

CITY OF WEBSTER CITY

Hamilton County, Iowa

FINANCIAL STATEMENTS

June 30, 2007

CITY OF WEBSTER CITY

TABLE OF CONTENTS

June 30, 2007

FINANCIAL SECTION

Independent Auditors' Report	i – ii
Management's Discussion and Analysis	iii – xiv
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2 – 3
Fund Financial Statements	
Balance Sheet – Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets – Proprietary Funds	7
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	8
Statement of Cash Flows – Proprietary Fund Types	9 – 10
Statement of Fiduciary Net Assets – Fiduciary Funds	11
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	12
Combining Statement of Net Assets – Component Units	13
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Component Units	14
Notes to Financial Statements	15 – 55

CITY OF WEBSTER CITY

TABLE OF CONTENTS (cont.) June 30, 2007

FINANCIAL SECTION (cont.)

Required Supplementary Information

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balance – Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds	56
Reconciliation of Cash Basis Budget with GAAP Financial Statements	57
Notes to Required Supplementary Information	58

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	59 – 63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	64 – 68
Combining Statement of Net Assets – Internal Service Funds	69
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	70
Combining Statement of Cash Flows – Internal Service Funds	71
Combining Statement of Fiduciary Net Assets – Fiduciary Funds	72
Combining Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	73
Combining Statement of Cash Flows – Component Units	74
Schedule of Bond and Note Maturities	75 – 76
Comparison of Tax and Intergovernmental Receipts – Primary Government	77
List of City Officials	78

COMPLIANCE SECTION

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	79 – 80
Schedule of Findings and Responses	81 – 82
Schedule of Findings Related to Government Auditing Standards and Required Statutory Reporting	83 – 84



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Webster City
Webster City, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Webster City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City, Iowa, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows 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 report dated January 29, 2008 on our consideration of the City of Webster City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

To the City Council
City of Webster City

The management's discussion and analysis and budget comparison information on pages iii through xiv and 56 through 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 the City of Webster City's basic financial statements. The 2007 combining financial statements and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 2007 combining financial statements and miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. In our opinion, the supplemental information for the four years ending June 30, 2006 is fairly stated in all material respects in relation to the basic financial statements for the four years ended June 30, 2006, taken as a whole.

Virchow, Krause & Company, LLP

Madison, Wisconsin
January 29, 2008

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

As management of the City of Webster City, we offer readers of the City of Webster City's financial statements this narrative overview and analysis of the financial activities of the City of Webster City for the fiscal year ending June 30, 2007. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

Financial Highlights

- Since the bonds for the new jail were paid off sooner than expected, the money collected from the local option sales tax was able to be kept and used for infrastructure improvements.
- Electric rates were reviewed and updated with the changes in purchase power costs.
- Due to a business closure, an economic development loan became uncollectible during this fiscal year.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Webster City's basic financial statements. The City of Webster City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Webster City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City of Webster City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the City of Webster City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Webster City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Webster City include public safety, public works, health and social services, culture and recreation, community and economic development and general government. The business-type activities of the City of Webster City include the operation of the electric, water, and sewer utilities.

The government-wide financial statements include not only the City of Webster City itself (known as the primary government), but also a legally separate airport for which the City of Webster City is financially accountable and a trust known as the Fred Fuller Trust that was created for the sole benefit of the City. Financial information for these component units are reported separately from the financial information presented for the primary government itself. The Electric, Water, and Sewer utilities function as departments of the City of Webster City, and therefore have been included as an integral part of the primary government.

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Webster City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Webster City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Webster City maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, child care center, and second street reconstruction fund, of which all are considered to be major funds. Data from the other 34 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Webster City adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds: The City of Webster City maintains different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Webster City uses enterprise funds to account for its Electric, Water, and Sewer utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Webster City's various functions. The City of Webster City uses internal service funds to account for capital equipment purchases and for self-insured dental/vision insurance. The internal service funds will be found in both governmental activities and business-type activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and sewer utilities, all of which are considered major funds of the City of Webster City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Webster City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. This report also presents certain required supplementary information concerning the City of Webster City's annual budget compared to actual results and a reconciliation to the fund financial statementsⁱ.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Webster City, assets exceeded liabilities by \$47,979,136 at the close of the most recent year.ⁱⁱ

The largest portion of the City of Webster City's net assets (72.05%) reflects its investment in capital assets (e.g. Land, Construction in progress, Land improvements, Structures and Improvements, Machinery and Equipment, and Infrastructure) less any related debt used to acquire those assets that is still outstanding. The City of Webster City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Webster City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Webster City's Net Assets

	Governmental Activities		Business-type Activities		Total		Component Units	
	6/30/07	6/30/06	6/30/07	6/30/06	6/30/07	6/30/06	6/30/07	6/30/06
Current and other assets	8,085,544	7,111,974	12,506,566	12,117,133	20,592,110	19,229,107	2,914,216	2,700,783
Capital Assets, net depreciation	23,579,718	23,982,781	21,244,016	22,023,152	44,823,734	46,005,933	35,700	36,540
Total Assets	31,665,262	31,094,755	33,750,582	34,140,285	65,415,844	65,235,040	2,949,916	2,737,323
Current and other liabilities	4,084,704	3,585,850	1,405,989	1,420,785	5,490,693	5,006,635	16,703	18,055
Non-current Liabilities	6,837,618	7,547,854	5,108,397	5,535,709	11,946,015	13,083,563	-	-
Total Liabilities	10,922,322	11,133,704	6,514,386	6,956,494	17,436,708	18,090,198	16,703	18,055
Net Assets:								
Invested in capital assets, net of related debt	18,223,243	18,597,953	16,347,847	16,696,856	34,571,090	35,294,809	-	-
Restricted	2,291,788	2,538,715	593,997	356,500	2,885,785	2,895,215	2,923,005	2,712,288
Unrestricted (deficit)	227,909	(1,175,617)	10,294,352	10,130,435	10,522,261	8,954,818	10,208	6,980
Total net assets	20,742,940	19,961,051	27,236,196	27,183,791	47,979,136	47,144,842	2,933,213	2,719,268

