WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
Board of Education		
(Before September 2008 Election)		
Craig Loffredo	President	2008
Judy Maubach	Vice President	2010
Pamela Hayes	Board Member	2009
Dan Ryherd	Board Member	2008
Loween Getter	Board Member	2009
(After September 2008 Election)*		
Judy Maubach	President	2011
Pamela Hayes	Vice President	2009
Loween Getter	Board Member	2009
Craig Loffredo	Board Member	2011
Dan Ryherd	Board Member	2011
School Officials		
Mike Sherwood	Superintendent	
Cathi Hildebrand	District Secretary/Treasurer	

* Board terms may have been extended or shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
Webster City Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Webster City Community School District, Webster City, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of Webster City Community School District Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the Webster City Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Webster City Community School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2010, on our consideration of Webster City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 45 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions. The financial statements for the five years ended June 30, 2007, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 1, 2010

Management Discussion and Analysis

This section of the Webster City Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2009. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the district's financial statements, which immediately follow this section.

Financial Highlights

- General fund revenues increased from $14,209,061 in fiscal 2008 to $15,279,152 in fiscal 2009, while General Fund expenditures increased from $14,426,814 in fiscal 2008 to $15,647,846 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from $893,185 in fiscal 2008 to $540,090 in fiscal 2009, a 39 percent decrease from the prior year.
- The increase in General Fund revenues is attributable to increases in state aid revenue and property tax revenue received. The increases in expenditures were due, for the most part, to increases in salaries and benefits.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different view of the district:

- The first two statements are *Government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the Government-wide statements.

- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.

- The Statements for *Proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

- The statements for *Fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1
Organization of Webster City Community School District
Annual Financial Report

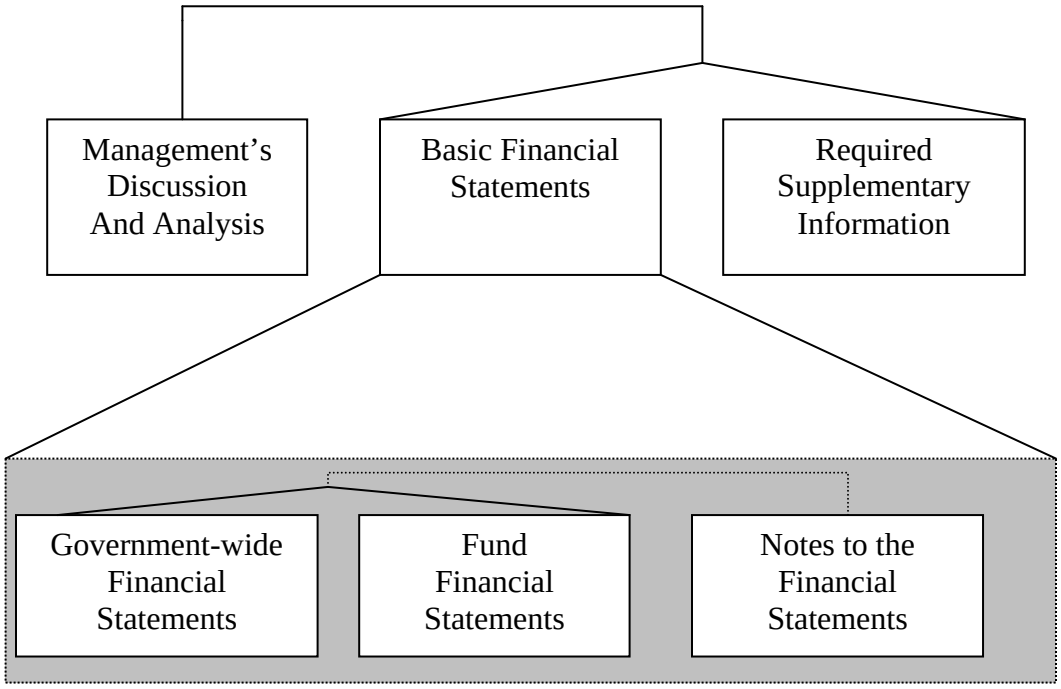

Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the District Wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

The Government-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these activities.

- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program and the house project would be included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *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 funds statements provide a

detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The district's governmental funds include the General Fund, Debt Service Fund, Capital Projects Fund and Special Revenue Funds.

- *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 District-wide statements.

    - The District's *enterprise funds*, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, school nutrition and house project fund.
    - *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets. Figure A-3 below provides a summary of the District's net assets as of June 30, 2009.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2008	2009	2008	2009	2008	2009	
Current and other assets	9,396	12,745	54	90	9,450	12,835	35.8%
Capital assets	11,386	11,409	90	89	11,476	11,498	.2%
Total assets	20,782	24,154	144	179	20,926	24,333	16.3 %
Long-term obligations	4,015	3,365	0	6	4,015	3,371	-16.0%
Other liabilities	6,831	10,785	7	43	6,838	10,828	58.4%
Total liabilities	10,846	14,150	7	49	10,853	14,199	30.8%
Net assets:							
Invested in capital assets, Net of related debt	7,475	8,322	90	89	7,565	8,411	11.2%
Restricted	1,589	1,205	0	0	1,589	1,205	-24.2%
Unrestricted	873	477	47	42	920	519	-43.6%
Total Net Assets	9,937	10,004	137	131	10,074	10,135	.6%

The District's combined net assets were slightly larger on June 30, 2009, than they were the year before, increasing buy .6%. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately $384,000 or 24.2% over the prior year. The decrease was primarily as result of increased expenditures in the Capital Projects Fund.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2009.

Figure A-4
Changes in Net Assets (expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
Revenues	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008-2009**
Program revenues							
Charges for service and sales	1,566	1,597	474	491	2,040	2,088	2.4%
Operating Grants & Contributions	1,855	2,647	285	313	2,140	2,960	38.3%
Capital Grants & Contributions	16	0	0	0	16	0	-100.0
General revenues							
Property taxes	4,829	5,101	0	0	4,829	5,101	5.7%
Income Surtax	277	340	0	0	277	340	22.7%
Local Option Sales Tax	884	944	0	0	884	944	6.8%
Unrestricted state grants	6,730	6,647	0	0	6,730	6,647	-1.2%
Unrestricted investment earnings	99	65	2	0	101	65	-35.6%
Other	37	42	0	0	37	42	13.5%
Total revenues	**$16,293**	**$17,383**	**$761**	**$804**	**$17,054**	**$18,187**	**6.6%**
Program expenses							
Instruction	10,115	10,939	0	0	10,115	10,939	8.1%
Support services	4,715	5,153	0	0	4,715	5,153	9.3%
Non-instructional programs	0	0	777	809	777	809	4.1%
Other expenses	1,051	1,224	0	0	1,051	1,224	16.5%
Total expenses	**$15,881**	**$17,316**	**$777**	**809**	**$16,658**	**$18,125**	**8.8%**
Change In Net Assets Before Transfers	412	67	-16	-6	396	61	-84.6%
Transfers	.459	.127	-.459	-.127	0	0	n/a
Change in net assets	**412**	**67**	**-16**	**-6**	**396**	**61**	**-84.6%**
Net Assets Beginning of Year	$9,525	$9,937	$153	$137	$9,678	$10,074	4.1%
Net Assets End of Year	$9,937	$10,004	$137	$131	$10,074	$10,135	.6%

Total revenues increased 6.6% while expenditures increased 8.8%. The district did show an increase in Net Assets of approximately $61 thousand. The district has shown an increase in Net Assets every year since we first started presenting the audit report in this manner in 2003.

