

WACO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

## TABLE OF CONTENTS

		<u>Page</u>
Officials		3
Independent Auditor’s Report		4-5
Management Discussion and Analysis (MD&A)		7-16
<b>Basic Financial Statements:</b>	<b><u>Exhibit</u></b>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	E	22
Statement of Revenues, Expenditures and Changes in Fund Balances Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-38
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
<b>Supplementary Information:</b>	<b><u>Schedule</u></b>	
<i>Capital Projects Accounts:</i>		
Combining Balance Sheet	1	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	47
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		48-49
Schedule of Findings		50-54

WACO Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
<b>(Before September 2013 Election)</b>		
Tim Graber	President	2013
Gary Brose	Vice President	2015
Joellen Jepson	Board Member	2013
Todd Meyer	Board Member	2015
Jarod Graber	Board Member	2013
<b>(After September 2013 Election)</b>		
Tim Graber	President	2017
Gary Brose	Vice President	2015
Barb Shelman	Board Member	2017
Todd Meyer	Board Member	2015
Tom Gerot	Board Member	2017
<u>School Officials</u>		
Darrell Smith	Superintendent	2014
Carrie Coble	Board Secretary/Business Manager	2014
Ron Peeler	Attorney	2014

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

**Independent Auditor's Report**

**To the Board of Education of the 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, 2014, 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, 2014 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.

**Members American Institute & Iowa Society of Certified Public Accountants**

## **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 inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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 March 24, 2015, 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, P.C.

March 24, 2015  
Newton, Iowa



**WACO**  
**Community School District**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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WACO Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,246,967 in fiscal 2013 to \$6,406,026 in fiscal 2014, while General Fund expenditures increased from \$5,495,919 in fiscal 2013 to \$5,887,495 in fiscal 2014. The District's General Fund balance increased from \$1,596,973 at June 30, 2013 to a balance of \$2,115,504 at June 30, 2014, a 32.47% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in state and federal source revenues in fiscal 2014 as compared to fiscal 2013. The increase in expenditures was due primarily to increased spending in the instruction and support services functional areas.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net 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.

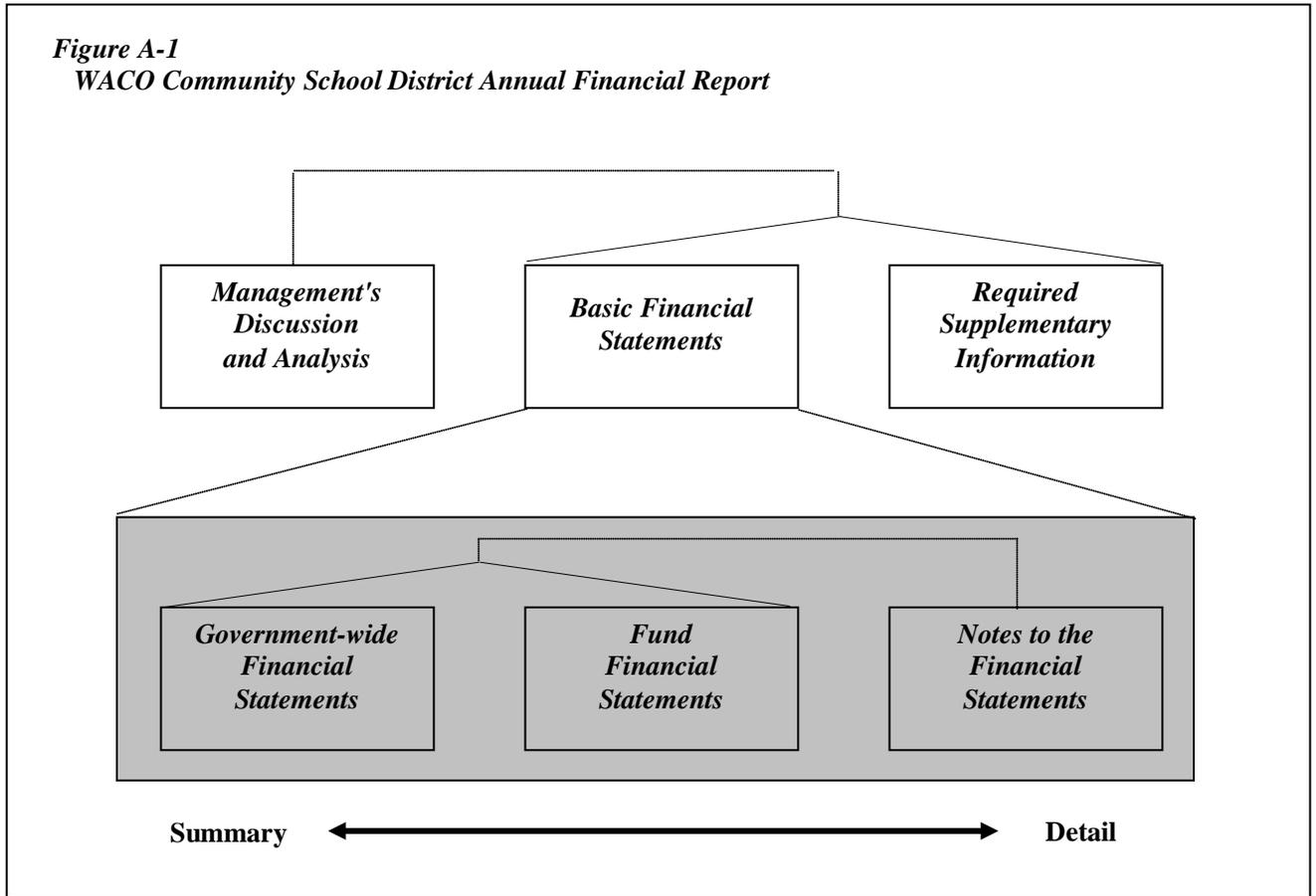
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report WACO Community School District's operations in more detail than the government-wide statements by providing information about the 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-2** summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is 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.

