

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

JUNE 30, 2014

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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 2013 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
(After September 2013 Election)		
Pamela Hayes	President	2017
Dan Ryherd	Vice President	2015
Beth Van Diest	Board Member	2015
Julie Jaycox	Board Member	2015
Michelle Zahn	Board Member	2017
School Officials		
Michael Sherwood	Superintendent	2014
Cathi Hildebrand	Business Manager/District Secretary and Treasurer	2014
Ahlers & Cooney P.C.	Attorney	2014

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Webster City Community School District at June 30, 2014, 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan, the Schedule of Funding Progress for the Supplemental Pension Plan and the combining statements for the discretely presented component unit on pages 7 through 16 and 44 through 49 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for three years ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applies in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2015, 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2015
Newton, Iowa

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,431,501 in fiscal 2013 to \$17,318,535 in fiscal 2014, while General Fund expenditures increased from \$16,798,384 in fiscal 2013 to \$17,700,223 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$345,139 at June 30, 2013 to a deficit balance of \$36,549 at June 30, 2014, a 110.59% decrease from the prior year.
- The increase in General Fund revenues is attributable in part to an increase in local tax and federal source revenues in fiscal 2014. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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, Schedule of Funding Progress for the Supplemental Pension 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.

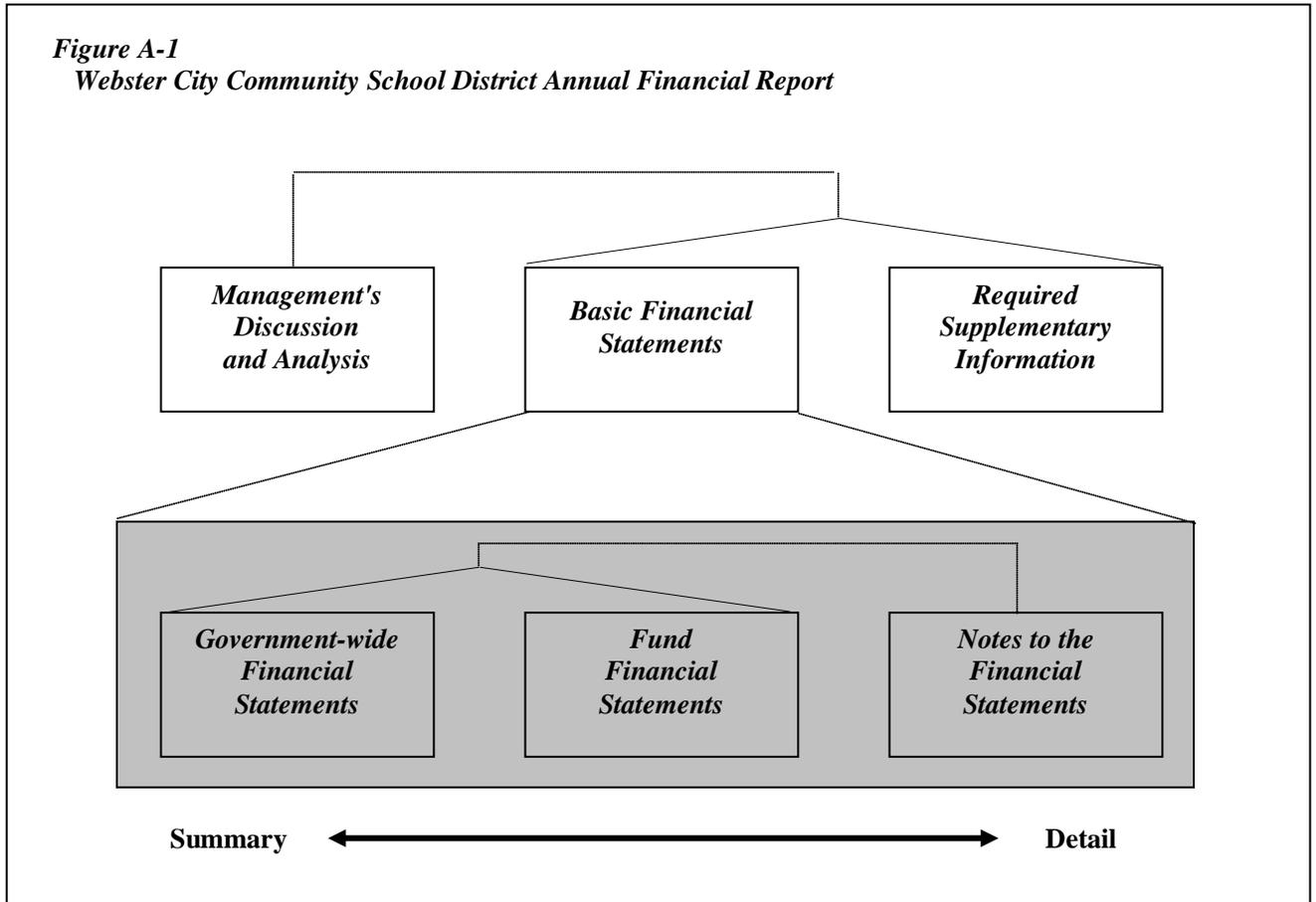


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 and building trades	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • 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 Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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 Position includes all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District’s net position and how they have changed. Net position is one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net position is 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 three 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 two Enterprise Funds, the School Nutrition and the Building Trades Funds. The District's Internal Service Fund, one type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's flex benefits plan.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 9,877,108	12,689,444	25,951	168,664	9,903,059	12,858,108	-22.98%
Capital assets	24,478,267	23,179,999	47,950	60,175	24,526,217	23,240,174	5.53%
Total assets	34,355,375	35,869,443	73,901	228,839	34,429,276	36,098,282	-4.62%
Long-term obligations	16,056,367	16,566,340	30,250	25,033	16,086,617	16,591,373	-3.04%
Other liabilities	2,153,460	2,512,647	64,783	200,757	2,218,243	2,713,404	-18.25%
Total liabilities	18,209,827	19,078,987	95,033	225,790	18,304,860	19,304,777	-5.18%
Deferred inflows of resources	5,925,109	5,944,206	-	-	5,925,109	5,944,206	-0.32%
Net position:							
Net investment in capital assets	9,303,267	9,886,325	47,950	60,175	9,351,217	9,946,500	-5.98%
Restricted	1,463,978	1,043,595	-	-	1,463,978	1,043,595	40.28%
Unrestricted	(546,806)	(83,670)	(69,082)	(57,126)	(615,888)	(140,796)	-337.43%
Total net position	\$ 10,220,439	10,846,250	(21,132)	3,049	10,199,307	10,849,299	-5.99%

