

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

June 30, 2010

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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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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, 2010, 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 3, 2011, 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 the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 47 through 49 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 two years ended June 30, 2009, (which are not presented herein). For 2009 we did not issue an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. For 2008 we 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 3, 2011

## 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, 2010. 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 decreased slightly from \$15,279,152 in fiscal 2009 to \$15,254,489 in fiscal 2010, while General Fund expenditures decreased from \$15,647,846 in fiscal 2009 to \$15,417,290 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$540,090 in fiscal 2009 to \$393,736 in fiscal 2010, a 27 percent decrease from the prior year.
- General Fund revenues decreased, in part, due to a 10% across the board cut in state foundation aid. A portion of the funds that were cut were replaced by ARRA (American Recovery and Reinvestment Act) funds. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2010. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### 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 District-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.

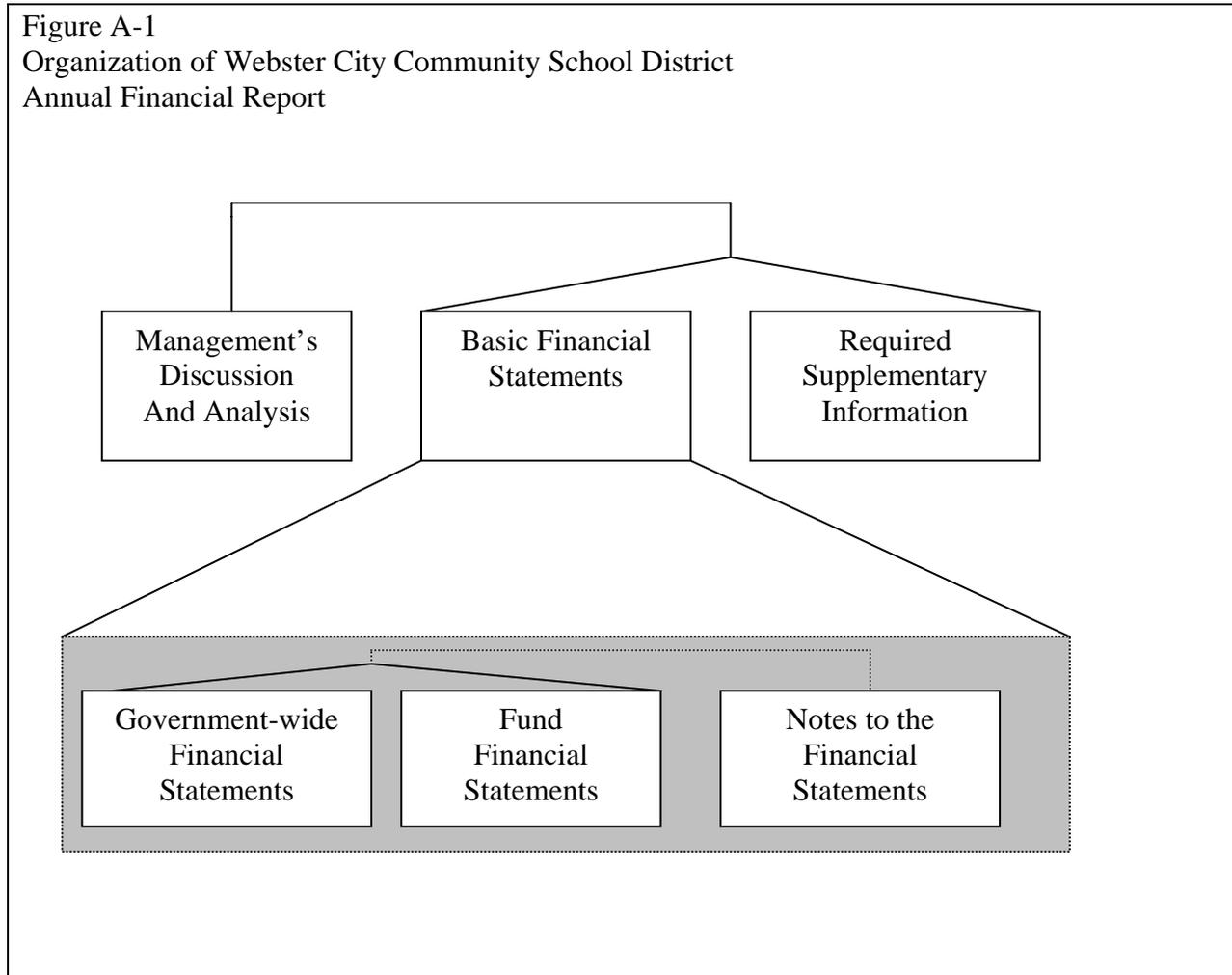


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

<b>Figure A-2: Major Features of the District Wide and Fund Financial Statements</b>				
	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	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 Government-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 Government-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, 2010.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
(expressed in thousands)							
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>2009</u> <u>2010</u>		<u>Percentage</u>
	2009	2010	2009	2010	2009	2010	<u>Change</u>
Current and other assets	12,745	19,228	90	76	12,835	19,304	50.40%
Capital assets	11,409	11,369	89	75	11,498	11,444	-.47%
Total assets	24,154	30,597	179	151	24,333	30,748	26.36 %
Long-term obligations	3,365	13,024	6	11	3,371	13,035	286.68%
Other liabilities	10,785	7,340	43	57	10,828	7,397	-31.69%
Total liabilities	14,150	20,364	49	68	14,199	20,432	43.89%
Net assets:							
Invested in capital assets,							
Net of related debt	8,322	8,672	89	75	8,411	8,747	4.00%
Restricted	1,205	1,416	0	0	1,205	1,416	17.51%
Unrestricted	477	145	42	8	519	153	-70.52%
Total Net Assets	10,004	10,233	131	83	10,135	10,316	1.79%

The District's combined net assets were slightly larger on June 30, 2010, than they were the year before, increasing by 1.79%. 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. Current assets in governmental activities increased by 50% in 2010 due to the sale of general obligation bonds for the high school gymnasium project.

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 increased approximately \$211,000 or 17.51% over the prior year. The increase was primarily as result of increased revenues in categorical funding and the Physical Plant and Equipment fund.

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2010.

