

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

JUNE 30, 2012

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Webster City Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Pamela Hayes	President	2013
Judy Maubach	Vice President	2011
Craig Loffredo	Board Member	2011
Dan Ryherd	Board Member	2011
Michelle Zahn	Board Member	2013
Board of Education (After September 2011 Election)		
Pamela Hayes	President	2013
Dan Ryherd	Vice President	2015
Beth Van Diest	Board Member	2015
Julie Jaycox	Board Member	2015
Michelle Zahn	Board Member	2013
School Officials		
Michael Sherwood	Superintendent	2012
Cathi Hildebrand	Business Manager/ District Secretary and Treasurer	2012
Ahlers & Cooney P.C.	Attorney	2012

*WEBSTER CITY COMMUNITY SCHOOL
DISTRICT*

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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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, 2012, 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, 2012, 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 March 13, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component units on pages 7 through 16 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster City Community School District's basic financial statements. We audited the financial statements for the year ended June 30, 2011 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited the financial statements for the previous eight years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2013

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,028,544 in fiscal 2011 to \$16,073,723 in fiscal 2012, while General Fund expenditures increased from \$15,876,080 in fiscal 2011 to \$15,907,901 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$546,200 in fiscal 2011 to a balance of \$712,022 in fiscal 2012, which is a 30.36% increase from the prior year.
- The increase in General Fund revenues is attributable in part to the increase in state sources in fiscal 2012. 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, the Webster City Community School Foundation.

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.

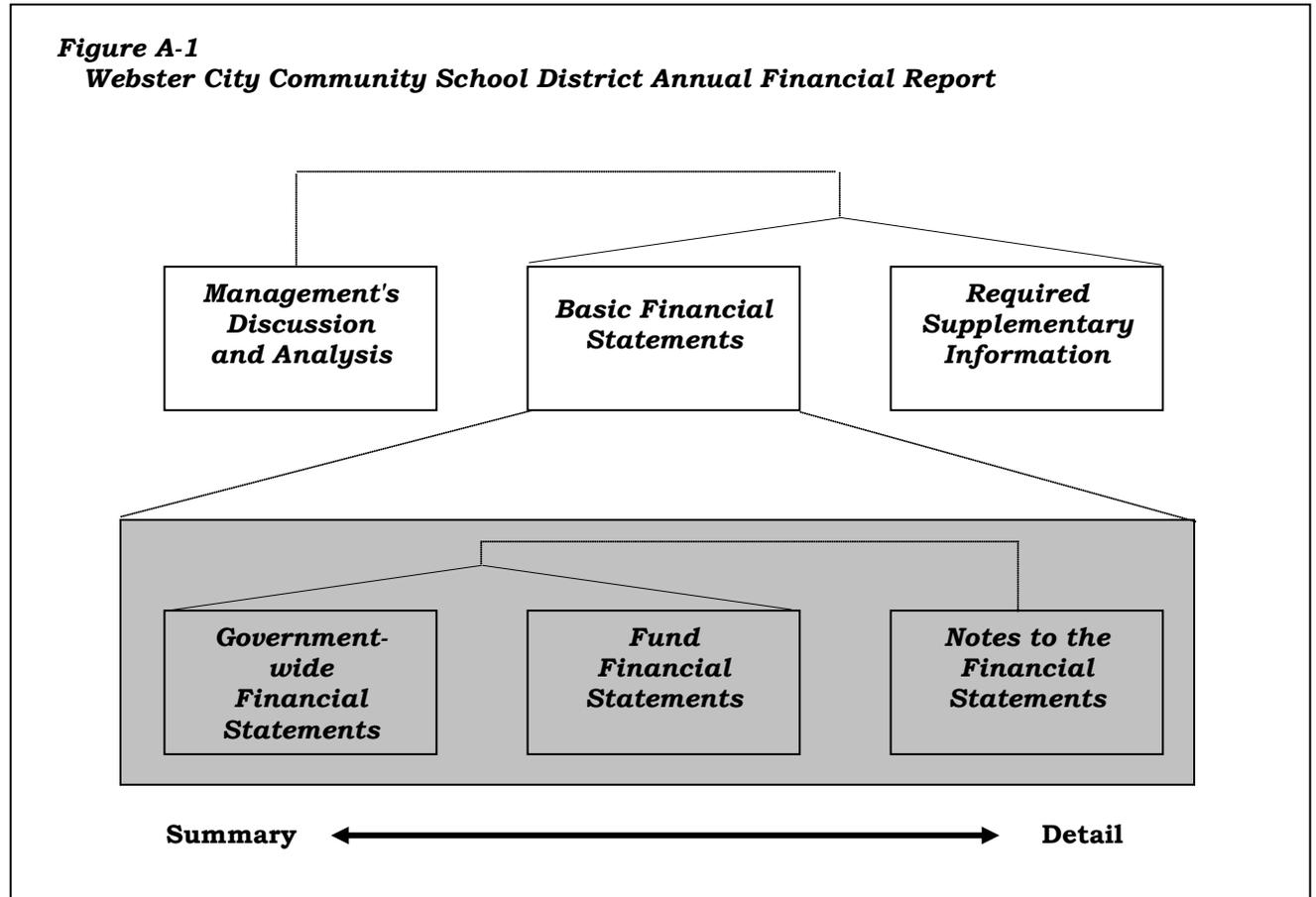


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 net assets • Statement of revenues, expenses and changes in fund 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 fund 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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 12,466,918	19,615,156	246,990	137,689	12,713,908	19,752,845	-35.64%
Capital assets	21,523,618	14,442,692	45,893	65,674	21,569,511	14,508,366	48.67%
Total assets	33,990,536	34,057,848	292,883	203,363	34,283,419	34,261,211	0.06%
Long-term obligations	14,876,678	15,349,280	19,725	14,207	14,896,403	15,363,487	-3.04%
Other liabilities	7,651,581	8,101,175	207,138	46,191	7,858,719	8,147,366	-3.54%
Total liabilities	22,528,259	23,450,455	226,863	60,398	22,755,122	23,510,853	-3.21%
Net assets:							
Invested in capital assets, net of related debt	10,064,485	9,054,157	45,893	65,674	10,110,378	9,119,831	10.86%
Restricted	1,125,784	1,473,314	-	-	1,125,784	1,473,314	-23.59%
Unrestricted	272,008	79,922	20,127	77,291	292,135	157,213	85.82%
Total net assets	\$ 11,462,277	10,607,393	66,020	142,965	11,528,297	10,750,358	7.24%

The District's combined net assets increased by 7.24%, or \$777,939, 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 decreased 23.59%, or \$347,530, over the prior year. The decrease in restricted net assets can be attributed to the decrease in carryover restricted balances for state categorical funding as well as the decrease in ending fund balance for the Capital Projects: Statewide Sales, Services and Use Tax Fund.

