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WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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 **CARNEY,  
ALEXANDER,  
MAROLD & Co., L.L.P.**  
Certified Public Accountants

# WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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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 2004 Election)		
Craig Loffredo	President	2005
Leo Moriarty	Vice President	2005
Dr. Subhash Sahai	Board Member	2004
Judy Maubach	Board Member	2004
Loween Clayberg	Board Member	2006

Board of Education (After September 2004 Election)		
Craig Loffredo	President	2005
Loween Clayberg	Vice President	2006
Leo Moriarty	Board Member	2005
Dr. Subhash Sahai	Board Member	2007
Judy Maubach	Board Member	2007

School Officials

Mike Sherwood	Superintendent	2005
Cathi Hildebrand	District Secretary/Treasurer	2005
James Hanks	Attorney	Indefinite

Webster City Community School District



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Webster City Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Webster City Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards we have also issued our reports dated August 26, 2005 on our consideration of Webster City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinions on those financial statements. The supplementary information included on pages 42 through 48, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Corney, Alexander, Kowal & Co., L.L.P.*

August 26, 2005

## Management Discussion and Analysis

This section of the Webster City Community School District's Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follows this section.

### Financial Highlights

- General Fund revenues increased from \$11,653,154 in fiscal 2004 to \$12,138,490 in fiscal 2005, while General Fund expenditures increased from \$11,502,454 in fiscal 2004 to \$12,413,758 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$1,420,396 in fiscal 2004 to \$1,145,128 in fiscal 2005, a 19 percent decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state aid revenue, regular education and special education tuition, and interest income. The increase in expenditures were due to increases in salaries and benefits and updates in computer equipment.
- During Fiscal Year 2005 the District purchased 24 acres of land adjacent to the high school complex at a cost of \$120,000. This land will be used as future need arises.

### Overview of the Financial Statements

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

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The statements for *Governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *Proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *Fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

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

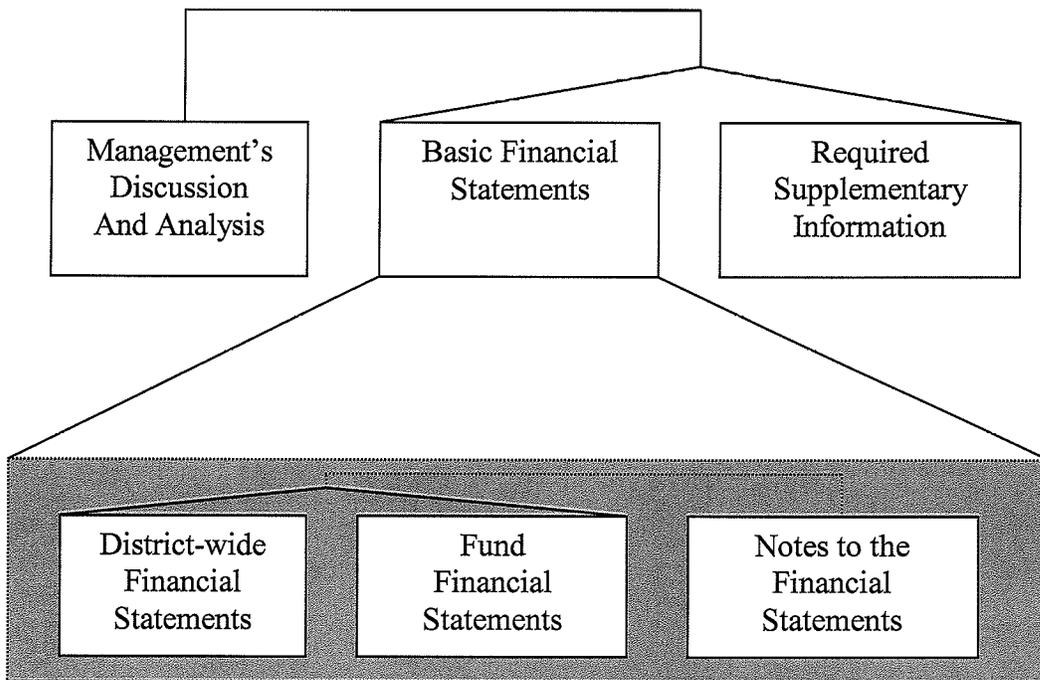


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

<b>Figure A-2: Major Features of the District Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services is included here	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### District-wide Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program and the building trades program would be included here.

## Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Fund and Special Revenue Funds.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District's *enterprise funds*, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, school nutrition and building trades fund.
  - *Internal service funds*, the other kind of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

*Net assets.* Figure A-3 below provides a summary of the District's net assets as of June 30, 2005 and 2004.

<u>Figure A-3</u>							
<u>Condensed Statement of Net Assets</u>							
(expressed in thousands)							
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2004</u>	<u>2005</u>	
	2004	2005	2004	2005	2004	2005	
Current and other assets	9,104	8,026	117	75	9,221	8,101	-12.0%
Capital assets	10,293	10,240	87	91	10,380	10,331	-.5%
Total assets	19,397	18,266	204	166	19,601	18,432	-6.0%
Long-term obligations	5,222	4,744	0	0	5,222	4,744	-9.2%
Other liabilities	7,051	5,810	60	4	7,111	5,814	-18.2%
Total liabilities	12,273	10,554	60	4	12,333	10,558	-14.4%
Net assets:							
Invested in capital assets,							
Net of related debt	5,128	5,550	87	91	5,215	5,641	8.2%
Restricted	903	904	0	0	903	904	.1%
Unrestricted	1,093	1,257	57	71	1,150	1,328	15.5%
Total Net Assets	7,124	7,711	144	162	7,268	7,873	8.3%

The District's combined net assets were significantly larger on June 30, 2005, than they were the year before, increasing, more than 8%. Most of this improvement in the District's financial position came from its governmental activities, the net assets of which grew .6 million to \$7.7 million. The net assets of the District's business-type activities increased 12.5% to \$162 thousand.