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

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2009	2010	2009	2010	2009	2010	2009-2010
<b>Revenues</b>							
Program revenues							
Charges for service and sales	1,597	1,412	491	444	2,088	1,856	-11.1%
Operating Grants & Contributions	2,647	3,719	313	354	2,960	4,073	37.6%
Capital Grants & Contributions	0	39	0	0	0	39	n/a
General revenues							
Property taxes	5,101	5,488	0	0	5,101	5,488	7.6%
Income Surtax	340	369	0	0	340	369	8.5%
Statewide Sales Tax	944	885	0	0	944	885	-6.3%
Unrestricted state grants	6,647	5,317	0	0	6,647	5,317	-20.0%
Unrestricted investment earnings	65	36	0	0	65	36	-44.6%
Other	42	27	0	0	42	27	-35.7%
<b>Total revenues</b>	<b>\$17,383</b>	<b>\$17,292</b>	<b>\$804</b>	<b>\$798</b>	<b>\$18,187</b>	<b>\$18,090</b>	<b>- .4%</b>
<b>Program expenses</b>							
Instruction	10,939	10,897	0	0	10,939	10,897	- .4%
Support services	5,153	5,039	0	0	5,153	5,039	-2.2%
Non-instructional programs	0	0	809	846	809	846	4.6%
Other expenses	1,224	1,127	0	0	1,224	1,127	-7.9%
<b>Total expenses</b>	<b>\$17,316</b>	<b>\$17,063</b>	<b>\$809</b>	<b>\$846</b>	<b>\$18,125</b>	<b>\$17,909</b>	<b>-1.2%</b>
<b>Change In Net Assets Before Transfers</b>	<b>67</b>	<b>229</b>	<b>-5</b>	<b>-48</b>	<b>62</b>	<b>181</b>	<b>191.9%</b>
Transfers	.127	-.605	-.127	.605	0	0	n/a
<b>Change in net assets</b>	<b>67</b>	<b>229</b>	<b>-5</b>	<b>-48</b>	<b>62</b>	<b>181</b>	<b>191.9%</b>
Net Assets Beginning of Year	\$9,937	\$10,004	\$137	\$131	\$10,074	\$10,135	.6%
Net Assets End of Year	\$10,004	\$10,233	\$131	\$84	\$10,135	\$10,317	1.8%

Total revenues decreased .4% while expenditures decreased 1.2%. The district did show an increase in Net Assets of approximately \$182 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 2010 property tax and unrestricted state grants account for 60 percent of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89 percent of the total expenses.

### Governmental Activities

Revenues were \$17.3 million and expenditures for governmental activities were \$17.1 million in fiscal 2010. 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
	2009	2010	2009-2010	2009	2010	2009-2010
Instruction	10,939	10,897	-4%	7,364	6,475	-12.1%
Support services	5,153	5,039	-2.2%	5,073	4,976	-1.9%
Non-instructional programs	0	0	n/a	0	0	n/a
Other expenses	1,224	1,127	7.9%	634	442	-30.3%
<b>Totals</b>	<b>17,316</b>	<b>17,063</b>	<b>-1.5%</b>	<b>13,071</b>	<b>11,893</b>	<b>-9.0%</b>

- The cost of all governmental activities this year was \$17.1 million.
- Some of the cost (\$1.4 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 \$3.7 million.
- Most of the District's costs (\$12 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$6.7 million in property and other taxes, \$5.3 million in unrestricted state grants, \$36 thousand in interest income, and \$27 thousand in miscellaneous income.

### Business-Type Activities

Revenues of the District's business-type activities were \$798,237 and expenses were \$846,018. The District's business-type activities consist of the School Nutrition 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 2010 were down and

expenditures were 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 \$11,432,248, which is up from last year's ending fund balance of \$1,655,937 due to the sale of general obligation bonds for the high school gymnasium project.

#### **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 federal revenues, however there was also a significant decrease in state revenues. While expenditures were down, there was still a need for the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$540,090 to \$393,736 due in part to negotiated salary and benefits, cuts in state funding and other existing expenditure commitments of the District.
- Other Governmental Funds increased from \$1,115,847 to \$11,038,512. Most of this increase occurred in the Capital Projects Fund due to the sale of general obligation bonds for the high school gymnasium project. 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 those outstanding bonds.

#### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$125,745 at June 30, 2009 to \$79,612 at June 30, 2010, representing a decrease of 36.7 percent. Although revenues from federal sources increased in 2009-2010, revenues from charges for services were down significantly and expenditures increased, 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 \$2,274,415 less than the total budgeted receipts, a variance of 11%. 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, 2010, the District had invested more than \$20.3 million (\$11.4 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 decrease of .4 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
	2009	2010	2009	2010	2009	2010	2009-2010
Land	590	590	0	0	590	590	0%
Construction in progress	124	286	0	0	124	286	130.6%
Buildings	9,351	9,204	0	0	9,351	9,204	-1.6%
Improvements other than Buildings	280	258	0	0	280	258	-7.9%
Machinery and equipment	1,064	1,031	89	75	1,153	1,106	-4.1%
<b>TOTALS</b>	<b>11,409</b>	<b>11,369</b>	<b>89</b>	<b>75</b>	<b>11,498</b>	<b>11,444</b>	<b>-.5%</b>

In 2009-2010 the District started and/or completed several construction projects. Work continued on a new greenhouse at the high school; new dugouts, a press box, and softball/track shed improvements were completed. Construction on the new gymnasium at the high school has also begun.

## Long-Term Debt

At June 30, 2010, the District had \$12.9 million in general obligation bonds and other long-term debt outstanding. This represents an increase of 282.9% 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		Total
	School District		Percentage Change
	<u>2009</u>	<u>2010</u>	<u>2009-2010</u>
Compensated Absences	90	91	1.1%
Termination Benefits	89	209	134.8%
Net OPEB liability	104	219	110.6%
Capital Loan Note	115	0	-100%
General Obligation Bonds Payable	2,385	11,805	395.0%
Revenue Bonds	575	564	-1.9%
Equipment Loan Notes	13	9	-30.8%
<b>Total</b>	<b>3,371</b>	<b>12,897</b>	<b>282.6%</b>

The District retired \$2.4 million of General Obligation Bonds, \$11 thousand of revenue bonds, and \$115 thousand of Capital Loan Notes in fiscal 2010. The district sold General Obligation Bonds in the amount of \$11.8 million. 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:

- In Fiscal 2011, enrollment was up 73 students. 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.
- Hamilton county Local Option Sales Tax money will continue to go towards tax relief by paying down outstanding bonds issued for construction of the Webster City High School gymnasium project.
- A major industry in Webster City will be closing in March, 2011 which could impact enrollment.
- At this time, the governor is recommending 0% allowable growth for fiscal 2012 and 2013.