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 \$134,922, or 85.82%. 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, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 1,407,495	1,809,717	393,614	437,892	1,801,109	2,247,609	-19.87%
Operating grants and contributions and restricted interest	1,699,359	1,891,159	431,281	413,419	2,130,640	2,304,578	-7.55%
Capital grants and contributions and restricted interest	54,198	23,100	-	-	54,198	23,100	134.62%
General revenues:							
Property tax	5,570,958	5,408,937	-	-	5,570,958	5,408,937	3.00%
Income surtax	377,029	358,416	-	-	377,029	358,416	5.19%
Statewide sales, services and use tax	1,194,941	1,054,984	-	-	1,194,941	1,054,984	13.27%
Nonspecific program federal grants	4,617	467,197	-	-	4,617	467,197	-99.01%
Unrestricted state grants	8,079,551	6,804,385	-	-	8,079,551	6,804,385	18.74%
Unrestricted investment earnings	2,559	11,574	29	38	2,588	11,612	-77.71%
Other	144,151	334,918	2,450	5,253	146,601	340,171	-56.90%
Total revenues	18,534,858	18,164,387	827,374	856,602	19,362,232	19,020,989	1.79%
Program expenses:							
Governmental activities:							
Instructional	10,725,907	10,959,411	-	-	10,725,907	10,959,411	-2.13%
Support services	5,478,930	5,408,639	38,426	34,240	5,517,356	5,442,879	1.37%
Long-term debt interest	572,700	476,834	-	-	572,700	476,834	20.10%
Non-instructional programs	-	-	865,893	762,873	865,893	762,873	13.50%
Other expenses	902,437	945,526	-	-	902,437	945,526	-4.56%
Total expenses	17,679,974	17,790,410	904,319	797,113	18,584,293	18,587,523	-0.02%
Changes in net assets	854,884	373,977	(76,945)	59,489	777,939	433,466	79.47%
Beginning net assets	10,607,393	10,233,416	142,965	83,476	10,750,358	10,316,892	4.20%
Ending net assets	\$ 11,462,277	10,607,393	66,020	142,965	11,528,297	10,750,358	7.24%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 82.13% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.70% of the revenue from business type activities.

The District's total revenues were approximately \$19.36 million of which approximately \$18.53 million was for governmental activities and approximately \$0.83 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.79% increase in revenues and a 0.02% decrease in expenses. Unrestricted state grants increased \$162,021 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 \$18,534,858 and expenses were \$17,679,974 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, long-term debt interest and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 10,725,907	10,959,411	-2.13%	8,303,186	7,980,829	4.04%
Support services	5,478,930	5,408,639	1.30%	5,356,463	5,313,384	0.81%
Long-term debt interest	572,700	476,834	20.10%	572,700	476,834	20.10%
Other expenses	902,437	945,526	-4.56%	286,573	295,837	-3.13%
Totals	<u>\$ 17,679,974</u>	<u>17,790,410</u>	<u>-0.62%</u>	<u>14,518,922</u>	<u>14,066,884</u>	<u>3.21%</u>

- The cost financed by users of the District's programs was \$1,407,495.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,753,557.
- The net cost of governmental activities was financed with \$5,570,958 in property tax, \$377,029 in income surtax, \$1,194,941 in statewide sales, services and use tax, \$4,617 in nonspecific program federal grants, \$8,079,551 in unrestricted state grants, \$2,559 in unrestricted investment earnings and \$144,151 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$827,374 and expenses were \$904,319. The District's business type activity is the School Nutrition Fund and the Building Trades 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 \$4,408,011, below last year's ending fund balances of \$11,156,750. 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 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 \$546,200 in fiscal 2011 to \$712,022 in fiscal 2012.

-
- The Capital Projects Account total balance decreased from \$10,365,082 at June 30, 2011 to \$3,426,479 at June 30, 2012 because of costs associated with the construction of a new gymnasium. At June 30, 2012, the Statewide Sales Services and Use Tax Fund had an ending fund balance of \$444,867 compared to \$657,272 at June 30, 2011. The Construction Projects Fund decreased from a fund balance of \$9,493,726 at June 30, 2011, compared to \$2,792,793 at June 30, 2012. The Physical Plant and Equipment Levy Fund had an ending fund balance at June 30, 2012 of \$188,819 compared to \$214,084 at June 30, 2011.

Proprietary Fund Highlights

As of the year ended June 30, 2012, the School Nutrition Fund experienced a decrease in revenues and an increase in expenses as compared to June 30, 2011. Overall, net assets, which also include the Building Trades Fund, decreased from \$142,965 at June 30, 2011 to \$66,020 at June 30, 2012, representing a decrease of 53.82%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$830,269 less than budgeted revenues, a variance of 4.12%. The most significant variances resulted from the District receiving less in local and federal 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.

In spite of the District's budgetary practice, expenditures in the other expenditures functional area exceeded the budgeted amount at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$21,569,511, 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 48.67% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$683,509.

The original cost of the District's capital assets was \$31,084,344. Governmental funds account for \$30,851,931 with the remainder of \$232,413 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 \$3,481,519 at June 30, 2011 as compared to \$10,179,646 at June 30, 2012. This increase is due to the construction of a 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,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 590,000	590,000	-	-	590,000	590,000	0.00%
Construction in progress	10,179,646	3,481,519	-	-	10,179,646	3,481,519	192.39%
Buildings	8,832,714	9,011,547	-	-	8,832,714	9,011,547	-1.98%
Land improvements	496,658	235,213	-	-	496,658	235,213	111.15%
Machinery and equipment	1,424,600	1,124,413	45,893	65,674	1,470,493	1,190,087	23.56%
Total	\$ 21,523,618	14,442,692	45,893	65,674	21,569,511	14,508,366	48.67%

Long-Term Debt

At June 30, 2012, the District had \$14,896,403 in total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total General Obligation Bonds payable of \$13,910,000 at June 30, 2012.

The District had total Revenue Bonds payable of \$341,926 at June 30, 2012.

The District had outstanding Early Retirement benefits of \$56,029 payable from the Special Revenue, Management Fund at June 30, 2012.

The District had \$140,221 in compensated absences payable from the General Fund and \$565 payable from the Nutrition Fund at June 30, 2012.