The District's total net position decreased by 5.99%, or \$649,992, from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 40.28%, or \$420,383, from the prior year. The increase in restricted net position can be attributed to the increase in restricted fund balances for the Management Levy Fund and Student Activity Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$475,092, or 337.43%. The decrease in General Fund balance was the main factor in the decrease in unrestricted net position.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 1,552,058	1,486,662	538,848	361,769	2,090,906	1,848,431	13.12%
Operating grants, contributions and restricted interest	1,916,008	1,830,356	492,543	470,512	2,408,551	2,300,868	4.68%
Capital grants, contributions and restricted interest	12,930	11,175	-	-	12,930	11,175	15.70%
General revenues:							
Property tax	5,970,027	5,711,888	-	-	5,970,027	5,711,888	4.52%
Income surtax	559,897	363,898	-	-	559,897	363,898	53.86%
Statewide sales, services and use tax	1,376,775	1,319,107	-	-	1,376,775	1,319,107	4.37%
Unrestricted state grants	8,470,595	8,095,977	-	-	8,470,595	8,095,977	4.63%
Unrestricted investment earnings	1,080	705	16	24	1,096	729	50.34%
Gain on sale of capital assets	-	-	1,511	-	1,511	-	100.00%
Other	129,928	112,751	593	4,245	130,521	116,996	11.56%
Total revenues	19,989,298	18,932,519	1,033,511	836,550	21,022,809	19,769,069	6.34%
Program expenses:							
Instructional	12,109,523	11,606,970	-	-	12,109,523	11,606,970	4.33%
Support services	6,929,902	6,199,651	38,582	38,460	6,968,484	6,238,111	11.71%
Long-term debt interest	575,325	553,069	-	-	575,325	553,069	4.02%
Non-instructional programs	-	-	1,020,410	888,761	1,020,410	888,761	14.81%
Other expenses	999,059	1,161,156	-	-	999,059	1,161,156	-13.96%
Total expenses	20,613,809	19,520,846	1,058,992	927,221	21,672,801	20,448,067	5.99%
Deficiency of revenues under expenses	(624,511)	(588,327)	(25,481)	(90,671)	(649,992)	(678,998)	-4.27%
Transfers	(1,300)	(27,700)	1,300	27,700	-	-	0.00%
Change in net position	(625,811)	(616,027)	(24,181)	(62,971)	(649,992)	(678,998)	-4.27%
Net position beginning of year	10,846,250	11,462,277	3,049	66,020	10,849,299	11,528,297	-5.89%
Net position end of year	\$ 10,220,439	10,846,250	(21,132)	3,049	10,199,307	10,849,299	-5.99%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 81.93% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.79% of the revenue from business type activities.

The District's total revenues were approximately \$21.02 million of which approximately \$19.99 million was for governmental activities and approximately \$1.03 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.34% increase in revenues and a 5.99% increase in expenses. Property tax revenues increased \$258,139 to help fund the increase in expenses. The increase in expenses is partly attributable to an increase in negotiated salaries and benefits paid to District employees during the year.

Governmental Activities

Revenues for governmental activities were \$19,989,298 and expenses were \$20,613,809 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, long-term debt interest and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 12,109,523	11,606,970	4.33%	9,334,949	8,991,728	3.82%
Support services	6,929,902	6,199,651	11.78%	6,882,453	6,113,381	12.58%
Long-term debt interest	575,325	553,069	4.02%	575,325	553,069	4.02%
Other expenses	999,059	1,161,156	-13.96%	340,086	534,475	-36.37%
Totals	\$ 20,613,809	19,520,846	5.60%	17,132,813	16,192,653	5.81%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,552,058.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,928,938.
- The net cost of governmental activities was financed with \$5,970,027 in property tax, \$559,897 in income surtax, \$1,376,775 in statewide sales, services and use tax, \$8,470,595 in unrestricted state grants, \$1,080 in unrestricted investment earnings and \$128,628 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$1,033,511 and expenses were \$1,058,992. The District's business type activities are the School Nutrition Fund and the Building Trades Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, unrestricted investment earnings capital contributions from other funds and other general revenues.

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 \$1,365,240, below last year's ending fund balances of \$3,838,738. The primary reason for the decrease in combined fund balances is due to the decrease in fund balances of the General Fund and the Capital Projects accounts.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in property tax revenues attributed to an increase in revenues. The increase in negotiated salaries and benefits paid to District employees is one of the reasons for the increase in expenditures. The net result was a decrease in fund balance from \$345,139 at June 30, 2013 to a deficit fund balance of \$36,549 at June 30, 2014.
- The Capital Projects Fund balance decreased from \$3,178,511 at June 30, 2013 to \$982,375 at June 30, 2014 because of costs associated with the construction of a new gymnasium. At June 30, 2014, the Statewide Sales Services and Use Tax Fund had an ending fund balance of \$768,320 compared to \$2,723,022 at June 30, 2013. The Construction Projects Fund decreased from a fund balance of \$332,242 at June 30, 2013, compared to \$46,528 at June 30, 2014. The decrease is due to elementary and high school renovations being completed in fiscal year 2014. The Physical Plant and Equipment Levy Fund had an ending fund balance at June 30, 2014 of \$167,527 compared to \$123,247 at June 30, 2013. The increase can be attributed to an increase in local tax revenues in fiscal year 2014.

Proprietary Fund Highlights

As of the year ended June 30, 2014, the School Nutrition Fund experienced an increase in revenues from \$864,250 in fiscal 2013 to \$885,808 in fiscal 2014, a 2.49% increase. Expenses decreased from \$927,221 in fiscal 2013 to \$909,989 in fiscal 2014, a 1.86% decrease. The Building Trades Fund net position remained at \$3,964. During the year, the student constructed house was sold and the loan repaid to the Physical Plant and Equipment Levy Fund. Overall, net position for the District's two proprietary funds, decreased from \$3,049 at June 30, 2013 to a deficit \$21,132 at June 30, 2014, representing a decrease of 793.08%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$451,645 more than budgeted revenues, a variance of 2.20%. The most significant variances resulted from the District receiving more from state sources than originally anticipated.

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 instruction, support services, non-instructional programs functional areas and total expenditures exceeded the budgeted amounts at year-end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$24,526,217, 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 5.53% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$806,862.

The original cost of the District's capital assets was \$35,596,743. Governmental funds account for \$35,349,082 with the remainder of \$247,661 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 \$84,969 at June 30, 2013 compared to \$0 at June 30, 2014. This decrease is due to the completion of construction of elementary and high school renovations.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 590,000	590,000	-	-	590,000	590,000	0.00%
Construction in progress	-	84,969	-	-	-	84,969	-100.00%
Buildings	21,666,946	20,261,060	-	-	21,666,946	20,261,060	6.94%
Land improvements	1,088,168	847,721	-	-	1,088,168	847,721	28.36%
Machinery and equipment	1,133,153	1,396,249	47,950	60,175	1,181,103	1,456,424	-18.90%
Total	\$ 24,478,267	23,179,999	47,950	60,175	24,526,217	23,240,174	5.53%

Long-Term Debt

At June 30, 2014, the District had \$16,086,617 in total long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- The District had total General Obligation Bonds payable of \$12,845,000 at June 30, 2014.
- The District had total Revenue Bonds payable of \$2,330,000 at June 30, 2014.
- The District had \$154,882 in compensated absences payable from the General Fund and \$1,582 payable from the Nutrition Fund at June 30, 2014.
- The District has a net OPEB liability of \$638,040 in the governmental activities and \$28,668 in the business type activities at June 30, 2014.
- The District had a net supplemental pension plan liability of \$88,445 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 12,845,000	13,390,000	-	-	12,845,000	13,390,000	-4.07%
Revenue bonds	2,330,000	2,450,963	-	-	2,330,000	2,450,963	-4.94%
Compensated absences	154,882	153,187	1,582	1,085	156,464	154,272	1.42%
Net pension liability	88,445	39,212	-	-	88,445	39,212	125.56%
Net OPEB liability	638,040	532,978	28,668	23,948	666,708	556,926	19.71%
Total	\$ 16,056,367	16,566,340	30,250	25,033	16,086,617	16,591,373	-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:

- District enrollment continues to decline. 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.
- The District will continue the partial-day sharing agreement with Northeast-Hamilton CSD through fiscal year 2015. Beginning in fiscal year 2016, we will enter into a full day sharing agreement with Northeast Hamilton CSD for grades 7 thru 12.
- The District has sharing agreements with three districts to share our Transportation Director, Business Manager, Technology, Media Center Specialist, Band Instructor, Guidance Counselor, and in fiscal 2015, we will begin to share our Superintendent with Northeast Hamilton CSD. These sharing agreements will generate approximately \$115,000 in additional revenues for fiscal 2016.

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/Treasurer, Webster City Community School District, 825 Beach Street, Webster City, Iowa 50595.