An additional portion of the City of Webster City's net assets (6.01%) represents resources that are subject to external restrictions on how they may be used. The remaining balances of unrestricted net assets (\$10,522,261) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Webster City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate business-type activities. The governmental activities unrestricted net assets had a positive balance; this is a change from the prior fiscal year. There was a increase of \$237,497 in restricted net assets reported in connection with the City of Webster City's business-type activities. This increase is the result of the change in debt service and depreciation for the utilities.

ⁱ Pages 56-58

ⁱⁱ Page 1

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

The government's net assets increased by \$834,294 during the fiscal year. Net assets in the governmental activities increased by \$781,889. The key element in the governmental activities increase is a result of the conservative budgeting and the close monitoring of the expenditures to ensure that the city maintain a strong financial position.

Governmental Activities. Governmental activities increased the City of Webster City's net assets by \$781,889, thereby accounting for 94.08% of the total addition in the net assets of the City of Webster City.ⁱⁱⁱ Key elements of this increase were as follows:

City of Webster City's Change in Net Assets

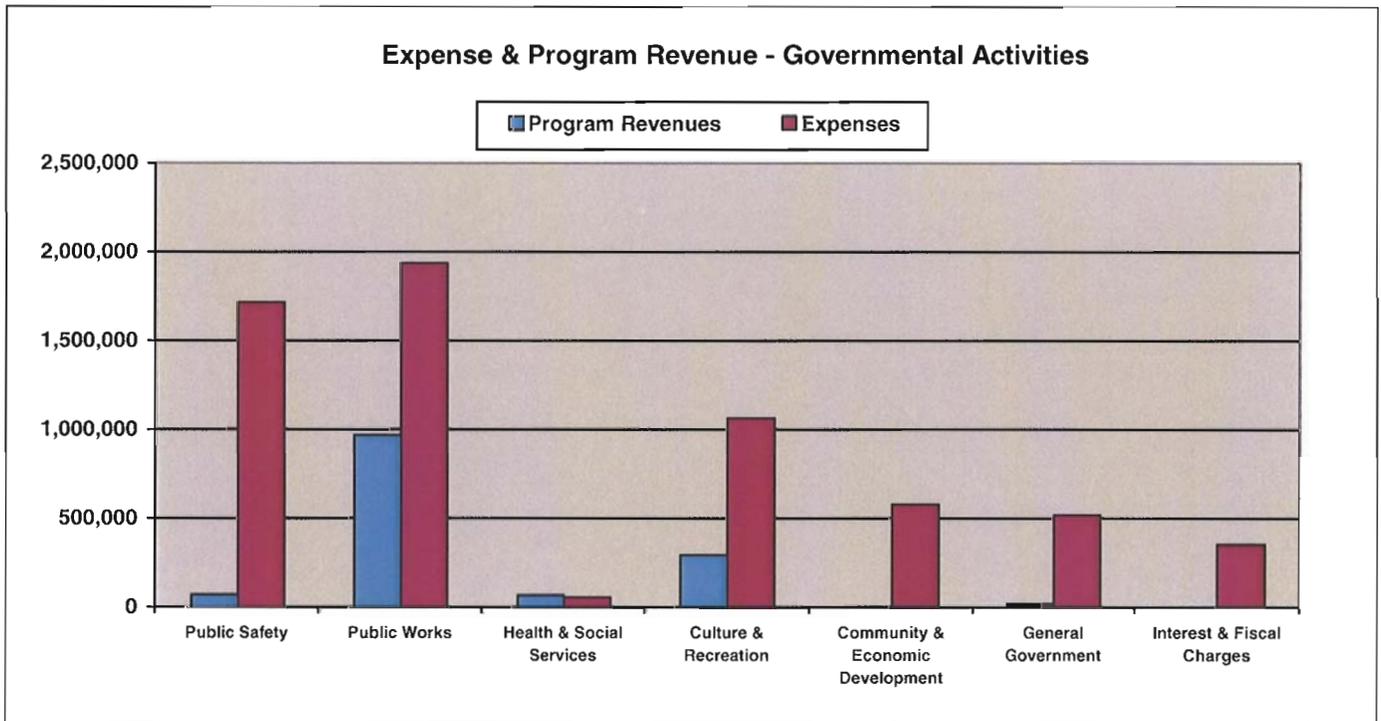
	Governmental Activities		Business-type Activities		Total	
	6/30/2007	6/30/2006	6/30/2007	6/30/2006	6/30/2007	6/30/2006
Revenues:						
Program revenues:						
Charges for Service	419,496	430,646	14,957,832	13,886,169	15,377,328	14,316,815
Operating Grants & Contributions	808,585	846,848	-	-	808,585	846,848
Capital Grants & Contributions	182,779	81	-	-	182,779	81
General Revenues						
Property Taxes	3,682,050	3,338,958	-	-	3,682,050	3,338,958
Other Taxes	873,531	733,281	-	-	873,531	733,281
Other	740,287	724,664	572,647	555,057	1,312,934	1,279,721
Total Revenues	6,706,728	6,074,478	15,530,479	14,441,226	22,237,207	20,515,704
Expenses:						
Public Safety	1,702,724	1,752,275	-	-	1,702,724	1,752,275
Public Works	1,922,964	1,936,839	-	-	1,922,964	1,936,839
Health & Social Services	54,111	36,741	-	-	54,111	36,741
Culture & Recreation	1,058,776	944,012	-	-	1,058,776	944,012
Community & Economic Development	577,544	275,575	-	-	577,544	275,575
General Government	516,481	835,892	-	-	516,481	835,892
Interest & Fiscal Charges	350,831	304,518	-	-	350,831	304,518
Water Utility	-	-	1,262,666	1,140,995	1,262,666	1,140,995
Sewer Utility	-	-	1,270,017	1,186,302	1,270,017	1,186,302
Electric Utility	-	-	12,686,799	11,383,481	12,686,799	11,383,481
Total Expenses	6,183,431	6,085,852	15,219,482	13,710,778	21,402,913	19,796,630
Change in net assets before transfers	523,297	(11,374)	310,997	730,448	834,294	719,074
Transfers	258,592	565,380	(258,592)	(565,380)	-	-
Change in net assets	781,889	554,006	52,405	165,068	834,294	719,074
Net Assets - Beginning	19,961,051	19,407,045	27,183,791	27,018,723	47,144,842	46,425,768
Net Assets Ending	20,742,940	19,961,051	27,236,196	27,183,791	47,979,136	47,144,842