## **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, 2010

	Governmental Activities	Business Type Activities	Total	Component Unit Webster City Community School Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	12,386,463	52,896	12,439,359	-
Investments	-	-	-	1,168,551
Receivables:				
Property tax:				
Delinquent	46,744	-	46,744	-
Succeeding year	5,411,224	-	5,411,224	-
Accounts	13,253	15,788	29,041	-
Accrued interest	-	-	-	3,733
Due from other governments	1,035,605	-	1,035,605	-
Internal balances	149,842	(149,842)	-	-
Inventories	-	156,948	156,948	-
Unamortized bond issue costs	184,908	-	184,908	-
Capital assets, net of accumulated depreciation	11,369,242	75,421	11,444,663	216,000
<b>Total assets</b>	<b>30,597,281</b>	<b>151,211</b>	<b>30,748,492</b>	<b>1,388,284</b>
<b>Liabilities</b>				
Accounts payable	125,232	641	125,873	-
Salaries and benefits payable	1,513,071	42,317	1,555,388	-
Due to other governments	166,104	-	166,104	-
Accrued interest payable	50,921	-	50,921	-
Deferred revenue:				
Succeeding year property tax	5,411,224	-	5,411,224	-
Other	73,065	13,329	86,394	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	595,000	-	595,000	-
Revenue bonds payable	110,964	-	110,964	-
Equipment note payable	4,255	-	4,255	-
Termination benefits	203,739	-	203,739	-
Compensated absences	81,119	-	81,119	-

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total	Component Unit Webster City Community School Foundation
	\$	\$	\$	\$
Portion due after one year:				
Bond premium	138,921	-	138,921	-
General obligation bonds payable	11,210,000	-	11,210,000	-
Revenue bonds payable	452,890	-	452,890	-
Equipment note payable	4,371	-	4,371	-
Termination benefits	5,488	-	5,488	-
Compensated absences	9,984	-	9,984	-
Net OPEB liability	207,517	11,448	218,965	-
<b>Total liabilities</b>	<b>20,363,865</b>	<b>67,735</b>	<b>20,431,600</b>	<b>-</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	8,671,658	75,421	8,747,079	-
Restricted for:				
Categorical funding	265,631	-	265,631	-
Physical plant and equipment levy	221,395	-	221,395	-
Other special revenue purposes	99,956	-	99,956	-
Sales tax capital projects	768,685	-	768,685	-
Debt service	61,429	-	61,429	-
Unrestricted	144,662	8,055	152,717	1,388,284
<b>Total net assets</b>	<b>10,233,416</b>	<b>83,476</b>	<b>10,316,892</b>	<b>1,388,284</b>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

<b>Functions/Programs</b>	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	6,404,892	769,383	2,364,636	-
Special	2,250,700	215,895	422,347	-
Vocational	579,161	-	16,578	-
Other	1,662,169	396,750	236,171	-
	<u>10,896,922</u>	<u>1,382,028</u>	<u>3,039,732</u>	<u>-</u>
<b>Support services:</b>				
Student	593,693	-	17,282	-
Instructional staff	995,415	-	-	-
Administration	1,624,816	-	-	-
Operation and maintenance of plant	1,240,216	24,442	-	-
Transportation	584,972	5,648	15,719	-
	<u>5,039,112</u>	<u>30,090</u>	<u>33,001</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	37,701	-	-	38,853
Long-term debt interest	163,904	-	-	-
AEA flowthrough	646,097	-	646,097	-
Depreciation (unallocated)*	278,863	-	-	-
	<u>1,126,565</u>	<u>-</u>	<u>646,097</u>	<u>38,853</u>
<b>Total governmental activities</b>	<u>17,062,599</u>	<u>1,412,118</u>	<u>3,718,830</u>	<u>38,853</u>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	839,082	438,864	354,051	-
Building trades	6,936	5,288	-	-
<b>Total business-type activities</b>	<u>846,018</u>	<u>444,152</u>	<u>354,051</u>	<u>-</u>
<b>Total primary government</b>	<u>17,908,617</u>	<u>1,856,270</u>	<u>4,072,881</u>	<u>38,853</u>
<b>Component Unit:</b>				
Webster City Community School Foundation	100,766	-	25	-
<b>Total</b>	<u>18,009,383</u>	<u>1,856,270</u>	<u>4,072,906</u>	<u>38,853</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				
<b>Transfers</b>				
<b>Total general revenues and transfers</b>				
<b>Change in net assets</b>				
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
\$	\$	\$	\$
(3,270,873)	-	(3,270,873)	-
(1,612,458)	-	(1,612,458)	-
(562,583)	-	(562,583)	-
(1,029,248)	-	(1,029,248)	-
(6,475,162)	-	(6,475,162)	-
(576,411)	-	(576,411)	-
(995,415)	-	(995,415)	-
(1,624,816)	-	(1,624,816)	-
(1,215,774)	-	(1,215,774)	-
(563,605)	-	(563,605)	-
(4,976,021)	-	(4,976,021)	-
1,152	-	1,152	-
(163,904)	-	(163,904)	-
-	-	-	-
(278,863)	-	(278,863)	-
(441,615)	-	(441,615)	-
(11,892,798)	-	(11,892,798)	-
-	(46,167)	(46,167)	-
-	(1,648)	(1,648)	-
-	(47,815)	(47,815)	-
(11,892,798)	(47,815)	(11,940,613)	-
-	-	-	(100,741)
(11,892,798)	(47,815)	(11,940,613)	(100,741)
5,089,493	-	5,089,493	-
398,681	-	398,681	-
369,058	-	369,058	-
885,261	-	885,261	-
5,317,286	-	5,317,286	-
35,846	34	35,880	169,902
27,180	-	27,180	-
12,122,805	34	12,122,839	169,902
(605)	605	-	-
12,122,200	639	12,122,839	169,902
229,402	(47,176)	182,226	69,161
10,004,014	130,652	10,134,666	1,319,123
10,233,416	83,476	10,316,892	1,388,284