BASIC FINANCIAL STATEMENTS

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			** Component Unit
	Governmental Activities	Business Type Activities	Total	Webster City Community School Foundation
ASSETS				
Cash and pooled investments	\$ 2,514,847	3,964	2,518,811	1,252,075
Receivables:				
Property tax:				
Delinquent	50,162	-	50,162	-
Succeeding year	5,925,109	-	5,925,109	-
Income surtax	444,847	-	444,847	-
Interest	90	1	91	-
Accounts	12,771	3,572	16,343	-
Due from other governments	892,495	14,565	907,060	-
Inventories	-	3,849	3,849	-
Bond discounts and bond issue costs	36,787	-	36,787	-
Capital assets, net of accumulated depreciation	24,478,267	47,950	24,526,217	216,000
TOTAL ASSETS	34,355,375	73,901	34,429,276	1,468,075
LIABILITIES				
Excess warrants issued over bank balance	-	8,777	8,777	-
Accounts payable	317,570	911	318,481	3,370
Salaries and benefits payable	1,766,294	45,280	1,811,574	-
Accrued interest payable	69,596	-	69,596	-
Unearned revenue	-	9,815	9,815	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	555,000	-	555,000	-
Revenue bonds payable	105,000	-	105,000	-
Compensated absences	154,882	1,582	156,464	-
Portion due after one year:				
General obligation bonds payable	12,290,000	-	12,290,000	-
Revenue bonds payable	2,225,000	-	2,225,000	-
Net pension liability	88,445	-	88,445	-
Net OPEB liability	638,040	28,668	666,708	-
TOTAL LIABILITIES	18,209,827	95,033	18,304,860	3,370
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	5,925,109	-	5,925,109	-
NET POSITION				
Net investment in capital assets	9,303,267	47,950	9,351,217	216,000
Restricted for:				
Categorical funding	131,785	-	131,785	-
Debt service	241,867	-	241,867	-
Management levy purposes	127,010	-	127,010	-
Student activities	159,879	-	159,879	-
School infrastructure	635,910	-	635,910	-
Physical plant and equipment levy	167,527	-	167,527	-
Unrestricted	(546,806)	(69,082)	(615,888)	1,248,705
TOTAL NET POSITION	\$ 10,220,439	(21,132)	10,199,307	1,464,705

** Information for the Webster Community School Foundation is for year ended December 31, 2013.

SEE NOTES TO FINANCIAL STATEMENTS.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			** 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		Total	
					Governmental Activities	Business type Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 6,899,406	846,798	92,620	-	(5,959,988)	-	(5,959,988)	-
Special	2,692,979	221,800	395,508	-	(2,075,671)	-	(2,075,671)	-
Other	2,517,138	482,671	735,177	-	(1,299,290)	-	(1,299,290)	-
	<u>12,109,523</u>	<u>1,551,269</u>	<u>1,223,305</u>	<u>-</u>	<u>(9,334,949)</u>	<u>-</u>	<u>(9,334,949)</u>	<u>-</u>
Support services:								
Student	681,824	-	18,130	-	(663,694)	-	(663,694)	-
Instructional staff	1,483,046	262	15,600	-	(1,467,184)	-	(1,467,184)	-
Administration	1,949,599	-	-	-	(1,949,599)	-	(1,949,599)	-
Operation and maintenance of plant	2,199,855	-	-	12,930	(2,186,925)	-	(2,186,925)	-
Transportation	615,578	527	-	-	(615,051)	-	(615,051)	-
	<u>6,929,902</u>	<u>789</u>	<u>33,730</u>	<u>12,930</u>	<u>(6,882,453)</u>	<u>-</u>	<u>(6,882,453)</u>	<u>-</u>
Long-term debt interest	575,325	-	-	-	(575,325)	-	(575,325)	-
Other expenses:								
AEA flowthrough	658,973	-	658,973	-	-	-	-	-
Depreciation(unallocated)*	340,086	-	-	-	(340,086)	-	(340,086)	-
	<u>999,059</u>	<u>-</u>	<u>658,973</u>	<u>-</u>	<u>(340,086)</u>	<u>-</u>	<u>(340,086)</u>	<u>-</u>
Total governmental activities	<u>20,613,809</u>	<u>1,552,058</u>	<u>1,916,008</u>	<u>12,930</u>	<u>(17,132,813)</u>	<u>-</u>	<u>(17,132,813)</u>	<u>-</u>
Business type activities:								
Support services:								
Administration	38,413	-	-	-	-	(38,413)	(38,413)	-
Operation and maintenance of plant	169	-	-	-	-	(169)	(169)	-
Total support services	<u>38,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,582)</u>	<u>(38,582)</u>	<u>-</u>
Non-instructional programs:								
Food service operations	868,118	386,556	492,543	-	-	10,981	10,981	-
Building trades	152,292	152,292	-	-	-	-	-	-
Total non-instructional programs	<u>1,020,410</u>	<u>538,848</u>	<u>492,543</u>	<u>-</u>	<u>-</u>	<u>10,981</u>	<u>10,981</u>	<u>-</u>
Total business type activities	<u>1,058,992</u>	<u>538,848</u>	<u>492,543</u>	<u>-</u>	<u>-</u>	<u>(27,601)</u>	<u>(27,601)</u>	<u>-</u>
Total primary government	<u>\$ 21,672,801</u>	<u>2,090,906</u>	<u>2,408,551</u>	<u>12,930</u>	<u>(17,132,813)</u>	<u>(27,601)</u>	<u>(17,160,414)</u>	<u>-</u>
Total component unit	<u>\$ 140,869</u>	<u>26,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,747)</u>
General Revenues & Transfers:								
Property tax levied for:								
General purposes					\$ 5,544,528	-	5,544,528	-
Capital outlay					425,499	-	425,499	-
Income surtax					559,897	-	559,897	-
Statewide sales, services and use tax					1,376,775	-	1,376,775	-
Unrestricted state grants					8,470,595	-	8,470,595	-
Unrestricted investment earnings					1,080	16	1,096	56,356
Gain on sale of capital assets					-	1,511	1,511	-
Other general revenues					129,928	593	130,521	-
Realized gain on investments					-	-	-	58,010
Unrealized gain on investments					-	-	-	(35,394)
Transfers					(1,300)	1,300	-	-
Total general revenues and transfers					<u>16,507,002</u>	<u>3,420</u>	<u>16,510,422</u>	<u>78,972</u>
Change in net position					<u>(625,811)</u>	<u>(24,181)</u>	<u>(649,992)</u>	<u>(35,775)</u>
Net position beginning of year					<u>10,846,250</u>	<u>3,049</u>	<u>10,849,299</u>	<u>1,500,480</u>
Net position end of year					<u>\$ 10,220,439</u>	<u>(21,132)</u>	<u>10,199,307</u>	<u>1,464,705</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, 2013.

