

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

JUNE 30, 2011

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Webster City Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Pamela Hayes	President	2013
Judy Maubach	Vice President	2011
Craig Loffredo	Board Member	2011
Dan Ryherd	Board Member	2011
Michelle Zahn	Board Member	2013
School Officials		
Michael Sherwood	Superintendent	2011
Cathi Hildebrand	Business Manager/ District Secretary and Treasurer	2011
Ahlers & Cooney P.C.	Attorney	2011

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Webster City Community School District at June 30, 2011, 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 28, 2012 on our consideration of Webster City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan, and the combining statements for the discretely presented

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component unit on pages 7 through 16 and 48 through 52 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Webster City Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for eight years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Webster City Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,275,536 in fiscal 2010 to \$16,028,544 in fiscal 2011, while General Fund expenditures increased from \$15,421,890 in fiscal 2010 to \$15,876,080 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$393,736 in fiscal 2010 to a balance of \$546,200 in fiscal 2011, which is a 38.72% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local and state sources in fiscal 2011. The increase in expenditures was due primarily to increases in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

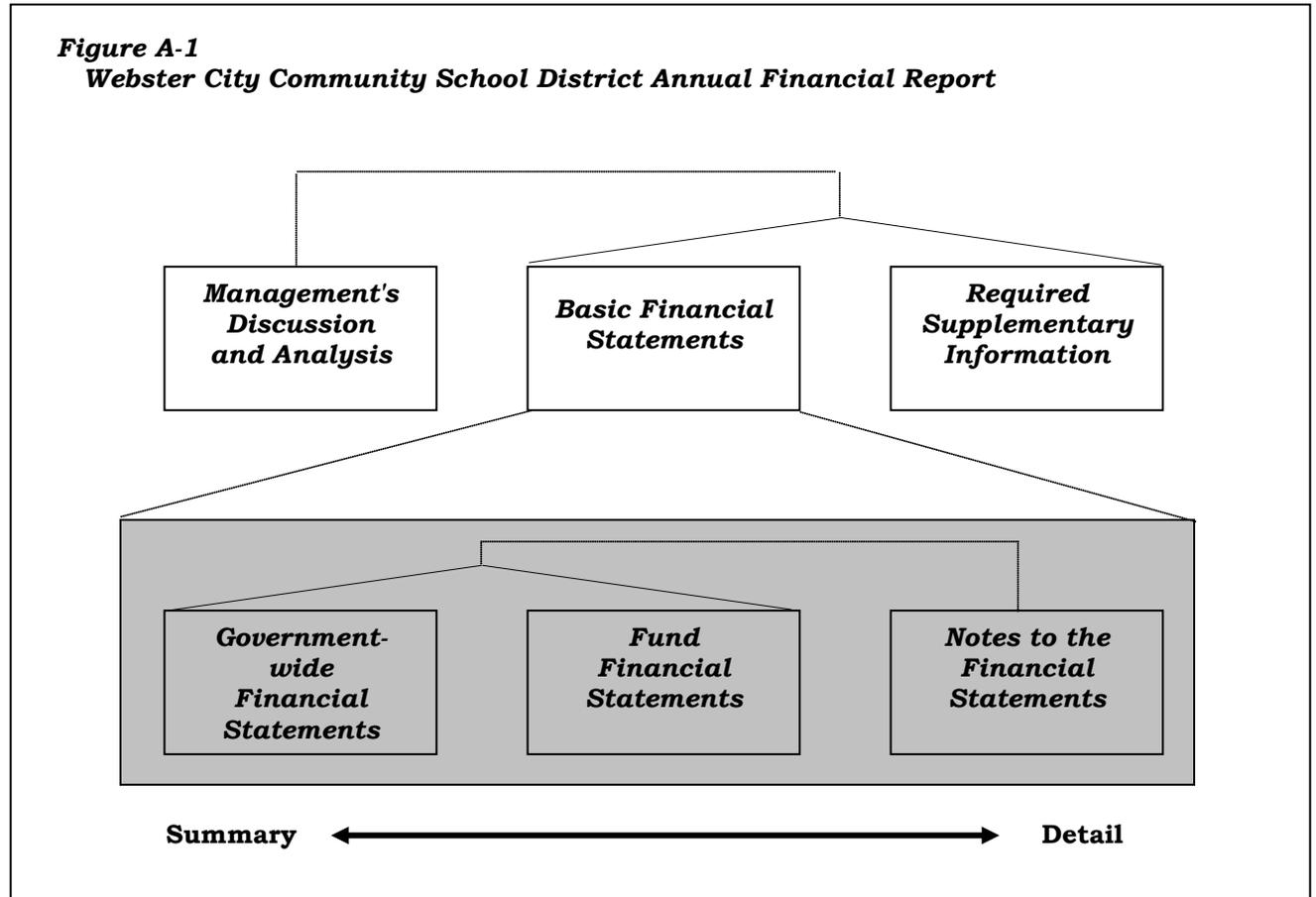


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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, e.g., food service	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources 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 during the year or soon thereafter	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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.
- *Component unit:* This includes the activities of the Webster City Community School Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

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:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 19,615,156	19,228,039	137,689	75,790	19,752,845	19,303,829	2.33%
Capital assets	14,442,692	11,369,242	65,674	75,421	14,508,366	11,444,663	26.77%
Total assets	<u>34,057,848</u>	<u>30,597,281</u>	<u>203,363</u>	<u>151,211</u>	<u>34,261,211</u>	<u>30,748,492</u>	<u>11.42%</u>
Long-term obligations	15,349,280	13,024,248	14,207	11,448	15,363,487	13,035,696	17.86%
Other liabilities	8,101,175	7,339,617	46,191	56,287	8,147,366	7,395,904	10.16%
Total liabilities	<u>23,450,455</u>	<u>20,363,865</u>	<u>60,398</u>	<u>67,735</u>	<u>23,510,853</u>	<u>20,431,600</u>	<u>15.07%</u>
Net assets:							
Invested in capital assets, net of related debt	9,054,157	8,671,658	65,674	75,421	9,119,831	8,747,079	4.26%
Restricted	1,473,314	1,417,096	0	0	1,473,314	1,417,096	3.97%
Unrestricted	79,922	144,662	77,291	8,055	157,213	152,717	2.94%
Total net assets	<u>\$ 10,607,393</u>	<u>10,233,416</u>	<u>142,965</u>	<u>83,476</u>	<u>10,750,358</u>	<u>10,316,892</u>	<u>4.20%</u>