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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 governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Figure A-3** below provides a summary of the District's total net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 6,918,039	6,897,273	50,840	71,710	6,968,879	6,968,983	0.00%
Capital assets	6,757,705	6,398,615	10,606	9,621	6,768,311	6,408,236	5.62%
Total assets	<u>13,675,744</u>	<u>13,295,888</u>	<u>61,446</u>	<u>81,331</u>	<u>13,737,190</u>	<u>13,377,219</u>	<u>2.69%</u>
Long-term obligations	2,979,341	2,910,803	6,851	6,851	2,986,192	2,917,654	2.35%
Other liabilities	878,801	723,843	3,694	2,774	882,495	726,617	21.45%
Total liabilities	<u>3,858,142</u>	<u>3,634,646</u>	<u>10,545</u>	<u>9,625</u>	<u>3,868,687</u>	<u>3,644,271</u>	<u>6.16%</u>
Deferred inflows of resources	<u>2,393,884</u>	<u>2,958,890</u>	-	-	<u>2,393,884</u>	<u>2,958,890</u>	<u>-19.10%</u>
Net position:							
Net investment in capital assets	4,150,885	3,788,615	10,606	9,621	4,161,491	3,798,236	9.56%
Restricted	1,605,012	1,793,246	-	-	1,605,012	1,793,246	-10.50%
Unrestricted	1,667,821	1,120,491	40,295	62,085	1,708,116	1,182,576	44.44%
Total net position	<u>\$ 7,423,718</u>	<u>6,702,352</u>	<u>50,901</u>	<u>71,706</u>	<u>7,474,619</u>	<u>6,774,058</u>	<u>10.34%</u>

The District's combined net position increased by 10.34%, or \$700,561 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 decreased \$188,234, or 10.50% over the prior year. The decrease in restricted net position is largely a result of the decrease in fund balance in the Capital Projects: Statewide Sales, Services and Use Tax Fund and Capital Projects: Physical Plant and Equipment Levy as compared to the previous year.

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 \$525,540, or 44.44%. The increase in unrestricted net position is mainly attributable to the increase in General Fund ending balance as compared to the previous year.

**Figure A-4** shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 646,733	594,624	94,995	113,278	741,728	707,902	4.78%
Operating grants and contributions and restricted interest	580,846	511,142	101,755	127,284	682,601	638,426	6.92%
General revenues:							
Property tax	2,905,823	2,931,655	-	-	2,905,823	2,931,655	-0.88%
Statewide sales, services and use tax	437,252	434,066	-	-	437,252	434,066	0.73%
Unrestricted state grants	2,870,494	2,834,384	-	-	2,870,494	2,834,384	1.27%
Unrestricted interest earnings	3,791	3,207	88	113	3,879	3,320	16.84%
Other	62,183	51,634	-	541	62,183	52,175	19.18%
Total revenues	<u>7,507,122</u>	<u>7,360,712</u>	<u>196,838</u>	<u>241,216</u>	<u>7,703,960</u>	<u>7,601,928</u>	<u>1.34%</u>
Program expenses:							
Governmental activities:							
Instructional	4,363,099	3,933,799	-	-	4,363,099	3,933,799	10.91%
Support services	1,915,473	1,605,381	-	-	1,915,473	1,605,381	19.32%
Non-instructional programs	-	-	220,931	243,144	220,931	243,144	-9.14%
Other expenses	503,896	503,062	-	-	503,896	503,062	0.17%
Total expenses	<u>6,782,468</u>	<u>6,042,242</u>	<u>220,931</u>	<u>243,144</u>	<u>7,003,399</u>	<u>6,285,386</u>	<u>11.42%</u>
Excess(Deficiency) of revenues over(under) expenditures	724,654	1,318,470	(24,093)	(1,928)	700,561	1,316,542	-46.79%
Transfers	<u>(3,288)</u>	-	<u>3,288</u>	-	-	-	<u>0.00%</u>
Changes in net position	721,366	1,318,470	(20,805)	(1,928)	700,561	1,316,542	-46.79%
Net position beginning of year	<u>6,702,352</u>	<u>5,383,882</u>	<u>71,706</u>	<u>73,634</u>	<u>6,774,058</u>	<u>5,457,516</u>	<u>24.12%</u>
Net position end of year	<u>\$ 7,423,718</u>	<u>6,702,352</u>	<u>50,901</u>	<u>71,706</u>	<u>7,474,619</u>	<u>6,774,058</u>	<u>10.34%</u>

In fiscal 2014, property tax, statewide sales and services tax and unrestricted state grants account for 82.77% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$7.70 million, of which approximately \$7.51 million was for governmental activities and approximately \$0.19 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.34% increase in revenues and an 11.42% increase in expenses. The increase in revenues was primarily due to increases in charge for service and other revenue during the year. The increase in expenditures was primarily due to the increases in the support services functional area.

