(284,146)	-	6,312,765
Governmental activities capital assets, net	$ 6,682,761	(284,146)	-	6,398,615
Business type activities:				
Machinery and equipment	$ 132,942	-	-	132,942
Less accumulated depreciation	119,581	3,740	-	123,321
Business type activities capital assets, net	$ 13,361	(3,740)	-	9,621

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 3,549
Other	937
Support services:	
Operation and maintenance of plant	7,834
Transportation	27,746
	40,066
Unallocated depreciation	244,080
Total governmental activities depreciation expense	$ 284,146
Business type activities:	
Food service operations	$ 3,740

Note 6. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	$ 1,915,000	-	260,000	1,655,000	325,000
Revenue bonds	1,055,000	-	100,000	955,000	100,000
Termination benefits	223,506	-	44,385	179,121	47,384
Net OPEB liability	183,450	-	61,768	121,682	-
Total	$ 3,376,956	-	466,153	2,910,803	472,384
Business type activities:					
Net OPEB liability	$ 7,109	-	258	6,851	-

General Obligation Bond Payable

Details of the Districts June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 18, 2012			
	Interest Rates	Principal	Interest	Total
2014	1.00 %	$ 325,000	17,565	342,565
2015	1.00	325,000	14,315	339,315
2016	1.00	330,000	11,065	341,065
2017	1.10	335,000	7,765	342,765
2018	1.20	340,000	4,080	344,080
Total		$ 1,655,000	54,790	1,709,790

Revenue Bonds Payable

Year Ending June 30,	Bond Issue of September 1, 2008			
	Interest Rates	Principal	Interest	Total
2014	3.75 %	$ 100,000	39,704	139,704
2015	3.75	100,000	35,704	135,704
2016	4.00	100,000	31,704	131,704
2017	4.00	100,000	27,704	127,704
2018	4.10	100,000	23,704	123,704
2019-2022	4.10-4.38	455,000	49,791	504,791
Total		$ 955,000	208,311	1,163,311

The District has pledged future statewide sales, services and use tax revenues to repay the $1,155,000 bonds issued in September 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 32% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is $1,163,311. For the current year, principal of $100,000 and interest of $43,453 was paid on the bonds and statewide sales, services and use tax revenues were $434,066.

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

a) $89,450 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.

b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.

c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Termination Benefits

The District had previously offered a voluntary early retirement plan to its certified employees, classified employees and administrative staff. Eligible employees must have completed fifteen years of continuous service to the District in order to qualify for supplemental benefits. Employees must complete an application which is subject to approval by the Board of Education.

Early retirement incentives for each eligible employee are on the “per diem” basis based on the current contract at the time of retirement. “Per diem” is defined as per day pay based upon contract days and annual salary.

At June 30, 2013, the District has obligations to nine participants with a total liability of $179,121. Actual early retirement expenditures for the year ended June 30, 2013 totaled $44,385. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical, dental and vision benefits for employees, retirees and their spouses. WACO Community School District has 84 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$	20,330
Interest on net OPEB obligation		8,575
Adjustment to annual required contribution		(11,371)
Annual OPEB cost		17,534
Contributions made		(79,560)
Increase in net OPEB obligation		(62,026)
Net OPEB obligation beginning of year		190,559
Net OPEB obligation end of year	$	128,533

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, 2013.

For the year ended June 30, 2013, the District contributed $79,560 to the medical plan.

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, 2013 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 152,582	63.57%	$ 137,582
2012	152,977	65.37%	190,559
2013	17,534	453.75%	128,533

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $138,642 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $138,642. The covered payroll (annual payroll of active employees covered by the plan) was $3,200,000 and the ratio of the UAAL to covered payroll was 4.33%. As of June 30, 2013, 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, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is increasing a rate of 3% per year.

Mortality rates are from the Life Expectancy Table from the National Center for Health Statistics updated in 2008 and is applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. 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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were $274,871, $281,530 and $235,738 respectively, equal to the required contributions for each year.

Note 9. Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2013 were $592,989.