The District has a net OPEB liability of \$428,502 in the governmental activities and \$19,160 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,
	2012	2011	2012	2011	2012	2011	2011-12
General obligation bonds	\$ 13,910,000	14,425,000	-	-	13,910,000	14,425,000	-3.57%
Revenue bonds	341,926	452,890	-	-	341,926	452,890	-24.50%
Instrument lease	-	4,371	-	-	-	4,371	-100.00%
Early retirement	56,029	52,638	-	-	56,029	52,638	6.44%
Compensated absences	140,221	96,415	565	-	140,786	96,415	46.02%
Net OPEB liability	428,502	317,966	19,160	14,207	447,662	332,173	34.77%
Total	\$ 14,876,678	15,349,280	19,725	14,207	14,896,403	15,363,487	-3.04%

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:

- Due to recent factory closings and other economic factors, the number of students qualifying for free or reduced lunches has increased dramatically.

-
- District Enrollment increased in fiscal 2012-2013 by 11.55 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 is yet to be determined for fiscal 2013-2014 so while costs for salaries, benefits, utilities, fuel, etc. have continued to increase, we have no way of knowing if we will have additional money from allowable growth to help with these costs.
 - In past years, growth in wages and benefits has outpaced state funding to schools. In fiscal 2013, allowable growth was 2%, however, negotiated settlements for teaching staff and support staff were 3.95% and 4.11%, respectively.

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, 2012

	Primary Government			** Component Unit
	Governmental Activities	Business type Activities	Total	Webster City Community School Foundation
Assets				
Cash and pooled investments	\$ 5,429,105	83,887	5,512,992	1,176,455
Receivables:				
Property tax:				
Delinquent	59,552	-	59,552	-
Succeeding year	5,704,095	-	5,704,095	-
Income surtax	408,155	-	408,155	-
Interest	84	2	86	-
Accounts	18,937	7,696	26,633	3,733
Due from other funds	152,292	-	152,292	-
Due from other governments	653,311	-	653,311	-
Inventories	-	155,405	155,405	-
Bond discounts and bond issue costs	41,387	-	41,387	-
Capital assets, net of accumulated depreciation	21,523,618	45,893	21,569,511	216,000
Total Assets	33,990,536	292,883	34,283,419	1,396,188
Liabilities				
Due to other funds	-	152,292	152,292	-
Accounts payable	265,562	-	265,562	-
Salaries and benefits payable	1,629,861	42,891	1,672,752	-
Interest payable	52,063	-	52,063	-
Deferred revenue:				
Succeeding year property tax	5,704,095	-	5,704,095	-
Unearned revenue	-	11,955	11,955	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	520,000	-	520,000	-
Revenue bonds payable	115,963	-	115,963	-
Early retirement payable	56,029	-	56,029	-
Compensated absences	140,221	565	140,786	-
Portion due after one year:				
General obligation bonds payable	13,390,000	-	13,390,000	-
Revenue bonds payable	225,963	-	225,963	-
Net OPEB liability	428,502	19,160	447,662	-
Total Liabilities	22,528,259	226,863	22,755,122	-
Net Assets				
Invested in capital assets, net of related debt	10,064,485	45,893	10,110,378	216,000
Restricted for:				
Categorical funding	273,183	-	273,183	-
Debt service	112,363	-	112,363	-
Student activities	106,552	-	106,552	-
School infrastructure	444,867	-	444,867	-
Physical plant and equipment levy	188,819	-	188,819	-
Unrestricted	272,008	20,127	292,135	1,180,188
Total Net Assets	\$ 11,462,277	66,020	11,528,297	1,396,188

** Information for the Webster Community School Foundation is for year ended December 31, 2011.

SEE NOTES TO FINANCIAL STATEMENTS.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	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	\$ 6,243,309	694,457	209,051	-	(5,339,801)	-	(5,339,801)	-
Special	2,315,706	218,656	224,337	-	(1,872,713)	-	(1,872,713)	-
Other	2,166,892	470,180	606,040	-	(1,090,672)	-	(1,090,672)	-
	<u>10,725,907</u>	<u>1,383,293</u>	<u>1,039,428</u>	<u>-</u>	<u>(8,303,186)</u>	<u>-</u>	<u>(8,303,186)</u>	<u>-</u>
Support services:								
Student	662,677	3,922	17,433	-	(641,322)	-	(641,322)	-
Instructional staff	1,068,516	-	24,700	-	(1,043,816)	-	(1,043,816)	-
Administration	1,690,731	-	-	-	(1,690,731)	-	(1,690,731)	-
Operation and maintenance of plant	1,349,933	-	-	54,198	(1,295,735)	-	(1,295,735)	-
Transportation	707,073	20,280	1,934	-	(684,859)	-	(684,859)	-
	<u>5,478,930</u>	<u>24,202</u>	<u>44,067</u>	<u>54,198</u>	<u>(5,356,463)</u>	<u>-</u>	<u>(5,356,463)</u>	<u>-</u>
Long-term debt interest	572,700	-	-	-	(572,700)	-	(572,700)	-
Other expenses:								
AEA flowthrough	615,864	-	615,864	-	-	-	-	-
Depreciation(unallocated)*	286,573	-	-	-	(286,573)	-	(286,573)	-
	<u>902,437</u>	<u>-</u>	<u>615,864</u>	<u>-</u>	<u>(286,573)</u>	<u>-</u>	<u>(286,573)</u>	<u>-</u>
Total governmental activities	<u>17,679,974</u>	<u>1,407,495</u>	<u>1,699,359</u>	<u>54,198</u>	<u>(14,518,922)</u>	<u>-</u>	<u>(14,518,922)</u>	<u>-</u>
Business type activities:								
Support services:								
Administration	36,918	-	-	-	(36,918)	(36,918)	-	-
Operation and maintenance of plant	1,508	-	-	-	(1,508)	(1,508)	-	-
Total support services	<u>38,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,426)</u>	<u>(38,426)</u>	<u>-</u>	<u>-</u>
Non-instructional programs:								
Food service operations	865,893	393,614	431,281	-	-	(40,998)	(40,998)	-
Total business type activities	<u>904,319</u>	<u>393,614</u>	<u>431,281</u>	<u>-</u>	<u>-</u>	<u>(79,424)</u>	<u>(79,424)</u>	<u>-</u>
Total primary government	\$ <u>18,584,293</u>	<u>1,801,109</u>	<u>2,130,640</u>	<u>54,198</u>	<u>(14,518,922)</u>	<u>(79,424)</u>	<u>(14,598,346)</u>	<u>-</u>
Total component unit	\$ 94,413	14,452	50	-				(79,911)
General Revenues:								
Property tax levied for:								
General purposes					\$ 5,171,354	-	5,171,354	-
Capital outlay					399,604	-	399,604	-
Income surtax					377,029	-	377,029	-
Statewide sales, services and use tax					1,194,941	-	1,194,941	-
Nonspecific program federal grants					4,617	-	4,617	-
Unrestricted state grants					8,079,551	-	8,079,551	-
Unrestricted investment earnings					2,559	29	2,588	40,182
Other general revenues					144,151	2,450	146,601	-
Realized gain on investments					-	-	-	21,105
Unrealized loss on investments					-	-	-	(5,973)
Total general revenues					<u>15,373,806</u>	<u>2,479</u>	<u>15,376,285</u>	<u>55,314</u>
Changes in net assets					854,884	(76,945)	777,939	(24,597)
Net assets beginning of year					10,607,393	142,965	10,750,358	1,420,785
Net assets end of year	\$				<u>11,462,277</u>	<u>66,020</u>	<u>11,528,297</u>	<u>1,396,188</u>