The District's combined net assets increased by 4.20%, or \$433,466, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net 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 3.97%, or \$56,218, over the prior year. The increase in restricted net assets can be attributed to the increase in carryover restricted balances for state categorical funding.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$4,496, or 2.94%. The increase in General Fund balance was a contributing factor to the increase in the unrestricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 1,809,717	1,412,118	437,892	444,152	2,247,609	1,856,270	21.08%
Operating grants and contributions and restricted interest	1,891,159	3,718,830	413,419	354,051	2,304,578	4,072,881	-43.42%
Capital grants and contributions and restricted interest	23,100	38,853	0	0	23,100	38,853	-40.55%
General revenues:							
Property tax	5,408,937	5,488,174	0	0	5,408,937	5,488,174	-1.44%
Income surtax	358,416	369,058	0	0	358,416	369,058	-2.88%
Statewide sales, services and use tax	1,054,984	885,261	0	0	1,054,984	885,261	19.17%
Nonspecific program federal grants	467,197	0	0	0	467,197	0	100.00%
Unrestricted state grants	6,804,385	5,317,286	0	0	6,804,385	5,317,286	27.97%
Unrestricted investment earnings	11,574	35,846	38	34	11,612	35,880	-67.64%
Other	334,918	27,180	5,253	0	340,171	27,180	1151.55%
Transfers	0	(605)	0	605	0	0	0.00%
Total revenues & transfers	18,164,387	17,292,001	856,602	798,842	19,020,989	18,090,843	5.14%
Program expenses:							
Governmental activities:							
Instructional	10,959,411	10,896,922	0	0	10,959,411	10,896,922	0.57%
Support services	5,704,026	5,039,112	34,240	0	5,738,266	5,039,112	13.87%
Non-instructional programs	0	0	762,873	846,018	762,873	846,018	-9.83%
Other expenses	1,126,973	1,126,565	0	0	1,126,973	1,126,565	0.04%
Total expenses	17,790,410	17,062,599	797,113	846,018	18,587,523	17,908,617	3.79%
Changes in net assets	373,977	229,402	59,489	(47,176)	433,466	182,226	137.87%
Beginning net assets, as restated	10,233,416	10,004,014	83,476	130,652	10,316,892	10,134,666	1.80%
Ending net assets	\$ 10,607,393	10,233,416	142,965	83,476	10,750,358	10,316,892	4.20%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 75.02% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.38% of the revenue from business type activities.

The District's total revenues were approximately \$19.02 million of which \$18.16 million was for governmental activities and slightly less than \$0.86 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.14% increase in revenues and a 3.79% increase in expenses. Unrestricted state grants increased \$1,487,099 to fund increases in expenses. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$18,164,387 and expenses were \$17,790,410 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 10,959,411	10,896,922	0.57%	7,980,829	6,475,162	23.25%
Support services	5,704,026	5,039,112	13.20%	5,608,771	4,976,021	12.72%
Other expenses	1,126,973	1,126,565	0.04%	476,834	441,615	7.98%
Totals	\$ 17,790,410	17,062,599	4.27%	14,066,434	11,892,798	18.28%

- The cost financed by users of the District's programs was \$1,809,717.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,914,259.
- The net cost of governmental activities was financed with \$5,408,937 in property tax, \$358,416 in income surtax, \$1,054,984 in statewide sales, services and use tax, \$467,197 in nonspecific program federal grants, \$6,804,385 in unrestricted state grants, \$11,574 in unrestricted investment earnings and \$334,918 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$856,602 and expenses were \$797,113. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the 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 \$11,156,750, below last year's ending fund balances of \$11,432,248. However, the primary reason for the decrease in combined fund balances is due to the decrease in fund balances of the Capital Project Accounts.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local and state source revenues resulted in an increase in revenues. The increase in salaries and benefits is one of the reasons for the increase in expenditures. The net result was an increase in fund balance from \$393,736 in fiscal 2010 to \$546,200 in fiscal 2011.
- The Capital Projects Account total balance decreased from \$10,669,976 at June 30, 2010 to \$10,365,082 at June 30, 2011 because of costs associated with the construction of a new parking lot and gymnasium. The Statewide Sales, Services and Use Tax Fund and

Construction Projects Fund revenues decreased from \$10,771,468 at June 30, 2010 to \$4,299,676 at June 30, 2011 and expenditures increased from \$1,032,371 at June 30, 2010 to \$4,557,364 at June 30, 2011. The increase in expenses was primarily due to the construction of the new parking lot and gymnasium. Due to GASB 54 the Physical Plant and Equipment Levy Fund is now included as a Capital Project Account. The Physical Plant and Equipment Levy Fund revenues decreased from \$433,503 at June 30, 2010 to \$402,706 at June 30, 2011 and expenditures increased from \$321,201 at June 30, 2010 to \$410,017 at June 30, 2011. This caused the fund balance to decrease from \$221,395 at June 30, 2010 to \$214,084 at June 30, 2011. The increase in expenditures was due to the costs of purchasing new white boards for District buildings as well as costs of greenhouse improvements.

Proprietary Fund Highlights

As of the year ended June 30, 2011, the School Nutrition Fund experienced an increase in revenues and a decrease in expenses as compared to June 30, 2010. Overall, net assets, which also include the building trades fund, increased from \$83,476 at June 30, 2010 to \$142,965 at June 30, 2011, representing an increase of 71.26%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$534,251 less than budgeted revenues, a variance of 2.74%. The most significant variances resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$14,508,366, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 26.77% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$638,922.

The original cost of the District's capital assets was \$23,593,666. Governmental funds account for \$23,331,094 with the remainder of \$262,572 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$286,412 at June 30, 2010 as compared to \$3,481,519 at June 30, 2011. This increase is due to the construction of a new parking lot and new gymnasium.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 590,000	590,000	0	0	590,000	590,000	0.00%
Construction in progress	3,481,519	286,412	0	0	3,481,519	286,412	1115.56%
Buildings	9,011,547	9,203,861	0	0	9,011,547	9,203,861	-2.09%
Land improvements	235,213	257,585	0	0	235,213	257,585	-8.69%
Machinery and equipment	1,124,413	1,031,384	65,674	75,421	1,190,087	1,106,805	7.52%
Total	\$ 14,442,692	11,369,242	65,674	75,421	14,508,366	11,444,663	26.77%

Long-Term Debt

At June 30, 2011, the District had \$15,363,487 in total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total General Obligation Bonds payable of \$14,425,000 at June 30, 2011.

The District had total Revenue Bonds payable of \$452,890 at June 30, 2011.

The District had an Instrument Lease payable of \$4,371 at June 30, 2011.

The District had outstanding Early Retirement benefits of \$52,638 payable from the Special Revenue, Management Fund at June 30, 2011.

The District had \$96,415 in compensated absences payable from the General Fund at June 30, 2011.

The District has a net OPEB liability of \$317,966 in the governmental activities and \$14,207 in the business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business-type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 14,425,000	11,805,000	0	0	14,425,000	11,805,000	22.19%
Revenue bonds	452,890	563,854	0	0	452,890	563,854	-19.68%
Instrument lease	4,371	8,626	0	0	4,371	8,626	-49.33%
Early retirement	52,638	209,227	0	0	52,638	209,227	-74.84%
Compensated absences	96,415	91,103	0	0	96,415	91,103	5.83%
Net OPEB liability	317,966	207,517	14,207	11,448	332,173	218,965	51.70%
Total	\$ 15,349,280	12,885,327	14,207	11,448	15,363,487	12,896,775	19.13%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Electrolux Home Products closed its doors on March 31, 2011 leaving several hundred people out of work.
- District Enrollment declined in fiscal 2011-2012 by 22 students. Under Iowa's school funding formula, District funding is highly dependent upon enrollment. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Allowable growth for state aid funding was 0% for fiscal 2011-2012 so while costs for salaries, benefits, utilities, fuel, etc. have continued to increase, there will be no additional money from allowable growth to help with these costs.