In fiscal 2009 property tax and unrestricted state grants account for 65 percent of the total revenue. The District's expenses primarily relate to instruction and support services which account for 93 percent of the total expenses.

Governmental Activities

Both revenues and expenditures for governmental activities were $17.3 million in fiscal 2009. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Figure A-5
Total and Net Cost of Governmental Activities
(expressed in thousands)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2008	2009	2008-2009	2008	2009	2008-2009
Instruction	10,115	10,939	8.1%	7,311	7,364	.7%
Support services	4,715	5,153	9.3%	4,663	5,073	8.8%
Non-instructional programs	0	0	n/a	0	0	n/a
Other expenses	1,051	1,224	16.5%	471	634	34.6%
Totals	**15,881**	**17,316**	**9.0%**	**12,445**	**13,071**	**5.0%**

- The cost of all governmental activities this year was $17.3 million.
- Some of the cost ($1.6 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of $2.6 million.
- Most of the District's costs ($13.1 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with $6.4 million in property and other taxes, $6.6 million in unrestricted state grants, $65 thousand in interest income, and $42 thousand in miscellaneous income.

Business-Type Activities

Revenues of the District's business-type activities were $803,564 and expenses were $809,604. The District's business-type activities include the School Nutrition Fund and the House Project Fund. Revenues of these activities were comprised of charges for service, reimbursement for supplies, federal and state reimbursements and investment income. Overall revenues for fiscal year 2009 were up and expenditures were also up which required the district to use carryover fund balance to meet its financial obligations during the year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of $1,655,937, which is down from last year's ending fund balance of $2,293,793.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. The District did see an increase in property tax and state revenues, however there was also a significant increase in expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from $893,185 to $540,090 due in part to negotiated salary and benefits, cuts in state funding, higher natural gas and fuel bills and other existing expenditure commitments of the District.
- Nonmajor Governmental Funds decreased from $1,400,608 to $1,115,847. Most of this decrease occurred in the Capital Projects Fund because the District used a portion of the fiscal year 2008 carryover balance to pay for building improvements and equipment purchases. The District receives sales tax revenues from Hamilton, Webster and Wright Counties. Seventy-five percent of the revenue received from Hamilton County will be used for the payment or retirement of outstanding bonds previously issued for construction of Webster City Middle School.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $130,685 at June 30, 2008 to $125,745 at June 30, 2009, representing a decrease of 3.8 percent. Although revenues increased slightly in 2008-2009, expenditures increased even more, resulting in the decrease of net assets.

Budgetary Highlights

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 its private-purpose trust and agency funds. Although the budget document presents functional area expenditures of expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual receipts were $698,268 less than the total budgeted receipts, a variance of 3.7%. This year the District received less in various components of local and state sources than anticipated and more from federal and intermediate sources.

Total expenditures were less than budgeted due 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 the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the District had invested more than $19.5 million ($11.5 million net of depreciation) in a broad range of capital assets including land, buildings, athletic facilities, computer and audiovisual equipment, maintenance equipment, and transportation equipment. (See Figure A-6) This amount represents a net increase of .2 percent from last year.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2008	2009	2008	2009	2008	2009	2008 – 2009
Land	590	590	0	0	590	590	0%
Construction in progress	745	124	0	0	745	124	-83.4%
Buildings	8,845	9,351	0	0	8,845	9,351	5.7%
Improvements other than Buildings	190	280	0	0	190	280	47.4%
Machinery and equipment	1,016	1,064	90	89	1,106	1,153	4.2 %
TOTALS	11,386	11,409	90	89	11,476	11,498	.2%

In 2008-2009 the District started and/or completed several construction projects. Work on a major electrical project was completed at the High School. Major improvements to the playgrounds at Sunset Heights and Pleasant View Elementary schools were completed. Roof repairs were done at Sunset Heights Elementary School. Work was also completed on several projects at the high school sports complex and work began on a new greenhouse at the high school.

Long-Term Debt

At June 30, 2009, the District had $3.4 million in general obligation bonds and other long-term debt outstanding. This represents a decrease of 16.2% over the previous fiscal year as can be seen in Figure A-7 below.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total School District		Total Percentage Change
	2008	2009	2008 – 2009
Compensated Absences	88	90	2.3%
Termination Benefits	15	89	493.3%
Net OPEB liability	n/a	98	n/a
Capital Loan Note	225	115	-48.9%
General Obligation Bonds Payable	2,865	2,385	-16.8%
Revenue Bonds	805	575	-28.6%
Equipment Loan Notes	17	13	-23.5%
Total	**4,015**	**3,365**	**-16.2%**

The District retired $480 thousand of General Obligation Bonds, $230 thousand of revenue bonds, and $110 thousand of Capital Loan Notes in fiscal 2009. Termination benefits include early retirement stipends and health insurance benefits paid as part of a former early retirement package. The equipment loan note is for a lease/purchase agreement for musical instruments. Beginning in 2008-2009, the Governmental Accounting Standards Board (GASB) required the district to identify the cost of health benefits offered to retirees younger than age 65. The district was also required to estimate the cost impact that differing age groups have on the benefits provided. These "Other Post Employment Benefits" or OPEBs are reported as an outstanding long term obligation in the chart above.

Factors Bearing on the District's Future

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

- The district continues to have declining enrollment. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- State funding has been cut by 10% across the board for fiscal 2010 which will result in the district using some of their carryover fund balance to meet their obligations.
- Hamilton county Local Option Sales Tax money will continue to go towards tax relief by paying down outstanding bonds issued for construction of Webster City Middle School.
- A major industry in Webster City will be closing in 2011 which could impact enrollment.

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 Cathi Hildebrand, Business Manager/Board Secretary, Webster City Community School District, 825 Beach Street, Webster City, Iowa 50595.

BASIC FINANCIAL STATEMENTS

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit Webster City Community School District Foundation
	$	$	$	$
Assets				
Cash and cash equivalents:				
ISCAP	3,250,759	-	3,250,759	-
Other	2,976,509	82,788	3,059,297	-
Investments	-	-	-	1,099,390
Receivables:				
Property tax:				
Delinquent	59,866	-	59,866	-
Succeeding year	5,495,052	-	5,495,052	-
Accounts	10,859	101	10,960	-
Accrued interest:				
ISCAP	6,354	-	6,354	-
Other	-	-	-	3,733
Due from other governments	835,420	-	835,420	-
Interfund balances	109,623	(109,623)	-	-
Inventories	-	117,276	117,276	-
Capital assets, net of accumulated depreciation	11,409,220	88,888	11,498,108	216,000
Total assets	24,153,662	179,430	24,333,092	1,319,123
Liabilities				
Accounts payable	154,423	1,455	155,878	-
Salaries and benefits payable	1,462,387	38,910	1,501,297	-
Due to other governments	241,314	-	241,314	-
Accrued interest payable	9,719	-	9,719	-
Deferred revenue:				
Succeeding year property tax	5,495,052	-	5,495,052	-
Other	153,763	2,728	156,491	-
ISCAP warrants payable	3,202,000	-	3,202,000	-
ISCAP accrued interest payable	9,345	-	9,345	-
ISCAP premium	56,544	-	56,544	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	505,000	-	505,000	-
Revenue bonds payable	125,964	-	125,964	-
Capital loan notes payable	115,000	-	115,000	-
Equipment note payable	4,090	-	4,090	-
Termination benefits	80,989	-	80,989	-
Compensated absences	76,962	-	76,962	-