ⁱⁱⁱ Pages 2-3

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

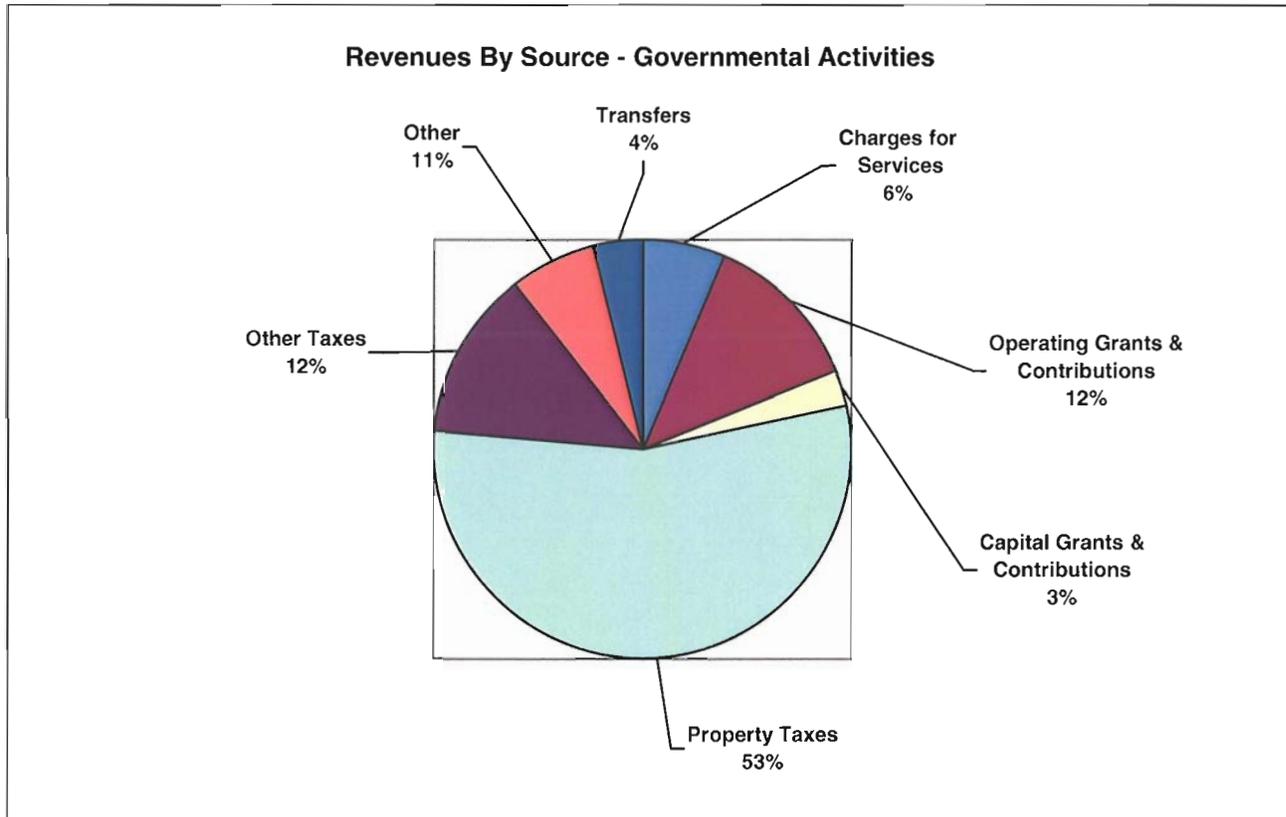
- Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. Some examples of these items are as follows:
 - Purchase of equipment such as the police car and the motor grader for the street department
 - Construction of the City Hall Plaza
 - The partial construction of the recreational trail that will be completed in the next couple fiscal years.