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

** Information for the Webster City Community School Foundation is for year ended December 31, 2011.

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 2,092,856	3,044,152	282,250	5,419,258
Receivables:				
Property tax:				
Delinquent	52,067	4,258	3,227	59,552
Succeeding year	4,997,576	406,519	300,000	5,704,095
Income surtax	408,155	-	-	408,155
Interest	36	35	13	84
Accounts	15,083	-	3,854	18,937
Due from other funds	-	152,292	-	152,292
Due from other governments	332,329	320,982	-	653,311
TOTAL ASSETS	\$ 7,898,102	3,928,238	589,344	12,415,684
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 150,488	95,240	19,834	265,562
Salaries and benefits payable	1,629,861	-	-	1,629,861
Deferred revenue:				
Succeeding year property tax	4,997,576	406,519	300,000	5,704,095
Income surtax	408,155	-	-	408,155
Total liabilities	7,186,080	501,759	319,834	8,007,673
Fund balances:				
Restricted for:				
Categorical funding	273,183	-	-	273,183
Construction	-	2,792,793	-	2,792,793
Debt service	-	-	112,363	112,363
Management levy purposes	-	-	50,595	50,595
Student activities	-	-	106,552	106,552
School infrastructure	-	444,867	-	444,867
Physical plant and equipment	-	188,819	-	188,819
Assigned	87,613	-	-	87,613
Unassigned	351,226	-	-	351,226
Total fund balances	712,022	3,426,479	269,510	4,408,011
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,898,102	3,928,238	589,344	12,415,684

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, 2012

Total fund balances of governmental funds(page 20)	\$	4,408,011
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		21,523,618
Blending of the Internal Service Fund to be reflected on an entity-wide basis.		9,847
Bond issue costs are reported as an asset in the statement of net assets and are amortized over the life of the bonds		41,387
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		408,155
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.		(52,063)
Long-term liabilities, including bonds 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.		(14,876,678)
Net assets of governmental activities(page 18)	\$	<u>11,462,277</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, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,188,131	1,594,545	301,890	7,084,566
Tuition	873,131	-	-	873,131
Other	279,971	56,132	465,321	801,424
Intermediate sources	412	-	-	412
State sources	9,219,159	234	167	9,219,560
Federal sources	497,403	-	-	497,403
TOTAL REVENUES	16,058,207	1,650,911	767,378	18,476,496
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,171,396	55,991	182,591	6,409,978
Special	2,299,065	-	-	2,299,065
Other	1,719,748	-	462,035	2,181,783
	10,190,209	55,991	644,626	10,890,826
Support services:				
Student	657,448	-	-	657,448
Instructional staff	1,036,946	-	-	1,036,946
Administration	1,652,541	-	4,040	1,656,581
Operation and maintenance of plant	1,176,925	159,516	78,528	1,414,969
Transportation	573,368	103,049	14,322	690,739
	5,097,228	262,565	96,890	5,456,683
Capital outlay	-	7,080,219	-	7,080,219
Long-term debt:				
Principal	-	-	630,335	630,335
Interest and fiscal charges	-	-	564,991	564,991
	-	-	1,195,326	1,195,326
Other expenditures:				
AEA flowthrough	615,864	-	-	615,864
TOTAL EXPENDITURES	15,903,301	7,398,775	1,936,842	25,238,918
Excess(Deficiency) of revenues over(under)expenditures	154,906	(5,747,864)	(1,169,464)	(6,762,422)
Other financing sources(uses):				
Transfer in	1,833	-	1,195,339	1,197,172
Transfer out	(4,600)	(1,190,739)	(1,833)	(1,197,172)
Insurance proceeds	7,027	-	-	7,027
Sale of equipment	6,656	-	-	6,656
Total other financing sources(uses)	10,916	(1,190,739)	1,193,506	13,683
Net change in fund balances	165,822	(6,938,603)	24,042	(6,748,739)
Fund balance beginning of year	546,200	10,365,082	245,468	11,156,750
Fund balance end of year	\$ 712,022	3,426,479	269,510	4,408,011

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, 2012

Net change in fund balances - total governmental funds(page 22) \$ (6,748,739)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures were exceeded by depreciation expense and loss on disposal in the current year, as follows:

Expenditures for capital assets	\$ 7,770,072	
Depreciation expense	(668,301)	
Loss on disposal	(20,845)	
	7,080,926	7,080,926

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (558)

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 repayments are as follows: 630,335

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. (5,409)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 58,362

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	\$ (3,391)	
Compensated absences	(43,806)	
Other postemployment benefits	(110,536)	
	(157,733)	(157,733)

Changes in net assets of governmental activities(page 19) \$ 854,884

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Building Trades	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 79,923	3,964	83,887	9,847
Receivables:				
Interest	2	-	2	-
Accounts	7,696	-	7,696	-
Inventories	3,113	152,292	155,405	-
Total current assets	90,734	156,256	246,990	9,847
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	45,893	-	45,893	-
Total non-current assets	45,893	-	45,893	-
TOTAL ASSETS	136,627	156,256	292,883	9,847
LIABILITIES				
Current liabilities:				
Due to other funds	-	152,292	152,292	-
Salaries and benefits payable	42,891	-	42,891	-
Unearned revenue	11,955	-	11,955	-
Total current liabilities	54,846	152,292	207,138	-
Long-term liabilities:				
Compensated absences	565	-	565	-
Net OPEB liability	19,160	-	19,160	-
Total long-term liabilities	19,725	-	19,725	-
TOTAL LIABILITIES	74,571	152,292	226,863	-
NET ASSETS				
Invested in capital assets	45,893	-	45,893	-
Unrestricted	16,163	3,964	20,127	9,847
TOTAL NET ASSETS	\$ 62,056	3,964	66,020	9,847