See notes to financial statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Component Unit Webster City Community School District Foundation
	$	$	$	$
Portion due after one year:				
General obligation bonds payable	1,880,000	-	1,880,000	-
Revenue bonds payable	448,854	-	448,854	-
Equipment note payable	8,626	-	8,626	-
Termination benefits	8,232	-	8,232	-
Compensated absences	12,844	-	12,844	-
Net OPEB liability	98,540	5,685	104,225	-
Total liabilities	14,149,648	48,778	14,198,426	-
Net assets				
Invested in capital assets, net of related debt	8,321,686	88,888	8,410,574	216,000
Restricted for:				
Categorical funding	189,690	-	189,690	-
Management levy	54,766	-	54,766	-
Physical plant and equipment levy	98,093	-	98,093	-
Other special revenue purposes	123,505	-	123,505	-
Sales tax capital projects	739,262	-	739,262	-
Unrestricted	477,012	41,764	518,776	1,103,123
Total net assets	10,004,014	130,652	10,134,666	1,319,123

See notes to financial statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	$	$	$	$
Governmental activities:				
Instruction:				
Regular	6,732,335	754,475	1,574,053	-
Special	2,486,448	311,309	225,762	-
Vocational	552,495	-	32,451	-
Other	1,167,960	502,860	174,376	-
	10,939,238	1,568,644	2,006,642	-
Support services:				
Student	578,578	-	17,282	-
Instructional staff	1,106,568	-	-	-
Administration	1,557,790	-	-	-
Operation and maintenance of plant	1,288,617	26,435	11,000	-
Transportation	621,338	1,925	22,925	-
	5,152,891	28,360	51,207	-
Other expenditures:				
Facilities acquisition	173,578	-	-	-
Long-term debt interest	174,968	-	-	-
AEA flowthrough	589,657	-	589,657	-
Depreciation (unallocated)*	285,305	-	-	-
	1,223,508	-	589,657	-
Total governmental activities	17,315,637	1,597,004	2,647,506	-
Business type activities:				
Non-instructional programs:				
Food service operations	808,366	490,556	312,738	-
Building trades	1,238	-	-	-
Total business-type activities	809,604	490,556	312,738	-
Total primary government	18,125,241	2,087,560	2,960,244	-
Component Unit:				
Webster City Community School District Foundation	115,416	14,487	75	-
Total	18,240,657	2,102,047	2,960,319	-
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Unrealized loss on investments				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
$	$	$	$
(4,403,807)	-	(4,403,807)	-
(1,949,377)	-	(1,949,377)	-
(520,044)	-	(520,044)	-
(490,724)	-	(490,724)	-
(7,363,952)	-	(7,363,952)	-
(561,296)	-	(561,296)	-
(1,106,568)	-	(1,106,568)	-
(1,557,790)	-	(1,557,790)	-
(1,251,182)	-	(1,251,182)	-
(596,488)	-	(596,488)	-
(5,073,324)	-	(5,073,324)	-
(173,578)	-	(173,578)	-
(174,968)	-	(174,968)	-
-	-	-	-
(285,305)	-	(285,305)	-
(633,851)	-	(633,851)	-
(13,071,127)	-	(13,071,127)	-
-	(5,072)	(5,072)	-
-	(1,238)	(1,238)	-
-	(6,310)	(6,310)	-
(13,071,127)	(6,310)	(13,077,437)	-
-	-	-	(100,854)
(13,071,127)	(6,310)	(13,077,437)	(100,854)
4,715,280	-	4,715,280	-
386,361	-	386,361	-
339,671	-	339,671	-
943,884	-	943,884	-
6,646,510	-	6,646,510	-
64,689	270	64,959	13,760
-	-	-	(137,798)
41,822	-	41,822	-
13,138,217	270	13,138,487	(124,038)
127	(127)	-	-
13,138,344	143	13,138,487	(124,038)
67,217	(6,167)	61,050	(224,892)
9,936,797	136,819	10,073,616	1,544,015
10,004,014	130,652	10,134,666	1,319,123

See notes to financial statements.

Exhibit C

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	$	$	$
Assets			
Cash and pooled investments:			
ISCAP	3,250,759	-	3,250,759
Other	2,044,446	913,082	2,957,528
Receivables:			
Property tax:			
Delinquent	52,595	7,271	59,866
Succeeding year	4,820,884	674,168	5,495,052
Accounts	10,665	194	10,859
Accrued interest:			
ISCAP	6,354	-	6,354
Interfund receivable	5,096	109,623	114,719
Due from other governments	679,248	156,172	835,420
Total assets	10,870,047	1,860,510	12,730,557
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	85,185	65,399	150,584
Salaries and benefits payable	1,462,387	-	1,462,387
Due to other governments	241,314	-	241,314
Interfund payable	-	5,096	5,096
ISCAP warrants payable	3,202,000	-	3,202,000
ISCAP accrued interest payable	9,345	-	9,345
ISCAP premium	56,544	-	56,544
Deferred revenue:			
Succeeding year property tax	4,820,884	674,168	5,495,052
Income surtax	298,535	-	298,535
Other	153,763	-	153,763
Total liabilities	10,329,957	744,663	11,074,620
Fund balances:			
Reserved for:			
Categorical funding	178,690	11,000	189,690
Unreserved reported in:			
General fund	361,400	-	361,400
Special revenue funds	-	365,585	365,585
Capital projects funds	-	739,262	739,262
Total fund balances	540,090	1,115,847	1,655,937
Total liabilities and fund balances	10,870,047	1,860,510	12,730,557

See notes to financial statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

	$
Total fund balances of governmental funds (Exhibit C)	1,655,937
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,409,220
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	298,535
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,719)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	15,142
Long-term liabilities, including bonds payable, notes payable, compensated absences payable, termination benefits and other post employment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(3,365,101)
Net assets of governmental activities (Exhibit A)	10,004,014

See notes to financial statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	$	$	$
Revenues:			
Local sources:			
Local tax	4,784,397	1,579,662	6,364,059
Tuition	1,002,025	-	1,002,025
Other	328,431	471,272	799,703
Intermediate sources	15,000	-	15,000
State sources	8,617,607	11,432	8,629,039
Federal sources	531,692	-	531,692
Total revenues	15,279,152	2,062,366	17,341,518
Expenditures:			
Current:			
Instruction:			
Regular	6,418,908	112,843	6,531,751
Special	2,450,409	-	2,450,409
Vocational	547,284	-	547,284
Other	709,296	426,453	1,135,749
	10,125,897	539,296	10,665,193
Support services:			
Student	575,735	-	575,735
Instructional staff	1,120,730	-	1,120,730
Administration	1,549,957	3,598	1,553,555
Operation and maintenance of plant	1,162,555	121,507	1,284,062
Transportation	523,315	245,294	768,609
	4,932,292	370,399	5,302,691
Other expenditures:			
Facilities acquisition	-	433,151	433,151
Long-term debt:			
Principal	-	823,934	823,934
Interest and fiscal charges	-	184,947	184,947
AEA flowthrough	589,657	-	589,657
	589,657	1,442,032	2,031,689
Total expenditures	15,647,846	2,351,727	17,999,573
Excess (deficiency) of revenues over (under) expenditures	(368,694)	(289,361)	(658,055)
Other financing sources (uses):			
Compensation for loss of fixed assets	12,962	-	12,962
Sales of materials and equipment	7,110	-	7,110
Operating transfers in	127	876,068	876,195
Operating transfers out	(4,600)	(871,468)	(876,068)
Total other financing sources (uses)	15,599	4,600	20,199
Net change in fund balances	(353,095)	(284,761)	(637,856)
Fund balances beginning of year	893,185	1,400,608	2,293,793
Fund balances end of year	540,090	1,115,847	1,655,937

See notes to financial statements.