The District's improved financial position is the product of many factors. The various sources of tax revenue, grants, and charges for services exceeded related expenditures.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

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

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
<b>Revenues</b>							
Program revenues							
Charges for service and sales	1,270	1,331	676	565	1,946	1,896	-2.6%
Operating Grants & Contributions	1,251	1,455	238	252	1,489	1,707	14.6%
Capital Grants & Contributions	227	0	0	0	227	0	N/A
General revenues							
Property taxes	5,037	5,535	0	0	5,037	5,535	9.9%
Unrestricted state grants	5,655	5,815	0	0	5,655	5,815	2.8%
Unrestricted investment earnings	171	86	0	0	171	86	-49.7%
Other	13	2	0	0	13	2	-84.6%
<b>Total revenues</b>	<b>\$13,624</b>	<b>\$14,224</b>	<b>\$914</b>	<b>\$817</b>	<b>\$14,538</b>	<b>\$15,041</b>	<b>3.5%</b>
<b>Program expenses</b>							
Governmental activities							
Instruction	8,195	8,569	0	0	8,195	8,569	4.6%
Support services	3,586	3,925	0	0	3,586	3,925	9.5%
Non-instructional programs	10	18	872	777	883	795	-10.0%
Other expenses	1,247	1,125	18	23	1,265	1,148	-9.2%
<b>Total expenses</b>	<b>\$13,038</b>	<b>\$13,637</b>	<b>\$890</b>	<b>\$800</b>	<b>\$13,929</b>	<b>\$14,437</b>	<b>3.6%</b>
<b>Change in net assets</b>	<b>\$586</b>	<b>\$587</b>	<b>\$24</b>	<b>\$17</b>	<b>\$609</b>	<b>\$604</b>	<b>-.8%</b>

Property tax and unrestricted state grants account for 75 percent of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87 percent of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$14,224,739 and expenses \$13,637,365. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

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

	Total Cost of Services		Percentage Change	Net Cost Of Services		Percentage Change
	2004	2005	2004-2005	2004	2005	2004-2005
Instruction	8,195	8,569	4.6%	5,714	5,815	1.8%
Support services	3,586	3,925	9.5%	3,546	3,892	9.8%
Non-instructional programs	10	18	80.0%	10	18	80.0%
Other expenses	1,247	1,125	-9.8%	1,020	1,125	10.3%
<b>Totals</b>	<b>\$13,038</b>	<b>\$13,637</b>	<b>4.6%</b>	<b>\$10,290</b>	<b>\$10,850</b>	<b>5.5%</b>

- The cost of all governmental activities this year was \$13.6 million.
- Some of the cost (\$1.3 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of \$1.4 million.
- Most of the District's costs (\$11.3 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$5.0 million in property taxes, \$5.8 million in unrestricted state grants, \$86 thousand in interest income, and \$2 thousand in miscellaneous income.

## Business-Type Activities

Revenues of the District's business-type activities were \$818,124 and expenses were \$799,532. The District's business-type activities include the School Nutrition Fund and Building Trades Fund. Revenues of these activities were comprised of charges for service, reimbursement for supplies, federal and state reimbursements and investment income.

## **Financial Analysis of the District's Funds**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,203,265, which is up from last year's ending fund balance of \$2,001,651.

### **Governmental Budgetary Highlights**

- The General Fund balance decreased from \$1,420,396 to \$1,145,128 due in part to Special Ed positive balance reduction in the amount of \$331,767.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$198,726 to \$182,745 due in part to the decrease in property taxes received.
- The Capital Projects Fund increased from \$111,112 to \$537,839 due for the most part to revenue received from Hamilton, Wright and Webster County Local Option Sales Tax dollars. Seventy-five percent of the revenue received from Hamilton County will be used for the payment or retirement of outstanding bonds previously issued for construction of Webster City Middle School.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$149,742 at June 30, 2004 to \$147,739 at June 30, 2005, representing a decrease of 1.34 percent. Although revenues increased in 2004-05, expenditures also increased resulting in the decrease of net assets.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures of expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

### **Legal Budgetary Highlights**

The District's total actual receipts were approximately \$325,000 less than the total budgeted receipts, a variance of 2.1%. This year the District received more in various components of state and federal aid than anticipated and less from local sources which includes property taxes.

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

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2005, the District had invested more than \$16.6 million (\$10.2 million net of depreciation) in a broad range of capital assets including land, buildings, athletic facilities, computer and audiovisual equipment, maintenance equipment, and transportation equipment. (See Figure A-6) This amount represents a net decrease of .4 percent from last year.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2004-2005
	2004	2005	2004	2005	2004	2005	
Land	470	590	0	0	470	590	25.5%
Construction in progress	6	0	0	0	6	0	N/A
Buildings	9,321	9,203	0	0	9,321	9,203	-1.27%
Improvements other than Buildings	84	75	0	0	84	75	-10.7%
Machinery and equipment	412	372	87	102	499	474	-5.0%
<b>TOTALS</b>	<b>10,293</b>	<b>10,240</b>	<b>87</b>	<b>102</b>	<b>10,380</b>	<b>10,342</b>	<b>-.4%</b>

The District has no major "construction in progress" activities at this time.

### Long-Term Debt

At June 30, 2005, the District had \$4.8 million in general obligation bonds and other long-term debt outstanding. This represents a decrease of 9.1% over the previous fiscal year as can be seen in Figure A-7 below.

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

	Total School District		Total Percentage Change 2004-2005
	2004	2005	
Compensated Absences	45	51	13.3%
Capital Loan Note	615	525	-14.6%
Bonds Payable	4,550	4,165	-8.5%
Other Long Term Liabilities	51	43	-15.7%
<b>Total</b>	<b>5,261</b>	<b>4,784</b>	<b>-9.1%</b>

The District retired \$477 thousand of its obligations in 2005. There are no current plans to issue additional debt in 2006.

### **Factors Bearing on the District's Future**

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

- District enrollment declined in fiscal year 2004-2005 by 4.4 students, or .3% in total budgeted enrollment. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Hamilton Local Option Sales Tax revenues will continue to go towards tax relief by paying down outstanding bonds issued for construction of Webster City Middle School.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cathi Hildebrand, Business Manager/Board Secretary, Webster City Community School District, 825 Beach Street, Webster City, Iowa 50595.