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,582,831	494,295	416,460	2,493,586
Receivables:				
Property tax:				
Delinquent	43,854	3,524	2,784	50,162
Succeeding year	5,279,297	420,812	225,000	5,925,109
Income surtax	444,847	-	-	444,847
Interest	49	22	19	90
Accounts	7,488	-	5,283	12,771
Due from other governments	381,017	511,478	-	892,495
TOTAL ASSETS	\$ 7,739,383	1,430,131	649,546	9,819,060
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 285,494	26,944	5,132	317,570
Salaries and benefits payable	1,766,294	-	-	1,766,294
Total liabilities	2,051,788	26,944	5,132	2,083,864
Deferred inflows of resources:				
Unavailable resources:				
Succeeding year property tax	5,279,297	420,812	225,000	5,925,109
Income surtax	444,847	-	-	444,847
Total deferred inflows of resources	5,724,144	420,812	225,000	6,369,956
Fund balances:				
Restricted for:				
Categorical funding	131,785	-	-	131,785
Debt service	-	178,938	132,525	311,463
Management levy purposes	-	-	127,010	127,010
Student activities	-	-	159,879	159,879
School infrastructure	-	635,910	-	635,910
Physical plant and equipment	-	167,527	-	167,527
Unassigned	(168,334)	-	-	(168,334)
Total fund balances	(36,549)	982,375	419,414	1,365,240
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,739,383	1,430,131	649,546	9,819,060

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 1,365,240
 <i>Amounts reported for governmental activities in theStatement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	24,478,267
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	21,261
Bond issue costs are reported as an asset in the statement of net position and are amortized over the life of the bonds.	36,787
Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.	444,847
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.	(69,596)
Long-term liabilities, including bonds payable, pension benefits payable, compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(16,056,367)</u>
Net position of governmental activities(page 18)	<u><u>\$ 10,220,439</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 5,727,550	425,499	330,692	6,483,741
Tuition	940,583	-	-	940,583
Other	322,480	13,235	491,789	827,504
Intermediate sources	262	-	-	262
State sources	9,520,423	1,376,996	173	10,897,592
Federal sources	793,433	-	-	793,433
TOTAL REVENUES	17,304,731	1,815,730	822,654	19,943,115
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,578,914	13,295	166,389	6,758,598
Special	2,682,165	-	-	2,682,165
Other	2,031,001	-	457,965	2,488,966
	11,292,080	13,295	624,354	11,929,729
Support services:				
Student	672,724	-	-	672,724
Instructional staff	1,306,139	-	-	1,306,139
Administration	1,840,012	75,199	6,402	1,921,613
Operation and maintenance of plant	1,341,681	156,360	90,018	1,588,059
Transportation	588,614	631	17,730	606,975
	5,749,170	232,190	114,150	6,095,510
Capital outlay	-	2,520,251	-	2,520,251
Long-term debt:				
Principal	-	-	665,963	665,963
Interest and fiscal charges	-	-	559,991	559,991
	-	-	1,225,954	1,225,954
Other expenditures:				
AEA flowthrough	658,973	-	-	658,973
TOTAL EXPENDITURES	17,700,223	2,765,736	1,964,458	22,430,417
Deficiency of revenues under expenditures	(395,492)	(950,006)	(1,141,804)	(2,487,302)
Other financing sources(uses):				
Transfer in	-	-	1,246,130	1,246,130
Transfer out	-	(1,246,130)	-	(1,246,130)
Insurance proceeds	11,504	-	-	11,504
Sale of equipment	2,300	-	-	2,300
Total other financing sources(uses)	13,804	(1,246,130)	1,246,130	13,804
Change in fund balances	(381,688)	(2,196,136)	104,326	(2,473,498)
Fund balances beginning of year	345,139	3,178,511	315,088	3,838,738
Fund balances end of year	\$ (36,549)	982,375	419,414	1,365,240

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, 2014

Change in fund balances - total governmental funds(page 22) \$ (2,473,498)

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

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

Capital outlay	\$ 2,094,894	
Depreciation expense	<u>(796,626)</u>	1,298,268

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. 8,596

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows. 665,963

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. (13,034)

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 46,183

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

Pension benefits	(49,233)	
Compensated absences	(1,694)	
Other postemployment benefits	<u>(105,062)</u>	<u>(155,989)</u>

Change in net position of governmental activities(page 19) \$ (625,811)

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Building Trades	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and pooled investments	\$ -	3,964	3,964	21,261
Receivables:				
Interest	1	-	1	-
Accounts	3,572	-	3,572	-
Due from other governments	14,565	-	14,565	-
Inventories	3,849	-	3,849	-
Total current assets	21,987	3,964	25,951	21,261
Non-current assets:				
Machinery and equipment, net of accumulated depreciation	47,950	-	47,950	-
Total non-current assets	47,950	-	47,950	-
TOTAL ASSETS	69,937	3,964	73,901	21,261
LIABILITIES				
Current liabilities:				
Excess warrants issued over bank balance	8,777	-	8,777	-
Accounts payable	911	-	911	-
Salaries and benefits payable	45,280	-	45,280	-
Unearned revenue	9,815	-	9,815	-
Total current liabilities	64,783	-	64,783	-
Non-current liabilities				
Compensated absences	1,582	-	1,582	-
Net OPEB liability	28,668	-	28,668	-
Total non-current liabilities	30,250	-	30,250	-
TOTAL LIABILITIES	95,033	-	95,033	-
NET POSITION				
Net investment in capital assets	47,950	-	47,950	-
Unrestricted	(73,046)	3,964	(69,082)	21,261
TOTAL NET POSITION	\$ (25,096)	3,964	(21,132)	21,261

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Building Trades	Total	
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 386,556	152,292	538,848	-
Donations	1,800	-	1,800	-
Miscellaneous	593	-	593	53,206
TOTAL OPERATING REVENUES	388,949	152,292	541,241	53,206
OPERATING EXPENSES:				
Support services:				
Administration:				
Salaries	30,489	-	30,489	-
Benefits	5,129	-	5,129	-
Services	1,052	-	1,052	-
Supplies	588	-	588	-
Other	1,155	-	1,155	-
	38,413	-	38,413	-
Operation and maintenance of plant:				
Services	169	-	169	-
Total support services	38,582	-	38,582	-
Non-instructional programs:				
Food service operations:				
Salaries	272,807	-	272,807	-
Benefits	133,077	-	133,077	-
Services	7,210	-	7,210	-
Supplies	444,214	-	444,214	-
Depreciation	10,236	-	10,236	-
Other	574	-	574	-
	868,118	-	868,118	-
Other enterprise operations:				
Benefits	-	-	-	44,619
Other	-	152,292	152,292	-
Total non-instructional programs	868,118	152,292	1,020,410	44,619
TOTAL OPERATING EXPENSES	906,700	152,292	1,058,992	44,619
OPERATING INCOME(LOSS)	(517,751)	-	(517,751)	8,587
NON-OPERATING REVENUES(EXPENSES):				
Loss on capital asset disposal	(3,289)	-	(3,289)	-
Sale of capital assets	4,800	-	4,800	-
State sources	6,235	-	6,235	-
Federal sources	484,508	-	484,508	-
Interest income	16	-	16	9
TOTAL NON-OPERATING REVENUES(EXPENSES)	492,270	-	492,270	9
Change in net position before other financing sources	(25,481)	-	(25,481)	8,596
Other financing sources:				
Capital contributions	1,300	-	1,300	-
Change in net position	(24,181)	-	(24,181)	8,596
Net position beginning of year	(915)	3,964	3,049	12,665
Net position end of year	\$ (25,096)	3,964	(21,132)	21,261

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Building Trades	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 384,213	-	384,213	-
Cash received from sale of building trades house	-	152,292	152,292	-
Cash received from miscellaneous operating activities	593	-	593	53,206
Cash payments to employees for services	(426,006)	-	(426,006)	(44,619)
Cash payments to suppliers for goods or services	(431,177)	-	(431,177)	-
Net cash provided by(used in) operating activities	(472,377)	152,292	(320,085)	8,587
Cash flows from non-capital financing activities:				
Repayment of loan from Building Trades Fund to School Nutrition Fund	(3,930)	3,930	-	-
Repayment of loan from Capital Projects: Physical Plant and Equipment Levy Fund	-	(152,292)	(152,292)	-
State grants received	6,235	-	6,235	-
Federal grants received	456,479	-	456,479	-
Net cash provided by(used in) non-capital financing activities	458,784	(148,362)	310,422	-
Cash flows from capital and related financing activities:				
Sale of capital assets	4,800	-	4,800	-
Cash flows from investing activities:				
Interest on investments	16	-	16	9
Net increase(decrease) in cash and cash equivalents	(8,777)	3,930	(4,847)	8,596
Cash and cash equivalents beginning of year	-	34	34	12,665
Cash and cash equivalents end of year	\$ (8,777)	3,964	(4,813)	21,261
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:				
Operating income(loss)	\$ (517,751)	-	(517,751)	8,587
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:				
Commodities consumed	26,759	-	26,759	-
Depreciation	10,236	-	10,236	-
Decrease(Increase) in inventories	(1,422)	152,292	150,870	-
Increase in accounts receivable	(2,957)	-	(2,957)	-
Decrease in accounts payable	(1,552)	-	(1,552)	-
Increase in salaries and benefits payable	10,279	-	10,279	-
Increase in accrued compensated absences	497	-	497	-
Decrease in unearned revenue	(1,186)	-	(1,186)	-
Increase in other postemployment benefits	4,720	-	4,720	-
Net cash provided by(used in) operating activities	\$ (472,377)	152,292	(320,085)	8,587

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$26,759.