WEBSTER CITY 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, 2009

	$	$
Net change in fund balances - total governmental funds (Exhibit E)		(637,856)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	647,525	
Depreciation expense	(624,775)	22,750
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		21,137
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		823,934
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.		9,979
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(73,749)	
Compensated absences	(1,542)	
Other post employment benefits	(98,540)	(173,831)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		1,104
Changes in net assets of governmental activities (Exhibit B)		67,217

See notes to financial statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	$	$
Assets		
Cash and cash equivalents	82,788	18,981
Accounts receivable	101	-
Inventories	117,276	-
Capital assets, net of accumulated depreciation	88,888	-
Total assets	289,053	18,981
Liabilities		
Accounts payable	1,455	3,839
Salaries and benefits payable	38,910	-
Interfund payables	109,623	-
Deferred revenue	2,728	-
Net OPEB liability	5,685	-
Total liabilities	158,401	3,839
Net assets		
Invested in capital assets, net of related debt	88,888	-
Unrestricted	41,764	15,142
Total net assets	130,652	15,142

See notes to financial statements

Exhibit H

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	$	$
Operating revenue:		
Local sources:		
Charges for service	490,556	-
Other	-	53,406
Total oeprating revenue	490,556	53,406
Operating expenses:		
Non-instructional programs:		
Salaries	282,822	-
Benefits	111,680	52,316
Purchased services	14,981	-
Supplies	383,742	-
Depreciation	14,431	-
Other	1,270	-
Total operating expenses	808,926	52,316
Operating gain (loss)	(318,370)	1,090
Non-operating revenues:		
State sources	7,644	-
Federal sources	305,094	-
Interest income	270	14
Loss on disposal of capital assets	(678)	-
Total non-operating revenues	312,330	14
Gain (loss) before transfers	(6,040)	1,104
Transfers in (out)	(127)	-
Change in net assets	(6,167)	1,104
Net assets beginning of year	136,819	14,038
Net assets end of year	130,652	15,142

See notes to financial statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	$	$
Cash flows form operating activities:		
Cash received from sale of lunches and breakfasts	487,625	-
Cash received from other funds	-	53,406
Cash payments to employees for services	(349,906)	(62,295)
Cash payments to suppliers for goods or services	(469,593)	-
Net cash used by operating activities	(331,874)	(8,889)
Cash flows from non-capital financing activities:		
Transfers from (to) other funds	(127)	-
Loans from other funds	109,623	-
State grants received	7,644	-
Federal grants received	268,965	-
Net cash provided by non-capital financing activities	386,105	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(13,657)	-
Cash flows from investing activities:		
Interest on investments	331	14
Net increase (decrease) in cash and cash equivalents	40,905	(8,875)
Cash and cash equivalents at beginning of year	41,883	27,856
Cash and cash equivalents at end of year	82,788	18,981
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(318,370)	1,090
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	36,129	-
Depreciation	14,431	-
Decrease (increase) in inventories	(107,031)	-
Decrease (increase) in accounts receivable	922	-
(Decrease) increase in accounts payable	1,302	-
(Decrease) increase in salaries payable	38,910	(9,979)
(Decrease) increase in deferred revenue	(3,852)	-
(Decrease) increase in net OPEB liability	5,685	-
Net cash used by operating activities	(331,874)	(8,889)

Non-cash investing, capital and financing activities:
During the year ended June 30, 2009, the District received $31,129 of federal commodities.

See notes to financial statements.

Exhibit J

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	$
Assets	
Cash and pooled investments	2,120,996
Accounts receivable	125
Total Assets	2,121,121
Liabilities	-
Net Assets	
Reserved for scholarships	2,121,121

See notes to financial statements.

Exhibit K

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	$
Additions:	
Local sources:	
Gifts and contributions	26,149
Interest	78,747
Total additions	104,896
Deductions:	
Support services:	
Scholarships awarded	80,725
Nurse's student charity	1,570
Unrealized loss on investments	120,886
Total deductions	203,181
Change in net assets	(98,285)
Net assets beginning of year	2,219,406
Net assets end of year	2,121,121

See notes to financial statements.

1. Summary of Significant Accounting Policies

Webster City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Webster City and Duncombe, Iowa and the predominately agricultural territory in a portion of Hamilton, Webster, and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Webster City 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 Webster City Community School Foundation is included in the financial statements as a discretely presented component unit, because of the nature and significance of its relationship with the Webster City Community School District.

The Webster City Community School Foundation was established to advance, support and assist in the development of curricular and extra curricular activities, programs and facilities within the Webster City Community School District. The Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. Because the Foundation has a December 31, year end, transactions between the Foundation and District do not match. For calendar year 2008 the Foundation shows $109,321 of grants to the District and for the year ended June 30, 2009 the District shows $97,162 of grants from the Foundation. The Foundation's financial statements have not been audited.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does 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 County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 expenditures, including instructional, support and other costs.

The District reports the following proprietary funds:

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

The Building Trades Fund accounts for house building projects of the building and trade classes of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund includes the following:

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the

timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received. The inventory balance includes $109,623 of work in progress on a student constructed house.

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

Asset Class	Amount
	$
Land	1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the Management Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	Amortized Cost
	$
Diversified Portfolio	1,619,386

The investments are rated Aaa by Moody's Investor Service and are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The District had investments that were donated to the District to be used for scholarship awards for students. As of June 30, 2009, those investments consisted of the following:

	Maturities	Fair Value
		$
Common Stock:		
Bristol Myers – 2000 shares	N/A	40,620
Exxon – 4000 shares	N/A	279,640
FPL Group – 1000 shares	N/A	56,860
Intergrys Energy Group – 549 shares	N/A	16,465
Teco Energy – 1600 shares	N/A	19,088
Excel Energy – 2800 shares	N/A	51,548
		464,221

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Iowa Schools Joint Investment Trust and Exxon common stock. The District's investment in the Iowa Schools Joint Investment Trust is 78% of the District's total investments and the investment in Exxon common stock is 13% of the District's total investments.