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Building Trades	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 393,614	-	393,614	-
Miscellaneous	-	2,450	2,450	38,439
TOTAL OPERATING REVENUES	393,614	2,450	396,064	38,439
OPERATING EXPENSES:				
Support services:				
Administration services:				
Salaries	28,119	-	28,119	-
Benefits	4,493	-	4,493	-
Services	1,971	-	1,971	-
Supplies	1,788	-	1,788	-
Other	547	-	547	-
	36,918	-	36,918	-
Operation and maintenance of plant:				
Services	1,508	-	1,508	-
Total support services	38,426	-	38,426	-
Non-instructional programs:				
Food service operations:				
Salaries	254,622	-	254,622	-
Benefits	130,337	-	130,337	-
Services	7,306	-	7,306	-
Supplies	450,522	-	450,522	-
Depreciation	15,208	-	15,208	-
Other	875	-	875	-
	858,870	-	858,870	-
Other enterprise operations:				
Benefits	-	-	-	39,001
Supplies	-	2,450	2,450	-
Total non-instructional programs	858,870	2,450	861,320	39,001
TOTAL OPERATING EXPENSES	897,296	2,450	899,746	39,001
OPERATING LOSS	(503,682)	-	(503,682)	(562)
NON-OPERATING REVENUES:				
Loss on asset disposal	(4,573)	-	(4,573)	-
State sources	6,633	-	6,633	-
Federal sources	424,648	-	424,648	-
Interest income	29	-	29	4
TOTAL NON-OPERATING REVENUES	426,737	-	426,737	4
Changes in net assets	(76,945)	-	(76,945)	(558)
Net assets beginning of year	139,001	3,964	142,965	10,405
Net assets end of year	\$ 62,056	3,964	66,020	9,847

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type Activities			Governmental
	Enterprise Funds			Activities:
	School Nutrition	Building Trades	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 395,345	-	395,345	-
Cash received from miscellaneous operating activities	-	2,450	2,450	38,439
Cash payments to employees for services	(405,000)	-	(405,000)	(39,001)
Cash payments to suppliers for goods or services	(441,045)	(4,900)	(445,945)	-
Net cash used in operating activities	(450,700)	(2,450)	(453,150)	(562)
Cash flows from non-capital financing activities:				
Borrowings from Capital Projects: PPEL Fund	-	2,450	2,450	-
State grants received	6,633	-	6,633	-
Federal grants received	403,698	-	403,698	-
Net cash provided by non-capital financing activities	410,331	2,450	412,781	-
Cash flows from investing activities:				
Interest on investments	29	-	29	4
Net decrease in cash and cash equivalents	(40,340)	-	(40,340)	(558)
Cash and cash equivalents at beginning of year	120,263	3,964	124,227	10,405
Cash and cash equivalents at end of year	\$ 79,923	3,964	83,887	9,847
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (503,682)	-	(503,682)	(562)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	20,950	-	20,950	-
Depreciation	15,208	-	15,208	-
Decrease(Increase) in inventories	2,808	(2,450)	358	-
Increase in accounts receivable	(157)	-	(157)	-
Decrease in accounts payable	(286)	-	(286)	-
Increase in salaries and benefits payable	7,618	-	7,618	-
Increase in unearned revenue	1,888	-	1,888	-
Increase in other postemployment benefits	4,953	-	4,953	-
Net cash used in operating activities	\$ (450,700)	(2,450)	(453,150)	(562)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$20,950.

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 2,577,831
Interest receivable	660
TOTAL ASSETS	2,578,491
 TOTAL LIABILITIES	 -
 NET ASSETS	
Restricted for scholarships	2,459,358
Unrestricted	119,133
TOTAL NET ASSETS	\$ 2,578,491

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest on investments	\$ 147,911
Contributions	200,836
Total additions	<u>348,747</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	2,255
Support services:	
Student	287,581
Total deductions	<u>289,836</u>
Change in net assets	58,911
Net assets beginning of year	<u>2,519,580</u>
Net assets end of year	<u>\$ 2,578,491</u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(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 reports two nonmajor proprietary funds:

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

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

The District also reports one other proprietary fund:

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund. The compensated absences liability attributable to the business type activities will be paid primarily by the School Nutrition Fund.

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

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. For the year ended June 30, 2012, District expenditures in the other expenditures functional area and the budget in total exceeded budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$4,354,408 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

Investments in common stock are stated at the approximate fair value based on the closing price for the stock on June 30, 2012. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2012, the District's investment in common stock that was donated to the District for scholarship awards to be awarded to students consisted of the following:

Name of Stock	Number of Shares	Fair Value
Bristol Myers	2,000	\$ 71,900
Exxon	4,000	342,280
Nextera Energy Inc.	1,000	68,810
Integrays Energy Group	549	31,222
Teco Energy	1,600	28,896
Excel Energy	2,800	79,548
Total	<u>11,949</u>	<u>\$ 622,656</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>\$ 317,439</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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Physical Plant and Equipment Levy	Building Trades	\$ 152,292

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, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 10,964
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	1,179,775
Debt Service	General	4,600
General	Activity	1,833
Total		<u>\$ 1,197,172</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 \$117,575 to pay principal and interest on the District's July 2007 revenue bond indebtedness and \$1,062,200 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 the final principal and interest payments on the instrument lease.

The transfer from the Activity Fund to the General Fund was needed to close accounts per the recommendation of the District's auditors.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 590,000	-	-	590,000
Construction in progress	3,481,519	6,698,127	-	10,179,646
Total capital assets not being depreciated	<u>4,071,519</u>	<u>6,698,127</u>	<u>-</u>	<u>10,769,646</u>
Capital assets being depreciated:				
Buildings	15,109,249	74,116	-	15,183,365
Land improvements	447,438	295,069	-	742,507
Machinery and equipment	3,702,888	702,760	249,235	4,156,413
Total capital assets being depreciated	<u>19,259,575</u>	<u>1,071,945</u>	<u>249,235</u>	<u>20,082,285</u>
Less accumulated depreciation for:				
Buildings	6,097,702	252,949	-	6,350,651
Land improvements	212,225	33,624	-	245,849
Machinery and equipment	2,578,475	381,728	228,390	2,731,813
Total accumulated depreciation	<u>8,888,402</u>	<u>668,301</u>	<u>228,390</u>	<u>9,328,313</u>
Total capital assets being depreciated, net	<u>10,371,173</u>	<u>403,644</u>	<u>20,845</u>	<u>10,753,972</u>
Governmental activities capital assets, net	<u>\$ 14,442,692</u>	<u>7,101,771</u>	<u>20,845</u>	<u>21,523,618</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 262,572	-	30,159	232,413
Less accumulated depreciation	196,898	15,208	25,586	186,520
Business type activities capital assets, net	<u>\$ 65,674</u>	<u>(15,208)</u>	<u>4,573</u>	<u>45,893</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 80,806
Other	22,321
Support services:	
Instructional staff	107,016
Operation and maintenance of plant	43,418
Transportation	128,167
	<u>381,728</u>
Unallocated depreciation	<u>286,573</u>
Total governmental activities depreciation expense	<u>\$ 668,301</u>
Business type activities:	
Food services	<u>\$ 15,208</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 14,425,000	-	515,000	13,910,000	520,000
Revenue bonds	452,890	-	110,964	341,926	115,963
Instrument lease	4,371	-	4,371	-	-
Early retirement	52,638	54,053	50,662	56,029	56,029
Compensated absences	96,415	140,221	96,415	140,221	140,221
Net OPEB liability	317,966	110,536	-	428,502	-
Total	\$ 15,349,280	304,810	777,412	14,876,678	832,213
Business type Activities:					
Compensated absences	\$ -	565	-	565	565
Net OPEB liability	14,207	4,953	-	19,160	-
Total	\$ 14,207	5,518	-	19,725	565

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:

<u>Years of Service</u>	<u>Days @ Per Diem</u>
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, 2012, the District had a total liability of \$56,029.
 Actual early retirement expenditures for the year ended June 30, 2012 totaled \$50,662.