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	1,602,072	112,350	10,325,068	332,610	12,372,100
Receivables:					
Property tax:					
Delinquent	41,073	-	-	5,671	46,744
Succeeding year	4,893,918	-	-	517,306	5,411,224
Accounts	11,374	-	-	1,879	13,253
Interfund receivable	-	-	-	149,842	149,842
Due from other governments	856,686	-	178,919	-	1,035,605
<b>Total assets</b>	<b>7,405,123</b>	<b>112,350</b>	<b>10,503,987</b>	<b>1,007,308</b>	<b>19,028,768</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	47,429	-	55,406	12,421	115,256
Salaries and benefits payable	1,513,071	-	-	-	1,513,071
Due to other governments	166,104	-	-	-	166,104
Deferred revenue:					
Succeeding year property tax	4,893,918	-	-	517,306	5,411,224
Income surtax	317,800	-	-	-	317,800
Other	73,065	-	-	-	73,065
Total liabilities	7,011,387	-	55,406	529,727	7,596,520
Fund balances:					
Categorical funding	265,631	-	-	-	265,631
Debt service	-	112,350	-	-	112,350
Unreserved reported in:					
General fund	128,105	-	-	-	128,105
Special revenue funds	-	-	-	477,581	477,581
Capital projects funds	-	-	10,448,581	-	10,448,581
Total fund balances	393,736	112,350	10,448,581	477,581	11,432,248
<b>Total liabilities and fund balances</b>	<b>7,405,123</b>	<b>112,350</b>	<b>10,503,987</b>	<b>1,007,308</b>	<b>19,028,768</b>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	11,432,248
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,369,242
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds.	184,908
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	317,800
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.	(50,921)
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.	4,387
Long-term liabilities, including bonds payable, bond premiums, notes payable, compensated absences payable, termination benefits and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(13,024,248)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>10,233,416</u></u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	5,164,630	-	885,261	673,337	6,723,228
Tuition	877,221	-	-	-	877,221
Other	285,748	-	6,207	449,285	741,240
State sources	7,312,971	-	-	435	7,313,406
Federal sources	1,613,919	-	-	-	1,613,919
Total revenues	<u>15,254,489</u>	<u>-</u>	<u>891,468</u>	<u>1,123,057</u>	<u>17,269,014</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,973,735	-	-	196,393	6,170,128
Special	2,212,585	-	-	-	2,212,585
Vocational	579,161	-	-	-	579,161
Other	1,228,293	-	-	386,278	1,614,571
	<u>9,993,774</u>	<u>-</u>	<u>-</u>	<u>582,671</u>	<u>10,576,445</u>
Support services:					
Student	590,549	-	-	-	590,549
Instructional staff	1,021,960	-	-	-	1,021,960
Administration	1,607,771	-	-	3,776	1,611,547
Operation and maintenance of plant	1,066,078	-	34,500	149,290	1,249,868
Transportation	491,061	-	5,000	76,850	572,911
	<u>4,777,419</u>	<u>-</u>	<u>39,500</u>	<u>229,916</u>	<u>5,046,835</u>
Other expenditures:					
Facilities acquisition	-	-	274,526	60,950	335,476
Long-term debt:					
Principal	-	2,515,054	-	-	2,515,054
Interest and fiscal charges	-	123,283	-	-	123,283
AEA flowthrough	646,097	-	-	-	646,097
	<u>646,097</u>	<u>2,638,337</u>	<u>274,526</u>	<u>60,950</u>	<u>3,619,910</u>
Total expenditures	<u>15,417,290</u>	<u>2,638,337</u>	<u>314,026</u>	<u>873,537</u>	<u>19,243,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(162,801)</u>	<u>(2,638,337)</u>	<u>577,442</u>	<u>249,520</u>	<u>(1,974,176)</u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Bonds issued	-	-	9,880,000	-	9,880,000
Refunding bonds issued	-	1,925,000	-	-	1,925,000
Bond premium	-	6,555	132,947	-	139,502
Bond issue costs	-	(22,957)	(162,725)	-	(185,682)
Sales of materials and equipment	4,327	-	-	-	4,327
Operating transfers in	16,720	842,089	-	-	858,809
Operating transfers out	(4,600)	-	(718,345)	(148,524)	(871,469)
Total other financing sources (uses)	<u>16,447</u>	<u>2,750,687</u>	<u>9,131,877</u>	<u>(148,524)</u>	<u>11,750,487</u>
Net change in fund balances	(146,354)	112,350	9,709,319	100,996	9,776,311
Fund balances beginning of year	<u>540,090</u>	<u>-</u>	<u>739,262</u>	<u>376,585</u>	<u>1,655,937</u>
Fund balances end of year	<u><u>393,736</u></u>	<u><u>112,350</u></u>	<u><u>10,448,581</u></u>	<u><u>477,581</u></u>	<u><u>11,432,248</u></u>

## 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, 2010

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		9,776,311
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	572,521	
Depreciation expense	<u>(612,499)</u>	(39,978)
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.		19,265
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.		2,515,054
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.		(41,202)
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	(120,006)	
Compensated absences	(1,297)	
Other post employment benefits	<u>(108,977)</u>	(230,280)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(11,805,000)
Bond issue costs are reported as an expense in the governmental fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		184,908
Bond premiums are reported as income in the governmental funds, but are amortized over the life of the bonds in the government-wide financial statements.		(138,921)
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.		<u>(10,755)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>229,402</u></u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2010

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
Cash and cash equivalents	52,896	14,363
Accounts receivable	15,788	-
Inventories	156,948	-
Capital assets, net of accumulated depreciation	<u>75,421</u>	<u>-</u>
<b>Total assets</b>	<u>301,053</u>	<u>14,363</u>
<b>Liabilities</b>		
Accounts payable	641	9,976
Salaries and benefits payable	42,317	-
Interfund payables	149,842	-
Deferred revenue	13,329	-
Net OPEB liability	<u>11,448</u>	<u>-</u>
<b>Total liabilities</b>	<u>217,577</u>	<u>9,976</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	75,421	-
Unrestricted	<u>8,055</u>	<u>4,387</u>
<b>Total net assets</b>	<u><u>83,476</u></u>	<u><u>4,387</u></u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Operating revenue:		
Local sources:		
Charges for service	438,864	-
Other	5,288	64,028
Total operating revenue	<u>444,152</u>	<u>64,028</u>
Operating expenses:		
Salaries	293,051	-
Benefits	142,224	69,203
Purchased services	10,947	5,587
Supplies	381,599	-
Depreciation	13,969	-
Other	2,630	-
Total operating expenses	<u>844,420</u>	<u>74,790</u>
Operating gain (loss)	<u>(400,268)</u>	<u>(10,762)</u>
Non-operating revenues:		
State sources	6,567	-
Federal sources	347,484	-
Interest income	34	7
Loss on disposal of capital assets	(1,598)	-
Total non-operating revenues	<u>352,487</u>	<u>7</u>
Gain (loss) before transfers	(47,781)	(10,755)
Transfers in (out)	<u>605</u>	<u>-</u>
Change in net assets	(47,176)	(10,755)
Net assets beginning of year	<u>130,652</u>	<u>15,142</u>
Net assets end of year	<u><u>83,476</u></u>	<u><u>4,387</u></u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	434,179	-
Cash received from construction services	4,887	-
Cash received from other funds	-	64,028
Cash payments to employees for services	(426,105)	(63,066)
Cash payments to suppliers for goods or services	(398,650)	(5,587)
Net cash used by operating activities	<u>(385,689)</u>	<u>(4,625)</u>
Cash flows from non-capital financing activities:		
Transfers from (to) other funds	605	-
Loans from other funds	40,219	-
State grants received	6,567	-
Federal grants received	310,472	-
Net cash provided by non-capital financing activities	<u>357,863</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(2,100)	-
Cash flows from investing activities:		
Interest on investments	34	7
Net increase (decrease) in cash and cash equivalents	(29,892)	(4,618)
Cash and cash equivalents at beginning of year	82,788	18,981
Cash and cash equivalents at end of year	<u>52,896</u>	<u>14,363</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(400,268)	(10,762)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	37,012	-
Depreciation	13,969	-
Decrease (increase) in inventories	(39,672)	-
Decrease (increase) in accounts receivable	(15,687)	-
(Decrease) increase in accounts payable	(814)	6,137
(Decrease) increase in salaries payable	3,407	-
(Decrease) increase in deferred revenue	10,601	-
(Decrease) increase in net OPEB liability	5,763	-
Net cash used by operating activities	<u>(385,689)</u>	<u>(4,625)</u>

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

During the year ended June 30, 2010, the District received \$37,012 of federal commodities.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	2,414,625
Accounts receivable	<u>498</u>
<b>Total Assets</b>	2,415,123
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships and special needs	<u><u>2,415,123</u></u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	330,107
Interest	85,241
Total additions	<u>415,348</u>
Deductions:	
Support services:	
Scholarships awarded	93,475
Nurse's student charity	2,579
Unrealized loss on investments	37,347
Total deductions	<u>133,401</u>
Change in net assets	281,947
Transfer in from Student Activity Fund	12,055
Net assets beginning of year	<u>2,121,121</u>
Net assets end of year	<u><u>2,415,123</u></u>

# WEBSTER CITY COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### 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 2009 the Foundation shows \$94,355 of grants to the District and for the year ended June 30, 2010 the District shows \$98,775 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, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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 \$149,842 for a student constructed house which is held for resale.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	100,000
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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	3-20 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, 2010. 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, 2010, expenditures exceeded the amount budgeted in the other expenditures function.