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

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
		$
General Fund	Nonmajor Governmental:	
	Student Activity Fund	5,096
Nonmajor Governmental:	Nonmajor Enterprise:	
Physical Plant and Equipment Levy Fund	Building Trades	109,623

The Physical Plant and Equipment Levy Fund is financing a house that is being constructed by students. The loan will be repaid when the house is sold.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
		$
Nonmajor Governmental:	Nonmajor Governmental:	
Debt Service Fund	Physical Plant and Equipment Levy Fund	119,386
Debt Service Fund	Capital Projects	752,082
Debt Service Fund	General Fund	4,600
General Fund	Nonmajor Enterprise:	
	School Nutrition	127

The transfers to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the School Nutrition Fund to the General Fund was to reimburse the General Fund for expenses.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			$	$	$	$
2008-09B	1-21-09	1-21-10	652,256	6,033	644,000	8,469
2009-10A	6-25-09	6-23-10	2,598,503	321	2,558,000	876
Total			3,250,759	6,354	3,202,000	9,345

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
$	$	$	$
-	500,000	500,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09A	3.500	3.469
2008-09B	3.000	2.110
2009-10A	2.500	0.902

6. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	$	$	$	$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	745,489	123,862	745,489	123,862
Land	590,000	-	-	590,000
Total capital assets not being depr.	1,335,489	123,862	745,489	713,862
Capital assets being depreciated:				
Buildings	14,149,945	769,216	-	14,919,161
Improvements other than buildings	335,454	111,984	-	447,438
Furniture and equipment	3,280,757	387,952	426,275	3,242,434
Total capital assets being deprec.	17,766,156	1,269,152	426,275	18,609,033
Less accumulated depreciation for:				
Buildings	5,305,263	262,933	-	5,568,196
Improvements other than buildings	145,109	22,372	-	167,481
Furniture and equipment	2,264,803	339,470	426,275	2,177,998
Total accumulated depreciation	7,715,175	624,775	426,275	7,913,675
Total capital assets being depreciated, net	10,050,981	644,377	-	10,695,358
Governmental activities capital assets, net	11,386,470	768,239	745,489	11,409,220

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
		$	$	$
Business type activities:				
Furniture and equipment	289,127	15,145	30,189	274,083
Less accumulated depreciation	198,787	14,431	28,023	185,195
Business type activities capital assets, net	90,340	714	2,166	88,888

Depreciation expense was charged to the following functions:

	Amount
	$
Governmental activities:	
Instruction:	
Regular	86,594
Special	9,983
Other	32,211
Support services:	
Instructional staff services	79,481
Administration services	968
Operation and maintenance of plant services	33,631
Transportation	96,602
	339,470
Unallocated depreciation	285,305
Total depreciation expense – governmental activities	624,775
Business type activities:	
Food services	14,431

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Governmental activities:					
General obligation bonds	2,865,000	-	480,000	2,385,000	505,000
Revenue bonds	804,818	-	230,000	574,818	125,964
Capital loan notes	225,000	-	110,000	115,000	115,000
Equipment loan notes	16,650	-	3,934	12,716	4,090
Termination benefits	15,472	77,369	3,620	89,221	80,989
Compensated absences	88,264	77,267	75,725	89,806	76,962
Net OPEB liability	-	98,540	-	98,540	-
Total	4,015,204	253,176	903,279	3,365,101	908,005

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	$	$	$	$	$
Business type activities:					
Net OPEB liability	-	5,685	-	5,685	-

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of continuous full time service to the District and the employee's must be at least age 55 on or before June 30 in the calendar year in which early retirement commences.

Early retirement benefits are based on number of years of service multiplied by a per diem rate set by the board of education.

Current early retirement benefits will be paid in one installment in July following the start of retirement. The District has a long-term liability for a former plan with health insurance benefits.

At June 30, 2009, the District has a long-term obligation to seven participants with a total liability of $89,221. Actual early retirement expenditures for the year ended June 30, 2009 totaled $3,620.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

	Bond Issue of 1999			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	$	$	$
2010	4.35	505,000	105,880	610,880
2011	4.40	525,000	83,913	608,913
2012	4.45	550,000	60,812	610,812
2013	4.50	580,000	36,338	616,338
2014	4.55	225,000	10,237	235,237
		2,385,000	297,180	2,682,180

Revenue Bonds Payable

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness are as follows:

	Bond Issue of April 2008			
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	$	$	$
2010	3.8056	10,964	2,608	13,572
2011	3.8056	10,964	1,669	12,633
2012	3.8056	10,964	1,252	12,216
2013	3.8056	10,963	834	11,797
2014	3.8056	10,963	417	11,380
		54,818	6,780	61,598

Year Ending June 30,	Interest Rates	Principal	Interest	Total
		Bond Issue of July 2007		
	%	$	$	$
2010	4.750	100,000	22,325	122,325
2011	4.750	100,000	17,575	117,575
2012	4.750	105,000	12,706	117,706
2013	4.750	110,000	7,600	117,600
2014	4.750	105,000	2,494	107,494
		520,000	62,700	582,700

The District has pledged future statewide sales and services tax revenues to repay the $804,818 bonds issued in July 2007 and April 2008. The bonds were issued for the purpose of financing school renovations. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2014. 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 binds are expected to require nearly 20% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is $644,298. For the current year, $230,000 of principal and $47,975 of interest was paid on the bonds and total statewide sales and services tax revenues were $943,884.

The resolution providing for the issuance of the statewide sales and services revenue bonds include the following provision:

> The District must set aside in a sinking fund an amount equal to 1/6th of the next interest payment and 1/12 of the next principal payment. The sinking fund is part of the Debt Service Fund.

Capital Loan Notes

Capital loan notes principal and interest are paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	$	$	$
2010	4.90-4.95	115,000	4,317	119,317

During the year ended June 30, 2009 the District made principal and interest payments totaling $119,694 under the note agreements.

Equipment Loan Notes

The District has purchased musical instruments with equipment loan notes during fiscal year 2008. The payments will be made from the General Fund. Details of the equipment loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	$	$	$
2010	4.00	4,090	510	4,600
2011	4.00	4,255	345	4,600
2012	4.00	4,371	229	4,600
		12,716	1,084	13,800

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 that 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 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were $542,819, $548,032, and $493,041 respectively, equal to the required contributions for each year.

9. Risk Management

Webster City 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.

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 $589,657 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

The District entered into a contract to lease ten copiers. The payments the District will make over the next three years are as follows:

Year Ended June 30	Lease Payment
	$
2010	49,908
2011	49,908
2012	49,908

12. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 220 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark through the Iowa Schools Employee Benefits Association. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

	$
Annual required contribution	130,545
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	130,545
Contributions made	26,320
Increase in net OPEB obligation	104,225
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	104,225

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2009.