## Governmental Activities

Revenues for governmental activities were \$7,507,122 and expenses were \$6,782,468 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,363,099	3,933,799	10.91%	3,337,246	3,027,316	10.24%
Support services	1,915,473	1,605,381	19.32%	1,914,742	1,601,863	19.53%
Other expenses	503,896	503,062	0.17%	302,901	307,297	-1.43%
Totals	<u>\$ 6,782,468</u>	<u>6,042,242</u>	<u>30.39%</u>	<u>5,554,889</u>	<u>4,936,476</u>	<u>12.53%</u>

- The cost financed by users of the District's programs was \$646,733.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$580,846.
- The net cost of governmental activities was financed with \$2,905,823 in property tax, \$437,252 in statewide sales, services and use tax, \$2,870,494 in unrestricted state grants, \$3,791 in interest income and \$62,183 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$196,838 and expenses were \$220,931. 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 \$3,647,740, compared to last year's ending fund balances of \$3,217,436. The primary reason for the increase in combined fund balances was due to the improvement in the Management Levy 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 \$1,596,973 at June 30, 2013 to \$2,115,504 at June 30, 2014. This increase was primarily due to an increase in state and federal revenues during the year.
- The Management Levy Fund balance increased from \$450,628 at June 30, 2013 to \$537,306 at June 30, 2014. The Management Fund had revenues of \$205,992 during fiscal year 2014 compared to \$227,564 during fiscal year 2013. The Management Fund had expenditures of \$119,314 during fiscal year 2014 compared to \$141,240 during fiscal year 2013.

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- The Capital Projects Fund balance decreased from \$1,037,756 at the beginning of fiscal year 2014 to \$868,126 at the end of fiscal year 2014. The Statewide Sales, Services and Use Tax Fund balance decreased from \$907,750 at June 30, 2013 to \$858,037 at June 30, 2014. The Physical Plant and Equipment Levy Fund balance increased from \$130,006 at June 30, 2013 to \$10,089 at June 30, 2014.
  - The Debt Service Fund decreased from \$89,457 at June 30, 2013 to \$88,556 at June 30, 2014. Revenues increased from \$425,380 at June 30, 2013 to \$483,368 at June 30, 2014. Expenses increased from \$425,347 at June 30, 2013 to \$484,269 at June 30, 2014.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from \$71,706 at June 30, 2013 to \$50,901 at June 30, 2014, representing a decrease of 29.01%. School Nutrition fund revenues decrease from fiscal 2013 to fiscal 2014. 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**

Over the course of the year, WACO Community School District amended its budget one time to reflect increased expenditures related to debt payments and increased nutrition costs.

The District's revenues were \$100,892 more than budgeted revenues, a variance of less than 1.33%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and other expenditures functional areas.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014 the District had invested approximately \$6.77 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 an increase of 5.62% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$367,158.

The original cost of the District's capital assets was \$11,463,971. Governmental funds account for \$11,327,741 with the remainder of \$136,230 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category due the District buying new school buses on a lease purchase option. The District's machinery and equipment was \$649,409 at June 30, 2014, compared to \$65,442 reported at June 30, 2013.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 85,850	85,850	-	-	85,850	85,850	0.00%
Buildings	5,484,787	5,665,095	-	-	5,484,787	5,665,095	-3.18%
Land improvements	548,265	591,849	-	-	548,265	591,849	-7.36%
Machinery and equipment	638,803	55,821	10,606	9,621	649,409	65,442	892.34%
Total	\$ 6,757,705	6,398,615	10,606	9,621	6,768,311	6,408,236	5.62%

### Long-Term Debt

At June 30, 2014, the District had \$2,986,192 in long-term debt outstanding. This represents an increase of 2.35% 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 \$1,330,000 of outstanding general obligation bonds payable of at June 30, 2014.

The District had total outstanding revenue bonds of \$855,000 at June 30, 2014 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding bus lease indebtedness of \$421,820 at June 30, 2014 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 \$250,839 at June 30, 2014.

The District had a net OPEB liability of \$128,553 at June 30, 2014. \$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		Business Type Activities		Total		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2014	2013	2013-14
General obligation bonds	\$ 1,330,000	1,655,000	-	-	1,330,000	1,655,000	-19.64%
Revenue bonds	855,000	955,000	-	-	855,000	955,000	-10.47%
Bus lease	421,820	-	-	-	421,820	-	100.00%
Termination benefits	250,839	179,121	-	-	250,839	179,121	40.04%
Net OPEB liability	121,682	121,682	6,851	6,851	128,533	128,533	0.00%
Total	\$ 2,979,341	2,910,803	6,851	6,851	2,986,192	2,917,654	2.35%

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## **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**