General Obligation Bonds Payable

Details of the District's June 30, 2012 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
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	2.15	105,000	103,076	3.50	85,000	59,337
2018-2022	3.00-3.25	625,000	468,545	3.50-4.00	460,000	249,240
2023-2027	3.55-3.88	530,000	372,974	4.00-4.25	550,000	151,769
2028-2031	4.00-4.25	1,485,000	210,457	4.25-4.38	375,000	33,098
		<u>\$ 3,125,000</u>	<u>1,583,676</u>		<u>\$ 1,785,000</u>	<u>754,644</u>

Year Ending June 30,	Bond Issue of June 2010			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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	4.00	400,000	308,844	590,000	471,257	1,061,257
2018-2022	4.00	2,225,000	1,291,220	3,310,000	2,009,005	5,319,005
2023-2027	4.00-4.25	2,925,000	792,470	4,005,000	1,317,213	5,322,213
2028-2031	4.25-4.38	1,950,000	172,031	3,810,000	415,586	4,225,586
		<u>\$ 9,000,000</u>	<u>3,922,688</u>	<u>\$ 13,910,000</u>	<u>6,261,008</u>	<u>20,171,008</u>

Revenue Bonds Payable

Details of the District's June 30, 2012 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		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
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	-	-	-	4.75	105,000	2,494	105,000	2,494	107,494
		<u>\$ 21,926</u>	<u>1,251</u>		<u>\$ 320,000</u>	<u>22,800</u>	<u>341,926</u>	<u>24,051</u>	<u>365,977</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 11% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$365,977. For the current year, \$110,964 of principal and \$18,827 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,194,941.

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.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$797,115, \$673,324 and \$649,525 respectively, equal to the required contributions for each year.

(8) 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 130,514
Interest on net OPEB obligation	8,304
Adjustment to annual required contribution	(10,435)
Annual OPEB cost	<u>128,383</u>
Amortization of unfunded actuarial accrued liability	(12,894)
Increase in net OPEB obligation	115,489
Net OPEB obligation - beginning of year	<u>332,173</u>
Net OPEB obligation - end of year	<u><u>\$ 447,662</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, 2012.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 148,444	22.70%	\$ 104,225
2011	125,452	9.76%	332,173
2012	128,383	10.04%	447,662

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$9,077,717 million, and the ratio of the UAAL to the covered payroll was 10.6%. As of June 30, 2012, 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.

(9) 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 \$1,878,824.

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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$615,864 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2012, District expenditures in the other expenditures functional area and the budget in total exceeded budgeted amounts.

(12) Categorical Funding

The District's ending restricted balances for categorical funding at June 30, 2012 are comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
Returning dropout and dropout prevention program	\$ 91,781
Statewide voluntary preschool grants	78,459
Professional development	94,796
Beginning teacher mentoring	8,147
Total	<u>\$ 273,183</u>

(13) Construction Commitment

The District has entered into a contract totaling \$8,896,612 for construction of a new gymnasium at the High School. As of June 30, 2012, costs of \$7,675,739 had been incurred against the contract. The balance of \$1,220,873 remaining at June 30, 2012, will be paid as work on the project progresses.

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 8,759,522	396,093	9,155,615	9,569,941	9,569,941	(414,326)
Intermediate sources	412	-	412	-	-	412
State sources	9,219,159	6,633	9,225,792	9,419,198	9,419,198	(193,406)
Federal sources	497,403	424,648	922,051	1,145,000	1,145,000	(222,949)
Total revenues	18,476,496	827,374	19,303,870	20,134,139	20,134,139	(830,269)
Expenditures/Expenses:						
Instruction	10,890,826	-	10,890,826	11,671,289	11,671,289	780,463
Support services	5,456,683	38,426	5,495,109	5,576,487	5,576,487	81,378
Non-instructional programs	-	865,893	865,893	1,106,112	1,106,112	240,219
Other expenditures	8,891,409	-	8,891,409	2,533,110	2,533,110	(6,358,299)
Total expenditures/expenses	25,238,918	904,319	26,143,237	20,886,998	20,886,998	(5,256,239)
Deficiency of revenues under expenditures/expenses	(6,762,422)	(76,945)	(6,839,367)	(752,859)	(752,859)	(6,086,508)
Other financing sources, net	13,683	-	13,683	4,000	4,000	9,683
Deficiency of revenues and other financing sources under expenditures/expenses	(6,748,739)	(76,945)	(6,825,684)	(748,859)	(748,859)	(6,076,825)
Balance beginning of year	11,156,750	142,965	11,299,715	874,166	874,166	(10,425,549)
Balance end of year	\$ 4,408,011	66,020	4,474,031	125,307	125,307	(16,502,374)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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.

For the year ended June 30, 2012, District expenditures in the other expenditures functional area and the budget in total exceeded budgeted amounts.

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 (UAAL) (b-a)			
2010	July 1, 2008	\$ 0	\$ 993,425	\$ 993,425	0.0%	\$ 9,071,000	11.0%
2011	July 1, 2010	0	994,162	994,162	0.0%	\$ 8,821,456	11.3%
2012	July 1, 2010	0	960,000	960,000	0.0%	\$ 9,077,717	10.6%

See Note 8 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	\$ 1,176,455
Accounts receivable	3,733
Capital assets, net of accumulated depreciation	216,000
Total Assets	\$ 1,396,188
 Total Liabilities	 \$ -
 Net Assets	
Invested in capital assets	216,000
Unrestricted	1,180,188
Total Net Assets	\$ 1,396,188

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

	Webster City Community School Foundation
Revenue:	
Interest and dividends	\$ 40,182
Donations	50
Rental properties	14,452
Realized gain on investments	21,105
Total support and revenue	75,789
Expenses:	
Grants	77,412
Investment management fees	5,721
Accounting/tax preparation	2,750
Other	8,530
Total expenses	94,413
Deficiency of support and revenue under expenses	(18,624)
Other financing uses:	
Unrealized loss on investments	(5,973)
Change in net assets	(24,597)
Net assets beginning of year	1,420,785
Net assets end of year	\$ 1,396,188