For the year ended June 30, 2009, the District contributed $26,320 to the medical plan. Plan members eligible for benefits contributed $52,639, or 67% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	$		$
June 30, 2009	130,545	20.2%	104,225

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was $1,036,715, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,036,715. The covered payroll (annual payroll of active employees covered by the plan) was approximately $8,015,000 and the ratio of the UAAL to covered payroll was 12.9%. As of June 30, 2009, 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, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

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

REQUIRED SUPPLEMENTARY INFORMATION

WEBSTER CITY 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, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	$	$	$	$	$	$
Revenues:						
Local sources	8,165,787	490,826	8,656,613	9,375,822	9,375,822	(719,209)
Intermediate sources	15,000	-	15,000	200	200	14,800
State sources	8,629,039	7,644	8,636,683	8,755,328	8,755,328	(118,645)
Federal sources	531,692	305,094	836,786	712,000	712,000	124,786
Total revenues	17,341,518	803,564	18,145,082	18,843,350	18,843,350	(698,268)
Expenditures/Expenses:						
Instruction	10,665,193	-	10,665,193	11,724,233	11,724,233	1,059,040
Support services	5,302,691	-	5,302,691	5,733,238	5,733,238	430,547
Non-instructional programs	-	809,604	809,604	1,026,110	1,026,110	216,506
Other expenditures	2,031,689	-	2,031,689	2,619,435	2,619,435	587,746
Total expenditures/expenses	17,999,573	809,604	18,809,177	21,103,016	21,103,016	2,293,839
Excess (deficiency) of revenues over (under) expenditures/expenses	(658,055)	(6,040)	(664,095)	(2,259,666)	(2,259,666)	1,595,571
Other financing sources (uses) net	20,199	(127)	20,072	10,000	10,000	10,072
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(637,856)	(6,167)	(644,023)	(2,249,666)	(2,249,666)	1,605,643
Balance beginning of year	2,293,793	136,819	2,430,612	2,249,666	2,249,666	180,946
Balance end of year	1,655,937	130,652	1,786,589	-	-	1,786,589

See accompanying independent auditor's report

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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 functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

WEBSTER CITY

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	$	$	$	%	$	%
July 1, 2008	-	1,036,715	1,036,715	0.0%	8,015,000	12.9%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue Funds				
Assets	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Total
	$	$	$	$	$
Cash and pooled investments	142,753	145,401	2,579	622,349	913,082
Receivables:					
Property tax:					
Delinquent	2,901	-	4,370	-	7,271
Succeeding year	275,000	-	399,168	-	674,168
Accounts	-	194	-	-	194
Interfund receivable	-	-	109,623	-	109,623
Due from other governments	-	-	-	156,172	156,172
Total assets	420,654	145,595	515,740	778,521	1,860,510
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	1,667	16,994	7,479	39,259	65,399
Interfund payables	-	5,096	-	-	5,096
Deferred revenue:					
Succeeding year property tax	275,000	-	399,168	-	674,168
Total liabilities	276,667	22,090	406,647	39,259	744,663
Fund balances:					
Reserved for categorical funding	-	-	11,000	-	11,000
Unreserved reported in:					
Special revenue funds	143,987	123,505	98,093	-	365,585
Capital projects funds	-	-	-	739,262	739,262
Total fund balances	143,987	123,505	109,093	739,262	1,115,847
Total liabilities and fund balances	420,654	145,595	515,740	778,521	1,860,510

See accompanying independent auditor's report.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue Funds					
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
	$	$	$	$	$	$
Revenues:						
Local sources:						
Local tax	249,417	-	386,361	943,884	-	1,579,662
Other	22,186	439,507	795	8,784	-	471,272
State sources	174	-	11,258	-	-	11,432
Total revenues	271,777	439,507	398,414	952,668	-	2,062,366
Expenditures:						
Current:						
Instruction:						
Regular instruction	102,843	-	-	10,000	-	112,843
Other instruction	-	426,453	-	-	-	426,453
Support services:						
Administration services	3,587	-	11	-	-	3,598
Operation and maintenance of plant services	79,851	-	7,156	34,500	-	121,507
Transportation services	-	-	161,799	83,495	-	245,294
Other expenditures:						
Facilities acquisition	-	-	19,808	413,343	-	433,151
Long-term debt:						
Principal	-	-	-	-	823,934	823,934
Interest and fiscal charges	-	-	-	-	184,947	184,947
Total expenditures	186,281	426,453	188,774	541,338	1,008,881	2,351,727
Excess (deficiency) of revenues over (under) expenditures	85,496	13,054	209,640	411,330	(1,008,881)	(289,361)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	876,068	876,068
Operating transfers out	-	-	(119,386)	(752,082)	-	(871,468)
Total other financing sources (uses)	-	-	(119,386)	(752,082)	876,068	4,600
Net change in fund balances	85,496	13,054	90,254	(340,752)	(132,813)	(284,761)
Fund balances beginning of year	58,491	110,451	18,839	1,080,014	132,813	1,400,608
Fund balances end of year	143,987	123,505	109,093	739,262	-	1,115,847

See accompanying independent auditor's report.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2009

	Enterprise Funds		
	School Nutrition	Building Trades	Total
	$	$	$
Assets			
Cash and cash equivalents	77,881	4,907	82,788
Accounts receivable	101	-	101
Inventories	7,653	109,623	117,276
Capital assets, net of accumulated depreciation	88,888	-	88,888
Total assets	174,523	114,530	289,053
Liabilities			
Accounts payable	1,455	-	1,455
Salaries and benefits payable	38,910	-	38,910
Interfund payable	-	109,623	109,623
Deferred revenue	2,728	-	2,728
Net OPEB liability	5,685	-	5,685
Total liabilities	48,778	109,623	158,401
Net assets			
Invested in capital assets	88,888	-	88,888
Unrestricted	36,857	4,907	41,764
Total net assets	125,745	4,907	130,652

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Building Trades	Total
	$	$	$
Operating revenue:			
Local sources:			
Charges for service	490,556	-	490,556
Operating expenses:			
Salaries	282,822	-	282,822
Benefits	111,680	-	111,680
Purchased services	14,981	-	14,981
Supplies	382,504	1,238	383,742
Depreciation	14,431	-	14,431
Other	1,270	-	1,270
Total operating expenses	807,688	1,238	808,926
Operating gain (loss)	(317,132)	(1,238)	(318,370)
Non-operating revenues:			
State sources	7,644	-	7,644
Federal sources	305,094	-	305,094
Interest income	259	11	270
Loss on disposal of capital assets	(678)	-	(678)
Total non-operating revenues	312,319	11	312,330
Gain (loss) before transfers	(4,813)	(1,227)	(6,040)
Transfers in (out)	(127)	-	(127)
Change in net assets	(4,940)	(1,227)	(6,167)
Net assets beginning of year	130,685	6,134	136,819
Net assets end of year	125,745	4,907	130,652

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Building Trades	Total
	$	$	$
Cash flows form operating activities:			
Cash received from sale of lunches and breakfasts	487,625	-	487,625
Cash payments to employees for services	(349,906)	-	(349,906)
Cash payments to suppliers for goods or services	(358,732)	(110,861)	(469,593)
Net cash used by operating activities	(221,013)	(110,861)	(331,874)
Cash flows from non-capital financing activities:			
Transfers from (to) other funds	(127)	-	(127)
Loans from other funds	-	109,623	109,623
State grants received	7,644	-	7,644
Federal grants received	268,965	-	268,965
Net cash provided by non-capital financing activities	276,482	109,623	386,105
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(13,657)	-	(13,657)
Cash flows from investing activities:			
Interest on investments	320	11	331
Net increase (decrease) in cash and cash equivalents	42,132	(1,227)	40,905
Cash and cash equivalents at beginning of year	35,749	6,134	41,883
Cash and cash equivalents at end of year	77,881	4,907	82,788
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(317,132)	(1,238)	(318,370)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	36,129	-	36,129
Depreciation	14,431	-	14,431
Decrease (increase) in inventories	2,592	(109,623)	(107,031)
Decrease (increase) in accounts receivable	922	-	922
(Decrease) increase in accounts payable	1,302	-	1,302
(Decrease) increase in salaries and benefits payable	38,910	-	38,910
(Decrease) increase in deferred revenue	(3,852)	-	(3,852)
(Decrease) increase in net OPEB liability	5,685	-	5,685
Net cash used by operating activities	(221,013)	(110,861)	(331,874)