## 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	12,293,129

The investment in the Iowa Schools Joint Investment Trust is 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, 2010, those investments consisted of the following:

	<u>Maturities</u>	<u>Fair Value</u>
		\$
Common Stock:		
Bristol Myers – 2000 shares	N/A	49,880
Exxon – 4000 shares	N/A	228,280
Nextera Energy Inc. – 1000 shares	N/A	48,760
Integrus Energy Group – 549 shares	N/A	24,013
Teco Energy – 1600 shares	N/A	24,112
Excel Energy – 2800 shares	N/A	57,708
		<u>432,753</u>

The District also invested money donated for scholarship awards in the following:

	<u>Maturities</u>	<u>Fair Value</u>
		\$
Federated Prime Management Obligations Fund		
Inst. Serv. Shares Money Market Fund	N/A	<u>320,279</u>

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. The District's investment in the Iowa Schools Joint Investment Trust is 94% 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, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Governmental: Physical Plant and Equipment Levy Fund	Nonmajor Enterprise: Building Trades	149,872

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, 2010 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental: Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	119,144
Debt Service Fund	Capital Projects	718,345
Debt Service Fund	General Fund	4,600
Private Purpose Trust	Nonmajor Governmental: Student Activity Fund	12,055
Nonmajor Enterprise: Building Trades	Nonmajor Governmental: Student Activity Fund	605
General Fund	Nonmajor Governmental: Student Activity Fund	16,720

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 transfers from the Student Activity Fund to other funds reclassified balances that had been held in the Student Activity Fund.

### 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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

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. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2009-10A	6/25/09	6/23/10	-	650,000	650,000	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			<u>-</u>	<u>650,000</u>	<u>650,000</u>	<u>-</u>

During the year ended June 30, 2010, the District paid \$17,026 of interest on the ISCAP warrants.

## 6. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	123,862	192,193	29,643	286,412
Land	590,000	-	-	590,000
Total capital assets not being depr.	<u>713,862</u>	<u>192,193</u>	<u>29,643</u>	<u>876,412</u>
Capital assets being depreciated:				
Buildings	14,919,161	109,387	-	15,028,548
Improvements other than buildings	447,438	-	-	447,438
Furniture and equipment	3,242,434	300,584	60,518	3,482,500
Total capital assets being deprec.	<u>18,609,033</u>	<u>409,971</u>	<u>60,518</u>	<u>18,958,486</u>
Less accumulated depreciation for:				
Buildings	5,568,196	256,491	-	5,824,687
Improvements other than buildings	167,481	22,372	-	189,853
Furniture and equipment	2,177,998	333,636	60,518	2,451,116
Total accumulated depreciation	<u>7,913,675</u>	<u>612,499</u>	<u>60,518</u>	<u>8,465,656</u>
Total capital assets being depreciated, net	<u>10,695,358</u>	<u>(202,528)</u>	<u>-</u>	<u>10,492,830</u>
Governmental activities capital assets, net	<u>11,409,220</u>	<u>(10,335)</u>	<u>29,643</u>	<u>11,369,242</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	274,083	2,100	13,249	262,934
Less accumulated depreciation	185,195	13,969	11,651	187,513
Business type activities capital assets, net	<u>88,888</u>	<u>(11,869)</u>	<u>1,598</u>	<u>75,421</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	89,304
Special	9,299
Other	31,875
Support services:	
Instructional staff services	80,228
Administration services	969
Operation and maintenance of plant services	34,622
Transportation	<u>87,339</u>
	333,636
Unallocated depreciation	<u>278,863</u>
 Total depreciation expense – governmental activities	 <u>612,499</u>
 Business type activities:	
Food services	<u>13,969</u>

## 7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	2,385,000	11,805,000	2,385,000	11,805,000	595,000
Revenue bonds	574,818	-	10,964	563,854	110,964
Capital loan notes	115,000	-	115,000	-	-
Equipment loan notes	12,716	-	4,090	8,626	4,255
Termination benefits	89,221	200,995	80,989	209,227	203,739
Compensated absences	89,806	79,619	78,322	91,103	81,119
Net OPEB liability	<u>98,540</u>	<u>108,977</u>	<u>-</u>	<u>207,517</u>	<u>-</u>
 Total	 <u>3,365,101</u>	 <u>12,194,591</u>	 <u>2,674,365</u>	 <u>12,885,327</u>	 <u>995,077</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	<u>5,685</u>	<u>5,763</u>	<u>-</u>	<u>11,448</u>	<u>-</u>

### 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, 2010, the District has a long-term obligation to thirteen participants with a total liability of \$209,227. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$80,989.

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

June 2010 Refunding Bonds				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	3.000	65,000	72,988	137,988
2012	3.000	75,000	71,037	146,037
2013	3.000	75,000	68,788	143,788
2014	3.000	80,000	66,537	146,537
2015	3.000	80,000	64,138	144,138
2016-2020	3.000-3.750	430,000	280,837	710,837
2021-2025	4.000-4.125	510,000	193,787	703,787
2026-2030	4.125-4.375	610,000	80,556	690,556
		<u>1,925,000</u>	<u>898,6688</u>	<u>2,823,668</u>

Bond Issue of June 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	3.000	530,000	382,244	912,244
2012	3.000	350,000	366,343	716,343
2013	3.000	350,000	355,844	705,844
2014	3.000	375,000	345,343	720,343
2015	3.000	375,000	334,094	709,094
2016-2020	3.500-4.000	2,100,000	1,459,219	3,559,219
2021-2025	4.000-4.000	2,625,000	1,009,219	3,634,219
2026-2030	4.125-4.375	3,175,000	418,969	3,593,969
		<u>9,880,000</u>	<u>4,671,275</u>	<u>14,551,275</u>

Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of April 2008

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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
		43,854	4,172	48,026

Bond Issue of July 2007

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	4.75	100,000	22,325	122,325
2012	4.750	100,000	17,575	117,575
2013	4.750	105,000	12,706	117,706
2014	4.750	110,000	7,600	117,600
2015	4.750	105,000	2,494	107,494
		520,000	62,700	582,700

The District has pledged future statewide sales, services and use 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, services and use tax revenues received by the District and are payable through 2015. 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, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$630,726. For the current year, \$10,964 of principal and \$16,418 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$885,261.