The chart above shows that most of the governmental activities are supported by revenues other than the program revenues (charges for service, operating grants and contributions, and capital grants and contributions). General revenues, such as property taxes, other taxes, and investment income provide the rest of the funding for the governmental activities.

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2007



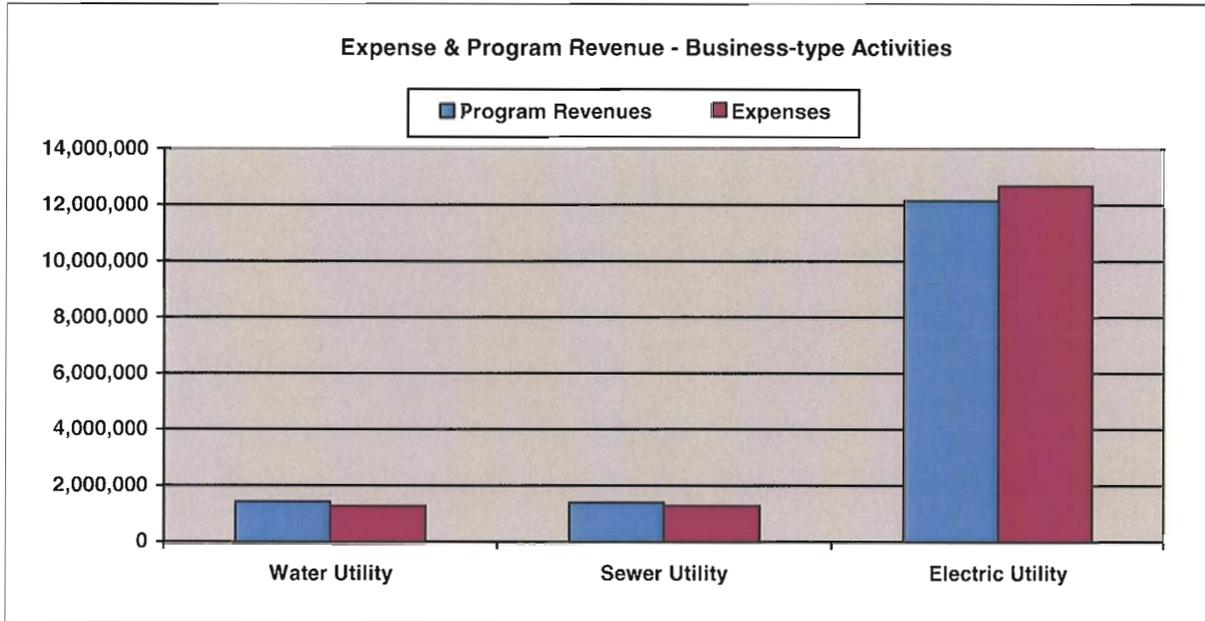
The main sources of revenue for the governmental activities are from property taxes, other taxes (including local options sales tax), and grants and contributions. The City of Webster City received \$3,682,050 in property tax receipts, \$873,531 in other taxes, and \$991,364 in capital and operating grants and contributions.

Business-type Activities. The net assets of the business-type activities of the City of Webster City increased by \$52,405. Key elements of this increase are as follows:

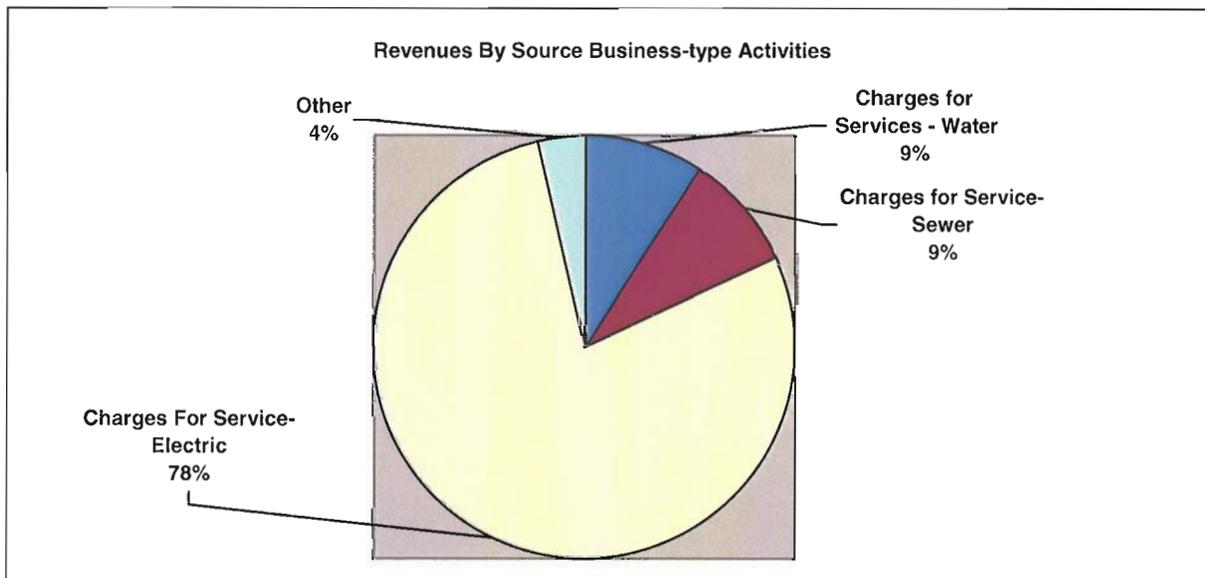
- The amount of money available and the interest rates for money that we had invested had increase during the year, allowing us to collect more in investment income.
- The amount of money that was transferred out of the business-type activities declined during this fiscal year.