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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business type Activities	Total	Webster City Community School Foundation
Assets				
Cash and pooled investments	\$ 12,864,078	124,227	12,988,305	1,201,052
Receivables:				
Property tax:				
Delinquent	57,906	0	57,906	0
Succeeding year	5,582,131	0	5,582,131	0
Income surtax	349,793	0	349,793	0
Accounts	2,630	7,541	10,171	3,733
Due from other funds	149,842	(149,842)	0	0
Due from other governments	565,089	0	565,089	0
Inventories	0	155,763	155,763	0
Bond discounts and bond issue costs	43,687	0	43,687	0
Capital assets, net of accumulated depreciation	14,442,692	65,674	14,508,366	216,000
Total Assets	34,057,848	203,363	34,261,211	1,420,785
Liabilities				
Accounts payable	961,985	286	962,271	0
Salaries and benefits payable	1,503,163	35,838	1,539,001	0
Interest payable	46,654	0	46,654	0
Deferred revenue:				
Succeeding year property tax	5,582,131	0	5,582,131	0
Other	7,242	0	7,242	0
Unearned revenue	0	10,067	10,067	0
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	515,000	0	515,000	0
Revenue bonds payable	110,964	0	110,964	0
Instrument lease payable	4,371	0	4,371	0
Early retirement payable	48,686	0	48,686	0
Compensated absences	96,415	0	96,415	0
Portion due after one year:				
General obligation bonds payable	13,910,000	0	13,910,000	0
Revenue bonds payable	341,926	0	341,926	0
Early retirement payable	3,952	0	3,952	0
Net OPEB liability	317,966	14,207	332,173	0
Total Liabilities	23,450,455	60,398	23,510,853	0
Net Assets				
Invested in capital assets, net of related debt	9,054,157	65,674	9,119,831	0
Restricted for:				
Categorical funding	366,181	0	366,181	0
Debt service	112,350	0	112,350	0
Student activities	123,427	0	123,427	0
School infrastructure	657,272	0	657,272	0
Physical plant and equipment levy	214,084	0	214,084	0
Unrestricted	79,922	77,291	157,213	1,420,785
Total Net Assets	\$ 10,607,393	142,965	10,750,358	1,420,785

SEE NOTES TO FINANCIAL STATEMENTS.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Webster City Community School Foundation	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government			
					Governmental Activities	Business Type Activities		Total
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 6,381,321	1,130,911	529,492	0	(4,720,918)	0	(4,720,918)	0
Special	2,213,203	220,704	319,976	0	(1,672,523)	0	(1,672,523)	0
Other	2,364,887	452,787	324,712	0	(1,587,388)	0	(1,587,388)	0
	<u>10,959,411</u>	<u>1,804,402</u>	<u>1,174,180</u>	<u>0</u>	<u>(7,980,829)</u>	<u>0</u>	<u>(7,980,829)</u>	<u>0</u>
Support services:								
Student	631,609	0	50,535	0	(581,074)	0	(581,074)	0
Instructional staff	1,054,035	0	11,302	0	(1,042,733)	0	(1,042,733)	0
Administration	1,687,137	0	0	0	(1,687,137)	0	(1,687,137)	0
Operation and maintenance of plant	1,681,250	0	0	23,100	(1,658,150)	0	(1,658,150)	0
Transportation	649,995	5,315	5,003	0	(639,677)	0	(639,677)	0
	<u>5,704,026</u>	<u>5,315</u>	<u>66,840</u>	<u>23,100</u>	<u>(5,608,771)</u>	<u>0</u>	<u>(5,608,771)</u>	<u>0</u>
Other expenses:								
Long-term debt interest	476,834	0	0	0	(476,834)	0	(476,834)	0
AEA flowthrough	650,139	0	650,139	0	0	0	0	0
	<u>1,126,973</u>	<u>0</u>	<u>650,139</u>	<u>0</u>	<u>(476,834)</u>	<u>0</u>	<u>(476,834)</u>	<u>0</u>
Total governmental activities	<u>17,790,410</u>	<u>1,809,717</u>	<u>1,891,159</u>	<u>23,100</u>	<u>(14,066,434)</u>	<u>0</u>	<u>(14,066,434)</u>	<u>0</u>
Business type activities:								
Support services:								
Administration	34,240	0	0	0	0	(34,240)	(34,240)	0
Non-instructional programs:								
Food service operations	762,873	437,892	413,419	0	0	88,438	88,438	0
Total business type activities	<u>797,113</u>	<u>437,892</u>	<u>413,419</u>	<u>0</u>	<u>0</u>	<u>54,198</u>	<u>54,198</u>	<u>0</u>
Total primary government	<u>\$ 18,587,523</u>	<u>2,247,609</u>	<u>2,304,578</u>	<u>23,100</u>	<u>(14,066,434)</u>	<u>54,198</u>	<u>(14,012,236)</u>	<u>0</u>
Total component unit	<u>\$ 80,091</u>	<u>15,685</u>	<u>50</u>	<u>0</u>				<u>(64,356)</u>
General Revenues:								
Property tax levied for:								
General purposes				\$ 5,016,793	0	5,016,793		0
Capital outlay				392,144	0	392,144		0
Income surtax				358,416	0	358,416		0
Statewide sales, services and use tax				1,054,984	0	1,054,984		0
Nonspecific program federal grants				467,197	0	467,197		0
Unrestricted state grants				6,804,385	0	6,804,385		0
Unrestricted investment earnings				11,574	38	11,612		35,244
Other general revenues				334,918	5,253	340,171		0
Realized gain on investments				0	0	0		17,162
Unrealized gain on investments				0	0	0		44,451
Total general revenues				<u>14,440,411</u>	<u>5,291</u>	<u>14,445,702</u>		<u>96,857</u>
Changes in net assets				<u>373,977</u>	<u>59,489</u>	<u>433,466</u>		<u>32,501</u>
Net assets beginning of year				<u>10,233,416</u>	<u>83,476</u>	<u>10,316,892</u>		<u>1,388,284</u>
Net assets end of year				<u>\$ 10,607,393</u>	<u>142,965</u>	<u>10,750,358</u>		<u>1,420,785</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,862,431	10,743,981	247,261	12,853,673
Receivables:				
Property tax:				
Delinquent	52,287	4,283	1,336	57,906
Succeeding year	4,880,364	399,767	302,000	5,582,131
Income surtax	349,793	0	0	349,793
Accounts	1,483	0	1,147	2,630
Due from other funds	0	149,842	0	149,842
Due from other governments	311,469	253,611	9	565,089
TOTAL ASSETS	\$ 7,457,827	11,551,484	551,753	19,561,064
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 171,065	786,635	4,285	961,985
Salaries and benefits payable	1,503,163	0	0	1,503,163
Deferred revenue:				
Succeeding year property tax	4,880,364	399,767	302,000	5,582,131
Income surtax	349,793	0	0	349,793
Other	7,242	0	0	7,242
Total liabilities	6,911,627	1,186,402	306,285	8,404,314
Fund balances:				
Restricted for:				
Categorical funding	366,181	0	0	366,181
Construction	0	9,493,726	0	9,493,726
Debt service	0	0	112,350	112,350
Management levy purposes	0	0	9,691	9,691
Student activities	0	0	123,427	123,427
School infrastructure	0	657,272	0	657,272
Physical plant and equipment	0	214,084	0	214,084
Committed	2,377	0	0	2,377
Assigned	98,871	0	0	98,871
Unassigned	78,771	0	0	78,771
Total fund balances	546,200	10,365,082	245,468	11,156,750
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,457,827	11,551,484	551,753	19,561,064