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	$	$	$	$	$
Early childhood assistance	-	400	-	-	400
Stearns/Morrison donations	9,187	5,642	7,814	(175)	6,840
Concessions	12	47,672	47,567	-	117
Cheerleaders	3,830	-	-	(3,830)	-
Athletic hall of fame	1,050	410	2,092	632	-
Pleasant View playground	3,768	-	-	-	3,768
P.I.E.	8,480	-	-	(8,480)	-
S.H.I.P.	18,032	-	-	(18,032)	-
Pleasant View pop	234	-	-	-	234
Sunset pop	283	-	-	-	283
Fellowship of christian athletes	250	-	-	-	250
Faine reading memorial	2,418	-	-	-	2,418
Mock trial	167	200	54	-	313
Elementary PTO	-	57,312	63,787	26,512	20,037
Sunset student council	1,187	586	128	-	1,645
Student book orders	46	-	-	-	46
Positive behavior supports	506	514	26	-	994
Special needs	1,160	-	35	-	1,125
Student revolving	68	-	-	-	68
Picture fund	4,253	14,104	3,383	(1,242)	13,732
Foundation mini grants	730	-	-	(730)	-
Computer program plan	19	-	-	-	19
Interest	314	625	562	(319)	58
MS drama	110	-	-	-	110
MS band donations	-	1,000	-	(135)	865
MS annual	1,567	3,886	1,804	-	3,649
MS pop	61	2,198	1,505	-	754
5th grade student council	2,504	30	3,260	3,406	2,680
6th grade student council	446	500	2,622	2,476	800
7th grade student council	3,781	85	3,630	1,927	2,163
8th grade student council	654	5	251	737	1,145
Yess mini society	133	-	-	-	133
MS student general account	2,711	42,995	32,332	(10,680)	2,694
MS exploritory account	460	375	2,831	2,033	37
MS regional conference	32	-	-	-	32
HS drama	854	684	243	100	1,395
Forensics (speech) club	175	536	412	-	299
HS band	601	2,475	1,957	(1,119)	-
Cross country special fundraiser	-	650	31	-	619
Boys basketball special fundraiser	-	5,200	3,673	-	1,527

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	$	$	$	$	$
Boys soccer special fundraiser	46	-	-	-	46
HS baseball boosters	-	775	709	(66)	-
Football special fundraisers	-	32,711	26,785	4,477	10,403
Boys golf special fundraisers	-	370	279	-	91
Girls basketball special fundraiser	-	542	551	9	-
Volleyball special fundraisers	10,343	1,627	7,874	-	4,096
Softball special fundraisers	-	1,931	1,489	-	442
HS girls tennis special fundraisers	203	463	254	-	412
Girls golf scholarship	1,457	-	-	-	1,457
Athletics	-	104,014	102,895	2,492	3,611
Athletic pop fund	2,108	-	-	-	2,108
HS annual	8,114	20,160	19,434	180	9,020
HS art club	9	-	-	-	9
HS pop fund	1,174	381	742	-	813
Excel program	163	200	-	-	363
Spanish club	921	777	803	-	895
French club	13	195	178	-	30
FFA	1,222	47,009	43,236	-	4,995
Home ec. club	744	350	660	-	434
HS science club	807	454	415	-	846
After prom	177	5,504	6,926	1,528	283
Multi occupational class	2,005	440	313	-	2,132
HS pop can redemption	1,279	-	-	-	1,279
National Honor Society	532	656	397	-	791
Student acedemic donations	500	-	-	-	500
Class of 2009	1,592	-	64	(1,528)	-
Class of 2010	20	14,919	14,728	100	311
Class of 2011	18	-	80	100	38
Class of 2012	-	-	106	106	-
HS student council	2,446	13,200	11,876	(479)	3,291
HS choir robes	100	-	-	-	100
HS musical	2,164	1,172	1,421	-	1,915
HS small tools	605	-	-	-	605
Special projects	1,606	3,323	4,084	-	845
Hamilton regional student council	-	250	155	-	95
Total	110,451	439,507	426,453	-	123,505

See accompanying independent auditor's report.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Seven Years

	Modified Accrual Basis						
	2009	2008	2007	2006	2005	2004	2003
	$	$	$	$	$	$	$
Revenues:							
Local sources:							
Local tax	6,364,059	5,862,683	5,776,218	5,518,962	5,535,176	5,037,018	5,073,782
Other	1,801,728	1,794,631	1,689,535	1,571,738	1,466,358	1,479,136	1,544,659
Intermediate sources	15,000	-	-	-	7,000	-	19,212
State sources	8,629,039	8,079,703	7,768,885	7,393,287	6,748,480	6,571,400	6,741,238
Federal sources	531,692	413,562	419,094	435,523	507,218	616,757	276,157
Total revenues	17,341,518	16,150,579	15,653,732	14,919,510	14,264,232	13,704,311	13,655,048
Expenditures:							
Instruction:							
Regular instruction	6,531,751	6,086,844	5,552,164	5,060,241	4,818,441	4,546,254	4,577,077
Special instruction	2,450,409	2,280,758	2,228,925	2,220,759	2,180,591	2,335,725	2,193,091
Vocational instruction	547,284	632,782	629,006	638,251	582,507	578,846	592,397
Other instruction	1,135,749	1,027,175	923,957	935,141	934,383	647,472	561,621
Support services:							
Student services	575,735	603,833	587,005	475,109	501,381	489,013	475,719
Instructional staff services	1,120,730	852,747	1,009,244	757,464	855,658	591,880	816,572
Administration services	1,553,555	1,404,697	1,364,015	1,197,476	1,178,472	1,120,375	1,085,655
Operation and maintenance	1,284,062	1,317,268	1,279,271	1,083,236	946,380	965,685	955,000
Transportation services	768,609	556,619	509,057	557,243	427,672	360,294	381,900
Central support services							
Non-instructional programs	-	-	17,284	4,003	18,622	10,454	9,916
Other expenditures:							
Facilities acquisition	433,151	1,185,973	300,271	569,187	403,082	247,769	65,016
Long-term debt:							
Principal	823,934	565,000	530,000	505,000	475,000	3,925,044	485,897
Interest and other charges	184,947	176,062	190,197	218,470	244,487	482,457	511,087
AEA flowthrough	589,657	559,637	543,026	511,003	497,832	489,209	512,703
Total expenditures	17,999,573	17,249,395	15,663,422	14,732,583	14,064,508	16,790,477	13,223,651