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2007



The goal of the City of Webster City is to have the revenues exceed the expenses in the Business-type activities. We reached that goal with the water and sewer utilities and was short with the electric utility. The reason that the electric utility spent more than was received is because of the timing of the approval of the rate change. It normally takes more time to adjust the rates than the amount of notice given when purchase power costs are changing.



The electric utility is the main function of the City of Webster City Business-type Activities making up 78% of the total receipts. These rates were changed during the year with the changes received from the purchase power costs. Since most sewer utility usage is based on a per unit water usage, with the exception of industrial sewer, the revenues for these two functions should remain close.

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

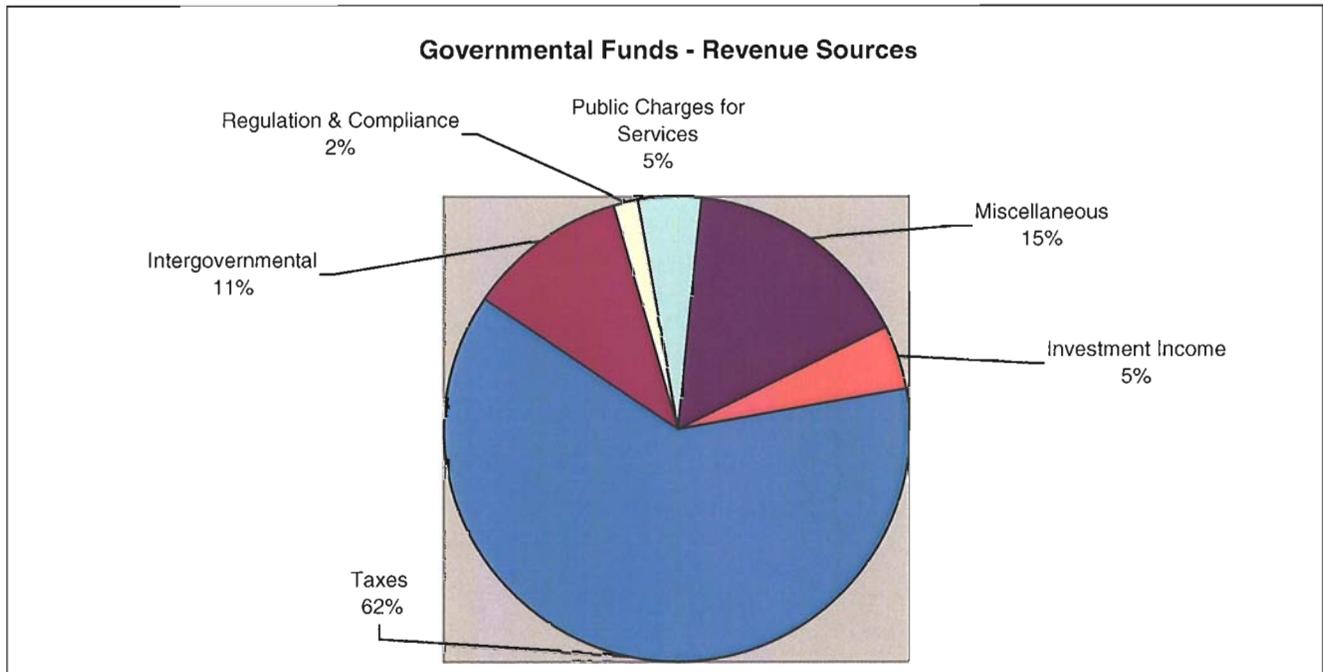
Financial Analysis of the Government's Funds

As noted earlier, the City of Webster City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Webster City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Webster City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Webster City's governmental funds reported combined ending fund balances of \$2,340,135; with the prior year being \$1,018,210, the increase for this year was \$1,321,925.^{iv} \$1,107,191 of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) pay debt service, 2) trust related activities including perpetual care of the municipal cemetery, 3) liquidate contracts and purchase orders of the prior period, or 4) a variety of other restricted purposes.

Revenues from the City's governmental funds totaled \$7,321,863 with taxes accounting for \$4,555,584 of that amount.^v Intergovernmental activities, including state and federal grants, represented another \$810,440 of the total governmental revenues. The following graph represents the makeup of the City's governmental revenues.