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 11,156,750
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	14,442,692
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	10,405
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds	43,687
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	349,793
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.	(46,654)
Long-term liabilities, including bonds payable, instrument lease payable, early retirement payable, compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(15,349,280)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 10,607,393</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,218,363	1,447,128	124,853	6,790,344
Tuition	894,362	0	0	894,362
Other	477,492	40,007	499,505	1,017,004
State sources	8,339,021	247	80	8,339,348
Federal sources	1,091,336	0	0	1,091,336
TOTAL REVENUES	16,020,574	1,487,382	624,438	18,132,394
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,223,785	52,780	196,472	6,473,037
Special	2,211,617	0	0	2,211,617
Other	1,870,346	0	458,041	2,328,387
	10,305,748	52,780	654,513	11,013,041
Support services:				
Student	626,647	0	0	626,647
Instructional staff	1,087,968	0	0	1,087,968
Administration	1,541,800	27,198	3,939	1,572,937
Operation and maintenance of plant	1,127,171	73,203	76,310	1,276,684
Transportation	532,007	197,986	12,744	742,737
	4,915,593	298,387	92,993	5,306,973
Other expenditures:				
Facilities acquisitions	0	3,431,794	0	3,431,794
Long-term debt:				
Principal	0	0	710,219	710,219
Interest and fiscal charges	0	900	477,901	478,801
AEA flowthrough	650,139	0	0	650,139
	650,139	3,432,694	1,188,120	5,270,953
TOTAL EXPENDITURES	15,871,480	3,783,861	1,935,626	21,590,967
Excess(Deficiency) of revenues over(under)expenditures	149,094	(2,296,479)	(1,311,188)	(3,458,573)
Other financing sources(uses):				
Transfer in	0	0	1,188,120	1,188,120
Transfer out	(4,600)	(1,183,520)	0	(1,188,120)
Discount on general obligation bond issuance	0	(39,895)	0	(39,895)
General obligation bond issuance	0	3,215,000	0	3,215,000
Sale of equipment	7,970	0	0	7,970
Total other financing sources(uses)	3,370	1,991,585	1,188,120	3,183,075
Net change in fund balances	152,464	(304,894)	(123,068)	(275,498)
Fund balance beginning of year, as restated	393,736	10,669,976	368,536	11,432,248
Fund balance end of year	\$ 546,200	10,365,082	245,468	11,156,750

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ (275,498)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were exceeded by depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 3,722,717	
Depreciation expense	(614,675)	
Loss on disposal	<u>(34,592)</u>	3,073,450

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 6,018

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

Issued	\$ (3,215,000)	
Repaid	<u>710,219</u>	(2,504,781)

Bond issue costs are reported as an expense in the government fund financial statements, but are capitalized and amortized over the life of the bonds in the government-wide financial statements (2,300)

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. 4,267

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 31,993

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 156,589	
Compensated absences	(5,312)	
Other postemployment benefits	<u>(110,449)</u>	<u>40,828</u>

Changes in net assets of governmental activities(page 19) \$ 373,977

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business Type			Governmental Activities: Internal Service Fund
	Activities:			
	Enterprise Fund			
	School Nutrition	Building Trades	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 120,263	3,964	124,227	10,405
Accounts receivable	7,541	0	7,541	0
Inventories	5,921	149,842	155,763	0
Total current assets	<u>133,725</u>	<u>153,806</u>	<u>287,531</u>	<u>10,405</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	65,674	0	65,674	0
Total non-current assets	<u>65,674</u>	<u>0</u>	<u>65,674</u>	<u>0</u>
TOTAL ASSETS	<u>199,399</u>	<u>153,806</u>	<u>353,205</u>	<u>10,405</u>
LIABILITIES				
Current liabilities:				
Due to other funds	0	149,842	149,842	0
Accounts payable	286	0	286	0
Salaries and benefits payable	35,838	0	35,838	0
Unearned revenue	10,067	0	10,067	0
Total current liabilities	<u>46,191</u>	<u>149,842</u>	<u>196,033</u>	<u>0</u>
Long-term liabilities:				
Net OPEB liability	14,207	0	14,207	0
Total long-term liabilities	<u>14,207</u>	<u>0</u>	<u>14,207</u>	<u>0</u>
TOTAL LIABILITIES	<u>60,398</u>	<u>149,842</u>	<u>210,240</u>	<u>0</u>
NET ASSETS				
Invested in capital assets	65,674	0	65,674	0
Unrestricted	73,327	3,964	77,291	10,405
TOTAL NET ASSETS	<u>\$ 139,001</u>	<u>3,964</u>	<u>142,965</u>	<u>10,405</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business Type			Governmental Activities: Internal Service Fund
	Activities:			
	Enterprise			
	Fund			
	School	Building	Total	
	Nutrition	Trades		Fund
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 437,892	0	437,892	0
Miscellaneous	5,153	100	5,253	61,462
TOTAL OPERATING REVENUES	443,045	100	443,145	61,462
OPERATING EXPENSES:				
Support services:				
Administration services:				
Salaries	27,597	0	27,597	0
Benefits	4,175	0	4,175	0
Services	878	0	878	0
Supplies	1,276	0	1,276	0
Other	314	0	314	0
Total support services	34,240	0	34,240	0
Non-instructional programs:				
Food service operations:				
Salaries	245,143	0	245,143	0
Benefits	111,742	0	111,742	0
Services	10,859	0	10,859	0
Supplies	370,602	0	370,602	0
Depreciation	24,247	0	24,247	0
Other	280	0	280	0
	762,873	0	762,873	0
Other enterprise operations:				
Benefits	0	0	0	51,061
Other	0	0	0	4,387
Total non-instructional programs	762,873	0	762,873	55,448
TOTAL OPERATING EXPENSES	797,113	0	797,113	55,448
OPERATING INCOME(LOSS)	(354,068)	100	(353,968)	6,014
NON-OPERATING REVENUES:				
State sources	6,802	0	6,802	0
Federal sources	406,617	0	406,617	0
Interest income	38	0	38	4
TOTAL NON-OPERATING REVENUES	413,457	0	413,457	4
Changes in net assets	59,389	100	59,489	6,018
Net assets beginning of year	79,612	3,864	83,476	4,387
Net assets end of year	\$ 139,001	3,964	142,965	10,405

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business type Activities - Enterprise Fund			Governmental Activities - Internal Service Fund
	School Nutrition	Building Trades	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 442,476	401	442,877	0
Cash received from miscellaneous operating activities	5,153	100	5,253	61,462
Cash payments to employees for services	(392,377)	0	(392,377)	(51,061)
Cash payments to suppliers for goods or services	(352,922)	0	(352,922)	(14,363)
Net cash provided by(used in) operating activities	(297,670)	501	(297,169)	(3,962)
Cash flows from non-capital financing activities:				
State grants received	6,802	0	6,802	0
Federal grants received	376,160	0	376,160	0
Net cash provided by non-capital financing activities	382,962	0	382,962	0
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(14,500)	0	(14,500)	0
Cash flows from investing activities:				
Interest on investments	38	0	38	4
Net increase(decrease) in cash and cash equivalents	70,830	501	71,331	(3,958)
Cash and cash equivalents at beginning of year	49,433	3,463	52,896	14,363
Cash and cash equivalents at end of year	\$ 120,263	3,964	124,227	10,405
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (354,068)	100	(353,968)	6,014
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	30,457	0	30,457	0
Depreciation	24,247	0	24,247	0
Decrease in inventories	1,185	0	1,185	0
Decrease in accounts receivable	7,846	401	8,247	0
Decrease in accounts payable	(355)	0	(355)	(9,976)
Decrease in salaries and benefits payable	(6,479)	0	(6,479)	0
Decrease in unearned revenue	(3,262)	0	(3,262)	0
Increase in other postemployment benefits	2,759	0	2,759	0
Net cash provided by(used in) operating activities	\$ (297,670)	501	(297,169)	(3,962)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$30,457.