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

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

Equipment Loan Notes

The District 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
	%	\$	\$	\$
2011	4.00	4,255	345	4,600
2012	4.00	4,371	229	4,600
		8,626	574	9,200

## Bond Refunding

On June 1, 2010, the District issued \$1,925,000 of general obligation refunding bonds with interest rates ranging from 3.000% to 4.375%. The District issued the bonds to refund \$1,880,000 of the outstanding September 1998 general obligation refunding bonds with interest rates of 4.400% to 4.550%. The District used the net proceeds to call and pay the balance of the September 1998 issue.

The refunding bonds increased total debt service payments over the next twenty years by \$752,369. This results in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$26,029. This refunding was completed for debt restructuring purposes and not for net savings.

## **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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$649,525, \$542,819, and \$548,032 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 \$646,097 for the year ended June 30, 2010 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 two years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2011	\$ 49,908
2012	49,908

## 12. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 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, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	139,877
Interest on net OPEB obligation	3,497
Adjustment to annual required contribution	<u>5,070</u>
Annual OPEB cost	148,444
Contributions made	<u>33,704</u>
Increase in net OPEB obligation	114,740
Net OPEB obligation beginning of year	<u>104,225</u>
Net OPEB obligation end of year	<u>218,965</u>

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, 2010.

For the year ended June 30, 2010, the District contributed \$33,707 to the medical plan. Plan members eligible for benefits contributed \$67,409, 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, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
June 30, 2010	148,444	23%	218,965

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$993,425, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$903,425. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$9,071,000 and the ratio of the UAAL to covered payroll was 11.0%. As of June 30, 2010, 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 Projected to 2000, 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 over 30 years.

### 13. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
	\$
Gifted and Talented	
Returning dropout and dropout prevention program	40,398
Teacher salary supplement	39,475
Educator quality, professional development	68,588
Limited English proficiency	52,002
Preschool	59,760
Mentoring	5,408
	265,631

### 14. Construction Commitment

The District has entered into a \$320,366 contract for a parking lot. Work on the project started after June 30, 2010.

## **15. Subsequent Events**

In September 2010 the District approved a \$7,923,000 bid for a new gymnasium.

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, 2010

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	8,341,689	444,186	8,785,875	9,792,358	9,792,358	(1,006,483)
Intermediate sources	-	-	-	200	200	(200)
State sources	7,613,406	6,567	7,619,973	10,139,108	10,139,108	(2,519,135)
Federal sources	1,613,919	347,484	1,961,403	710,000	710,000	1,251,403
Total revenues	<u>17,569,014</u>	<u>798,237</u>	<u>18,367,251</u>	<u>20,641,666</u>	<u>20,641,666</u>	<u>(2,274,415)</u>
Expenditures/Expenses:						
Instruction	10,576,445	-	10,576,445	12,639,721	12,639,721	2,063,276
Support services	5,046,835	-	5,046,835	5,501,592	5,501,592	454,757
Non-instructional programs	-	846,018	846,018	1,019,835	1,019,835	173,817
Other expenditures	3,619,910	-	3,619,910	2,975,813	2,975,813	(644,097)
Total expenditures/expenses	<u>19,243,190</u>	<u>846,018</u>	<u>20,089,208</u>	<u>22,136,961</u>	<u>22,136,961</u>	<u>2,047,753</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,674,176)	(47,781)	(1,721,957)	(1,495,295)	(1,495,295)	(226,662)
Other financing sources (uses) net	<u>11,750,487</u>	<u>605</u>	<u>11,751,092</u>	<u>10,000</u>	<u>10,000</u>	<u>11,741,092</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	10,076,311	(47,176)	10,029,135	(1,485,295)	(1,485,295)	11,514,430
Balance beginning of year	<u>1,655,937</u>	<u>130,652</u>	<u>1,786,589</u>	<u>1,587,569</u>	<u>1,587,569</u>	<u>199,020</u>
Balance end of year	<u><u>11,732,248</u></u>	<u><u>83,476</u></u>	<u><u>11,815,724</u></u>	<u><u>102,274</u></u>	<u><u>102,274</u></u>	<u><u>11,713,450</u></u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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.

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

WEBSTER CITY

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a ) \$	Actuarial Accrued Liability (AAL) ( b ) \$	Unfunded AAL (UAAL) ( b-a ) \$	Funded Ratio ( a/b ) %	Covered Payroll ( c ) \$	UAAL as a Percentage of Covered Payroll ( (b-a)/c ) %
2009	July 1, 2008	-	1,036,715	1,036,715	0.0%	8,015,000	12.9%
2010	July 1, 2008	-	993,425	993,425	0.0%	9,071,000	11.0%

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, 2010

Assets	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Cash and pooled investments	153,887	102,079	76,644	332,610
Receivables:				
Property tax:				
Delinquent	2,343	-	3,328	5,671
Succeeding year	125,000	-	392,306	517,306
Accounts	-	1,706	173	1,879
Interfund receivable	-	-	149,842	149,842
<b>Total assets</b>	<b>281,230</b>	<b>103,785</b>	<b>622,293</b>	<b>1,007,308</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	3,829	8,592	12,421
Deferred revenue:				
Succeeding year property tax	125,000	-	392,306	517,306
Total liabilities	125,000	3,829	400,898	529,727
Fund balances:				
Unreserved reported in:				
Special revenue funds	156,230	99,956	221,395	477,581
<b>Total liabilities and fund balances</b>	<b>281,230</b>	<b>103,785</b>	<b>622,293</b>	<b>1,007,308</b>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	274,656	-	398,681	673,337
Other	22,610	392,109	34,566	449,285
State sources	179	-	256	435
Total revenues	<u>297,445</u>	<u>392,109</u>	<u>433,503</u>	<u>1,123,057</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	196,393	-	-	196,393
Other instruction	-	386,278	-	386,278
Support services:				
Administration services	3,776	-	-	3,776
Operation and maintenance of of plant services	85,033	-	64,257	149,290
Transportation services	-	-	76,850	76,850
Other expenditures:				
Facilities acquisition	-	-	60,950	60,950
Total expenditures	<u>285,202</u>	<u>386,278</u>	<u>202,057</u>	<u>873,537</u>
Excess (deficiency) of revenues over (under) expenditures	12,243	5,831	231,446	249,520
Other financing sources (uses):				
Operating transfers out	-	(29,380)	(119,144)	(148,524)
Net change in fund balances	12,243	(23,549)	112,302	100,996
Fund balances beginning of year	<u>143,987</u>	<u>123,505</u>	<u>109,093</u>	<u>376,585</u>
Fund balances end of year	<u><u>156,230</u></u>	<u><u>99,956</u></u>	<u><u>221,395</u></u>	<u><u>477,581</u></u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2010