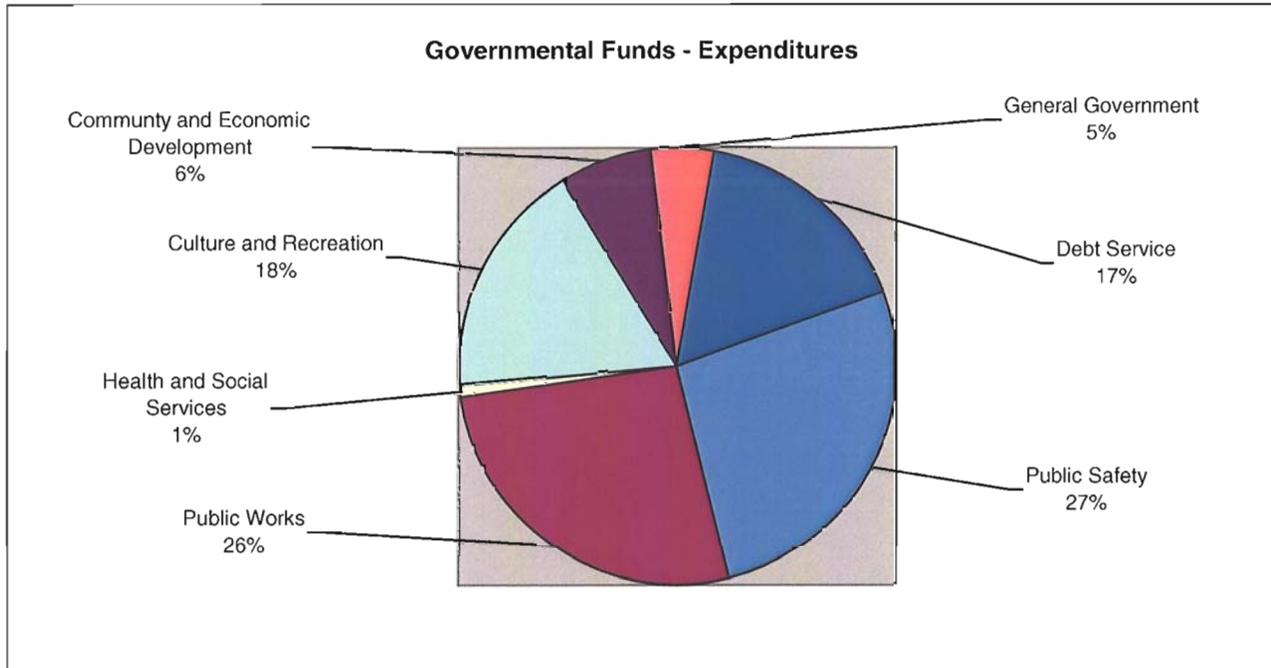
^{iv} Page 5

^v Page 5

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

Total expenditures for the governmental funds were \$6,429,779.^{vi} The five main activities that make up these expenditures are public works (\$1,702,096), public safety (\$1,723,488), culture and recreation (\$1,131,530), community and economic development (\$442,267), and debt service (\$1,067,223). The following graph is a breakout of the governmental expenditures for the City.



The general fund is the chief operating fund of the City of Webster City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,016,823, while the total fund balance reached \$1,024,436.^{vii} As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to the total fund expenditures. Unreserved fund balance represents 34.72% of the total general fund expenditures, while the total fund balance represents 34.98% of that same number.^{viii}

The fund balance of the City of Webster City's general fund decreased by \$142,900 during the current fiscal year.

The Child Care Center fund had a fund balance of (\$659,017). The net increase in the fund balance during the current fiscal year was \$64,892 which was mostly due to the receipt of the annual payment from last year and the current year.

The Second Street Reconstruction fund continued to have a deficit fund balance at the end of the fiscal year of \$1,572,093, the increase in the fund was \$141,542, which lowered the amount of deficit from (\$1,713,635) to (\$1,572,093). This deficit is due to the advance from the electric utility for the reconstruction of Second Street. Future tax increment receipts will pay the advance.

^{vi} Page 5

^{vii} Page 4

^{viii} Page 4

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

Proprietary Funds. The City of Webster City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the electric utility amounted to \$15,231,297, the water utility amounted to \$6,896,878, and the sewer utility amounted to \$4,273,509.^{ix} The total change in net assets for all three funds was (\$201,836), \$111,867, and \$136,884 respectively.^x Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Webster City's business-type activities.

Governmental and Proprietary Funds Budgetary Highlights

The differences between the original budgeted expenditures and the final amended budgeted expenditures decreased by \$364,426 and can be briefly summarized as follows:^{xi}

- Due to the timing of capital projects the original budget had to be amended for the estimated work that could be completed during the fiscal year instead of what was originally estimated to be done during the year.
- The amount of local option sales tax that was budgeted to be contributed to the county for the construction of the jail from general government was less, allowing the money to be spent in public works for road maintenance.
- The main increase in the business type activities was due to the increase in the purchase power cost.

The difference between actual figures and the amended budget figures was \$1,161,840 and can be briefly summarized as follows:

- Electric rates changed and increased due to the increase in the purchase power costs, requiring an estimate for the portion of the year that was affected.
- Investment income was higher than anticipated due to the interest rates and the funds available for investment during the year.
- Due to timing and weather issues, some capital projects were not completed as scheduled.

Capital Asset and Debt Administration

Capital Assets. The City of Webster City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$44,823,734 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment, and infrastructure. The total decrease in the City of Webster City's investment in capital assets for the current fiscal year was 2.57%. 34.09% of this decrease is the governmental activities decrease and 65.91% of the decrease came from the business-type activities.^{xii}

Major capital assets events during the current fiscal year included the following:

- Water main and street improvements were completed from the previous fiscal year.
- The recreational trail connecting the city trail with the county trail engineering was started with the plan to continue and completion of the project in the next fiscal year.