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $195,765 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2013 is comprised of the following programs:

Program		Amount
Limited English Proficient	$	21,274
Home School Assistance Program		8,542
At-Risk Programs		73,396
Gifted and Talented Programs		36,870
Returning Dropouts and Dropout Prevention Programs		127,860
Beginning Teacher Mentoring and Induction Program		1,385
Teacher Salary Supplement		44,541
Beginning Administrator Mentoring and Induction Program		931
Iowa Early Intervention Block Grant		10,956
Professional Development for Model Core Curriculum		29,045
Total	$	354,800

Note 12. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Invested in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	$ -	450,628	89,457	1,242,173
Capital assets, net of accumulated depreciation	6,398,615	-	-	-
General obligation bond capitalized indebtedness	(1,655,000)	-	-	-
Revenue bond capitalized indebtedness	(955,000)	-	-	-
Termination benefits	-	(179,121)	-	-
Accrued interest payable	-	-	(2,896)	-
Net OPEB liability	-	-	-	(121,682)
Net position (Exhibit A)	$ 3,788,615	271,507	86,561	1,120,491

Required Supplementary Information

WACO COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 4,039,197	113,932	4,153,129	4,106,595	4,106,595	46,534
State sources	3,126,719	2,249	3,128,968	3,182,802	3,182,802	(53,834)
Federal sources	194,796	125,035	319,831	300,000	300,000	19,831
Total revenues	7,360,712	241,216	7,601,928	7,589,397	7,589,397	12,531
Expenditures/Expenses:						
Instruction	4,015,641	-	4,015,641	4,605,000	4,605,000	589,359
Support services	1,570,064	-	1,570,064	2,312,000	2,312,000	741,936
Non-instructional programs	-	243,144	243,144	250,000	250,000	6,856
Other expenditures	639,674	-	639,674	807,475	807,475	167,801
Total expenditures/expenses	6,225,379	243,144	6,468,523	7,974,475	7,974,475	1,505,952
Excess(Deficiency) of revenues over (under) expenditures/expenses	1,135,333	(1,928)	1,133,405	(385,078)	(385,078)	1,518,483
Balances beginning of year	2,082,103	73,634	2,155,737	1,160,919	1,160,919	994,818
Balances end of year	$ 3,217,436	71,706	3,289,142	775,841	775,841	2,513,301

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	$ -	$ 1,372,000	$ 1,372,000	0.0 %	3,232,484	42.44 %
2011	July 1, 2009	-	1,372,000	1,372,000	0.0	3,598,119	38.13
2012	July 1, 2009	-	1,372,000	1,372,000	0.0	3,144,268	43.63
2013	July 1, 2012	-	138,642	138,642	0.0	3,200,000	4.33

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

SCHEDULE 1

WACO COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue				Total
	Manage-ment Levy	Student Activity	Total	Debt Service	Nonmajor Governmental Funds
Assets					
Cash and pooled investments	$ 446,491	42,622	489,113	72,297	561,410
Receivables:					
Property tax:					
Delinquent	4,137	-	4,137	5,206	9,343
Succeeding year	200,000	-	200,000	342,566	542,566
Due from other funds	-	-	-	11,954	11,954
Total assets	$ 650,628	42,622	693,250	432,023	1,125,273
Liabilities and Fund Balances					
Liabilities:					
Succeeding year property tax	$ 200,000	-	200,000	342,566	542,566
Fund balances:					
Restricted for:					
Management levy purposes	450,628	-	450,628	-	450,628
Student activities	-	42,622	42,622	-	42,622
Debt service	-	-	-	89,457	89,457
Total fund balances	450,628	42,622	493,250	89,457	582,707
Total liabilities and fund balances	$ 650,628	42,622	693,250	432,023	1,125,273

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 2

WACO COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	Special Revenue				Total
	Manage-ment Levy	Student Activity	Total	Debt Service	Nonmajor Governmental Funds
Revenues:					
Local sources:					
Local tax	225,331	-	225,331	281,780	507,111
Other	$ 2,233	124,069	126,302	146	126,448
Total revenues	227,564	124,069	351,633	281,926	633,559
Expenditures:					
Current:					
Instruction:					
Other	-	143,311	143,311	-	143,311
Support services:					
Administration	110,993	-	110,993	1,000	111,993
Operation and maintenance of plant	23,899	-	23,899	-	23,899
Transportation	6,348	-	6,348	-	6,348
Long-term debt:					
Principal	-	-	-	360,000	360,000
Interest and fiscal charges	-	-	-	64,347	64,347
Total expenditures	141,240	143,311	284,551	425,347	709,898
Excess(Deficiency) of revenues over(under) expenditures	86,324	(19,242)	67,082	(143,421)	(76,339)
Other financing sources:					
Transfer in	-	-	-	143,454	143,454
Change in fund balances	86,324	(19,242)	67,082	33	67,115
Fund balances beginning of year	364,304	61,864	426,168	89,424	515,592
Fund balances end of year	$ 450,628	42,622	493,250	89,457	582,707