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 2,519,207
Interest receivable	373
TOTAL ASSETS	2,519,580
 TOTAL LIABILITIES	 0
 NET ASSETS	
Restricted for scholarships	2,250,363
Unrestricted	269,217
TOTAL NET ASSETS	\$ 2,519,580

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 74,785
Contributions	108,287
Total additions	183,072
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,335
Support services:	
Student	76,280
Total deductions	78,615
Change in net assets	104,457
Net assets beginning of year	2,415,123
Net assets end of year	\$ 2,519,580

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The 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.

These financial statements present the Webster City Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

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 is a separate legal entity with its own accounting records and board of trustees. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a Governmental fund in these financial statements.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture

since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hamilton, Webster and Wright 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 that are attributed to the acquisition, construction, or improvement of those assets. Unspent bond proceeds for construction of capital assets have been added to invested in capital assets, net of related debt.

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

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

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

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

The District reports the following major governmental funds:

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

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

The District also reports two non-major 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 Internal Service Fund is used to account for the District's employee flexible benefit plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include 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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	3-20 years
Machinery 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 is 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 on 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation 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 governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on

rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General 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, fund balances are classified as follows:

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts are not available for appropriation but are set aside for a specific purpose. The assigned balances are for various resale accounts that are not able to be accounted for in other funds.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$12,182,631 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investor's Service.

Investments in common stock are stated at the approximate fair value based on the closing price for the stock on June 30, 2011. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2011, the District's investment in common stock that was donated to the District for scholarship awards to students consisted of the following:

Name of Stock	Number of Shares	Fair Value
Bristol Myers	2,000	\$ 57,920
Exxon	4,000	325,520
Nextera Energy Inc.	1,000	57,460
Intergrys Energy Group	549	28,460
Teco Energy	1,600	30,224
Excel Energy	2,800	68,040
		<u>\$ 567,624</u>

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

	Fair Value
Federated Prime Management Obligations Fund	
Inst. Serv. Shares money Market Fund	<u>\$ 323,690</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.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects:		
Physical Plant and Equipment Levy	Building Trades	<u>\$ 149,842</u>

The Building Trades Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for costs associated with the student constructed house. The loan will be repaid once the house has been sold.

(4) Interfund Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects: Physical Plant and Equipment Levy	
Debt Service		\$ 10,964
	Capital Projects: Statewide Sales, Services and Use Tax	
Debt Service		1,172,556
Debt Service	General	<u>4,600</u>
Total		<u>\$ 1,188,120</u>

The transfer from the Capital Projects: Physical Plant and Equipment Levy to the Debt Service fund was needed for the principal payment due on the District's playground revenue bond.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax to the Debt Service Fund was needed for \$122,325 to pay principal and interest on the District's July 2007 revenue bond indebtedness and \$1,050,231 to pay principal and interest on the District's June 2010 general obligation bond indebtedness.

The transfer from the General Fund to the Debt Service Fund was needed for principal and interest payments on the instrument lease.

(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 entries 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. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the 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 the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Interest Payable
2010-11A	6/30/2010	6/23/2011	\$ 0	1,500,000	1,500,000	0

During the year ended June 30, 2011, the District paid \$4,117 of interest on the ISCAP warrants.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 590,000	0	0	590,000
Construction in progress	286,412	3,195,107	0	3,481,519
Total capital assets not being depreciated	876,412	3,195,107	0	4,071,519
Capital assets being depreciated:				
Buildings	15,028,548	80,701	0	15,109,249
Land improvements	447,438	0	0	447,438
Machinery and equipment	3,482,500	446,909	226,521	3,702,888
Total capital assets being depreciated	18,958,486	527,610	226,521	19,259,575
Less accumulated depreciation for:				
Buildings	5,824,687	273,015	0	6,097,702
Land improvements	189,853	22,372	0	212,225
Machinery and equipment	2,451,116	319,288	191,929	2,578,475
Total accumulated depreciation	8,465,656	614,675	191,929	8,888,402
Total capital assets being depreciated, net	10,492,830	(87,065)	34,592	10,371,173
Governmental activities capital assets, net	\$ 11,369,242	3,108,042	34,592	14,442,692
Business type activities:				
Machinery and equipment	\$ 262,934	14,500	14,862	262,572
Less accumulated depreciation	187,513	24,247	14,862	196,898
Business type activities capital assets, net	\$ 75,421	(9,747)	0	65,674

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 87,501
Special		1,586
Other		22,181
Support services:		
Instructional staff		82,404
Operation and maintenance		23,583
Transportation		102,033
		<u>319,288</u>
Unallocated depreciation		<u>295,387</u>
		<u>\$ 614,675</u>
Business type activities:		
Food services		<u>\$ 24,247</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 11,805,000	3,215,000	595,000	14,425,000	515,000
Revenue bonds	563,854	0	110,964	452,890	110,964
Instrument lease	8,626	0	4,255	4,371	4,371
Early retirement	209,227	48,291	204,880	52,638	48,686
Compensated absences	91,103	96,415	91,103	96,415	96,415
Net OPEB Liability	207,517	110,449	0	317,966	0
Total	<u>\$ 12,885,327</u>	<u>3,470,155</u>	<u>1,006,202</u>	<u>15,349,280</u>	<u>775,436</u>
Business Type Activities:					
Net OPEB Liability	\$ 11,448	2,759	0	14,207	0

Early Retirement

The District offers a voluntary early retirement plan to employees. An employee is eligible for early retirement benefits after completing fifteen years of continuous full-time service with district. Eligible employees must be at least fifty-five years old as of June 30 of the school year in which they have applied for early retirement benefits. Eligible employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefits are based on a number of days multiplied by a per diem rate set by the Board of Education according to the number of years of service as shown below:

Years of Service

Days @ Per Diem

30 or more	75
26-29 years	68
22-25 years	60
18-21 years	45
16-17 years	30
15 years	15
Less than 15 years	0

Current early retirement benefits will be paid in one installment in July following the start of retirement. Upon retirement, retirees are eligible to continue participation in the District's group insurance plan at their own cost. Payments must be made to the District office in a timely manner otherwise the retirees' coverage will be dropped and not reinstated at any time.

At June 30, 2011, the District had a total liability of \$52,638. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$204,880.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 2011			June 2010 Refunding Bonds		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2012	1.00 % \$	90,000	109,818	3.00 % \$	75,000	71,037
2013	1.00	95,000	108,918	3.00	75,000	68,788
2014	1.50	90,000	107,968	3.00	80,000	66,537
2015	1.50	100,000	106,619	3.00	80,000	64,138
2016	2.15	95,000	105,119	3.00	80,000	61,737
2017-2021	2.15-3.00	600,000	485,652	3.50-4.00	445,000	265,740
2022-2026	3.25-3.75	540,000	392,174	4.00-4.13	530,000	173,250
2027-2031	3.88-4.25	1,605,000	277,226	4.25-4.38	495,000	54,454
		<u>\$ 3,215,000</u>	<u>1,693,494</u>		<u>\$ 1,860,000</u>	<u>825,681</u>

Year Ending June 30,	Bond Issue of June 2010			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	3.00 % \$	350,000	366,343	\$ 515,000	547,198	1,062,198
2013	3.00	350,000	355,844	520,000	533,550	1,053,550
2014	3.00	375,000	345,343	545,000	519,848	1,064,848
2015	3.00	375,000	334,094	555,000	504,851	1,059,851
2016	3.50	400,000	322,842	575,000	489,698	1,064,698
2017-2021	4.00	2,150,000	1,377,220	3,195,000	2,128,612	5,323,612
2022-2026	4.00-4.13	2,775,000	904,220	3,845,000	1,469,644	5,314,644
2027-2031	4.25-4.38	2,575,000	283,125	4,675,000	614,805	5,289,805
		<u>\$ 9,350,000</u>	<u>4,289,031</u>	<u>\$ 14,425,000</u>	<u>6,808,206</u>	<u>21,233,206</u>