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,136,833	88,759	4,225,592
Receivables:			
Property tax:			
Delinquent	54,252	-	54,252
Succeeding year	2,393,884	-	2,393,884
Accounts	-	2	2
Due from other funds	43,703	(43,703)	-
Due from other governments	289,367	-	289,367
Inventories	-	5,782	5,782
Capital assets, net of accumulated depreciation	6,757,705	10,606	6,768,311
<b>TOTAL ASSETS</b>	<b>13,675,744</b>	<b>61,446</b>	<b>13,737,190</b>
<b>LIABILITIES</b>			
Accounts payable	281,197	-	281,197
Salaries and benefits payable	595,218	-	595,218
Accrued interest payable payable	2,386	-	2,386
Unearned revenue	-	3,694	3,694
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	325,000	-	325,000
Revenue bond payable	100,000	-	100,000
Bus lease payable	53,002	-	53,002
Termination benefits	69,416	-	69,416
Portion due after one year:			
General obligation bonds payable	1,005,000	-	1,005,000
Revenue bond payable	755,000	-	755,000
Bus lease payable	368,818	-	368,818
Termination benefits	181,423	-	181,423
Net OPEB liability	121,682	6,851	128,533
<b>TOTAL LIABILITIES</b>	<b>3,858,142</b>	<b>10,545</b>	<b>3,868,687</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,393,884	-	2,393,884
<b>NET POSITION</b>			
Net investment in capital assets	4,150,885	10,606	4,161,491
Restricted for:			
Categorical funding	326,001	-	326,001
Debt service	86,170	-	86,170
Management levy purposes	286,467	-	286,467
Student activities	38,248	-	38,248
School infrastructure	858,037	-	858,037
Physical plant and equipment	10,089	-	10,089
Unrestricted	1,667,821	40,295	1,708,116
<b>TOTAL NET POSITION</b>	<b>\$ 7,423,718</b>	<b>50,901</b>	<b>7,474,619</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,667,073	433,621	72,608	(2,160,844)	-	(2,160,844)
Special	927,659	72,269	106,104	(749,286)	-	(749,286)
Other	768,367	140,112	201,139	(427,116)	-	(427,116)
	<u>4,363,099</u>	<u>646,002</u>	<u>379,851</u>	<u>(3,337,246)</u>	<u>-</u>	<u>(3,337,246)</u>
Support services:						
Student	108,349	-	-	(108,349)	-	(108,349)
Instructional staff	67,518	-	-	(67,518)	-	(67,518)
Administration	780,355	-	-	(780,355)	-	(780,355)
Operation and maintenance of plant	737,291	-	-	(737,291)	-	(737,291)
Transportation	221,960	731	-	(221,229)	-	(221,229)
	<u>1,915,473</u>	<u>731</u>	<u>-</u>	<u>(1,914,742)</u>	<u>-</u>	<u>(1,914,742)</u>
Long-term debt interest	57,759	-	-	(57,759)	-	(57,759)
Other expenditures:						
AEA flowthrough	200,995	-	200,995	-	-	-
Depreciation(unallocated)*	245,142	-	-	(245,142)	-	(245,142)
	<u>446,137</u>	<u>-</u>	<u>200,995</u>	<u>(245,142)</u>	<u>-</u>	<u>(245,142)</u>
Total governmental activities	6,782,468	646,733	580,846	(5,554,889)	-	(5,554,889)
Business type activities:						
Non-instructional programs:						
Nutrition services	220,931	94,995	101,755	-	(24,181)	(24,181)
Total business type activities	<u>220,931</u>	<u>94,995</u>	<u>101,755</u>	<u>-</u>	<u>(24,181)</u>	<u>(24,181)</u>
Total	<u>\$ 7,003,399</u>	<u>741,728</u>	<u>682,601</u>	<u>(5,554,889)</u>	<u>(24,181)</u>	<u>(5,579,070)</u>
<b>General Revenues &amp; Transfers:</b>						
Property tax levied for:						
General purposes				\$ 2,514,998	-	2,514,998
Debt services				343,499	-	343,499
Capital outlay				47,326	-	47,326
Statewide sales, services and use tax				437,252	-	437,252
Unrestricted state grants				2,870,494	-	2,870,494
Unrestricted investment earnings				3,791	88	3,879
Other general revenues				62,183	-	62,183
Transfers				(3,288)	3,288	-
Total general revenues & transfers				<u>6,276,255</u>	<u>3,376</u>	<u>6,279,631</u>
Change in net position				721,366	(20,805)	700,561
Net position beginning of year				<u>6,702,352</u>	<u>71,706</u>	<u>6,774,058</u>
Net position end of year				<u>\$ 7,423,718</u>	<u>50,901</u>	<u>7,474,619</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 2,773,817	533,547	708,963	82,258	38,248	4,136,833
Receivables:						
Property tax:						
Delinquent	43,327	3,759	868	6,298	-	54,252
Succeeding year	1,576,920	200,000	46,648	570,316	-	2,393,884
Due from other funds	43,703	-	-	-	-	43,703
Due from other governments	131,072	-	158,295	-	-	289,367
<b>TOTAL ASSETS</b>	<b>\$ 4,568,839</b>	<b>737,306</b>	<b>914,774</b>	<b>658,872</b>	<b>38,248</b>	<b>6,918,039</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 281,197	-	-	-	-	281,197
Salaries and benefits payable	595,218	-	-	-	-	595,218
Total liabilities	876,415	-	-	-	-	876,415
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,576,920	200,000	46,648	570,316	-	2,393,884
Fund balances:						
Restricted for:						
Categorical funding	326,001	-	-	-	-	326,001
Debt service	-	-	-	88,556	-	88,556
Management levy purposes	-	537,306	-	-	-	537,306
Student activities	-	-	-	-	38,248	38,248
School infrastructure	-	-	858,037	-	-	858,037
Physical plant and equipment	-	-	10,089	-	-	10,089
Unassigned	1,789,503	-	-	-	-	1,789,503
Total fund balances	2,115,504	537,306	868,126	88,556	38,248	3,647,740
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,568,839</b>	<b>737,306</b>	<b>914,774</b>	<b>658,872</b>	<b>38,248</b>	<b>6,918,039</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