SUPPLEMENTARY INFORMATION

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 47,368	122,519	169,887	112,363	282,250
Receivables:					
Property tax:					
Delinquent	3,227	-	3,227	-	3,227
Succeeding year	300,000	-	300,000	-	300,000
Interest	-	13	13	-	13
Accounts	-	3,854	3,854	-	3,854
TOTAL ASSETS	\$ 350,595	126,386	476,981	112,363	589,344
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	19,834	19,834	-	19,834
Deferred revenue:					
Succeeding year property tax	300,000	-	300,000	-	300,000
Total liabilities	300,000	19,834	319,834	-	319,834
Fund balances:					
Restricted for:					
Debt service	-	-	-	112,363	112,363
Management levy purposes	50,595	-	50,595	-	50,595
Student activities	-	106,552	106,552	-	106,552
Total fund balances	50,595	106,552	157,147	112,363	269,510
TOTAL LIABILITIES AND FUND BALANCES	\$ 350,595	126,386	476,981	112,363	589,344

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, 2012

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:					
Local sources:					
Local tax	\$ 301,890	-	301,890	-	301,890
Other	18,328	446,993	465,321	-	465,321
State sources	167	-	167	-	167
TOTAL REVENUES	320,385	446,993	767,378	-	767,378
EXPENDITURES:					
Current:					
Instruction:					
Regular	182,591	-	182,591	-	182,591
Other	-	462,035	462,035	-	462,035
Support services:					
Administration	4,040	-	4,040	-	4,040
Operation and maintenance of plant	78,528	-	78,528	-	78,528
Transportation	14,322	-	14,322	-	14,322
Long-term debt:					
Principal	-	-	-	630,335	630,335
Interest and fiscal charges	-	-	-	564,991	564,991
TOTAL EXPENDITURES	279,481	462,035	741,516	1,195,326	1,936,842
Excess(Deficiency) of revenues over(under) expenditures	40,904	(15,042)	25,862	(1,195,326)	(1,169,464)
Other financing sources(uses):					
Transfer in	-	-	-	1,195,339	1,195,339
Transfer out	-	(1,833)	(1,833)	-	(1,833)
Total other financing sources(uses)	-	(1,833)	(1,833)	1,195,339	1,193,506
Net change in fund balances	40,904	(16,875)	24,029	13	24,042
Fund balance beginning of year	9,691	123,427	133,118	112,350	245,468
Fund balance end of year	\$ 50,595	106,552	157,147	112,363	269,510

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 123,874	2,875,051	45,227	3,044,152
Receivables:				
Property tax				
Delinquent	-	-	4,258	4,258
Succeeding year	-	-	406,519	406,519
Interest	11	20	4	35
Due from other funds	-	-	152,292	152,292
Due from other governments	320,982	-	-	320,982
TOTAL ASSETS	\$ 444,867	2,875,071	608,300	3,928,238
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	82,278	12,962	95,240
Deferred revenue:				
Succeeding year property tax	-	-	406,519	406,519
Total liabilities	-	82,278	419,481	501,759
Fund balances:				
Restricted for:				
Construction	-	2,792,793	-	2,792,793
School infrastructure	444,867	-	-	444,867
Physical plant and equipment	-	-	188,819	188,819
Total fund balances	444,867	2,792,793	188,819	3,426,479
TOTAL LIABILITIES AND FUND BALANCES	\$ 444,867	2,875,071	608,300	3,928,238

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, 2012

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,194,941	-	399,604	1,594,545
Other	126	1,830	54,176	56,132
State sources	-	-	234	234
TOTAL REVENUES	1,195,067	1,830	454,014	1,650,911
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	-	55,991	55,991
Support services:				
Operation and maintenance of plant	-	-	159,516	159,516
Transportation	-	-	103,049	103,049
Capital outlay	227,697	6,702,763	149,759	7,080,219
TOTAL EXPENDITURES	227,697	6,702,763	468,315	7,398,775
Excess(Deficiency) of revenues over(under) expenditures	967,370	(6,700,933)	(14,301)	(5,747,864)
Other financing uses:				
Transfer out	(1,179,775)	-	(10,964)	(1,190,739)
Net change in fund balances	(212,405)	(6,700,933)	(25,265)	(6,938,603)
Fund balance beginning of year	657,272	9,493,726	214,084	10,365,082
Fund balance end of year	\$ 444,867	2,792,793	188,819	3,426,479

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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Concessions	\$ 75	46,922	46,202	-	795
Pleasant View playground	3,388	-	3,388	-	-
Mock trial	213	-	48	-	165
Elementary PTO	18,187	62,970	58,579	-	22,578
Sunset student council	2,851	865	407	-	3,309
Student book orders	46	-	-	(46)	-
Positive behavior supports	619	-	308	(311)	-
Computer program plan	19	-	-	(19)	-
Interest	187	191	96	-	282
MS drama	110	-	-	-	110
MS band donations	865	-	-	-	865
MS annual	4,734	4,410	5,641	-	3,503
5th grade student council	2,589	1,411	3,136	-	864
6th grade student council	758	2,299	2,962	-	95
7th grade student council	1,050	1,716	1,005	-	1,761
8th grade student council	2,094	1,090	109	-	3,075
Yess mini society	133	-	-	-	133
MS student general account	4,428	26,332	26,155	-	4,605
MS exploritory account	1,498	1,421	1,069	-	1,850
MS regional conference	32	-	-	-	32
HS drama	2,882	996	417	-	3,461
Forensics/speech club	692	494	217	-	969
HS vocal music	2,048	-	2,048	-	-
HS band	1,082	1,000	1,293	-	789
Cross country special fundraiser	1,202	8,579	7,161	-	2,620
Cheerleader special account	1,225	3,580	3,585	-	1,220
Boys basketball special fundraiser	1,640	2,369	3,555	-	454
Boys soccer special fundraiser	106	250	-	-	356
HS baseball boosters	1,937	-	1,773	-	164
Football special fundraisers	6,832	19,387	24,753	-	1,466
Boys golf special fundraisers	91	643	643	-	91
Girls basketball special fundraiser	-	4,542	4,037	-	505
Volleyball special fundraisers	4,388	1,390	1,805	-	3,973
Softball special fundraisers	5,198	1,327	893	-	5,632
HS girls tennis special fundraisers	2,036	468	425	-	2,079
HS girls golf special fundraiser	6	596	602	-	-
Girls golf scholarship	1,457	-	-	(1,457)	-