## Basic Financial Statements

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Net Assets  
June 30, 2005**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 3,307,550	\$ 65,965	\$ 3,373,515
Receivables:			
Property tax:			
Delinquent	47,606	-	47,606
Succeeding year	4,452,851	-	4,452,851
Local option sales tax	92,882	-	92,882
Accounts	405	580	985
Accrued interest:			
ISCAP	167	-	167
Other	5,033	-	5,033
Due from other governments	119,176	-	119,176
Inventories	-	8,135	8,135
Capital assets, net of accumulated depreciation	10,240,001	91,512	10,331,513
Total assets	<u>18,265,671</u>	<u>166,192</u>	<u>18,431,863</u>
<b>Liabilities</b>			
Accounts payable	67,738	281	68,019
Excess of warrants issued over bank balance	1,182,567	3,615	1,186,182
Accrued interest payable	18,325	-	18,325
Salaries payable	4,001	-	4,001
Early retirement payable	84,780	-	84,780
Deferred revenue, succeeding year property tax	4,452,851	-	4,452,851
Long-term liabilities:			
Due within one year	559,089	-	559,089
Due after one year	4,185,000	-	4,185,000
Total liabilities	<u>10,554,351</u>	<u>3,896</u>	<u>10,558,247</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	5,550,001	91,512	5,641,513
Restricted for:			
Categorical aid	383,549	-	383,549
Debt service	147,167	-	147,167
Physical plant and equipment levy	182,745	-	182,745
Other special revenue purposes	190,522	-	190,522
Unrestricted	1,257,336	70,784	1,328,120
Total net assets	<u>\$ 7,711,320</u>	<u>\$ 162,296</u>	<u>\$ 7,873,616</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Activities**

**Year ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grant, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities</b>				
<b>Instruction:</b>				
Regular instruction	\$ 4,856,073	\$ 617,820	\$ 1,332,573	\$ -
Special instruction	2,184,313	230,219	14,024	-
Vocational instruction	590,846	-	-	-
Other instruction	937,585	468,559	90,882	-
	<u>8,568,817</u>	<u>1,316,598</u>	<u>1,437,479</u>	<u>-</u>
<b>Support services:</b>				
Student services	501,944	-	-	-
Instructional staff services	855,455	-	-	-
General administration services	215,188	-	-	-
School administration services	747,011	-	-	-
Business services	222,434	-	-	-
Operation and maintenance	954,743	12,552	17,718	-
Transportation services	427,922	2,232	-	-
	<u>3,924,697</u>	<u>14,784</u>	<u>17,718</u>	<u>-</u>
Noninstructional programs	<u>18,622</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	87,822	-	-	-
Long-term debt interest	242,312	-	-	-
AEA flowthrough	497,832	-	-	-
Loss on fixed asset disposal	28,897	-	-	-
Depreciation (unallocated)	268,366	-	-	-
	<u>1,125,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>13,637,365</u>	<u>1,331,382</u>	<u>1,455,197</u>	<u>-</u>
<b>Business-Type Activities</b>				
<b>Noninstructional programs:</b>				
Nutrition services	712,996	468,082	252,047	-
House project	86,536	97,131	-	-
	<u>799,532</u>	<u>565,213</u>	<u>252,047</u>	<u>-</u>
Total	<u>\$ 14,436,897</u>	<u>\$ 1,896,595</u>	<u>\$ 1,707,244</u>	<u>\$ -</u>

Continued on following page.

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ (2,905,680)	\$ -	\$ (2,905,680)
(1,940,070)	-	(1,940,070)
(590,846)	-	(590,846)
(378,144)	-	(378,144)
(5,814,740)	-	(5,814,740)
(501,944)	-	(501,944)
(855,455)	-	(855,455)
(215,188)	-	(215,188)
(747,011)	-	(747,011)
(222,434)	-	(222,434)
(924,473)	-	(924,473)
(425,690)	-	(425,690)
(3,892,195)	-	(3,892,195)
(18,622)	-	(18,622)
(87,822)	-	(87,822)
(242,312)	-	(242,312)
(497,832)	-	(497,832)
(28,897)	-	(28,897)
(268,366)	-	(268,366)
(1,125,229)	-	(1,125,229)
(10,850,786)	-	(10,850,786)
-	7,133	7,133
-	10,595	10,595
-	17,728	17,728
(10,850,786)	17,728	(10,833,058)

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Activities**

**Year ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grant, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local option taxes, levied for capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues and transfers				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
4,953,197	-	4,953,197
581,979	-	581,979
5,815,470	-	5,815,470
85,624	864	86,488
1,890	-	1,890
<hr/> 11,438,160	<hr/> 864	<hr/> 11,439,024
587,374	18,592	605,966
<hr/> 7,123,946	<hr/> 143,704	<hr/> 7,267,650
<u>\$ 7,711,320</u>	<u>\$ 162,296</u>	<u>\$ 7,873,616</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	General	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and pooled investments:				
Other	\$ 2,269,550	\$ 141,408	\$ 896,592	\$ 3,307,550
Receivables:				
Property tax:				
Delinquent	36,608	5,759	5,239	47,606
Succeeding year	3,543,481	314,279	595,091	4,452,851
Local option sales tax	-	-	92,882	92,882
Accounts	405	-	-	405
Accrued interest:				
ISCAP	167	-	-	167
Other	5,033	-	-	5,033
Due from other governments	104,176	-	15,000	119,176
Total assets	<u>\$ 5,959,420</u>	<u>\$ 461,446</u>	<u>\$ 1,604,804</u>	<u>\$ 8,025,670</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 53,775	\$ -	\$ 13,963	\$ 67,738
Excess of warrants issued over bank balance	1,182,567	-	-	1,182,567
Salaries payable	4,001	-	-	4,001
Early retirement payable	-	-	84,780	84,780
Deferred revenue:				
Succeeding year property tax	3,543,481	314,279	595,091	4,452,851
Other	30,468	-	-	30,468
Total liabilities	<u>4,814,292</u>	<u>314,279</u>	<u>693,834</u>	<u>5,822,405</u>
Fund balance:				
Reserved for:				
Categorical aid	383,549	-	-	383,549
Debt service	-	147,167	-	147,167
Unreserved:				
Undesignated	761,579	-	-	761,579
Reported in nonmajor governmental funds	-	-	910,970	910,970
Total fund balances	<u>1,145,128</u>	<u>147,167</u>	<u>910,970</u>	<u>2,203,265</u>
Total liabilities and fund balances	<u>\$ 5,959,420</u>	<u>\$ 461,446</u>	<u>\$ 1,604,804</u>	<u>\$ 8,025,670</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2005**

Total governmental fund balances	\$ 2,203,265
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	10,240,001
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	30,468
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.	(18,325)
Long-term liabilities, including compensated absences and bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(4,744,089)</u>
Net assets of governmental activities	<u><u>\$ 7,711,320</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, 2005**