<b>Total fund balances of governmental funds (page 20)</b>	\$ 3,647,740
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,757,705
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.	(2,386)
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.	<u>(2,979,341)</u>
<b>Net position of governmental activities (page 18)</b>	<u><u>\$ 7,423,718</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Debt Service	Nonmajor Student Activity	Total
<b>Revenues:</b>						
<b>Local sources:</b>						
Local tax	\$ 2,314,650	200,348	47,326	343,499	-	2,905,823
Tuition	432,707	-	-	-	-	432,707
Other	143,228	5,644	777	165	164,347	314,161
State sources	3,176,677	-	437,252	-	-	3,613,929
Federal sources	240,502	-	-	-	-	240,502
Total revenues	6,307,764	205,992	485,355	343,664	164,347	7,507,122
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	2,687,353	-	-	-	-	2,687,353
Special	935,469	-	-	-	-	935,469
Other	610,666	-	-	-	168,721	779,387
	4,233,488	-	-	-	168,721	4,402,209
<b>Support services:</b>						
Student	108,349	-	-	-	-	108,349
Instructional staff	67,518	-	-	-	-	67,518
Administration	636,524	85,033	-	1,000	-	722,557
Operation and maintenance of plant	417,235	27,283	-	-	-	444,518
Transportation	223,386	6,998	525,671	-	-	756,055
	1,453,012	119,314	525,671	1,000	-	2,098,997
Capital outlay	-	-	411,430	-	-	411,430
<b>Long-term debt:</b>						
Principal	-	-	-	425,000	-	425,000
Interest and fiscal charges	-	-	-	58,269	-	58,269
	-	-	-	483,269	-	483,269
<b>Other expenditures:</b>						
AEA flowthrough	200,995	-	-	-	-	200,995
Total expenditures	5,887,495	119,314	937,101	484,269	168,721	7,596,900
Excess(Deficiency) of revenues over(under) expenditures	420,269	86,678	(451,746)	(140,605)	(4,374)	(89,778)
<b>Other financing sources(uses):</b>						
Sale of equipment	98,262	-	-	-	-	98,262
Transfer in	-	-	-	139,704	-	139,704
Transfer out	-	-	(139,704)	-	-	(139,704)
Proceeds from bus lease	-	-	421,820	-	-	421,820
Total other financing sources(uses)	98,262	-	282,116	139,704	-	520,082
Change in fund balances	518,531	86,678	(169,630)	(901)	(4,374)	430,304
Fund balances beginning of year	1,596,973	450,628	1,037,756	89,457	42,622	3,217,436
Fund balances end of year	\$ 2,115,504	537,306	868,126	88,556	38,248	3,647,740

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

**Change in fund balances - total governmental funds (page 22)** \$ 430,304

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

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

Capital outlay	\$ 723,945	
Depreciation expense	<u>(364,855)</u>	359,090

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

Issued	\$ (421,820)	
Repaid	<u>425,000</u>	3,180

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.

510

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	<u>(71,718)</u>	
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**Change in net position of governmental activities (page 19)** \$ 721,366

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

	School Nutrition
<b>ASSETS</b>	
Current assets:	
Cash and pooled investments	\$ 88,759
Accounts receivable	2
Inventories	5,782
Total current assets	94,543
Noncurrent assets:	
Capital assets, net of accumulated depreciation	10,606
<b>TOTAL ASSETS</b>	<b>105,149</b>
<b>LIABILITIES</b>	
Current liabilities:	
Due to other funds	43,703
Unearned revenue	3,694
	47,397
Noncurrent liabilities:	
Net OPEB liability	6,851
<b>TOTAL LIABILITIES</b>	<b>54,248</b>
<b>NET POSITION</b>	
Net investment in capital assets	10,606
Unrestricted	40,295
<b>TOTAL NET POSITION</b>	<b>\$ 50,901</b>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 94,995
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	65,652
Benefits	37,889
Services	847
Supplies	114,240
Depreciation	2,303
Total operating expenses	<u>220,931</u>
Operating loss	<u>(125,936)</u>
Non-operating revenues:	
Interest income	88
State sources	1,725
Federal sources	100,030
Total non-operating revenues	<u>101,843</u>
Change in net assets before other financing sources	(24,093)
Other financing sources:	
Capital contributions	<u>3,288</u>
Change in net position	(20,805)
Net position beginning of year	<u>71,706</u>
Net position end of year	<u>\$ 50,901</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 95,913
Cash payments to employees for services	(103,541)
Cash payments to suppliers for goods or services	(104,754)
Net cash used in operating activities	(112,382)
Cash flows from non-capital financing activities:	
Borrowings from General Fund	43,703
State grants received	1,725
Federal grants received	91,512
Net cash provided by non-capital financing activities	136,940
Cash flows from investing activities:	
Interest on investments	88
Net increase in cash and cash equivalents	24,646
Cash and cash equivalents at beginning of year	64,113
Cash and cash equivalents at end of year	\$ 88,759
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (125,936)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	8,518
Depreciation	2,303
Decrease in inventories	1,815
Increase in accounts receivable	(2)
Increase in unearned revenue	920
Net cash used in operating activities	\$ (112,382)

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

During the year ended June 30, 2014, the District received \$8,518 of federal commodities.

During the year ended June 30, 2014, the District received \$3,288 in capital contributions from the Capital Projects Funds: Statewide Sales, Services and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

WACO COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* 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. Enabling legislation did not result in any restricted net position.

*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 is 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 Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, termination benefits, and insurance agreements relating to such liabilities.

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

The 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 is 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, Deferred Inflows of Resources 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

Deferred inflows of resources 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.

**E, Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services and other expenditures functional areas.

**Note 2. Cash and Pooled Investments**

The District’s deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$244,815 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, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 43,703

The School Nutrition Fund is repaying the General Fund for money borrowed to pay salaries and benefits during the year.