During the year ended June 30, 2014, the School Nutrition Fund received \$1,300 in capital contributions from the Capital Projects: Statewide Sales, Services, and Use Tax Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 2,786,523</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u><u>\$ 2,786,523</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 40,152
Contributions	141,561
Total additions	181,713
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	3,270
Support services:	
Student	64,464
Total deductions	67,734
Change in net position	113,979
Net position beginning of year	2,672,544
Net position end of year	\$ 2,786,523

SEE NOTES TO FINANCIAL STATEMENTS.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 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 Position 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 Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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.

Restricted net position result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources 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 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 position and changes in net position:

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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

Due from Other Governments - Due from other governments represents 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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Unearned 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 Position 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, 2014. 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 Position.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. For the year ended June 30, 2014, District expenditures in the instruction, support services, and non-instructional programs functional area and in total exceeded budgeted amounts.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$1,728,074 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, 2014. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2014, 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 Squibb	2,000	\$ 97,020
Exxon	4,000	402,720
Nextera Energy Inc.	1,000	102,480
Integritys Energy Group	549	39,050
Teco Energy	1,600	29,568
Excel Energy	2,800	90,244
Total	11,949	\$ 761,082

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	\$ 394,066

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.

Note 3. Interfund Transfers

The detail of transfers for the year ended June 30, 2014 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	1,235,166
Total		<u>\$ 1,246,130</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 to pay principal and interest on the District's July 2007 revenue bond indebtedness and to pay principal and interest on the District's general obligation bond indebtedness.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 261,429	1,300	15,068	247,661
Less accumulated depreciation	201,254	10,236	11,779	199,711
Business type activities capital assets, net	<u>\$ 60,175</u>	<u>(8,936)</u>	<u>3,289</u>	<u>47,950</u>

	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	84,969	1,860,396	1,945,365	-
Total capital assets not being depreciated	674,969	1,860,396	1,945,365	590,000
Capital assets being depreciated:				
Buildings	27,116,559	1,678,949	-	28,795,508
Land improvements	1,123,197	301,678	-	1,424,875
Machinery and equipment	4,465,724	199,236	126,261	4,538,699
Total capital assets being depreciated	32,705,480	2,179,863	126,261	34,759,082
Less accumulated depreciation for:				
Buildings	6,855,499	273,063	-	7,128,562
Land improvements	275,476	61,231	-	336,707
Machinery and equipment	3,069,475	462,332	126,261	3,405,546
Total accumulated depreciation	10,200,450	796,626	126,261	10,870,815
Total capital assets being depreciated, net	22,505,030	1,383,237	-	23,888,267
Governmental activities capital assets, net	\$ 23,179,999	3,243,633	1,945,365	24,478,267

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 143,287
Other				15,757
Support services:				
Instructional staff				126,938
Administration				905
Operation and maintenance of plant				44,548
Transportation				125,105
				456,540
Unallocated depreciation				340,086
Total governmental activities depreciation expense				\$ 796,626
Business type activities:				
Food service operations				\$ 10,236

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,390,000	-	545,000	12,845,000	555,000
Revenue bonds	2,450,963	-	120,963	2,330,000	105,000
Compensated absences	153,187	154,882	153,187	154,882	154,882
Net pension liability	39,212	94,791	45,558	88,445	-
Net OPEB liability	532,978	105,062	-	638,040	-
Total	\$ 16,566,340	354,735	864,708	16,056,367	814,882
Business type activities:					
Compensated absences	\$ 1,085	1,582	1,085	1,582	1,582
Net OPEB liability	23,948	4,720	-	28,668	-
Total	\$ 25,033	6,302	1,085	30,250	1,582

General Obligation Bonds Payable

Details of the District's June 30, 2014 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
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	3.00	105,000	100,819	3.50	85,000	56,367
2019	3.00	125,000	97,669	3.75	90,000	53,387
2020-2024	3.00-3.55	595,000	430,349	3.75-4.00	490,000	213,161
2025-2029	3.75-4.00	640,000	330,920	4.13-4.38	590,000	105,506
2030-2031	4.13-4.25	1,175,000	92,219	4.38	130,000	5,686
		<u>\$ 2,940,000</u>	<u>1,366,790</u>		<u>\$ 1,630,000</u>	<u>619,319</u>

Year Ending June 30,	Bond Issue of June 2010			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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	4.00	425,000	292,844	615,000	450,030	1,065,030
2019	4.00	425,000	275,844	640,000	426,900	1,066,900
2020-2024	4.00	2,475,000	1,108,220	3,560,000	1,751,730	5,311,730
2025-2029	4.00-4.38	3,100,000	549,282	4,330,000	985,708	5,315,708
2030-2031	4.38	675,000	29,531	1,980,000	127,436	2,107,436
		<u>\$ 8,275,000</u>	<u>3,221,501</u>	<u>\$ 12,845,000</u>	<u>5,207,610</u>	<u>18,052,610</u>

Revenue Bonds Payable

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 2007			Bond Issue of May 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	4.75%	\$ 105,000	2,494	2.25%	\$ -	50,063	\$ 105,000	52,557	157,557
2016	-	-	-	2.25	125,000	48,656	125,000	48,656	173,656
2017	-	-	-	2.25	130,000	45,788	130,000	45,788	175,788
2018	-	-	-	2.25	130,000	42,862	130,000	42,862	172,862
2019	-	-	-	2.25	135,000	39,881	135,000	39,881	174,881
2020-2024	-	-	-	2.25	720,000	151,875	720,000	151,875	871,875
2025-2029	-	-	-	2.25	810,000	66,037	810,000	66,037	876,037
2030	-	-	-	2.25	175,000	1,969	175,000	1,969	176,969
		<u>\$ 105,000</u>	<u>2,494</u>		<u>\$ 2,225,000</u>	<u>447,131</u>	<u>\$ 2,330,000</u>	<u>449,625</u>	<u>2,779,625</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,029,818 bonds issued in July of 2007 and in May 2013. 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 2030. 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 approximately 11% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,779,625. For the current year, \$120,963 of principal and \$40,558 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$1,376,775.

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

- a) \$178,938 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) A portion of the proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$966,302, \$893,453 and \$797,115 respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 197 active and 12 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 158,449
Interest on net OPEB obligation	13,923
Adjustment to annual required contribution	<u>(42,398)</u>
Annual OPEB cost	129,974
Amortization of unfunded actuarial accrued liability	<u>(20,192)</u>
Increase in net OPEB obligation	109,782
Net OPEB obligation - beginning of year	<u>556,926</u>
Net OPEB obligation - end of year	<u><u>\$ 666,708</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2014.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 128,383	10.04%	\$ 447,662
2013	131,442	16.87%	556,926
2014	129,974	15.54%	666,708

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$992,373, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$992,373. The covered payroll (annual payroll of active employees covered by the plan) was \$10,096,684 million, and the ratio of the UAAL to the covered payroll was 9.83%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the 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 For the Retiree Health Plan, 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, 2012 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.