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
Athletics	798	134,836	132,062	-	3,572
HS annual	10,091	24,720	29,513	-	5,298
HS art club	93	-	-	-	93
HS pop fund	150	-	150	-	-
Student honor program	523	180	140	-	563
Spanish club	1,672	3,132	2,887	-	1,917
French club	530	-	52	-	478
FFA	5,079	56,170	60,231	-	1,018
FFA-Greenhouse	6,717	6,049	8,657	-	4,109
Home ec club	491	-	261	-	230
HS science club	946	-	-	-	946
After prom	933	-	933	-	-
Junior state of america	194	-	-	-	194
Multi occupational class	2,445	-	42	-	2,403
Jr class fund	1,625	145	-	-	1,770
National honor society	519	-	206	-	313
Class of 2013	145	11,950	9,200	-	2,895
Class of 2014	34	100	54	-	80
Class of 2015	-	100	81	-	19
Class of 2016	1,390	100	1,490	-	-
HS student council	5,749	10,879	9,377	-	7,251
HS choir club	100	-	-	-	100
HS musical	2,831	2,166	3,367	-	1,630
Special projects	3,625	868	873	-	3,620
Hamilton regional student council	49	350	147	-	252
Total	\$ 123,427	446,993	462,035	(1,833)	106,552

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 7,084,566	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	873,131	894,362	877,221	1,002,025	993,992	947,275	911,446	828,218	835,435	872,443
Other	801,424	1,017,004	741,240	799,703	800,639	742,260	660,292	638,140	643,701	672,216
Intermediate sources	412	-	-	15,000	-	-	-	7,000	-	19,212
State sources	9,219,560	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	497,403	1,091,336	1,613,919	531,692	413,562	419,094	435,523	507,218	616,757	276,157
Total	\$ 18,476,496	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	\$ 6,409,978	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	2,299,065	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	2,181,783	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	657,448	626,647	590,549	575,735	603,833	587,005	475,109	501,381	489,013	475,719
Instructional staff	1,036,946	1,087,968	1,021,960	1,120,730	852,747	1,009,244	757,464	855,658	591,880	816,572
Administration	1,656,581	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	1,414,969	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	690,739	742,737	572,911	768,609	556,619	509,057	557,243	427,672	360,294	381,900
Non-instructional programs	-	-	-	-	-	17,284	4,003	18,622	10,454	9,916
Capital outlay	7,080,219	3,431,794	335,476	433,151	1,185,973	300,271	569,187	403,082	247,769	65,016
Long-term debt:										
Principal	630,335	710,219	2,515,054	823,934	565,000	530,000	505,000	475,000	3,925,044	485,897
Interest and fiscal charges	564,991	478,801	123,283	184,947	176,062	190,197	218,470	244,487	482,457	511,087
Other expenditures:										
AEA flow-through	615,864	650,139	646,097	589,657	559,637	543,026	511,003	497,832	489,209	512,703
Total	\$ 25,238,918	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, 2012

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 12	64,402
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	360,246 *
			<u>424,648</u>
TEAM NUTRITION GRANTS	10.574	FY 12	<u>146</u>
U.S. DEPARTMENT OF JUSTICE:			
IOWA JUVENILE COURT SERVICE:			
JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO STATES	16.540	FY 12	<u>17,433</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-G	<u>202,831</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	7,242
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	<u>19,038</u>
			<u>26,280</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 12	<u>51,850</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI)	84.369	FY 12	<u>10,875</u>
EDUCATION JOB FUNDS	84.410	FY 12	<u>4,617</u>
PRAIRIE LAKES AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)			
	84.027	FY 12	<u>86,391</u>
ENGLISH LANGUAGE ACQUISITION GRANTS(TITLE III)	84.365	FY 12	<u>3,773</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH			
PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT			
HEALTH PROBLEMS			
	93.938	FY 12	<u>110</u>
TOTAL			<u>\$ 828,954</u>

* Includes \$20,950 of non-cash awards

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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2013. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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 item II-A-12 to be material weakness.

A significant deficiency is a deficiency, or a 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-12 to be significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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.

March 13, 2013

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 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 the compliance of Webster City Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that 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, 2012. 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 to each of its major federal programs for the year ended June 30, 2012.

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.

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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 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-12 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 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2013

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a 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 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
- (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, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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-12 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted purchase orders for the Student Activity Fund were being completed after the product had been ordered.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - We will require all purchase orders to be completed prior to ordering any goods or services.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-12 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-12 Certified Budget - For the year ended June 30, 2012, District expenditures in the other expenditures functional area and the budget in total exceeded budgeted amounts.

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

Response -In the future, the District will amend the budget in accordance with Chapter 24.9 of the Code of Iowa before the budgeted amounts are exceeded.

Conclusion - Response accepted.

IV-B-12 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-12 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-12 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported was understated by 1.98 students.

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

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

Conclusion - Response accepted.

IV-H-12 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-12 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, stocks 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-12 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-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-12 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, 2012, 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 2012 audit:

Beginning Balance		\$	657,272
Revenues:			
Sales tax revenues	\$	1,194,941	
Other local revenues		126	1,195,067
			<u>1,852,339</u>
Expenditures/Transfers out:			
School infrastructure construction	\$	148,510	
Equipment		65,488	
Other		13,699	
Transfers to other funds:			
Debt service fund		1,179,775	1,407,472
			<u>1,407,472</u>
Ending balance		\$	<u>444,867</u>

For the year ended June 30, 2012, 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	\$ 2.67033	\$ 1,062,200

IV-M-12 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, 2012, 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-12 Signing of Contracts - We noted during our audit that a contract for a hypnotist for prom was not signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District needs to have the Board president sign all contracts the District enters into to be in compliance with 291.1 of the Code of Iowa.

Response - We will have the board President to sign all contracts.

Conclusion - Response accepted.

IV-O-12 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.

Instructional Items Purchased: We noted during our audit that the District purchased items from the Student Activity Fund that would appear instructional in nature from the PTO accounts for the 5th through 7th grades.

Recommendation - It would appear that the items purchased from the PTO accounts would be more instructional in nature and not allowed from the Student Activity Fund. Expenses intended for instructional items are more appropriately handled in the General Fund. The District should abstain from purchasing instructional items from the Student Activity Fund. The District could choose to transfer the remaining monies in the PTO accounts to the General Fund and consider the amounts as an assigned fund balance.

Response - We have set up an assigned fund balance account in the General Fund for instructional purchases made with PTO funds.

Conclusion - Response accepted.

Box Tops Donations: Donations given to the District should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Currently, the District records Box Top donations in the Student Activity Fund.

Recommendation - Since the items listed for purchase with Box Top donations appear more instructional in nature, the most logical place to record these donations would be the General Fund.

Response - We will deposit all Box Tops for Education donations received in the General Fund.

Conclusion - Response accepted.