See accompanying independent auditor's report.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Grant Number	Expenditures $
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
National School Lunch Program (noncash)	10.555	FY09	36,129
National School Lunch Program	10.555	FY09	235,670
School Breakfast Program	10.553	FY09	33,295
			305,094
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY09	172,416
Improving Teacher Quality State Grants	84.367	FY09	65,526
Grants for State Assessments and Related Activities	84.369	FY09	11,005
State Grants for Innovative Programs	84.298	FY09	1,886
Safe & Drug Free Schools and Communities - State Grants	84.186	FY09	6,964
Career and Technical Education - Basic Grants to States	84.048	FY09	21,347
Special Education Cluster (IDEA):			
Iowa Department of Education:			
Special Education Grants to States - High Cost Claims	84.027	FY09	6,146
Prairie Lakes Area Education Agency:			
Special Education Grants to States	84.027	FY09	87,319
ARRA - Special Education Grants to States - Recovery Act	84.391	FY09	46,388
			139,853
Prairie Lakes Area Education Agency:			
Title III English Language Acquisition State Grants	84.365	FY09	9,504
U.S. Department of Justice:			
Iowa Juvenile Court Service:			
Juvenile Justice and Delinquency Prevention	16.540	FY09	17,283
Total			750,878

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

BURTON E. TRACY & CO., P.C.
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Webster City Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Webster City Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2010. We did not audit and did not issue an opinion on the Webster City Community School District Foundation, because we were not engaged to do so. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Webster City Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Webster City Community School District's financial statements that is more than inconsequential will not be prevented or detected by Webster City Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Webster City Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-II-A, 09-II-B, and 09-II-C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster City 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Webster City 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 1, 2010

BURTON E. TRACY & CO., P.C.
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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Webster City Community School District:

Compliance

We have audited the compliance of Webster City Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Webster City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Webster City Community School District's management. Our responsibility is to express an opinion on Webster City Community School District's compliance based on our audit.

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

In our opinion, Webster City Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-III-A and 09-III-B to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-III-A to be a material weakness.

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

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 1, 2010

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

(a) An unqualified opinion was issued on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. An opinion was not issued on the discretely presented component unit.

(b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.

(e) An unqualified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major programs are as follows:

CFDA Number 84.010	Title I Grants to Local Education Agencies
Clustered Programs	
• CFDA Number 10.553	School Breakfast Program
• CFDA Number 10.555	National School Lunch Program

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Webster City Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

09-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

09-II-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

09-II-C Check Signing Machine: We noted that a check-signing machine was used to sign checks. We also noted that a person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation: The District should establish procedures to control access to the check signing machine, such as having another person control the key to the machine and establishing a log with the numbers on the checks signed that reconciles to a counter on the machine.

Part II: Findings Related to the Financial Statements (continued):

District Response: We will review our procedures controlling access to the check-signing machine.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant deficiencies:

CDAA Number 84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program and
CDAA Number 10.555: National School Lunch Program
Federal Award Year: 2009
U.S. Department of Agriculture
Passed through the Iowa Department of Education

09-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

Part III: Findings and Questioned Costs for Federal Awards (continued):

CDAA Number 84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2009
U.S. Department of Education
Passed through the Iowa Department of Education

09-III-B Title I Salary Expenditures: Office of Management and Budget Circular A-87 requires that employees working on a single Federal award semi-annually certify that 100% of their time is spent on that federal program. The District did not have controls in place to obtain the required certifications.

Recommendation: The District should adopt a standard time certification form and a timeline for completing the form twice a year.

District Response: We have created a form and will have it completed twice a year.

Conclusion: Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

09-IV-A Certified Budget: Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.

09-IV-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

09-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.

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

09-IV-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

09-IV-G Certified Enrollment: One tuition in student was included in the calculations for supplemental weighting on line 12 of the Certified Enrollment Certification Form for October 2008.

Recommendation: The District should review its procedures for compiling the lists of students used to calculate supplemental weighting.

District Response: We will review the lists for students that may not be counted for supplemental weighting purposes.

Conclusion: Response accepted.

09-IV-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa. We did note that the District had Scholarship Fund certificates of deposit in non-Iowa banks. The District's investment policy only allows investment in certificates of deposit in Iowa banks.

Recommendation: The District should review its investments to ensure that they are in accordance with board policy.

District Response: We will review our investment policy.

Conclusion: Response accepted.

09-IV-I Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.

Part IV: Other Findings Related to Required Statutory Reporting (continued):

09-IV-J Categorical Funding: Except as noted, no instances were noted of categorical funding being used to supplant rather than supplement other funds. The District allocated $70,125 for assistant principal salaries to the District's Returning Dropout & Dropout Prevention program. The administrative cost allocation does not appear to be an allowable cost for this program in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules.

Also, according to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: The District should contact the Iowa Department of Education regarding corrective action required. In the future, the District should not allocate administrative costs to the Returning Dropout & Dropout Prevention program. The questioned costs of $70,125 should be reported as reserved fund balance.

All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: As recommended, we will contact the Iowa Department of Education to determine if corrective action is required. We will refrain from charging administrative costs to this program.

We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services 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 and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Part IV: Other Findings Related to Required Statutory Reporting (continued):

	$	$
Beginning balance		-
Statewide sales and services tax revenue		943,884
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	108,307	
Equipment	83,495	
Debt service for school infrastructure:		
General obligation debt	474,107	
Revenue debt	277,975	943,884
Ending balance		-

09-IV-L Use of School Vehicles: We noted that two maintenance employees have use of school vehicles for commuting from home to school. This is a taxable fringe benefit.

Recommendation: The District should review and follow Internal Revenue Service guidelines for determining the taxable portion of the personal use of the vehicles.

District Response: We will follow the relevant IRS guidelines.

Conclusion: Response accepted.

09-IV-M Student Activity Fund Transactions: The Student Activity Fund is to be used to account for transactions related to the District's co-curricular and extra-curricular student activities. The Student Activity Fund should not be used as a clearing account for any other fund nor shall it be used to account for any transactions that are not co-curricular or extra-curricular in nature. Each account in the Student Activity Fund should relate to a specific extra-curricular or co-curricular activity and there should not be any miscellaneous or revolving accounts. We noted several Student Activity Fund accounts that do not appear to be for a specific student activities.

Recommendation: The District should review the types of transactions in the Student Activity Fund. Any transactions not for a specific extra-curricular or co-curricular student activity should be reclassified.

District Response: We will review the types of transactions recorded in the Student Activity Fund.

Conclusion: Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting (continued):

09-IV-N Construction Projects Costing between $45,000 and $100,000: For construction projects costing between $45,000 and $100,000 the District is required to obtain competitive quotes and award the contract to the contractor with the lowest responsive, responsible quotation. The District could not locate documentation that it followed the quotation process for a playground concrete project. We also noted that the board minutes did not contain board approval for the project.

Recommendation: The District should follow and maintain documentation of the competitive quotation process for all construction projects in the $45,000 to $100,000 range. The board should also approve all construction contracts.

District Response: We will follow the quotation process, when required and the Board will approve all construction contracts.

Conclusion: Response accepted.

09-IV-O Interfund loans: On June 16, 2008 the Iowa Department of Education issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

We noted that the Physical Plant and Equipment Levy Fund had loaned the Building Trades Fund money for student construction of a house. Board approval was not in the minutes, an interest rate was not set and the balance was not repaid by October 1, 2009.

Recommendation: The District should follow the June 16, 2008 Declaratory Order with respect to the interfund loan from the Physical Plant and Equipment Levy Fund to the Building Trades Fund.

District Response: We will follow the Declaratory Order on interfund loans. However, the Building Fund will not be able to repay the Physical Plant and Equipment Levy Fund until the house is sold.

Conclusion: Response accepted.