	General	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and other local taxes	\$ 3,798,213	\$ 610,793	\$ 1,126,170	\$ 5,535,176
Other local sources	1,076,713	2,950	386,695	1,466,358
Intermediate sources	7,000	-	-	7,000
State sources	6,747,486	523	471	6,748,480
Federal sources	507,218	-	-	507,218
Total revenues	<u>12,136,630</u>	<u>614,266</u>	<u>1,513,336</u>	<u>14,264,232</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular instruction	4,747,838	-	70,603	4,818,441
Special instruction	2,180,591	-	-	2,180,591
Vocational instruction	582,507	-	-	582,507
Other instruction	590,919	-	343,464	934,383
	<u>8,101,855</u>	<u>-</u>	<u>414,067</u>	<u>8,515,922</u>
<b>Support services:</b>				
Student services	498,503	-	2,878	501,381
Instructional staff services	853,775	-	1,883	855,658
General administration services	211,783	-	665	212,448
School administration services	741,223	-	2,296	743,519
Business services	192,427	400	29,678	222,505
Operation and maintenance	898,967	-	47,413	946,380
Transportation services	407,841	-	19,831	427,672
	<u>3,804,519</u>	<u>400</u>	<u>104,644</u>	<u>3,909,563</u>
Noninstructional programs	9,552	-	9,070	18,622
<b>Other expenditures:</b>				
Facilities acquisition and construction	-	-	403,082	403,082
<b>Debt service:</b>				
Principal	-	475,000	-	475,000
Interest and other charges	-	244,487	-	244,487
AEA flowthrough	497,832	-	-	497,832
	<u>497,832</u>	<u>719,487</u>	<u>403,082</u>	<u>1,620,401</u>
Total expenditures	<u>12,413,758</u>	<u>719,887</u>	<u>930,863</u>	<u>14,064,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(277,128)</u>	<u>(105,621)</u>	<u>582,473</u>	<u>199,724</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	118,052	-	118,052
Operating transfers out	-	-	(118,052)	(118,052)
Proceeds from sale of fixed assets	1,860	-	30	1,890
Total other financing sources (uses)	<u>1,860</u>	<u>118,052</u>	<u>(118,022)</u>	<u>1,890</u>
Net change in fund balances	(275,268)	12,431	464,451	201,614
Fund balances beginning of year	1,420,396	134,736	446,519	2,001,651
Fund balances end of year	<u>\$ 1,145,128</u>	<u>\$ 147,167</u>	<u>\$ 910,970</u>	<u>\$ 2,203,265</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year ended June 30, 2005**

Net change in fund balances - total governmental funds	\$	201,614
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	\$	402,338
Depreciation expense		<u>(426,533)</u>
		(24,195)
The net effect of the disposal of fixed assets is to decrease net assets.		(28,897)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets.		475,000
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, however, interest expense is recognized as the interest accrues, regardless of when it is due.		2,175
Certain revenue not collected for several months after year end is not considered available in the governmental funds and is deferred. However, it is recorded as revenue in the statement of activities.		(41,383)
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:		
Compensated absences		<u>3,060</u>
Change in net assets of governmental activities	<u>\$</u>	<u>587,374</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2005**

<b>Assets</b>	School Nutrition	Building Trades	Total
<b>Current assets:</b>			
Cash and pooled investments	\$ 51,143	\$ 14,822	\$ 65,965
<b>Receivables:</b>			
Accounts	580	-	580
Inventories	8,135	-	8,135
	<u>59,858</u>	<u>14,822</u>	<u>74,680</u>
<b>Noncurrent assets:</b>			
Capital assets, net of accumulated depreciation	<u>91,512</u>	-	<u>91,512</u>
	<u>151,370</u>	<u>14,822</u>	<u>166,192</u>
 <b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	16	265	281
Excess of warrants issued over bank balance	3,615	-	3,615
	<u>3,631</u>	<u>265</u>	<u>3,896</u>
	<u>3,631</u>	<u>265</u>	<u>3,896</u>
 <b>Net assets</b>			
Invested in capital assets, net of related debt	91,512	-	91,512
Unrestricted	56,227	14,557	70,784
	<u>\$ 147,739</u>	<u>\$ 14,557</u>	<u>\$ 162,296</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Assets  
Propriety Funds  
Year ended June 30, 2005**

	School Nutrition	Building Trades	Total
Operating revenue:			
Local sources:			
Charges for service	\$ 468,082	\$ 97,131	\$ 565,213
Operating expenses:			
Noninstructional programs:			
Salaries and benefits	234,803	-	234,803
Benefits	123,122	-	123,122
Purchased services	8,661	-	8,661
Supplies	322,417	79,878	402,295
Depreciation	14,961	-	14,961
Other	9,032	6,658	15,690
	<u>712,996</u>	<u>86,536</u>	<u>799,532</u>
Operating loss	<u>(244,914)</u>	<u>10,595</u>	<u>(234,319)</u>
Nonoperating revenue:			
State sources	9,767	-	9,767
Federal sources	232,280	-	232,280
Contributions	-	10,000	10,000
Interest on investments	864	-	864
Total non-operating revenue	<u>242,911</u>	<u>10,000</u>	<u>252,911</u>
Change in net assets	(2,003)	20,595	18,592
Net assets beginning of year	<u>149,742</u>	<u>(6,038)</u>	<u>143,704</u>
Net assets end of year	<u>\$ 147,739</u>	<u>\$ 14,557</u>	<u>\$ 162,296</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Cash Flows  
Propriety Funds  
Year ended June 30, 2005**

	School Nutrition	Building Trades	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 468,113	\$ -	\$ 468,113
Cash received from sale of houses	-	116,487	116,487
Cash payments to employees for services	(357,925)	-	(357,925)
Cash payments to suppliers for goods or services	(310,831)	(103,904)	(414,735)
Net cash provided (used) in operating activities	<u>(200,643)</u>	<u>12,583</u>	<u>(188,060)</u>
Cash flows from noncapital financing activities:			
Contributions received	-	11,000	11,000
State grants received	9,767	-	9,767
Federal grants received	204,446	-	204,446
Net cash provided by noncapital financing activities	<u>214,213</u>	<u>11,000</u>	<u>225,213</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(19,478)</u>	<u>-</u>	<u>(19,478)</u>
Cash flows from investing activities:			
Interest on investments	<u>864</u>	<u>-</u>	<u>864</u>
Net increase (decrease) in cash and cash equivalents	(5,044)	23,583	18,539
Cash and cash equivalents beginning of year	<u>52,572</u>	<u>(8,761)</u>	<u>43,811</u>
Cash and cash equivalents end of year	<u>\$ 47,528</u>	<u>\$ 14,822</u>	<u>\$ 62,350</u>
Cash and cash equivalents consist of the following:			
Cash and pooled investments	\$ 51,143	\$ 14,822	\$ 65,965
Excess of warrants issued over bank balance	<u>(3,615)</u>	<u>-</u>	<u>(3,615)</u>
Total cash and cash equivalents	<u>\$ 47,528</u>	<u>\$ 14,822</u>	<u>\$ 62,350</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating income (loss)	\$ (244,914)	\$ 10,595	\$ (234,319)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	27,833	-	27,833
Depreciation	14,961	-	14,961
Decrease in receivables	30	19,355	19,385
Decrease in inventories	1,431	-	1,431
Increase (Decrease) in accounts payable and accrued liabilities	<u>16</u>	<u>(17,367)</u>	<u>(17,351)</u>
Net cash provided (used) in operating activities	<u>\$ (200,643)</u>	<u>\$ 12,583</u>	<u>\$ (188,060)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$27,833 of federal commodities.