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 3

WACO COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	$ 781,860	138,250	920,110
Recivables:			
Property tax:			
Delinquent	-	835	835
Succeeding year	-	47,197	47,197
Due from other governments	137,844	-	137,844
Total assets	$ 919,704	186,282	1,105,986
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	$ 11,954	-	11,954
Accounts payable	-	9,079	9,079
Deferred revenue:			
Succeeding year property tax	-	47,197	47,197
Total liabilities	11,954	56,276	68,230
Fund balances:			
Restricted for:			
School infrastructure	907,750	-	907,750
Physical plant and equipment	-	130,006	130,006
Total fund balances	907,750	130,006	1,037,756
Total liabilities and fund balances	$ 919,704	186,282	1,105,986

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 4

WACO COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	$ 434,066	45,204	479,270
Other	843	73	916
Total revenues	434,909	45,277	480,186
Expenditures:			
Capital outlay	-	19,562	19,562
Excess of revenues over expenditures	434,909	25,715	460,624
Other financing uses:			
Transfer out	(143,454)	-	(143,454)
Change in fund balances	291,455	25,715	317,170
Fund balances beginning year	616,295	104,291	720,586
Fund balances end of year	$ 907,750	130,006	1,037,756

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHEDULE 5

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account		Balance Beginning of Year	Revenues	Expendi-tures	Intra-Fund Transfers	Balance End of Year
Camp courageous	$	336	2,344	2,136	-	544
Elementary vending		696	2,107	2,282	-	521
Elementary student leadership		439	-	-	-	439
After school program		6,133	-	300	-	5,833
6th grade overnight		172	-	-	-	172
Quiz bowl		-	-	160	160	-
Spanish trip		249	14,636	14,214	-	671
Musical		559	1,321	4,528	2,648	-
Strings resale		-	310	265	-	45
Instrumental music		-	357	1,338	981	-
Vocal music		-	437	541	104	-
Safe schools committee		100	-	-	-	100
Elementary activity		8,047	1,114	-	-	9,161
Secondary activity		-	2,300	2,114	(160)	26
High school annual		4,952	1,285	6,841	604	-
Class of 2016		-	95	-	(95)	-
Class of 2017		-	-	-	365	365
Class of 2013		2,352	382	2,314	(420)	-
Class of 2014		22	8,075	4,989	-	3,108
Sr high student council		2,380	5,583	6,779	-	1,184
Leo club		234	1,026	1,026	-	234
Warrior way		288	-	-	-	288
National honor society		-	362	296	-	66
PTO		8,115	6,688	10,227	-	4,576
Football cheerleaders		811	5,180	3,876	-	2,115
Basketball cheerleaders		828	1,800	1,897	-	731
Drill team		3,372	373	3,720	-	25
Boys basketball		-	365	4,505	4,140	-
Football		-	13,064	28,534	15,470	-
Boys track		-	2,247	4,585	2,338	-
Wrestling		-	4,070	5,388	1,318	-
Girls basketball		-	617	4,336	3,719	-
Volleyball		-	1,560	5,038	3,478	-
Softball		-	50	4,964	4,974	60
Girls track		-	2,264	2,835	571	-
Interest		-	69	-	(69)	-
Activity tickets		21,319	43,448	12,825	(39,669)	12,273
Vending machines		460	540	458	(457)	85
Total	$	61,864	124,069	143,311	-	42,622