Note 8. Supplemental Pension Plan

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures - an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2013.

Plan Description - The District offers a supplemental pension (early retirement incentive) for certified teaching staff and non-certified staff who attain age 55 with 15 or more years of service to the District, submit an application to the superintendent, receive Board approval and retire by June 30 of the same year.

There are 162 active members in the plan as of June 30, 2014. The pension benefit compensation is a one-time stipend payment based on the following per diem rates:

Years of Service	Days @ Per Diem
30 or more	75
26-29 years	68
22-25 years	60
18-21 years	45
16-17 years	30
15 years	15
Less than 15 years	0

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs 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 pension cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$	99,434
Interest on NPL obligation		980
Adjustment to annual required contribution		(5,623)
Increase in net pension obligation		94,791
Contributions made		(45,558)
Net pension obligation beginning of year		39,212
Net pension obligation end of year	\$	<u>88,445</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2012. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$56,029 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2014 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 95,241	58.83%	\$ 39,212
2014	99,434	45.82%	88,445

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$692,432 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$692,432 the covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,580,220 and the ratio of the UAAL to covered payroll was 8.07%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. 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 for the Supplemental Pension Plan, 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 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 benefits costs between employer and plan members to a 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 calculations.

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The salary increase rate was assumed to be 3% per year. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB liability.

Note 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, 2014 were \$1,951,382.

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.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$658,973 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, District expenditures in the instruction, support services and non-instructional programs functional areas and in total exceeded budgeted amounts.

Note 12. Categorical Funding

The District’s ending restricted balances for categorical funding at June 30, 2014 are comprised of the following programs:

<u>Programs</u>	<u>Amount</u>
Four-year-old preschool state aid	\$ 30,973
Beginning teacher mentoring and induction program	2,350
Nonpublic textbook services	50
Successful progression for early readers	16,514
Professional development	72,157
Teacher leadership grants	9,741
Total	<u>\$ 131,785</u>

Note 13. Operating Lease Commitment

The District entered into a five year contract to lease copiers and printers from Premier Office Equipment in July of 2012. The District’s annual payment for this lease is \$49,188.

Note 14. 28E Sharing Agreement

The District participates in a sharing agreement with Iowa Central Community College for the use of facilities. The agreement is for 10 years, pertaining to the use of approximately 6900 square feet of shared space located in the Science and Library Buildings on Iowa Central Community College campus in Webster City, Ia.

The following are the terms agreed upon by the District and the Iowa Central Community College concerning the use of facilities:

- The District shall pay \$5 per square foot, per year, payable in two equal installments. Payments are to be made before October 1st and February 1st of each year starting July 1, 2006 and ending on July 1, 2016.
- Iowa Central Community College shall pay all utilities for the term of the agreement and shall furnish all necessary maintenance, custodial services and snow removal for the facilities during the term of the agreement.
- The District, at its own cost, shall maintain fire and extended coverage insurance on the District’s personal property, furniture, fixtures, equipment and all of the District’s improvements to the facilities.
- The agreement may be terminated at any time by mutual agreement between the District and Iowa Central Community College. In the absence of a mutual agreement, either Iowa Central Community college or Webster City Community School District may terminate the agreement by giving 60 days written notice to the other party.

Note 15. Deficit Net Position

At June 30, 2014, the District had deficit unrestricted net position of \$73,046 and a deficit net position balance of \$25,096 in the Enterprise, School Nutrition Fund. The District also had a deficit unassigned fund balance of \$168,334 and a deficit fund balance of \$36,549 in the General Fund. The District had a deficit unrestricted net position of \$546,806 in the governmental activities.

Note 16. Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment In Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	311,463	(168,334)
Capital assets, net of accumulated depreciation	24,478,267	-	-
General obligation bond capitalized indebtedness	(12,845,000)	-	-
Revenue bond capitalized indebtedness	(2,330,000)	-	-
Internal service fund	-	-	21,261
Income surtax	-	-	444,847
Bond amortization asset	-	-	36,787
Compensated absences	-	-	(154,882)
Accrued interest payable	-	(69,596)	-
Net pension liability	-	-	(88,445)
Net OPEB liability	-	-	(638,040)
Net position (Exhibit A)	<u>\$ 9,303,267</u>	<u>241,867</u>	<u>(546,806)</u>

Note 17. Prospective Accounting Change

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

REQUIRED SUPPLEMENTARY INFORMATION

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, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 8,251,828	546,057	8,797,885	9,784,263	9,784,263	(986,378)
Intermediate sources	262	-	262	190,712	190,712	(190,450)
State sources	10,897,592	6,235	10,903,827	9,438,295	9,438,295	1,465,532
Federal sources	793,433	484,508	1,277,941	1,115,000	1,115,000	162,941
Total revenues	19,943,115	1,036,800	20,979,915	20,528,270	20,528,270	451,645
Expenditures/Expenses:						
Instruction	11,929,729	-	11,929,729	11,907,154	11,907,154	(22,575)
Support services	6,095,510	38,582	6,134,092	6,048,946	6,048,946	(85,146)
Non-instructional programs	-	1,023,699	1,023,699	851,193	851,193	(172,506)
Other expenditures	4,405,178	-	4,405,178	4,675,388	4,675,388	270,210
Total expenditures/expenses	22,430,417	1,062,281	23,492,698	23,482,681	23,482,681	(10,017)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(2,487,302)	(25,481)	(2,512,783)	(2,954,411)	(2,954,411)	441,628
Other financing sources, net	13,804	1,300	15,104	-	-	15,104
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(2,473,498)	(24,181)	(2,497,679)	(2,954,411)	(2,954,411)	456,732
Balances beginning of year	3,838,738	3,049	3,841,787	2,982,144	2,982,144	859,643
Balances end of year	\$ 1,365,240	(21,132)	1,344,108	27,733	27,733	1,316,375

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with 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, 2014, District expenditures in the instruction, support services and non-instructional programs functional areas and expenditures 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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2009	July 1, 2008	-	\$ 1,036,715	\$ 1,036,715	0.0%	\$ 8,015,000	12.93%
2010	July 1, 2008	-	993,425	993,425	0.0%	9,071,000	10.95%
2011	July 1, 2010	-	994,162	994,162	0.0%	8,821,456	11.27%
2012	July 1, 2010	-	960,000	960,000	0.0%	9,077,717	10.58%
2013	July 1, 2012	-	1,022,665	1,022,665	0.0%	9,552,052	10.71%
2014	July 1, 2012	-	992,373	992,373	0.0%	10,096,684	9.83%

See Note 7 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
SUPPLEMENTAL PENSION PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2013	July 1, 2012	-	\$ 741,864	\$ 741,864	0.0%	\$ 8,623,226	8.60%
2014	July 1, 2012	-	\$ 692,432	\$ 692,432	0.0%	\$ 8,580,220	8.07%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost and Net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
 DISCRETE COMPONENT UNIT
 DECEMBER 31, 2013

	Webster City Community School Foundation
ASSETS	
Cash and pooled investments	\$ 1,252,075
Capital assets, net of accumulated depreciation	216,000
TOTAL ASSETS	\$ 1,468,075
 Liabilities	
Accounts payable	\$ 3,370
 NET POSITION	
Invested in capital assets	216,000
Unrestricted	1,248,705
TOTAL NET POSITION	\$ 1,464,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION - CASH BASIS
DISCRETE COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2013