	Enterprise Funds		
	School Nutrition	Building Trades	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	49,433	3,463	52,896
Accounts receivable	15,387	401	15,788
Inventories	7,106	149,842	156,948
Capital assets, net of accumulated depreciation	75,421	-	75,421
<b>Total assets</b>	<b>147,347</b>	<b>153,706</b>	<b>301,053</b>
<b>Liabilities</b>			
Accounts payable	641	-	641
Salaries and benefits payable	42,317	-	42,317
Interfund payable	-	149,842	149,842
Deferred revenue	13,329	-	13,329
Net OPEB liability	11,448	-	11,448
<b>Total liabilities</b>	<b>67,735</b>	<b>149,842</b>	<b>217,577</b>
<b>Net assets</b>			
Invested in capital assets	75,421	-	75,421
Unrestricted	4,191	3,864	8,055
<b>Total net assets</b>	<b>79,612</b>	<b>3,864</b>	<b>83,476</b>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Funds		
	School Nutrition	Building Trades	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	438,864	-	438,864
Other	-	5,288	5,288
Total operating revenues	<u>438,864</u>	<u>5,288</u>	<u>444,152</u>
Operating expenses:			
Salaries	293,051	-	293,051
Benefits	142,224	-	142,224
Purchased services	10,947	-	10,947
Supplies	374,663	6,936	381,599
Depreciation	13,969	-	13,969
Other	2,630	-	2,630
Total operating expenses	<u>837,484</u>	<u>6,936</u>	<u>844,420</u>
Operating gain (loss)	<u>(398,620)</u>	<u>(1,648)</u>	<u>(400,268)</u>
Non-operating revenues:			
State sources	6,567	-	6,567
Federal sources	347,484	-	347,484
Interest income	34	-	34
Loss on disposal of capital assets	(1,598)	-	(1,598)
Total non-operating revenues	<u>352,487</u>	<u>-</u>	<u>352,487</u>
Gain (loss) before transfers	(46,133)	(1,648)	(47,781)
Transfers in (out)	-	605	605
Change in net assets	(46,133)	(1,043)	(47,176)
Net assets beginning of year	125,745	4,907	130,652
Net assets end of year	<u>79,612</u>	<u>3,864</u>	<u>83,476</u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		
	School Nutrition	Building Trades	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	434,179	-	434,179
Cash received from construction services	-	4,887	4,887
Cash payments to employees for services	(426,105)	-	(426,105)
Cash payments to suppliers for goods or services	(351,495)	(47,155)	(398,650)
Net cash used by operating activities	<u>(343,421)</u>	<u>(42,268)</u>	<u>(385,689)</u>
Cash flows from non-capital financing activities:			
Transfers from (to) other funds	-	605	605
Loans from other funds	-	40,219	40,219
State grants received	6,567	-	6,567
Federal grants received	310,472	-	310,472
Net cash provided by non-capital financing activities	<u>317,039</u>	<u>40,824</u>	<u>357,863</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(2,100)</u>	<u>-</u>	<u>(2,100)</u>
Cash flows from investing activities:			
Interest on investments	<u>34</u>	<u>-</u>	<u>34</u>
Net increase (decrease) in cash and cash equivalents	(28,448)	(1,444)	(29,892)
Cash and cash equivalents at beginning of year	<u>77,881</u>	<u>4,907</u>	<u>82,788</u>
Cash and cash equivalents at end of year	<u>49,433</u>	<u>3,463</u>	<u>52,896</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(398,620)	(1,648)	(400,268)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	37,012	-	37,012
Depreciation	13,969	-	13,969
Decrease (increase) in inventories	547	(40,219)	(39,672)
Decrease (increase) in accounts receivable	(15,286)	(401)	(15,687)
(Decrease) increase in accounts payable	(814)	-	(814)
(Decrease) increase in salaries and benefits payable	3,407	-	3,407
(Decrease) increase in deferred revenue	10,601	-	10,601
(Decrease) increase in net OPEB liability	5,763	-	5,763
Net cash used by operating activities	<u>(343,421)</u>	<u>(42,268)</u>	<u>(385,689)</u>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Early childhood assistance	400	-	400	-	-
Stearns/Morrison donations	6,840	750	10,153	-	(2,563)
Concessions	117	40,008	39,985	-	140
Pleasant View playground	3,768	-	380	-	3,388
Pleasant View pop	234	-	234	-	-
Sunset pop	283	-	283	-	-
Fellowship of christian athletes	250	-	-	(250)	-
Faine reading memorial	2,418	-	2,418	-	-
Mock trial	313	-	-	-	313
Elementary PTO	20,037	60,950	75,094	-	5,893
Sunset student council	1,645	1,341	929	-	2,057
Student book orders	46	-	-	-	46
Positive behavior supports	994	-	299	-	695
Special needs	1,125	-	1,125	-	-
Student revolving	68	-	-	(68)	-
Picture fund	13,732	4,695	18,942	709	194
Computer program plan	19	-	-	-	19
Interest	58	177	126	(3)	106
MS drama	110	-	-	-	110
MS band donations	865	-	-	-	865
MS annual	3,649	3,516	4,263	-	2,902
MS pop	754	228	982	-	-
5th grade student council	2,680	35	1,890	2,000	2,825
6th grade student council	800	630	3,277	2,500	653
7th grade student council	2,163	40	1,091	1,600	2,712
8th grade student council	1,145	68	211	1,000	2,002
Yess mini society	133	-	-	-	133
MS student general account	2,694	42,553	31,848	(8,800)	4,599
MS exploratory account	37	100	818	1,700	1,019
MS regional conference	32	-	-	-	32
HS drama	1,395	936	223	-	2,108
Forensics (speech) club	299	300	184	-	415
HS band	-	2,135	1,916	(77)	142
Cross country special fundraiser	619	522	72	-	1,069
Boys basketball special fundraiser	1,527	2,448	3,156	-	819
Boys soccer special fundraiser	46	30	-	-	76
HS baseball boosters	-	7,630	4,205	(446)	2,979
Football special fundraisers	10,403	13,281	15,739	-	7,945
Boys golf special fundraisers	91	-	-	-	91
Volleyball special fundraisers	4,096	3,211	3,571	-	3,736
Softball special fundraisers	442	10,251	7,316	-	3,377