^{ix} Page 7

^x Page 8

^{xi} Page 56

^{xii} Pages 34-38

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

- Work continued on the sidewalk improvement project with plans to proceeds to additional areas of town and continue the project in the future years.

City of Webster City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	6/30/07	6/30/06	6/30/07	6/30/06	6/30/07	6/30/06
Land	4,563,364	4,825,814	786,184	786,184	5,349,548	5,611,998
Structures and Improvements	4,435,611	4,613,725	981,362	1,034,658	5,416,973	5,648,383
Improvements other than Structures	12,866,126	13,148,634	18,834,358	19,352,101	31,700,484	32,500,735
Machinery & Equipment	1,380,221	1,292,949	561,316	568,048	1,941,537	1,860,997
Construction Work in Progress	334,396	101,659	80,796	282,161	415,192	383,820
Total	23,579,718	23,982,781	21,244,016	22,023,152	44,823,734	46,005,933

Long-term debt. At the end of the current fiscal year, the City of Webster City had total bonded debt outstanding of \$11,597,546, not including Tax Increment Financing.^{xiii} Of this amount, \$4,850,000 comprises debt backed by the full faith and credit of the government, also not including Tax Increment Financing. The remainder of the City of Webster City's debt represents bonds secured solely by specified revenue source (i.e. revenue bonds).

Total outstanding debt includes an estimated liability for compensated absences. The total estimate for compensated absences is \$347,423 with \$212,192 being for governmental activities and \$135,231 being for business-type activities.

General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	6/30/07	6/30/06	6/30/07	6/30/06	6/30/07	6/30/06
General Obligation Bonds	4,385,000	5,085,000	465,000	510,000	4,850,000	5,595,000
Revenue Bonds	2,239,380	2,263,594	4,508,166	4,905,572	6,747,546	7,169,166
Total	6,624,380	7,348,594	4,973,166	5,415,572	11,597,546	12,764,166

The City of Webster City's total long-term liabilities decreased by \$1,137,548 (including notes payable and compensated absences) during the fiscal year. The key factor in this decrease was payment of bonds without issuing any new debt.

State statutes limit the amount of general obligation debt, including tax increment financing. A government entity may issue up to 5% of its total assessed valuation. The current debt limit for the City of Webster City is \$17,071,152. With the General Obligation Debt being \$4,850,000 and the Tax Increment Debt being \$4,004,260, the City of Webster City is at 51.87% of the debt limit.

CITY OF WEBSTER CITY

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ending June 30, 2007

Economic Factors and Next Year's Budgets and Rates

- The rollback will decrease for residential, commercial, and agricultural property. Residential rollback will go from 45.9960% of the realty value to 44.0803%, commercial will go from 100.00% to 99.7312%, and the agricultural property will go from 100% to 90.1023%. Depending on valuations and the levy asking this could impact the tax dollars received.
- City contribution rates for Municipal Police and Fire Retirement System of Iowa will decrease from 27.75% to 18.75% in the next fiscal year.
- Electric, water, and sewer rates will continue to be reviewed during the next fiscal year with adjustments to be made as needed.
- The local option sales tax money will be used by the city for infrastructure improvements.

These factors, if known, were considered in doing the City of Webster City 2008/2009 Budget. If they were not known, then they will be considered with the City of Webster City 2008/2009 Amended Budget.

Request for Information

This financial report is designed to provide a general overview of the City of Webster City's finances for all those with an interest in the government's finances. For questions concerning any of the information provided in this report or requests for additional financial information, please feel free to contact the City of Webster City, Finance Officer, 400 Second Street PO Box 217, Webster City, IA 50595.

CITY OF WEBSTER CITY

STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business- type Activities	Totals	
ASSETS				
Cash and investments	\$ 5,454,399	\$ 7,238,726	\$ 12,693,125	\$ 2,913,686
Receivables (net of allowance for uncollectibles)				
Taxes	3,643,521	-	3,643,521	-
Accounts	190,436	983,175	1,173,611	530
Interest	34,202	68,046	102,248	-
Loans	870,644	-	870,644	-
Due from other governmental units	85,556	-	85,556	-
Internal balances - current	(240,515)	240,515	-	-
Internal balances - advances	(2,287,222)	2,287,222	-	-
Inventories	-	834,709	834,709	-
Prepaid items	43,585	-	43,585	-
Restricted assets				
Temporarily restricted				
Cash and investments	-	751,754	751,754	-
Other assets	69,239	102,419	171,658	-
Land held for resale	221,699	-	221,699	-
Capital assets				
Land	4,563,364	786,184	5,349,548	-
Construction in progress	334,396	80,796	415,192	-
Land improvements	1,841,562	-	1,841,562	-
Structures and improvements	6,736,182	3,488,128	10,224,310	42,000
Machinery and equipment	3,047,892	1,762,185	4,810,077	-
Infrastructure	21,356,593	50,141,704	71,498,297	-
Less: Accumulated depreciation	(14,300,271)	(35,014,981)	(49,315,252)	(6,300)
Total Assets	<u>31,665,262</u>	<u>33,750,582</u>	<u>65,415,844</u>	<u>2,949,916</u>
LIABILITIES				
Accounts payable	309,449	1,210,780	1,520,229	16,703
Accrued liabilities	66,474	195,209	261,683	-
Unearned revenues	3,708,781	-	3,708,781	-
Noncurrent liabilities				
Due within one year	662,085	543,564	1,205,649	-
Due in more than one year	6,175,533	4,564,833	10,740,366	-
Total Liabilities	<u>10,922,322</u>	<u>6,514,386</u>	<u>17,436,708</u>	<u>16,703</u>
NET ASSETS				
Invested in capital assets, net of related debt	<u>18,223,243</u>	<u>16,347,847</u>	<u>34,571,090</u>	<u>-</u>
Restricted				
Debt service	150,922	443,997	594,919	-
Economic development loan programs	1,261,047	-	1,261,047	-
Road use tax	354,333	-	354,333	-
Urban renewal tax increments and SSMID	138,609	-	138,609	-
Trust purposes - expendable	-	-	-	2,923,005
Trust purposes - nonexpendable	386,877	-	386,877	-
Depreciation	-	150,000	150,000	-
Total Restricted	<u>2,291,788</u>	<u>593,997</u>	<u>2,885,785</u>	<u>2,923,005</u>
Unrestricted	<u>227,909</u>	<u>10,294,352</u>	<u>10,522,261</u>	<u>10,208</u>
TOTAL NET ASSETS	<u>\$ 20,742,940</u>	<u>\$ 27,236,196</u>	<u>\$ 47,979,136</u>	<u>\$ 2,933,213</u>