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

		Agency Funds		
	Private Purpose Trust- Nonexpendable Scholarships	Private Purpose Trust- Expendable Scholarships	Other Agency Funds	Total Agency Funds
<b>Assets</b>				
Cash and investments	\$ 1,818,841	\$ 261,131	\$ 8,527	\$ 269,658
Accounts receivable - other	1,700	-	-	-
Total assets	<u>\$ 1,820,541</u>	<u>\$ 261,131</u>	<u>\$ 8,527</u>	<u>\$ 269,658</u>
 <b>Liabilities</b>				
Liabilities:				
Due to others	-	261,131	8,527	269,658
Total liabilities	<u>\$ -</u>	<u>\$ 261,131</u>	<u>\$ 8,527</u>	<u>\$ 269,658</u>
 <b>Net assets</b>				
Reserved for scholarships	<u>\$ 1,820,541</u>			

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year ended June 30, 2005**

	Private Purpose Trust- Nonexpendable Scholarships
Additions:	
Local sources:	
Investment income	<u>\$ 143,209</u>
Total additions	143,209
Transfers	<u>(62,614)</u>
Change in net assets	80,595
Net assets beginning of year	<u>1,739,946</u>
Net assets end of year	<u><u>\$ 1,820,541</u></u>

See notes to financial statements.

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

#### (1) Summary of Significant Accounting Policies

The Webster City Community School District, which was incorporated under Chapter 274 of the State Code of Iowa, is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreation courses. The geographic area served includes the city of Webster City, Iowa and the predominate agricultural territory in Hamilton, Webster, and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

##### A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

##### B. Basis of Presentation

Government-wide financial statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. 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 services.

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

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

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

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

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

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 are 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 the 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.

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 Debt Service Fund accounts for the accumulation of resources for, and the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

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

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

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

#### C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. The District's fiduciary fund, the agency fund, does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for customer's 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.

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

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

#### D. Assets, Liabilities and Fund Equity

Pooled Cash and Investments - Separate bank accounts and investments are not maintained for all District funds, as certain funds maintain their cash and investment balances in a pooled account. Accounting records are maintained to show the portion of the pooled account attributable to each participating fund.

Receivables - Receivables are expected to be collected within twelve months of the end of the year.

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 from the current and prior year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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 - Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories are accounted for using the consumption method whereby inventory acquisitions are recorded in inventory accounts when purchased or received by other means and charged to operations when consumed or sold. The single inventory method is used, therefore, purchased and commodity items are accounted for in the same manner.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

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

Land	\$ 1,000
Buildings and improvements	1,000
Improvements other than buildings	1,000
Machinery and equipment:	
School Nutrition Fund equipment	1,000
Other machinery and equipment	1,000

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

Buildings and improvements	50 years
Improvements other than buildings	20 years
Machinery and equipment	5 - 20 years

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent uses or for payment upon termination, retirement or death. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The compensated absences liability attributable to the governmental activities will be paid primarily by the Management Fund. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for employees with annual contracts corresponding to the current school year which are payable as of the end of the fiscal year, have been accrued as liabilities as they are applicable to services provided during the respective fiscal years, and will be paid with available resources.

Long-term obligations - In the Government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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

The District reserves the following fund balances:

Reserved for categorical aid - Accounts used to segregate a portion of the fund balance for amounts which are legally restricted.

Reserved for debt service - Accounts used to segregate a portion of the fund balance for debt service.

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, total expenditures did not exceed the amount budgeted in any functional area, the total certified budget, nor the legally-authorized budget.

#### F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses, as appropriate during the reporting period. Actual results could differ from those estimates.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

(2) Cash and Cash Equivalents and Investments

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested in investments that mature within three hundred and ninety-seven days or less. When investing other than operating funds, the investments must mature according to the needs of the funds. Operating funds of the District are funds which are reasonably expected to be used during a current budget year or within fifteen months of receipt.

Credit risk: The District is authorized by statute to invest public funds not currently needed for operating expenses 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 and the Treasurer of the State of Iowa; perfected repurchase agreements; certain joint investment trusts and warrants for improvement certificates of a drainage district. The District has no investment policies that would further limit its investment choices.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 71,355</u>

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

The District has investments that were donated to the District to be used for scholarship awards for students. At June 30, 2005, those investments consisted of the following:

	Maturities	Fair Value
Common stock	N/A	\$ 449,782
U.S. agencies	10/15/2008	46,660
U.S. agencies	8/15/2005	99,967
		<u>\$ 596,409</u>

Concentration of credit risk: The District's general investment policy is to apply the prudent-person rule: In making investments, the District will exercise the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use to meet the goals of the investment program.

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2005, the District has no deposits or investments subject to custodial credit risk.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

(3) Iowa School Cash Anticipation Program (ISCAP)

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

A summary of the District's participation in ISCAP as of June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/2004	6/30/2005	\$ -	\$ 167	\$ -	\$ -
			<u>\$ -</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ -</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ -	\$ 600,000	\$ 600,000	\$ -