	Webster City Community School Foundation
Revenue:	
Interest and dividends	\$ 56,356
Rental properties	26,122
Realized gain on investments	58,010
Total revenue	140,488
Expenses:	
Grants	133,002
Investment management fees	6,049
Accounting/tax preparation	1,700
Other	118
Total expenses	140,869
Deficiency of revenue under expenses	(381)
Other financing uses:	
Unrealized loss on investments	(35,394)
Change in net position	(35,775)
Net position beginning of year	1,500,480
Net position end of year	\$ 1,464,705

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Managaement Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 124,226	159,709	283,935	132,525	416,460
Receivables:					
Property tax:					
Delinquent	2,784	-	2,784	-	2,784
Succeeding year	225,000	-	225,000	-	225,000
Interest	-	19	19	-	19
Accounts	-	5,283	5,283	-	5,283
TOTAL ASSETS	\$ 352,010	165,011	517,021	132,525	649,546
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	5,132	5,132	-	5,132
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	225,000	-	225,000	-	225,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	132,525	132,525
Management levy purposes	127,010	-	127,010	-	127,010
Student activities	-	159,879	159,879	-	159,879
Total fund balances	127,010	159,879	286,889	132,525	419,414
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 352,010	165,011	517,021	132,525	649,546

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, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 330,692	-	330,692	-	330,692
Other	10,182	481,607	491,789	-	491,789
State sources	173	-	173	-	173
TOTAL REVENUES	341,047	481,607	822,654	-	822,654
EXPENDITURES:					
Current:					
Instruction:					
Regular	166,389	-	166,389	-	166,389
Other	-	457,965	457,965	-	457,965
Support services:					
Administration	6,402	-	6,402	-	6,402
Operation and maintenance of plant	90,018	-	90,018	-	90,018
Transportation	17,730	-	17,730	-	17,730
Long-term debt:					
Principal	-	-	-	665,963	665,963
Interest and fiscal charges	-	-	-	559,991	559,991
TOTAL EXPENDITURES	280,539	457,965	738,504	1,225,954	1,964,458
Excess(Deficiency) of revenues over(under) expenditures	60,508	23,642	84,150	(1,225,954)	(1,141,804)
Other financing sources:					
Transfer in	-	-	-	1,246,130	1,246,130
Change in fund balances	60,508	23,642	84,150	20,176	104,326
Fund balances beginning of year	66,502	136,237	202,739	112,349	315,088
Fund balances end of year	\$ 127,010	159,879	286,889	132,525	419,414

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant & Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 256,820	46,528	190,947	494,295
Receivables:				
Property tax				
Delinquent	-	-	3,524	3,524
Succeeding year	-	-	420,812	420,812
Interest	22	-	-	22
Due from other governments	511,478	-	-	511,478
TOTAL ASSETS	\$ 768,320	46,528	615,283	1,430,131
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	26,944	26,944
Deferred inflows of resources:				
Unavailable resources:				
Succeeding year property tax	-	-	420,812	420,812
Fund balances:				
Restricted for:				
Debt service	178,938	-	-	178,938
School infrastructure	589,382	46,528	-	635,910
Physical plant and equipment	-	-	167,527	167,527
Total fund balances	768,320	46,528	167,527	982,375
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 768,320	46,528	615,283	1,430,131

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, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant & Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	425,499	425,499
Other	182	103	12,950	13,235
State sources	1,376,775	-	221	1,376,996
TOTAL REVENUES	<u>1,376,957</u>	<u>103</u>	<u>438,670</u>	<u>1,815,730</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	-	13,295	13,295
Support services:				
Administration	-	-	75,199	75,199
Operation and maintenance of plant	-	-	156,360	156,360
Transportation	-	-	631	631
Capital outlay	2,096,493	285,817	137,941	2,520,251
TOTAL EXPENDITURES	<u>2,096,493</u>	<u>285,817</u>	<u>383,426</u>	<u>2,765,736</u>
Excess(Deficiency) of revenues over(under) expenditures	(719,536)	(285,714)	55,244	(950,006)
Other financing uses:				
Transfer out	(1,235,166)	-	(10,964)	(1,246,130)
Change in fund balances	(1,954,702)	(285,714)	44,280	(2,196,136)
Fund balances beginning of year	<u>2,723,022</u>	<u>332,242</u>	<u>123,247</u>	<u>3,178,511</u>
Fund balances end of year	<u>\$ 768,320</u>	<u>46,528</u>	<u>167,527</u>	<u>982,375</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Concessions	\$ 8	87,581	86,206	1,383
Mock trial	92	-	9	83
Elementary PTO	25,801	49,868	52,077	23,592
Sunset student council	3,163	-	314	2,849
Interest	210	185	363	32
MS drama	110	-	-	110
MS band donations	865	-	-	865
MS athletics	461	17	478	-
MS annual	2,895	3,872	4,897	1,870
5th grade student council	2,971	1,068	1,370	2,669
6th grade student council	1,476	2,165	1,477	2,164
7th grade student council	971	964	501	1,434
8th grade student council	3,124	966	795	3,295
Yess mini society	133	-	-	133
MS student general account	4,933	22,255	23,387	3,801
MS exploratory account	1,933	1,521	916	2,538
MS choices and challenges	299	85	131	253
MS regional conference	32	-	-	32
HS drama	3,775	534	473	3,836
Forensics/speech club	783	-	95	688
HS band	668	500	393	775
Cross country special fundraiser	1,145	12,428	7,225	6,348
Cheerleader special account	514	3,642	3,199	957
Boys basketball special fundraiser	496	4,090	3,312	1,274
Boys soccer special fundraiser	1,011	1,751	249	2,513
HS baseball boosters	164	1,292	1,456	-
Football special fundraisers	3,631	12,892	7,295	9,228
Boys track special fundraisers	29	424	371	82
Boys golf special fundraisers	91	-	60	31
Wrestling special fundraisers	2,914	4,233	7,147	-
Girls basketball special fundraiser	1,248	3,564	4,396	416
Volleyball special fundraisers	4,031	785	1,824	2,992
Girls soccer special fundraisers	425	-	-	425
Softball special fundraisers	6,029	2,396	3,334	5,091
HS girls tennis special fundraisers	2,208	682	682	2,208
Athletics	4,805	128,310	113,444	19,671
Athletic pop fund	-	160	-	160
HS annual	12,717	21,830	24,683	9,864
HS art club	93	-	-	93
Student honor program	-	150	104	46
FFA - test plot	-	3,206	1,276	1,930
Spanish club	2,076	5,150	4,172	3,054
French club	470	-	300	170
FFA	6,745	64,062	63,082	7,725
FFA-Greenhouse	8,112	8,047	6,738	9,421
Home ec club	409	750	166	993
HS science club	946	-	-	946
Environmental science club	124	36	46	114
Junior state of america	194	-	-	194
Multi occupational class	2,408	-	-	2,408
Jr class fund	1,770	4,661	4,551	1,880
National honor society	-	550	143	407
Class of 2015	-	7,027	5,837	1,190
Class of 2016	72	100	52	120
Class of 2017	-	100	55	45
Class of 2018	1,694	100	1,794	-
HS student council	8,715	10,413	9,595	9,533
HS choir club	100	-	-	100
HS musical	2,326	1,904	2,236	1,994
Special projects	3,620	5,111	5,106	3,625
Hamilton regional student council	202	180	153	229
Total	\$ 136,237	481,607	457,965	159,879