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 2008			Bond Issue of July 2007			Total		Total
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	
2012	3.81	% \$ 10,964	1,252	4.75	% \$ 100,000	17,575	110,964	18,827	129,791
2013	3.81	10,963	834	4.75	105,000	12,706	115,963	13,540	129,503
2014	3.81	10,963	417	4.75	110,000	7,600	120,963	8,017	128,980
2015	-	0	0	4.75	105,000	2,494	105,000	2,494	107,494
		<u>\$ 32,890</u>	<u>2,503</u>		<u>\$ 420,000</u>	<u>40,375</u>	<u>452,890</u>	<u>42,878</u>	<u>495,768</u>

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 bonds are expected to require nearly 12% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$495,768. For the current year, \$110,964 of principal and \$23,994 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,054,984.

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 1/6th of the next interest payment and 1/12th of the next principal payment. The sinking fund is part of the Debt Service Fund.

Instrument Lease

During fiscal year 2008, the District entered into a lease agreement for the purchase of musical instruments. Annual principal and interest payments will be made from the General Fund as follows:

Year Ending June 30,	Instrument Lease			
	Interest Rate	Principal	Interest	Total
2012	4.00	% \$ 4,371	229	4,600

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial

statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$673,324, \$649,525 and \$542,819 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 200 active and 8 retired members in the plan.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. 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. There is no subsidy or OPEB liability associated with the dental benefit.

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 of the District (ARC), 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 June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 121,671
Interest on net OPEB obligation	5,941
Adjustment to annual required contribution	(2,160)
Annual OPEB cost	<u>125,452</u>
Amortization of unfunded actuarial accrued liability	(12,244)
Increase in net OPEB obligation	<u>113,208</u>
Net OPEB obligation - beginning of year	<u>218,965</u>
Net OPEB obligation - end of year	<u><u>\$ 332,173</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 130,545	20.20%	\$ 104,225
2010	148,444	22.70%	218,965
2011	125,452	9.76%	332,173

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$960,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$960,000. The covered payroll (annual payroll of active employees covered by the plan) was \$8.821 million, and the ratio of the UAAL to the covered payroll was 10.9%. As of June 30, 2011, 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 healthcare 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 the 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 that are 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 July 1, 2010 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed from the retirement probabilities from the 2006 Society of Actuaries Study.

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

(10) Risk Management

The District is a member in the Iowa School Employees Benefits Association(ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2011 were \$1,809,882.

The District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) 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 \$650,139 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Operating Lease

The District entered into a contract to lease ten copiers. The payment the District will make next year is as follows:

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

(13) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2011 are comprised of the following projects:

<u>Project</u>	<u>Amount</u>
Returning dropout and dropout prevention program	\$ 155,411
Four-year old preschool	105,796
Professional development	65,523
Teacher salary supplement	32,561
Beginning teacher mentoring	6,890
Total	<u>\$ 366,181</u>

(14) Construction Commitment

The District has entered into a contract totaling \$9,118,941 construction of a new parking lot and gymnasium at the High School. As of June 30, 2011, costs \$3,120,136, had been incurred against the contract. The balance of \$5,998,805 remaining at June 30, 2011, will be paid as work on the project progresses.

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Statewide Sales Services and Use Tax	Construction Projects	Total Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 768,685	9,679,896	10,448,581	221,395
Change in fund type classification per implementation of GASB Statement No. 54	-	-	221,395	(221,395)
Balances July 1, 2010, as restated			<u>\$ 10,669,976</u>	<u>-</u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,701,710	443,183	9,144,893	9,138,147	9,138,147	6,746
Intermediate sources	0	0	0	15,000	15,000	(15,000)
State sources	8,339,348	6,802	8,346,150	9,478,100	9,478,100	(1,131,950)
Federal sources	1,091,336	406,617	1,497,953	892,000	892,000	605,953
Total revenues	18,132,394	856,602	18,988,996	19,523,247	19,523,247	(534,251)
Expenditures/Expenses:						
Instruction	11,013,041	0	11,013,041	12,069,373	12,069,373	1,056,332
Support services	5,306,973	34,240	5,341,213	6,883,500	6,883,500	1,542,287
Non-instructional programs	0	762,873	762,873	1,016,745	1,016,745	253,872
Other expenditures	5,270,953	0	5,270,953	15,935,015	15,935,015	10,664,062
Total expenditures/expenses	21,590,967	797,113	22,388,080	35,904,633	35,904,633	13,516,553
Excess(Deficiency) of revenues over(under) expenditures/expenses	(3,458,573)	59,489	(3,399,084)	(16,381,386)	(16,381,386)	12,982,302
Other financing sources, net	3,183,075	0	3,183,075	13,115,000	13,115,000	(9,931,925)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(275,498)	59,489	(216,009)	(3,266,386)	(3,266,386)	3,050,377
Balance beginning of year	11,432,248	83,476	11,515,724	1,296,550	1,296,550	(10,219,174)
Balance end of year	\$ 11,156,750	142,965	11,299,715	(1,969,836)	(1,969,836)	(7,168,797)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2009	July 1, 2008	\$ 0	\$ 1,036,715	\$ 1,036,715	0.0%	\$ 8,015,000	12.9%
2010	July 1, 2008	0	993,425	993,425	0.0%	\$ 9,071,000	11.0%
2011	July 1, 2010	0	960,000	960,000	0.0%	\$ 8,821,456	10.9%

See Note 9 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.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
DISCRETE COMPONENT UNIT
DECEMBER 31, 2011

	Webster City Community School Foundation
Assets	
Cash and pooled investments	\$ 1,201,052
Accounts receivable	3,733
Capital assets, net of accumulated depreciation	216,000
Total Assets	\$ 1,420,785
Total Liabilities	\$ 0
Net Assets	
Invested in capital assets	216,000
Unrestricted net assets	1,204,785
Total Net Assets	\$ 1,420,785

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS - CASH BASIS
DISCRETE COMPONENT UNIT
DECEMBER 31, 2011

	Webster City Community School Foundation
Revenue:	
Interest and dividends	\$ 35,244
Donations	50
Rental properties	15,685
Realized gain on investments	17,162
Total support and revenue	68,141
Expenses:	
Grants	72,424
Investment management fees	5,097
Accounting/tax preparation	2,450
Other	120
Total expenses	80,091
Change in net assets before other financing sources(uses)	(11,950)
Other financing sources(uses)	
Unrealized gain on investments	44,451
Excess(Deficiency) of support and revenue over(under) expenses	32,501
Net assets beginning of year	1,388,284
Net assets end of year	\$ 1,420,785