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
HS girls tennis special fundraisers	412	1,155	-	-	1,567
HS girls golf special fundraiser	-	280	185	-	95
Girls golf scholarship	1,457	-	-	-	1,457
Athletics	3,611	98,561	86,971	141	15,342
Athletic pop fund	2,108	-	-	(2,108)	-
HS annual	9,020	19,335	23,036	-	5,319
HS art club	9	-	-	-	9
HS pop fund	813	185	2,052	1,054	-
Student honor program	363	200	126	-	437
Spanish club	895	802	885	-	812
French club	30	-	-	-	30
FFA	4,995	38,622	36,713	-	6,904
Home ec. club	434	400	547	-	287
HS science club	846	1,497	1,408	-	935
After prom	283	4,797	4,679	311	712
Multi occupational class	2,132	270	71	-	2,331
HS pop can redemption	1,279	194	-	-	1,473
National Honor Society	791	398	474	-	715
Student academic donations	500	-	500	-	-
Class of 2010	311	-	125	(186)	-
Class of 2011	38	10,247	9,571	100	814
Class of 2012	-	-	53	94	41
Class of 2013	-	-	80	100	20
HS student council	3,291	11,831	10,386	(425)	4,311
HS choir robes	100	-	-	-	100
HS musical	1,915	3,380	2,921	-	2,374
HS small tools	605	-	605	-	-
Special projects	845	3,420	2,511	1,054	2,808
Hamilton regional student council	95	700	629	-	166
<b>Total</b>	<b>123,505</b>	<b>392,109</b>	<b>415,658</b>	<b>-</b>	<b>99,956</b>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2010	2009	2008	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>								
Local sources:								
Local tax	6,723,228	6,364,059	5,862,683	5,776,218	5,518,962	5,535,176	5,037,018	5,073,782
Other	1,618,461	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	7,313,406	8,629,039	8,079,703	7,768,885	7,393,287	6,748,480	6,571,400	6,741,238
Federal sources	1,613,919	531,692	413,562	419,094	435,523	507,218	616,757	276,157
<b>Total revenues</b>	<b>17,269,014</b>	<b>17,341,518</b>	<b>16,150,579</b>	<b>15,653,732</b>	<b>14,919,510</b>	<b>14,264,232</b>	<b>13,704,311</b>	<b>13,655,048</b>
<b>Expenditures:</b>								
Instruction:								
Regular instruction	6,170,128	6,531,751	6,086,844	5,552,164	5,060,241	4,818,441	4,546,254	4,577,077
Special instruction	2,212,585	2,450,409	2,280,758	2,228,925	2,220,759	2,180,591	2,335,725	2,193,091
Vocational instruction	579,161	547,284	632,782	629,006	638,251	582,507	578,846	592,397
Other instruction	1,614,571	1,135,749	1,027,175	923,957	935,141	934,383	647,472	561,621
Support services:								
Student services	590,549	575,735	603,833	587,005	475,109	501,381	489,013	475,719
Instructional staff services	1,021,960	1,120,730	852,747	1,009,244	757,464	855,658	591,880	816,572
Administration services	1,611,547	1,553,555	1,404,697	1,364,015	1,197,476	1,178,472	1,120,375	1,085,655
Operation and maintenance	1,249,868	1,284,062	1,317,268	1,279,271	1,083,236	946,380	965,685	955,000
Transportation services	572,911	768,609	556,619	509,057	557,243	427,672	360,294	381,900
Non-instructional programs	-	-	-	17,284	4,003	18,622	10,454	9,916
Other expenditures:								
Facilities acquisition	335,476	433,151	1,185,973	300,271	569,187	403,082	247,769	65,016
Long-term debt:								
Principal	2,515,054	823,934	565,000	530,000	505,000	475,000	3,925,044	485,897
Interest and other charges	123,283	184,947	176,062	190,197	218,470	244,487	482,457	511,087
AEA flowthrough	646,097	589,657	559,637	543,026	511,003	497,832	489,209	512,703
<b>Total expenditures</b>	<b>19,243,190</b>	<b>17,999,573</b>	<b>17,249,395</b>	<b>15,663,422</b>	<b>14,732,583</b>	<b>14,064,508</b>	<b>16,790,477</b>	<b>13,223,651</b>

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	34,921
National School Lunch Program (non-cash)	10.555	FY10	37,012
National School Lunch Program	10.555	FY10	275,551
			<u>347,484</u>
U.S. Department of Justice:			
Iowa Juvenile Court Service:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	FY10	17,283
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	176,036
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	58,371
			<u>234,407</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	10,502
Special Education - Grants to States	84.027	FY10	790 *
Special Education Preschool Grants	84.173	FY10	515 *
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	4,775
Fund for the Improvement of Education	84.215	FY10	417
Improving Teacher Quality State Grants	84.367	FY10	61,409
Grants for State Assessments and Related Activities	84.369	FY10	10,758
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	849,130
Prairie Lakes Area Education Agency:			
Migrant Education - State Grant Program	84.011	FY10	995
Special Education - Grants to States	84.027	FY10	84,825 *
English Language Acquisition Grants	84.365	FY10	592
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	185,552 *
Total			<u><u>1,809,434</u></u>

\* Total for Special Education Cluster (IDEA) is \$271,682.

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.

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 3, 2011. We did not audit and did not issue an opinion on the Webster City Community School 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A, 10-II-B, 10-II-C and 10-II-D to be 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, 2010 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, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 3, 2011

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 of Webster City Community School District's compliance with the types of compliance requirements described in (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Webster City Community School District's major federal programs for the year ended June 30, 2010. 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 grants 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, 2010.

Internal Control Over Compliance

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 grants 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 to determine our auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Webster City Community School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, and 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 3, 2011

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. No significant deficiencies were reported
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements. No significant deficiencies were reported
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
  - Special Education Cluster (IDEA)
    - CFDA Number 84.027 – Special Education – Grants to States (IDEA, Part B)
    - CFDA Number 84.173 – Special Education Preschool Grants (IDEA, Part B)
    - CFDA Number 84.391 – ARRA - Special Education – Grants to States (IDEA, Part B) Recovery Act
- (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.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

10-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.

10-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.

10-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.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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.

10-II-D Financial Reporting: During the audit, we identified private purpose trust fund scholarship investment and related donation that was not recorded in the District's financial records

Recommendation: The District should implement procedures to ensure all scholarship investments and donations are recorded in the District's financial records.

District Response: We will double check these in the future to avoid missing any investments or donations.

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, 2010

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amount budgeted in the other expenditures function.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

10-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.

10-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.

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

10-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.

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

10-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

10-IV-I 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.

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

09-IV-K Categorical Funding: Except as noted, no instances were noted of categorical funding being used to supplant rather than supplement other funds. The District allocated \$80,064 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.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

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 \$80,064 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: We believe that the assistant principal costs are allowable from the Returning Dropout and Dropout Prevention Program. We will contact the Iowa Department of Education to discuss the issue.

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.

10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenues are as follows:

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

	\$	\$
Beginning balance		739,262
Statewide sales, services and use tax		885,261
Interest revenue		1,842
Expenditures/transfers out:		
School infrastructure:		
Building rent	34,500	
Land and land improvements	17,694	
Buildings and building improvements	75,493	
Equipment	11,648	
Debt service for school infrastructure:		
General obligation debt	580,149	
Revenue debt	138,196	857,680
		<u>768,685</u>
Ending balance		<u>768,685</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	1.8086	718,345
Physical plant and equipment levy	.4203	166,916

10-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 activity.

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.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

10-IV-N Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$100,000. We noted that the Board minutes did not indicate that a public hearing was held for a \$320,366 parking lot project.

Recommendation: The District should document, in the board minutes, the public hearings for all capital projects with cost in excess of \$100,000.

District Response: We will do this in the future.

Conclusion: Response accepted.

10-IV-O Interfund Loans: The Iowa Department of Education has 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, 2010.

Recommendation: The District should follow the 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 Trades Fund will not be able to repay the Physical Plant and Equipment Levy Fund until the house is sold.

Conclusion: Response accepted.