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.00%	2.4630%

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 470,000	\$ 120,000	\$ -	\$ 590,000
Construction in progress	6,000	-	6,000	-
Total capital assets not being depreciated	<u>476,000</u>	<u>120,000</u>	<u>6,000</u>	<u>590,000</u>
Capital assets being depreciated:				
Buildings and improvements	13,685,855	153,855	115,621	13,724,089
Improvements other than buildings	174,720	-	-	174,720
Machinery and equipment	<u>2,293,212</u>	<u>134,483</u>	<u>383,957</u>	<u>2,043,738</u>
Total capital assets being depreciated	<u>16,153,787</u>	<u>288,338</u>	<u>499,578</u>	<u>15,942,547</u>
Less accumulated depreciation for:				
Buildings and improvements	4,364,565	268,366	112,331	4,520,600
Improvements other than buildings	91,219	8,736	-	99,955
Machinery and equipment	<u>1,880,910</u>	<u>149,431</u>	<u>358,350</u>	<u>1,671,991</u>
Total accumulated depreciation	<u>6,336,694</u>	<u>426,533</u>	<u>470,681</u>	<u>6,292,546</u>
Total capital assets being depreciated, net	<u>9,817,093</u>	<u>(138,195)</u>	<u>28,897</u>	<u>9,650,001</u>
Governmental activities capital assets, net	<u>\$ 10,293,093</u>	<u>\$ (18,195)</u>	<u>\$ 34,897</u>	<u>\$ 10,240,001</u>
Business-type activities:				
Furniture, equipment, vehicles	\$ 173,876	\$ 19,478	\$ -	\$ 193,354
Less accumulated depreciation	<u>86,881</u>	<u>14,961</u>	<u>-</u>	<u>101,842</u>
Business-type activities capital assets, net	<u>\$ 86,995</u>	<u>\$ 4,517</u>	<u>\$ -</u>	<u>\$ 91,512</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 37,632
Special		3,722
Vocational		8,339
Other		3,202
Support services:		
Student		455
Instructional staff		46,198
General administration		2,281
School administration		2,900
Business		1,290
Operation and maintenance		10,977
Transportation		41,171
		<u>158,167</u>
Unallocated depreciation		<u>268,366</u>
		<u>\$ 426,533</u>
Business-type activities:		
School nutrition		<u>\$ 14,961</u>
		<u>\$ 14,961</u>

(5) Bonds Payable

Details of the District's June 30, 2005 bonded indebtedness are as follows:

Year Ending June 30,	Series 1999			Series 1995			Total
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	
2006	4.25%	\$ 55,000	\$ 150,745	6.00%	\$ 355,000	\$ 43,800	\$ 604,545
2007	4.25%	55,000	148,408	6.00%	375,000	22,500	600,908
2008	4.25%	460,000	146,070	-	-	-	606,070
2009	4.30%	480,000	126,520	-	-	-	606,520
2010	4.35%	505,000	105,880	-	-	-	610,880
2011	4.40%	525,000	83,913	-	-	-	608,913
2012	4.45%	550,000	60,812	-	-	-	610,812
2013	4.50%	580,000	36,338	-	-	-	616,338
2014	4.55%	225,000	10,237	-	-	-	235,237
Total		<u>\$ 3,435,000</u>	<u>\$ 868,923</u>		<u>\$ 730,000</u>	<u>\$ 66,300</u>	<u>\$ 5,100,223</u>

During the year ended June 30, 2005, the District retired \$385,000 of the above bond issues.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

(6) Capital Loan Notes

Details of the District's June 30, 2005, capital loan notes indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.70-4.75%	\$ 95,000	\$ 24,303	\$ 119,303
2007	4.75-4.80%	100,000	19,683	119,683
2008	4.80-4.85%	105,000	14,895	119,895
2009	4.85-4.90%	110,000	9,694	119,694
2010	4.90-4.95%	115,000	4,317	119,317
		<u>\$ 525,000</u>	<u>\$ 72,892</u>	<u>\$ 597,892</u>

During the year ended June 30, 2005, the District retired \$90,000 of the above capital loan notes.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital loan note	\$ 615,000	\$ -	\$ 90,000	\$ 525,000	\$ 95,000
Bonds payable	4,550,000	-	385,000	4,165,000	410,000
Compensated absences	57,149	54,089	57,149	54,089	54,089
Total	<u>\$ 5,222,149</u>	<u>\$ 54,089</u>	<u>\$ 532,149</u>	<u>\$ 4,744,089</u>	<u>\$ 559,089</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

(7) Long-Term Liabilities (continued)

The annual debt service requirements, including principal and interest, for long-term debt as June 30, 2005, are as follows:

Year Ending June 30,	Total
2006	\$ 777,937
2007	720,591
2008	725,965
2009	726,214
2010	730,197
After 2009	<u>2,071,300</u>
Total Principal and Interest	5,752,204
Less Interest	<u>(1,008,115)</u>
Liability as of June 30, 2005	<u>\$ 4,744,089</u>

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$444,757, \$433,138, and \$431,894, respectively, equal to required contributions for each year.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the area education agency. The District's actual amount for this purpose totaled \$497,832 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

(10) Contingencies and Risk Management

At June 30, 2005, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. It has been the District's experience that such claims are settled for amounts substantially less than claimed amounts. District management estimates that the potential claims against the District, not covered by various insurance policies, would not materially affect the financial condition of the District. The District is also exposed to various risks of loss related to torts; theft; damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including Workers' Compensation and employee health and accident insurance. There has been no reduction in insurance coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Early Retirement Plans and Postemployment Benefits Other than Pension Benefits

The District maintains an early retirement plan covering substantially all employees. To be eligible for the early retirement plan, an employee must have been employed on a full-time basis for a minimum of 15 years of continuous service in the District. Certain part-time employees are eligible for benefits on a basis commensurate with the amount of time their position entails. Employees who submit a written request for early retirement to the District prior to January 1 of the school year in which they intend to retire shall be eligible for early retirement provided all other eligibility requirements have been met. Benefits are computed based on years of service at retirement and are financed either as a lump sum payment, two payments within a 12 month period, or pay as you go by applying early retirement compensation monies toward the District's group health and hospital insurance policy.

(12) Transfers Within the Reporting Entity

Interfund transfers were as follows:

	Transfer In:
	Debt
	Service
Transfer Out:	Fund
Physical Plant and Equipment Levy	<u>\$ 118,052</u>

**Required Supplementary Information**

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund  
Required Supplementary Information  
Year ended June 30, 2005**

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 6,969,427	\$ 596,463
Intermediate sources	7,000	-
State sources	6,740,956	9,767
Federal sources	480,243	204,446
Total receipts	<u>14,197,626</u>	<u>810,676</u>
Disbursements:		
Instruction	8,499,686	103,903
Support services	3,912,329	-
Noninstructional programs	9,070	688,234
Other expenditures	1,581,723	-
Total disbursements	<u>14,002,808</u>	<u>792,137</u>
Excess (deficiency) of receipts over (under) disbursements	194,818	18,539
Other financing sources, net	<u>1,890</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	196,708	18,539
Balance beginning of year	<u>1,928,275</u>	<u>43,811</u>
Balance end of year	<u>\$ 2,124,983</u>	<u>\$ 62,350</u>

See accompanying independent auditors' report.

Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
	Original	Final	
\$ 7,565,890	\$ 7,230,959	\$ 7,230,959	\$ 334,931
7,000	27,000	27,000	(20,000)
6,750,723	7,290,127	7,290,127	(539,404)
684,689	785,000	785,000	(100,311)
<u>15,008,302</u>	<u>15,333,086</u>	<u>15,333,086</u>	<u>(324,784)</u>
8,603,589	9,647,642	9,647,642	1,044,053
3,912,329	4,902,215	4,902,215	989,886
697,304	859,572	859,572	162,268
1,581,723	5,973,171	5,973,171	4,391,448
<u>14,794,945</u>	<u>21,382,600</u>	<u>21,382,600</u>	<u>6,587,655</u>
213,357	(6,049,514)	(6,049,514)	6,262,871
<u>1,890</u>	<u>140,000</u>	<u>140,000</u>	<u>(138,110)</u>
215,247	(5,909,514)	(5,909,514)	6,124,761
<u>1,972,086</u>	<u>7,365,772</u>	<u>7,365,772</u>	<u>(5,393,686)</u>
<u>\$ 2,187,333</u>	<u>\$ 1,456,258</u>	<u>\$ 1,456,258</u>	<u>\$ 731,075</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information  
Year ended June 30, 2005**

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,197,626	\$ 66,606	\$ 14,264,232
Expenditures	14,002,808	61,700	14,064,508
Net	194,818	4,906	199,724
Other financing sources (uses)	1,890	-	1,890
Beginning fund balances	1,928,275	73,376	2,001,651
Ending fund balances	<u>\$ 2,124,983</u>	<u>\$ 78,282</u>	<u>\$ 2,203,265</u>

	Proprietary Fund Type Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 810,676	\$ 7,448	\$ 818,124
Expenses	792,137	7,395	799,532
Net	18,539	53	18,592
Other financing sources (uses)	-	-	-
Beginning net assets	43,811	99,893	143,704
Ending net assets	<u>\$ 62,350</u>	<u>\$ 99,946</u>	<u>\$ 162,296</u>

See accompanying independent auditors' report.

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Required Supplementary Information - Budgetary Reporting June 30, 2005

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 cash basis. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that district expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

**Other Supplementary Information**

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005**

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
<b>Assets</b>				
Cash and pooled investments	\$ 96,829	\$ 176,803	\$ 178,003	\$ 451,635
Receivables:				
Property tax:				
Delinquent	1,996	-	3,243	5,239
Succeeding year	253,472	-	341,619	595,091
Local option sales tax	-	-	-	-
Due from other governments	-	-	15,000	15,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 352,297</u>	<u>\$ 176,803</u>	<u>\$ 537,865</u>	<u>\$ 1,066,965</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	\$ 326	\$ 13,501	\$ 13,827
Early retirement payable	84,780	-	-	84,780
Deferred revenue:				
Succeeding year property tax	253,472	-	341,619	595,091
Total liabilities	<u>338,252</u>	<u>326</u>	<u>355,120</u>	<u>693,698</u>
Fund equity:				
Unreserved, undesignated fund balance	<u>14,045</u>	<u>176,477</u>	<u>182,745</u>	<u>373,267</u>
Total liabilities and fund equity	<u>\$ 352,297</u>	<u>\$ 176,803</u>	<u>\$ 537,865</u>	<u>\$ 1,066,965</u>

See accompanying independent auditors' report.

Capital Projects Fund	Total
\$ 444,957	\$ 896,592
-	5,239
-	595,091
92,882	92,882
-	15,000
<u>\$ 537,839</u>	<u>\$ 1,604,804</u>

\$ 136	\$ 13,963
-	84,780
-	595,091
<u>136</u>	<u>693,834</u>

<u>537,703</u>	<u>910,970</u>
<u>\$ 537,839</u>	<u>\$ 1,604,804</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2005**

	Special Revenue			Total Special Revenue
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
<b>Revenues:</b>				
Property and other local taxes	\$ 200,168	\$ -	\$ 344,023	\$ 544,191
Other local sources	6,809	374,275	3,141	384,225
State sources	177	-	294	471
<b>Total revenues</b>	<b>207,154</b>	<b>374,275</b>	<b>347,458</b>	<b>928,887</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular instruction	70,603	-	-	70,603
Other instruction	-	343,464	-	343,464
<b>Support services:</b>				
Student services	2,878	-	-	2,878
Instructional staff services	1,883	-	-	1,883
General administration services	665	-	-	665
School administration services	2,296	-	-	2,296
Business services	29,678	-	-	29,678
Operating and maintenance	47,220	-	193	47,413
Transportation services	19,831	-	-	19,831
Noninstructional programs	9,070	-	-	9,070
<b>Other expenditures:</b>				
Facilities acquisition	-	-	245,224	245,224
<b>Total expenditures</b>	<b>184,124</b>	<b>343,464</b>	<b>245,417</b>	<b>773,005</b>
<b>Excess of revenues over expenditures</b>	<b>23,030</b>	<b>30,811</b>	<b>102,041</b>	<b>155,882</b>
<b>Other financing uses:</b>				
Operating transfers out	-	-	(118,052)	(118,052)
Proceeds from sale of fixed assets	-	-	30	30
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>(118,022)</b>	<b>(118,022)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>23,030</b>	<b>30,811</b>	<b>(15,981)</b>	<b>37,860</b>
<b>Fund balances beginning of year</b>	<b>(8,985)</b>	<b>145,666</b>	<b>198,726</b>	<b>335,407</b>
<b>Fund balances end of year</b>	<b>\$ 14,045</b>	<b>\$ 176,477</b>	<b>\$ 182,745</b>	<b>\$ 373,267</b>

See accompanying independent auditors' report.

	Capital Projects Fund	Total
\$	581,979	\$ 1,126,170
	2,470	386,695
	-	471
	<u>584,449</u>	<u>1,513,336</u>
	-	70,603
	-	343,464
	-	2,878
	-	1,883
	-	665
	-	2,296
	-	29,678
	-	47,413
	-	19,831
	-	9,070
	<u>157,858</u>	<u>403,082</u>
	<u>157,858</u>	<u>930,863</u>
	<u>426,591</u>	<u>582,473</u>
	-	(118,052)
	-	30
	<u>-</u>	<u>(118,022)</u>
	426,591	464,451
	<u>111,112</u>	<u>446,519</u>
\$	<u><u>537,703</u></u>	<u><u>\$ 910,970</u></u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Funds  
Year ended June 30, 2005**