OTHER SUPPLEMENTARY INFORMATION

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 11,572	123,339	134,911	112,350	247,261
Receivables:					
Property tax:					
Delinquent	1,336	0	1,336	0	1,336
Succeeding year	302,000	0	302,000	0	302,000
Accounts	0	1,147	1,147	0	1,147
Due from other governments	9	0	9	0	9
TOTAL ASSETS	\$ 314,917	124,486	439,403	112,350	551,753
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,226	1,059	4,285	0	4,285
Deferred revenue:					
Succeeding year property tax	302,000	0	302,000	0	302,000
Total liabilities	305,226	1,059	306,285	0	306,285
Fund balances:					
Restricted for:					
Debt service	0	0	0	112,350	112,350
Management levy purposes	9,691	0	9,691	0	9,691
Student activities	0	123,427	123,427	0	123,427
Total fund balances	9,691	123,427	133,118	112,350	245,468
TOTAL LIABILITIES AND FUND BALANCES	\$ 314,917	124,486	439,403	112,350	551,753

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 124,853	0	124,853	0	124,853
Other	17,993	481,512	499,505	0	499,505
State sources	80	0	80	0	80
TOTAL REVENUES	142,926	481,512	624,438	0	624,438
EXPENDITURES:					
Current:					
Instruction:					
Regular	196,472	0	196,472	0	196,472
Other	0	458,041	458,041	0	458,041
Support services:					
Administration	3,939	0	3,939	0	3,939
Operation and maintenance of plant	76,310	0	76,310	0	76,310
Transportation	12,744	0	12,744	0	12,744
Other expenditures:					
Long-term debt:					
Principal	0	0	0	710,219	710,219
Interest and fiscal charges	0	0	0	477,901	477,901
TOTAL EXPENDITURES	289,465	458,041	747,506	1,188,120	1,935,626
Excess(Deficiency) of revenues over(under) expenditures	(146,539)	23,471	(123,068)	(1,188,120)	(1,311,188)
Other financing sources:					
Transfer in	0	0	0	1,188,120	1,188,120
Net change in fund balances	(146,539)	23,471	(123,068)	0	(123,068)
Fund balance beginning of year, as restated	156,230	99,956	256,186	112,350	368,536
Fund balance end of year	\$ 9,691	123,427	133,118	112,350	245,468

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 403,661	10,276,202	64,118	10,743,981
Receivables:				
Property tax				
Delinquent	0	0	4,283	4,283
Succeeding year	0	0	399,767	399,767
Due from other funds	0	0	149,842	149,842
Due from other governments	253,611	0	0	253,611
TOTAL ASSETS	\$ 657,272	10,276,202	618,010	11,551,484
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 0	782,476	4,159	786,635
Deferred revenue:				
Succeeding year property tax	0	0	399,767	399,767
Total liabilities	0	782,476	403,926	1,186,402
Fund balances:				
Restricted for:				
Construction	0	9,493,726	0	9,493,726
School infrastructure	657,272	0	0	657,272
Physical plant and equipment	0	0	214,084	214,084
Total fund balances	657,272	9,493,726	214,084	10,365,082
TOTAL LIABILITIES AND FUND BALANCES	\$ 657,272	10,276,202	618,010	11,551,484

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,054,984	0	392,144	1,447,128
Other	7,059	22,633	10,315	40,007
State sources	0	0	247	247
TOTAL REVENUES	<u>1,062,043</u>	<u>22,633</u>	<u>402,706</u>	<u>1,487,382</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	0	0	52,780	52,780
Support services:				
Administration	0	26,448	750	27,198
Operation and maintenance of plant	0	0	73,203	73,203
Transportation	0	0	197,986	197,986
Other expenditures:				
Facilities acquisition	0	3,357,460	74,334	3,431,794
Long-term debt:				
Interest and fiscal charges	900	0	0	900
TOTAL EXPENDITURES	<u>900</u>	<u>3,383,908</u>	<u>399,053</u>	<u>3,783,861</u>
Excess(Deficiency) of revenues over(under) expenditures	1,061,143	(3,361,275)	3,653	(2,296,479)
Other financing sources(uses):				
Transfer out	(1,172,556)	0	(10,964)	(1,183,520)
Discount on general obligation bond issuance	0	(39,895)	0	(39,895)
General obligation bond issuance	0	3,215,000	0	3,215,000
Total other financing sources(uses)	<u>(1,172,556)</u>	<u>3,175,105</u>	<u>(10,964)</u>	<u>1,991,585</u>
Net change in fund balances	(111,413)	(186,170)	(7,311)	(304,894)
Fund balance beginning of year, as restated	768,685	9,679,896	221,395	10,669,976
Fund balance end of year	<u>\$ 657,272</u>	<u>9,493,726</u>	<u>214,084</u>	<u>10,365,082</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Sterns/Morrison donations	\$ (2,563)	2,563	0	0
Concessions	140	43,864	43,929	75
Pleasant View playground	3,388	0	0	3,388
Mock trial	313	0	100	213
Elementary PTO	5,893	60,113	47,819	18,187
Sunset student council	2,057	1,018	224	2,851
Student Book Orders	46	0	0	46
Positive behavior supports	695	400	476	619
Picture fund	194	0	194	0
Computer program plan	19	0	0	19
Interest	106	392	311	187
MS drama	110	0	0	110
MS band donations	865	0	0	865
MS annual	2,902	4,433	2,601	4,734
5th grade student council	2,825	1,266	1,502	2,589
6th grade student council	653	3,068	2,963	758
7th grade student council	2,712	2,446	4,108	1,050
8th grade student council	2,002	739	647	2,094
Yess mini society	133	0	0	133
MS student general account	4,599	33,019	33,190	4,428
MS exploritory account	1,019	1,637	1,158	1,498
MS regional conference	32	0	0	32
HS drama	2,108	1,140	366	2,882
Forensics (speech) club	415	450	173	692
HS Vocal Music	0	44,643	42,595	2,048
HS band	142	2,386	1,446	1,082
Cross country special fundraiser	1,069	3,338	3,205	1,202
Cheerleader special account	0	1,725	500	1,225
Boys basketball special fundraiser	819	3,693	2,872	1,640
Boys soccer special fundraiser	76	30	0	106
HS baseball boosters	2,979	3,201	4,243	1,937
Football special fundraisers	7,945	17,918	19,031	6,832
Boys golf special fundraisers	91	0	0	91
Girls basketball special fundraiser	0	802	802	0
Volleyball special fundraisers	3,736	3,313	2,661	4,388
Softball special fundraisers	3,377	4,291	2,470	5,198
HS girls tennis special fundraisers	1,567	1,629	1,160	2,036
HS girls golf special fundraiser	95	350	439	6
Girls golf scholarship	1,457	0	0	1,457

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	15,342	124,128	138,672	798
HS annual	5,319	20,260	15,488	10,091
HS art club	9	84	0	93
HS pop fund	0	150	0	150
Student honor program	437	225	139	523
Spanish club	812	3,767	2,907	1,672
French club	30	500	0	530
FFA-Greenhouse	0	6,873	156	6,717
Home ec club	287	650	446	491
HS science club	935	380	369	946
After prom	712	5,588	5,367	933
Jr state of America	0	194	0	194
Multi occupational class	2,331	140	26	2,445
Jr class fund	1,473	152	0	1,625
National Honor Society	715	540	736	519
Class of 2011	814	125	939	0
Class of 2012	41	9,709	8,360	1,390
Class of 2013	20	125	0	145
Class of 2014	0	125	91	34
HS student council	4,311	12,153	10,715	5,749
HS choir club	100	0	0	100
Special projects	2,808	2,176	1,359	3,625
Hamilton regional student council	166	300	417	49
Boys track special fundraisers	0	1,519	1,519	0
Wrestling special fundraisers	0	55	55	0
Total	\$ 99,956	481,512	458,041	123,427