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 139,704

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, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b><i>Governmental activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 85,850	-	-	85,850
Total capital assets not being depreciated	85,850	-	-	85,850
Capital assets being depreciated:				
Buildings	8,923,496	21,250	-	8,944,746
Land improvements	978,749	-	-	978,749
Machinery and equipment	963,863	702,695	348,162	1,318,396
Total capital assets being depreciated	10,866,108	723,945	348,162	11,241,891
Less accumulated depreciation for:				
Buildings	3,258,401	201,558	-	3,459,959
Land improvements	386,900	43,584	-	430,484
Machinery and equipment	908,042	119,713	348,162	679,593
Total accumulated depreciation	4,553,343	364,855	348,162	4,570,036
Total capital assets being depreciated, net	6,312,765	359,090	-	6,671,855
Governmental activities capital assets, net	\$ 6,398,615	359,090	-	6,757,705
<b><i>Business type activities:</i></b>				
Machinery and equipment	\$ 132,942	3,288	-	136,230
Less accumulated depreciation	123,321	2,303	-	125,624
Business type activities capital assets, net	\$ 9,621	985	-	10,606

Depreciation expense was charged by the District as follows:

<b><i>Governmental activities:</i></b>	
Instruction:	
Regular	\$ 11,946
Other	1,714
Support services:	
Operation and maintenance of plant	16,522
Transportation	89,531
	119,713
Unallocated depreciation	245,142
Total governmental activities depreciation expense	\$ 364,855
<b><i>Business type activities:</i></b>	
Food service operations	\$ 2,303

**Note 6. Long-Term Debt**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b><i>Governmental activities:</i></b>					
General obligation bonds	\$ 1,655,000	-	325,000	1,330,000	325,000
Revenue bonds	955,000	-	100,000	855,000	100,000
Bus lease	-	421,820	-	421,820	53,002
Termination benefits	179,121	117,019	45,301	250,839	69,416
Net OPEB liability	121,682	-	-	121,682	-
Total	\$ 2,910,803	538,839	470,301	2,979,341	547,418
<b><i>Business type activities:</i></b>					
Net OPEB liability	\$ 6,851	-	-	6,851	-

**General Obligation Bond Payable**

Details of the Districts June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 18, 2012				
	Interest Rates	Principal	Interest	Total	
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		\$ 1,330,000	37,225	1,367,225	

**Revenue Bonds Payable**

Details of the District June 30, 2014 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of September 1, 2008				
	Interest Rates	Principal	Interest	Total	
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	4.10	110,000	19,604	129,604	
2019-2022	4.10-4.38	345,000	30,187	375,187	
Total		\$ 855,000	168,607	1,023,607	

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 31% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,023,607. For the current year, principal of \$100,000 and interest of \$39,704 was paid on the bonds and statewide sales, services and use tax revenues were \$437,252.

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

- a) \$115,500 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

**Bus Lease**

During the year ended June 30, 2014, the District entered into a lease purchase agreement for six buses with Hogleund Bus Company, Inc. of Marshalltown, Iowa. Details of the District’s bus lease indebtedness, which will be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund, are as follows:

Year Ending June 30,	Bus Lease Issue of November 15, 2013				
	Interest Rates		Principal	Interest	Total
2015	1.98	% \$	53,002	8,352	61,354
2016	1.98		54,051	7,303	61,354
2017	1.98		314,767	6,233	321,000
Total			\$ 421,820	21,888	443,708

**Termination Benefits**

The District 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.

The District offered two different early retirement incentives. The first option pays the retiree a monthly payment beginning the first month of retirement and continuing to a maximum of 120 months. This payment will be in an amount equal to 0.010 times the annual salary received by the retiree during the fiscal year immediately preceding retirement. The second option allows the retiree to receive the Board Benefits for a maximum of 120 months and continue in the District’s group health insurance covering the employee at the time of their retirement through the month in which the retiree attains 65 years of age.

At June 30, 2014, the District has obligations to ten participants with a total liability of \$250,839. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$45,301. 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.

GASB Statement No. 45 allows Districts with fewer than 100 employees included on the District’s health plan to use the Alternative Measurement Method to determine the net OPEB liability. Those Districts with fewer than 100 members are required to get new actuarial valuations every three years barring a substantial change in the plan. Under the Alternative Measurement Method, the net OPEB liability remains the same until the District is required to renew their actuarial valuation. The net OPEB liability as of the most recent valuation is \$128,533. The District is scheduled to need a new valuation for the year ending June 30, 2016.

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, 2014.

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, 2014 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 152,977	65.37%	\$ 190,559
2013	17,534	453.75%	128,533
2014	-	0.00%	128,533

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$2,970,219 and the ratio of the UAAL to covered payroll was 4.67%. As of June 30, 2014, 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 include 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 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$276,087, \$274,871 and \$281,530 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, 2014 were \$605,754.

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 \$200,995 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the support services and other expenditures functional area exceeded the amounts budgeted.

**Note 12. Categorical Funding**

The District’s restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Limited English Proficient	\$ 24,548
Home School Assistance Program	37,806
At-Risk Programs	87,710
Gifted and Talented Programs	43,462
Returning Dropouts and Dropout Prevention Programs	48,837
Beginning Teacher Mentoring and Induction Program	3,081
Beginning Administrator Mentoring and Induction Program	931
Iowa Early Intervention Block Grant	19,651
Professional Development for Model Core Curriculum	37,144
Professional Development	241
Successful Progression of Early Readers	15,743
Teacher Leadership Grants	6,847
Total	<u>\$ 326,001</u>

**Note 13. Reconciliation of Governmental Fund Balances to Net Position**

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

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	537,306	88,556	1,789,503
Capital assets, net of accumulated depreciation	6,757,705	-	-	-
General obligation bond capitalized indebtedness	(1,330,000)	-	-	-
Revenue bond capitalized indebtedness	(855,000)	-	-	-
Bus lease capitalized indebtedness	(421,820)	-	-	-
Termination benefits	-	(250,839)	-	-
Accrued interest payable	-	-	(2,386)	-
Net OPEB liability	-	-	-	(121,682)
<b>Net position (Exhibit A)</b>	<u>\$ 4,150,885</u>	<u>286,467</u>	<u>86,170</u>	<u>1,667,821</u>