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AMD EXPENDITURES BY FUNCTION - ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	$ 3,365,721	3,274,310	3,214,464	2,877,065	2,650,766	2,538,449	2,443,103	2,379,679	2,143,288	2,141,503
Tuition	462,041	541,815	458,816	447,100	545,597	546,965	561,972	526,416	485,178	443,289
Other	211,435	350,544	333,643	259,686	245,939	329,610	278,346	285,685	265,047	234,952
Intermediate sources	-	-	-	-	-	-	5,452	-	-	200
State sources	3,126,719	3,074,719	2,819,717	2,499,592	2,963,461	2,809,270	2,688,842	2,547,656	2,288,938	2,229,048
Federal sources	194,796	319,292	320,048	482,502	305,778	180,233	207,714	183,599	173,991	186,798
Total	$ 7,360,712	7,560,680	7,146,688	6,565,945	6,711,541	6,404,527	6,185,429	5,923,035	5,356,442	5,235,790
Expenditures:										
Instruction:										
Regular	$ 2,481,746	2,745,239	2,678,041	2,501,574	2,520,111	2,416,930	2,300,584	2,208,883	2,120,822	2,198,706
Special	742,704	794,786	762,151	822,874	827,486	815,142	758,374	685,666	582,360	569,022
Other	791,191	862,871	886,179	847,814	660,833	668,865	631,210	640,069	625,012	554,342
Support services:										
Student	75,121	101,455	102,386	24,564	122,920	127,124	88,836	104,327	95,489	95,975
Instructional staff	88,874	125,134	125,298	86,031	151,081	126,335	133,911	101,528	102,614	102,622
Administration	753,056	774,741	722,552	734,156	746,935	713,292	738,744	673,115	668,083	546,735
Operation and maintenance of plant	404,358	360,907	339,805	421,410	456,051	507,610	457,669	423,678	378,193	368,170
Transportation	248,655	263,113	281,879	240,624	317,688	272,761	356,428	338,645	237,125	269,558
Non-instructional:										
Food service operations	-	-	-	-	-	-	-	-	62,516	49,007
Capital outlay	19,562	16,409	90,879	189,378	891,915	150,988	606,302	73,268	60,950	-
Long term debt:										
Principal	360,000	2,370,000	370,000	379,649	368,524	393,267	240,930	225,199	224,852	185,000
Interest and fiscal charges	64,347	156,370	145,626	177,301	128,875	150,788	132,420	151,514	173,963	182,187
Other expenditures:										
AEA flow-through	195,765	195,425	214,946	213,346	200,335	190,469	180,677	166,328	157,060	160,044
Total	$ 6,225,379	8,766,450	6,719,742	6,638,721	7,392,754	6,533,571	6,626,085	5,792,220	5,489,039	5,281,368

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of WACO Community School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WACO Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WACO Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of WACO Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weaknesses and 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 on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as items I-A-13 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as item II-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WACO Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

WACO Community School District's Responses to Findings

WACO Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. WACO Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2014
Newton, Iowa

WACO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.

2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.

3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.

4) Disbursements - purchase order processing, check preparation, mailing and recording.

5) Inventories - ordering, receiving, issuing and storing.

6) Capital assets - purchasing, recording and reconciling.

7) Wire transfers - processing and approving.

8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.

9) Transfers - preparing and approving.

10) Financial reporting - preparing, reconciling and approving.

11) Computer systems - performing all general accounting functions and controlling all data input and output.

12) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

Response - The District will continue to work on ways to maximize our internal control procedures, given our limited number of staff.

Conclusion - Response accepted.

I-B-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District will have our non-certified staff coaches track their hours worked in order to comply with the Department of Labor requirements.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted.

II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials were noted.

II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - 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 were noted

II-J-13 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds. However, we did note that the District increased its teacher salary supplement carryover balance by $37,306.62 during fiscal 2013. This increase in carryover balance appears to be more than a de minimus amount allowed by Chapter 281-98.25 of the Code of Iowa.

Recommendation - The District's teacher salary supplement allocation is to be fully expended in the fiscal year for which it is allocated. However, in the event there is a small amount remaining and it would not be cost effective to allocate the remainder the District can carryforward the remainder and add it to the amount to be allocated in the subsequent fiscal year. The District should add its additional carryover to its 2014 allocation to be spent out in fiscal 2014 to be in compliance with Chapter 281-98.25 of the code of Iowa.

Response - The District will allocate this carryover to be spent out in fiscal 2014.

Conclusion - Response accepted.

II-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		$ 616,295
Revenues:		
Statewide sales, services and use tax revenue	$ 434,066	
Other local revenues	843	434,909
		1,051,204
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund		143,454
Ending Balance		$ 907,750

For the year ended June 30, 2013 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Checks Outstanding - We noted during our audit that the District had checks included in the Activity Fund bank reconciliation that have been outstanding for over a year.

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

Response - The District will investigate the outstanding checks and take the appropriate action. It will submit checks to the State Treasurer that are not voided or reissued.

Conclusion - Response accepted.

II-N-13 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the

extracurricular and co-curricular activities offered as part of the District's educational program. More specific examples of these instances of questioned items and recommendations are as follows:

Commissions: We noted Life Touch picture commissions were being recorded in the Elementary Activity account in the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund, therefore Lifetouch commissions should be receipted into the General Fund.

Response - The District will more closely monitor commission revenue and deposit it into the General Fund.

Conclusion - Response accepted.

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

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

Response - The District will monitor revenues and expenses approved in the activity fund and the PTO account. Anything that is instructional will be handled through the General Fund.

Conclusion - Response accepted.