<b>Assets</b>	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
Cash and investments	<u>\$ 295,921</u>	<u>\$ 166,530</u>	<u>\$ 192,793</u>	<u>\$ 269,658</u>
Total assets	<u><u>\$ 295,921</u></u>	<u><u>\$ 166,530</u></u>	<u><u>\$ 192,793</u></u>	<u><u>\$ 269,658</u></u>
<b>Liabilities</b>				
Due to others	<u>\$ 295,921</u>	<u>\$ 166,530</u>	<u>\$ 192,793</u>	<u>\$ 269,658</u>
Total liabilities	<u><u>\$ 295,921</u></u>	<u><u>\$ 166,530</u></u>	<u><u>\$ 192,793</u></u>	<u><u>\$ 269,658</u></u>

See accompanying independent auditors' report.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2005**

	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Athletics clubs and band	\$ (14,736)	\$ 88,718	\$ 97,100	\$ (23,118)
Elementary School	24,516	63,528	58,936	29,108
Middle School	15,258	53,821	49,682	19,397
High School	64,708	119,258	117,664	66,302
Administration	55,920	48,950	20,082	84,788
Total	<u>\$ 145,666</u>	<u>\$ 374,275</u>	<u>\$ 343,464</u>	<u>\$ 176,477</u>

See accompanying independent auditors' report.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types  
For the Last Four Years**

	Modified Accrual Basis			
	Years ended June 30,			
	2005	2004	2003	2002
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,535,176	\$ 5,037,018	\$ 5,073,782	\$ 4,867,690
Other	1,466,358	1,479,136	1,544,659	1,586,023
Intermediate sources	7,000	-	19,212	13,808
State sources	6,748,480	6,571,400	6,741,238	6,675,018
Federal sources	507,218	616,757	276,157	223,309
<b>Total revenues</b>	<b>\$ 14,264,232</b>	<b>\$ 13,704,311</b>	<b>\$ 13,655,048</b>	<b>\$ 13,365,848</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 4,818,441	\$ 4,546,254	\$ 4,577,077	\$ 4,680,644
Special instruction	2,180,591	2,335,725	2,193,091	2,085,021
Vocational instruction	582,507	578,846	592,397	546,968
Other instruction	934,383	647,472	561,621	553,337
Support services:				
Student services	501,381	489,013	475,719	554,131
Instructional staff services	855,658	591,880	816,572	835,881
General administration services	212,448	195,594	204,461	199,163
School administration services	743,519	709,239	685,769	690,480
Business services	222,505	215,542	195,425	163,070
Operation and maintenance	946,380	965,685	955,000	879,737
Transportation services	427,672	360,294	381,900	395,862
Non-instructional programs	18,622	10,454	9,916	7,441
Other expenses:				
Facilities acquisition	403,082	247,769	65,016	41,643
Long-term debt:				
Principal	475,000	3,925,044	485,897	436,968
Interest and other charges	244,487	482,457	511,087	553,707
AEA flowthrough	497,832	489,209	512,703	514,494
<b>Total expenditures</b>	<b>\$ 14,064,508</b>	<b>\$ 16,790,477</b>	<b>\$ 13,223,651</b>	<b>\$ 13,138,547</b>

See accompanying independent auditors' report.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year ended June 30, 2005**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (Noncash)	10.550	N/A	\$ 27,833
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	N/A	21,166
National School Lunch Program	10.555	N/A	183,281
			<u>204,447</u>
Total U.S. Department of Agriculture			<u>232,280</u>
U.S. Department of Education:			
Area Education Agency:			
Special Education - Grants to States	84.027	N/A	86,905
Drake University:			
Special Education - Grants to States	84.027	N/A	5,386
			<u>92,291</u>
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6867-G-00	27,619
Title I Grants to Local Educational Agencies	84.010	6867-GC-0	167,419
			<u>195,038</u>
Vocational Education - Basic Grants to States	84.048	N/A	<u>41,530</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	<u>8,290</u>
Migrant Education State Grant Programs	84.011	N/A	<u>520</u>
State Grants for Innovative Programs	84.298	N/A	<u>3,948</u>
Improving Teacher Quality State Grants	84.367	N/A	<u>103,972</u>
Grants for State Assessments and Related Activities	84.369	N/A	<u>10,398</u>
Total U.S. Department of Education			<u>455,987</u>

(continued)

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year ended June 30, 2005**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	N/A	<u>3,758</u>
Title V Delinquency Prevention Program	16.548	N/A	<u>280</u>
Total U.S. Department of Justice			<u>4,038</u>
U.S. Department of Health and Human Services:			
Iowa State University:			
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	N/A	<u>43,537</u>
Total U.S. Department of Health and Human Services			<u>43,537</u>
Total			<u>\$ 735,842</u>

- (1) 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 basic financial statements.

See accompanying independent auditors' report.

## Internal Controls and Compliance

Independent Auditors' 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  
Webster City Community School District

We have audited 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, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Webster City Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. Prior year reportable conditions have all been resolved except for II-A-05.

## Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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, 2005 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. Prior year statutory comments have all been resolved.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Webster City Community School District during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Carney, Alexander Marshall & Co., L.L.P.*

August 26, 2005

Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education  
Webster City Community School District

Compliance

We have audited the compliance of Webster City Community School District, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Webster City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Webster City Community School District's management. Our responsibility is to express an opinion on Webster City Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Webster City Community School District's compliance with those requirements.

In our opinion, Webster City Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Webster City Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Webster City Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Webster City Community School District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described in the accompanying schedule of findings and questioned costs as items III-A-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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

*Corney, Alexander Harold & Co., L.L.P.*

August 26, 2005

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2005**

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
  - (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including no material weakness.
  - (c) The audit did not disclose any noncompliance which is material to the financial statements.
  - (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including no material weakness.
  - (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
  - (f) Audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a) are reported in this schedule.
  - (g) Major programs were as follows:
    - Clustered Programs:

CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Webster City Community School District did qualify as a low-risk auditee.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2005**

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual could receive cash, prepare and make bank deposits, post cash receipts to the cash receipts journal, and prepare the bank reconciliation. We also noted the same individual could compute payroll, prepare payroll checks, prepare the payroll journal and distribute payroll checks.

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 - Office personnel will review procedures and divide duties to obtain the best internal control possible.

Conclusion - Response accepted.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2005**

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

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

All programs displayed on the Schedule of Expenditures of Federal Awards.

III-A-05 Segregation of Duties - The same individual could perform duties which were incompatible in the areas of cash receipts and payroll. See audit finding II-A-05.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2005**

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-05 Official Depositories - Official depositories have been adopted by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- IV-C-05 Questionable Expenditures - No expenditures that 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-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-05 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Richard Kennedy, owner of Sideline Construction, employee of the District	Construction contract	\$ 1,716

- IV-F-05 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-G-05 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-05 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-05 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-05 Deficit Balances - Two student activity accounts had deficit balances at June 30, 2005.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.