**Note 14. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

## **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, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Actual	Fund Actual		Original	Final	
Revenues:						
Local sources	\$ 3,652,691	95,083	3,747,774	4,204,240	4,204,240	(456,466)
State sources	3,613,929	1,725	3,615,654	3,048,828	3,048,828	566,826
Federal sources	240,502	100,030	340,532	350,000	350,000	(9,468)
Total revenues	<u>7,507,122</u>	<u>196,838</u>	<u>7,703,960</u>	<u>7,603,068</u>	<u>7,603,068</u>	<u>100,892</u>
Expenditures/Expenses:						
Instruction	4,402,209	-	4,402,209	4,553,000	4,553,000	150,791
Support services	2,098,997	-	2,098,997	2,080,000	2,080,000	(18,997)
Non-instructional programs	-	220,931	220,931	250,000	400,000	179,069
Other expenditures	1,095,694	-	1,095,694	477,525	1,000,000	(95,694)
Total expenditures/expenses	<u>7,596,900</u>	<u>220,931</u>	<u>7,817,831</u>	<u>7,360,525</u>	<u>8,033,000</u>	<u>215,169</u>
Excess(Deficiency) of revenues over (under) expenditures/expenses	(89,778)	(24,093)	(113,871)	242,543	(429,932)	316,061
Other financing sources, net	<u>520,082</u>	<u>3,288</u>	<u>523,370</u>	-	-	<u>523,370</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	430,304	(20,805)	409,499	242,543	(429,932)	839,431
Balances beginning of year	<u>3,217,436</u>	<u>71,706</u>	<u>3,289,142</u>	<u>1,770,659</u>	<u>1,770,659</u>	<u>1,518,483</u>
Balances end of year	<u>\$ 3,647,740</u>	<u>50,901</u>	<u>3,698,641</u>	<u>2,013,202</u>	<u>1,340,727</u>	<u>2,357,914</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$672,475.

During the year ended June 30, 2014, expenditures in the support services and other expenditures functional areas exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
			Accrued Liability (AAL) (b)	AAL (UAAL) (b-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
2014	July 1, 2012	-	138,642	138,642	0.0	2,970,219	4.67

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**

WACO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 699,742	9,221	708,963
Receivables:			
Property tax:			
Delinquent	-	868	868
Succeeding year	-	46,648	46,648
Due from other governments	158,295	-	158,295
<b>TOTAL ASSETS</b>	<b>\$ 858,037</b>	<b>56,737</b>	<b>914,774</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	46,648	46,648
Fund balances:			
Restricted for:			
School infrastructure	858,037	-	858,037
Physical plant and equipment	-	10,089	10,089
Total fund balances	858,037	10,089	868,126
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 858,037</b>	<b>56,737</b>	<b>914,774</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	47,326	47,326
Other	753	24	777
State sources	437,252	-	437,252
Total revenues	438,005	47,350	485,355
Expenditures:			
Support services:			
Transportation	525,671	-	525,671
Capital outlay	244,163	167,267	411,430
Total expenditures	769,834	167,267	937,101
Deficiency of revenues under expenditures	(331,829)	(119,917)	(451,746)
Other financing sources(uses):			
Transfer out	(139,704)	-	(139,704)
Proceeds from bus lease	421,820	-	421,820
Total other financing sources(uses)	282,116	-	282,116
Change in fund balances	(49,713)	(119,917)	(169,630)
Fund balances beginning year	907,750	130,006	1,037,756
Fund balances end of year	\$ 858,037	10,089	868,126

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WACO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Volunteer class	\$ -	761	343	(93)	325
Camp courageous	544	5,204	2,630	-	3,118
Robotics	-	1,301	639	-	662
Elementary vending	521	1,787	2,208	(100)	-
Elementary student leadership	439	-	-	-	439
After school program	5,833	-	-	(5,216)	617
6th grade overnight	172	-	-	-	172
Musical	-	814	2,814	2,000	-
Spanish trip	671	22,344	21,094	-	1,921
Strings resale	45	248	30	-	263
Instrumental music	-	1,045	1,154	109	-
Vocal music	-	-	342	342	-
Safe schools committee	100	-	-	-	100
Elementary activity	9,161	627	2,371	(247)	7,170
Secondary activity	26	4,554	1,937	-	2,643
High school annual	-	3,438	7,268	3,830	-
Class of 2015	-	8,964	7,569	-	1,395
Class of 2017	365	-	578	213	-
Class of 2014	3,108	482	1,509	(213)	1,868
Sr high student council	1,184	5,823	3,939	-	3,068
Leo club	234	825	1,153	94	-
Lego league	-	50	-	(50)	-
Warrior way	288	1,347	638	-	997
Secondary science trip	-	16,865	15,806	-	1,059
National honor society	66	332	173	-	225
PTO	4,576	18,116	13,612	-	9,080
Football cheerleaders	2,115	2,508	2,338	-	2,285
Basketball cheerleaders	731	-	-	-	731
Drill team	25	160	970	785	-
Cross country	-	-	345	345	-
Boys basketball	-	104	2,770	2,666	-
Football	-	5,978	19,317	13,339	-
Baseball	-	20	6,923	7,013	110
Boys track	-	3,565	6,810	3,245	-
Wrestling	-	1,434	2,353	919	-
Girls basketball	-	976	6,198	5,222	-
Volleyball	-	2,119	5,409	3,290	-
Softball	60	681	3,166	2,425	-
Girls track	-	1,488	3,086	1,598	-
Interest	-	65	-	(65)	-
Activity tickets	12,273	49,937	21,199	(41,011)	-
Vending machines	85	385	30	(440)	-
Total	\$ 42,622	164,347	168,721	-	38,248