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:									
Local sources:									
Local tax	\$ 6,790,344	6,723,228	6,364,059	5,862,683	5,776,218	5,518,962	5,535,176	5,037,018	5,073,782
Tuition	894,362	877,221	1,002,025	993,992	947,275	911,446	828,218	835,435	872,443
Other	1,017,004	741,240	799,703	800,639	742,260	660,292	638,140	643,701	672,216
Intermediate sources	0	0	15,000	0	0	0	7,000	0	19,212
State sources	8,339,348	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	1,091,336	1,613,919	531,692	413,562	419,094	435,523	507,218	616,757	276,157
Total	\$ 18,132,394	17,269,014	17,341,518	16,150,579	15,653,732	14,919,510	14,264,232	13,704,311	13,655,048
Expenditures:									
Instruction:									
Regular	\$ 6,473,037	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	2,211,617	2,212,585	2,450,409	2,280,758	2,228,925	2,220,759	2,180,591	2,335,725	2,193,091
Other	2,328,387	2,193,732	1,683,033	1,659,957	1,552,963	1,573,392	1,516,890	1,226,318	1,154,018
Support services:									
Student	626,647	590,549	575,735	603,833	587,005	475,109	501,381	489,013	475,719
Instructional staff	1,087,968	1,021,960	1,120,730	852,747	1,009,244	757,464	855,658	591,880	816,572
Administration	1,572,937	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 of plant	1,276,684	1,249,868	1,284,062	1,317,268	1,279,271	1,083,236	946,380	965,685	955,000
Transportation	742,737	572,911	768,609	556,619	509,057	557,243	427,672	360,294	381,900
Non-instructional programs	0	0	0	0	17,284	4,003	18,622	10,454	9,916
Other expenditures:									
Facilities acquisitions	3,431,794	335,476	433,151	1,185,973	300,271	569,187	403,082	247,769	65,016
Long-term debt:									
Principal	710,219	2,515,054	823,934	565,000	530,000	505,000	475,000	3,925,044	485,897
Interest and									
fiscal charges	478,801	123,283	184,947	176,062	190,197	218,470	244,487	482,457	511,087
AEA flow-through	650,139	646,097	589,657	559,637	543,026	511,003	497,832	489,209	512,703
Total	\$ 21,590,967	19,243,190	17,999,573	17,249,395	15,663,422	14,732,583	14,064,508	16,790,477	13,223,651

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	47,357
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	359,260 *
			<u>406,617</u>
U.S. DEPARTMENT OF JUSTICE:			
IOWA JUVENILE COURT SERVICE:			
JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO STATES	16.540	FY 11	17,433
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-G	194,421
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	58,534
			<u>252,955</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 10	9,090
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	10,827
			<u>19,917</u>
ENGLISH LANGUAGE ACQUISITION GRANTS(TITLE III)	84.365	FY 11	14,015
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 11	60,602
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI)	84.369	FY 11	10,446
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	5,441
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	82,084
			<u>87,525 **</u>
STATE FISCAL STABILIZATION FUND(SFSF)			
GOVERNMENT SERVICES	84.397	FY 11	73,215 **
EDUCATION JOB FUNDS	84.410	FY 11	311,898
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	83,955
SPECIAL EDUCATION PRESCHOOL GRANTS	84.173	FY 11	3,894
			<u>87,849</u>
TOTAL			<u>\$ 1,342,472</u>

* Includes \$30,457 of non-cash awards

** Total for State Fiscal Stabilization Cluster \$160,740

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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

To the Board of Education of the
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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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.

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 misstatement 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 II-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a significant deficiency.

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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and 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 Webster City Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Webster City Community School District's major federal programs for the year ended June 30, 2011. Webster City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Webster City Community School District's management. Our responsibility is to express an opinion on Webster City Community School District's compliance based on our audit.

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

In our opinion, Webster City Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Members American Institute & Iowa Society of Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Webster City Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of findings and Questioned Costs. While we 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 Sample 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.



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2012

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual:
 - CFDA Number 84.410 - Education Job Fund
- (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, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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, access to the check signing machine by persons with incompatible duties, 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 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 to obtain the maximum internal control possible under the circumstances. The District should also 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.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

II-B-11 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We note that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The District actually maintains multiple layers of receipting from sponsors, to the building office and to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - We will require documentation for all fundraising money.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

III-A-11 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, access to the check signing machine by persons with incompatible duties, 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 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 to obtain the maximum internal control possible under the circumstances. The District should also 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.

Response - We are always looking for ways to improve our internal controls and are willing to make changes that improve our situation.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - Currently the District maintains a diversified portfolio of several investments in the Private Purpose Trust Fund. Investments in the portfolio consist of certificates of deposit, savings accounts, and money market accounts. Although these investments are allowable in accordance with the District's investment policy 704.3, the District's investments in the money market accounts do not appear to be allowable according to Chapter 12B and Chapter 12C of the Code of Iowa because of the ownership of stock in the money market accounts. The District's investment policy 704.3 cannot expand the allowability of investments according to Chapter 12B and 12C of the Code of Iowa.

Recommendation - The District should review Board Policy 704.3 and investments in the Private Purpose Trust Fund and make necessary adjustments to comply with Chapter 12B and 12C of the Code of Iowa.

Response - We will review Board Policy 704.3 and make any necessary adjustments to comply with Chapter 12B and 12C of the Code of Iowa.

Conclusion - Response accepted.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services, and Use Tax - No instance of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

Beginning Balance		\$	768,685
Revenues:			
Sales tax revenues	\$	1,054,984	
Other local revenues		7,059	1,062,043
			<u>1,830,728</u>
Expenditures/Transfers out:			
Other improvements	\$	900	
Transfers to other funds:			
Debt service fund		1,172,556	1,173,456
			<u>1,173,456</u>
Ending balance		\$	<u><u>657,272</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt Service	\$ 2.69045	\$ 1,050,231

IV-M-11 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2011, the District has a loan between the Capital Projects: Physical Plant and Equipment Levy Fund and the Building Trades Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - The District is aware of the declaratory order issued by the Department of Education, but the District feels that, issuing anticipatory warrants would impose unnecessary issuance and origination costs to the District. The Building Trades Fund will repay the Capital Projects: Physical Plant and Equipment Levy when the house is sold.

Conclusion - Response acknowledged.

IV-N-11 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - The District will receipt the balance of money collected for district and regional events, after expenses have been deducted, into the General Fund.

Conclusion - Response accepted.

IV-O-11 Checks Outstanding - We noted during our audit that the District had checks included in the Nutrition Fund and Student Activity Fund bank reconciliations that have been outstanding for over a year.

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

Response - The District will review our list of outstanding checks and handle accordingly any outstanding for over a year.

Conclusion - Response accepted.

IV-P-11 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Scholarship Awards: We noted that a Girls Golf - Scholarship account is located in the Student Activity Fund.

Recommendation - Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - The District will move the Golf Scholarship account to the Private Purpose Trust Fund.

Conclusion - Response accepted.

Activity Fund Accounts: We noted that the Pleasant View Playground Fund; Student Book Orders; Positive Behavior Supports; Computer Program Plan; and High School Pop Fund were being handled out of the Student Activity Fund.

Recommendation - The District should review the propriety of revenues and expenditures that are recorded in the Student Activity Fund to ensure recording in the proper fund. Revenues and expenditures related these accounts are more instructional in nature and would be more appropriate from the General Fund. The Pleasant View Playground Fund would be more appropriate from the Capital Projects Fund or Physical Plant and Equipment Levy Fund.

Response - The District will review the activity accounts and transfer those accounts as recommended.

Conclusion - Response accepted.