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 6,483,741	7,404,384	7,084,566	6,790,344	6,723,228	6,364,059	5,862,683	5,776,218	5,518,962	5,535,176
Tuition	940,583	866,061	873,131	894,362	877,221	1,002,025	993,992	947,275	911,446	828,218
Other	827,504	909,445	801,424	1,017,004	741,240	799,703	800,639	742,260	660,292	638,140
Intermediate sources	262	2,017	412	-	-	15,000	-	-	-	7,000
State sources	10,897,592	9,057,085	9,219,560	8,339,348	7,313,406	8,629,039	8,079,703	7,768,885	7,393,287	6,748,480
Federal sources	793,433	703,018	497,403	1,091,336	1,613,919	531,692	413,562	419,094	435,523	507,218
Total	\$ 19,943,115	18,942,010	18,476,496	18,132,394	17,269,014	17,341,518	16,150,579	15,653,732	14,919,510	14,264,232
Expenditures:										
Instruction:										
Regular	\$ 6,758,598	6,691,502	6,409,978	6,473,037	6,170,128	6,531,751	6,086,844	5,552,164	5,060,241	4,818,441
Special	2,682,165	2,653,060	2,299,065	2,211,617	2,212,585	2,450,409	2,280,758	2,228,925	2,220,759	2,180,591
Other	2,488,966	2,253,825	2,181,783	2,328,387	2,193,732	1,683,033	1,659,957	1,552,963	1,573,392	1,516,890
Support services:										
Student	672,724	663,845	657,448	626,647	590,549	575,735	603,833	587,005	475,109	501,381
Instructional staff	1,306,139	893,426	1,036,946	1,087,968	1,021,960	1,120,730	852,747	1,009,244	757,464	855,658
Administration	1,921,613	1,850,982	1,656,581	1,572,937	1,611,547	1,553,555	1,404,697	1,364,015	1,197,476	1,178,472
Operation and maintenance of plant	1,588,059	1,559,041	1,414,969	1,276,684	1,249,868	1,284,062	1,317,268	1,279,271	1,083,236	946,380
Transportation	606,975	653,003	690,739	742,737	572,911	768,609	556,619	509,057	557,243	427,672
Non-instructional programs	-	-	-	-	-	-	-	17,284	4,003	18,622
Capital outlay	2,520,251	2,705,322	7,080,219	3,431,794	335,476	433,151	1,185,973	300,271	569,187	403,082
Long-term debt:										
Principal	665,963	635,963	630,335	710,219	2,515,054	823,934	565,000	530,000	505,000	475,000
Interest and fiscal charges	559,991	546,270	564,991	478,801	123,283	184,947	176,062	190,197	218,470	244,487
Other expenditures:										
AEA flow-through	658,973	626,681	615,864	650,139	646,097	589,657	559,637	543,026	511,003	497,832
Total	\$ 22,430,417	21,732,920	25,238,918	21,590,967	19,243,190	17,999,573	17,249,395	15,663,422	14,732,583	14,064,508

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 77,061
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	401,464 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	5,983
			<u>484,508</u>
U.S. DEPARTMENT OF JUSTICE:			
IOWA JUVENILE COURT SERVICE:			
JUVENILE JUSTICE AND DELINQUENCY PREVENTION - ALLOCATION TO STATES	16.540	FY 14	18,130
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	281,229
TITLE I - GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1116-GC	25,825
			<u>307,054</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	22,012
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	53,218
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI)	84.369	FY 14	9,036
PRAIRIE LAKES AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	79,020
ENGLISH LANGUAGE ACQUISITION GRANTS(TITLE III)	84.365	FY 14	4,849
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS (AIDS EDUCATION)	93.938	FY 14	170
TOTAL			<u>\$ 977,997</u>

* Includes \$26,759 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.

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 in accordance with U.S. generally accepted auditing standard and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Webster City Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Webster City Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Webster City Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Webster City Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Webster City Community School District's Responses to Findings

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 16, 2015
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

**Independent Auditor's Report on Compliance for Each
Major Federal Program, on Internal Control over Compliance
Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Webster City Community School District compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Webster City Community School District's major federal programs for the year ended June 30, 2014. Webster City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Webster City Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Webster City Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

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, 2014.

Report on Internal Control Over Compliance

The management of Webster City Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Webster City Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in 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-14 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2015
Newton, Iowa

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiency 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 unmodified 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
 - CFDA Number 10.559 - Summer Food Service Program for Children
 - Individual:*
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (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, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 2) Capital assets - periodical testing and responsibility for the assets
- 3) Long-term debt - maintaining debt records and control of cash, reconciliations and approval.
- 4) Receipts - preparation of deposits and posting.
- 5) Wire transfers - processing and approving.
- 6) Payroll - approval of and recording employees added or deleted from the payroll system, write checks and post payroll to the general ledger.
- 7) Computer systems - performing all general accounting functions and controlling all data input and output.

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.

Response - We are constantly looking at ways to improve our segregation of duties and internal controls.

Conclusion - Response accepted.

II-B-14 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying several significant negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - We will continue to work on collecting all negative lunch account balances and distribute free and reduced lunch applications to families to see if they qualify.

Conclusion - Response accepted.

OTHER MATTERS:

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

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

Response - We will work to keep out board policy books up to date and make sure all updates are documented.

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
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2014
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 2) Capital assets - periodical testing and responsibility for the assets
- 3) Receipts - preparation of deposits and posting.
- 4) Wire transfers - processing and approving.
- 5) Payroll - approval of and recording employees added or deleted from the payroll system, write checks and post payroll to the general ledger.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.

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.

Response - We are constantly looking at ways to improve our segregation of duties and internal controls.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, exceeded the amounts budgeted in the instruction, support services, and non-instructional programs functional areas as well as 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 - We will monitor our budget and amend as needed.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 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. However we noted during our audit several instances of employees purchasing items with the District credit card but failed to turn in a detailed receipt of the purchase to the District office. Board policy 401.16 states that, "employees and officers using a school district credit card must submit a detailed receipt in addition to a credit card receipt indicating the date, purpose and nature of the expense for each claim item. Failure to provide a proper receipt will make the employee responsible for expenses incurred."

Recommendation - The District should review procedures in place when employees use the District's credit card for expenses. Detailed receipts should be turned into the District central office for processing travel expenses. If detailed receipts are not available, the cost should be borne by the employee in accordance with District policy.

Response - We will require detailed receipts for all credit card purchases and, if receipts are not turned in, we will follow district policy.

Conclusion - Response accepted.

IV-D-14 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will publish all board minutes within two weeks of the board meeting as required by law.

Conclusion - Response accepted.

IV-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported was overstated by 1.00 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-14 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-14 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 necessary adjustments to comply with Chapter 12B and 12C of the Code of Iowa.

Conclusion - Response accepted.

IV-J-14 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-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

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

Beginning Balance		\$	2,723,022
Revenues:			
Sales tax revenues	\$	1,376,775	
Other local revenues		182	1,376,957
			<u>4,099,979</u>
Expenditures/Transfers out:			
School infrastructure construction	\$	1,728,602	
Equipment		52,337	
Other		315,554	
Transfers to other funds:			
Debt service		1,235,166	3,331,659
			<u>3,331,659</u>
Ending balance		\$	<u><u>768,320</u></u>

For the year ended June 30, 2014, 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	\$ 2.52341	\$ 1,066,350

IV-M-14 Signing of Contracts - We noted during our audit that an officials contracts were signed by the Athletic Director and 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 - The board president will sign all contracts.

Conclusion - Response accepted.

IV-N-14 Financial Condition - At June 30, 2014, the District had deficit unrestricted net position of \$73,046 and a deficit net position balance of \$25,096 in the Enterprise, School Nutrition Fund. The District also had a deficit unassigned fund balance of \$168,334 and a deficit fund balance of \$36,549 in the General Fund. The District had a deficit unrestricted net position of \$546,806 in the governmental activities.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficit accounts and fund balances.

Response - The District will continue to monitor all accounts and work to eliminate the deficit accounts and fund balances.

Conclusion - Response accepted.