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,905,823	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
Tuition	432,707	462,041	541,815	458,816	447,100	545,597	546,965	561,972	526,416	485,178
Other	314,161	211,435	350,544	333,643	259,686	245,939	329,610	278,346	285,685	265,047
Intermediate sources	-	-	-	-	-	-	-	5,452	-	-
State sources	3,613,929	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
Federal sources	240,502	194,796	319,292	320,048	482,502	305,778	180,233	207,714	183,599	173,991
<b>Total</b>	<b>\$ 7,507,122</b>	<b>7,360,712</b>	<b>7,560,680</b>	<b>7,146,688</b>	<b>6,565,945</b>	<b>6,711,541</b>	<b>6,404,527</b>	<b>6,185,429</b>	<b>5,923,035</b>	<b>5,356,442</b>
Expenditures:										
Instruction:										
Regular	\$ 2,687,353	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
Special	935,469	742,704	794,786	762,151	822,874	827,486	815,142	758,374	685,666	582,360
Other	779,387	791,191	862,871	886,179	847,814	660,833	668,865	631,210	640,069	625,012
Support services:										
Student	108,349	75,121	101,455	102,386	24,564	122,920	127,124	88,836	104,327	95,489
Instructional staff	67,518	88,874	125,134	125,298	86,031	151,081	126,335	133,911	101,528	102,614
Administration	722,557	753,056	774,741	722,552	734,156	746,935	713,292	738,744	673,115	668,083
Operation and maintenance of plant	444,518	404,358	360,907	339,805	421,410	456,051	507,610	457,669	423,678	378,193
Transportation	756,055	248,655	263,113	281,879	240,624	317,688	272,761	356,428	338,645	237,125
Non-instructional:										
Food service operations	-	-	-	-	-	-	-	-	-	62,516
Capital outlay	411,430	19,562	16,409	90,879	189,378	891,915	150,988	606,302	73,268	60,950
Long term debt:										
Principal	425,000	360,000	2,370,000	370,000	379,649	368,524	393,267	240,930	225,199	224,852
Interest and fiscal charges	58,269	64,347	156,370	145,626	177,301	128,875	150,788	132,420	151,514	173,963
Other expenditures:										
AEA flow-through	200,995	195,765	195,425	214,946	213,346	200,335	190,469	180,677	166,328	157,060
<b>Total</b>	<b>\$ 7,596,900</b>	<b>6,225,379</b>	<b>8,766,450</b>	<b>6,719,742</b>	<b>6,638,721</b>	<b>7,392,754</b>	<b>6,533,571</b>	<b>6,626,085</b>	<b>5,792,220</b>	<b>5,489,039</b>

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2015.

**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-14 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-14 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, 2014 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, P.C.

March 24, 2015  
Newton, Iowa

WACO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 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-14 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 - We will work to implement a plan for non-certified coaches to document their hours to comply with the Department of Labor requirements on wage/hour contracts.

Conclusion - Response accepted.

**OTHER MATTERS:**

I-C-14 Board Policies - We noted during our audit some of the policies in the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

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

Response - We have reviewed the timeline for policy review and will work to be sure all policies are reviewed every five years.

Conclusion - Response accepted.

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

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget amounts in the support services and other expenditures functional areas.

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

Response - We will work to better monitor our expenditures and amend our certified budget as needed.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted disbursements for gift cards from the Student Activity Fund. Giving gift cards to students does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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

Response - We will review procedures to be sure that gift cards are not purchased from the Student Activity Fund.

Conclusion - Response accepted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

However, we noted that there were instances of reimbursements made which lacked a supporting invoice or a detailed receipt. The District has Board Policy 401.10 that addresses the use of District issued credit cards by employees for necessary expenses incurred while on District business. If an employee fails to submit a detailed receipt in addition to the credit card receipt indicating the date, purpose and nature of the expense for each item, that expense would become the employee's expense that would have to be reimbursed to the District within ten days following the use of the District credit card.

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will review our district credit card procedures to include proper documentation for purchases.

Conclusion - Response accepted.

- II-D-14 Business Transactions - Business transactions between District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Massey, Custodian Owner of Mike's Service Stop	Supplies	\$9

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District employee do not appear to represent a conflict of interest.

- II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 3.0.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds. However, we noted during our audit that the District has increased carryover balances for multiple state categorical funding accounts.

Recommendation - The District should review the state allocation and categorical funding carryover balances. The District should develop a plan for expending and reducing carryover balances to a reasonable amount.

Response - We will continue to review our categorical funding carryover balances and look for ways to expend those balances.

Conclusion - Response accepted.

II-L-14 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, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$	907,750
Revenues:			
Statewide sales, services and use tax revenue	\$	437,252	
Other local revenues		753	
Bus lease proceeds		421,820	859,825
			<u>1,767,575</u>
Expenditures/transfers out:			
Equipment		742,991	
Other		26,843	
Transfers to other funds:			
Debt service fund		139,704	909,538
			<u>909,538</u>
Ending Balance		\$	<u>858,037</u>

For the year ended June 30, 2014 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-14 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 - We will receipt Life Touch commissions 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 - We will review the expenditures made by PTO and move to the general fund if appropriate.

Conclusion - Response accepted.

- II-N-14 Bus Lease - We noted during our audit that the Superintendent signed the bus lease with Hoglund Bus Company, Inc. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

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

Response - Our Board President will sign all contracts entered into by the District.

Conclusion - Response accepted.

- II-O-14 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District checks. Chapter 291.1 of the Code of Iowa requires the District's Board President to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. According to Chapter 291.8 of the Code of Iowa the Board Secretary is required to sign all District checks.

Recommendation - The District should review procedures in place to ensure that the proper signatures are on all checks in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We will review our procedures so all checks are issued with the proper signatures.

Conclusion - Response accepted.