See accompanying notes to financial statements.

CITY OF WEBSTER CITY

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 516,481	\$ 15,938	\$ 1,908	\$ -
Public safety	1,702,724	67,892	-	-
Public works	1,922,964	164,439	682,836	120,431
Health and human services	54,111	63,934	-	-
Culture and recreation	1,058,776	105,838	123,841	62,348
Community and economic development	577,544	1,455	-	-
Interest and fiscal charges	350,831	-	-	-
Total Governmental Activities	<u>6,183,431</u>	<u>419,496</u>	<u>808,585</u>	<u>182,779</u>
Business-type Activities				
Water utility	1,262,666	1,420,480	-	-
Sewer utility	1,270,017	1,383,407	-	-
Electric utility	12,686,799	12,153,945	-	-
Total Business-type Activities	<u>15,219,482</u>	<u>14,957,832</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 21,402,913</u>	<u>\$ 15,377,328</u>	<u>\$ 808,585</u>	<u>\$ 182,779</u>
Component Units				
Airport Commission	\$ 338,898	\$ -	\$ 80,000	\$ 234,227
Fuller Trust	229,268	-	10,911	-
Total Component Units	<u>\$ 568,166</u>	<u>\$ -</u>	<u>\$ 90,911</u>	<u>\$ 234,227</u>
General Revenues				
Taxes				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Property taxes, TIF				
Property taxes, levied for other purposes				
Local option sales tax				
Other taxes				
Intergovernmental revenues not restricted to specific programs				
Cable franchise fees				
Rents and royalties				
Donations				
Investment income				
Gain on disposal of capital assets				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
NET ASSETS - Beginning				
NET ASSETS - ENDING				

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Totals	Component Units
\$ (498,635)	\$ -	\$ (498,635)	\$ -
(1,634,832)	-	(1,634,832)	-
(955,258)	-	(955,258)	-
9,823	-	9,823	-
(766,749)	-	(766,749)	-
(576,089)	-	(576,089)	-
(350,831)	-	(350,831)	-
<u>(4,772,571)</u>	<u>-</u>	<u>(4,772,571)</u>	<u>-</u>
-	157,814	157,814	-
-	113,390	113,390	-
-	<u>(532,854)</u>	<u>(532,854)</u>	<u>-</u>
-	<u>(261,650)</u>	<u>(261,650)</u>	<u>-</u>
(4,772,571)	(261,650)	(5,034,221)	-
-	-	-	(24,671)
-	-	-	(218,357)
1,488,067	-	1,488,067	-
897,244	-	897,244	-
741,785	-	741,785	-
554,954	-	554,954	-
724,502	-	724,502	-
149,029	-	149,029	-
5,171	-	5,171	-
63,990	-	63,990	-
131,849	11,364	143,213	27,263
11,628	-	11,628	-
278,669	408,746	687,415	424,410
34,249	-	34,249	-
214,731	152,537	367,268	5,300
<u>258,592</u>	<u>(258,592)</u>	<u>-</u>	<u>-</u>
<u>5,554,460</u>	<u>314,055</u>	<u>5,868,515</u>	<u>456,973</u>
781,889	52,405	834,294	213,945
<u>19,961,051</u>	<u>27,183,791</u>	<u>47,144,842</u>	<u>2,719,268</u>
<u>\$ 20,742,940</u>	<u>\$ 27,236,196</u>	<u>\$ 47,979,136</u>	<u>\$ 2,933,213</u>

See accompanying notes to financial statements.

CITY OF WEBSTER CITY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	<u>General</u>	<u>Child Care Center</u>	<u>Second Street Reconstruction</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS					
Cash and investments	\$ 993,257	\$ -	\$ -	\$ 3,837,856	\$ 4,831,113
Receivables					
Taxes	1,634,064	-	-	2,009,457	3,643,521
Accounts	189,297	-	-	1,139	190,436
Interest	27,703	625	-	5,874	34,202
Loans	-	659,017	-	211,627	870,644
Due from other governments	-	-	-	85,556	85,556
Prepaid items	7,613	-	-	-	7,613
Advances to other funds	-	-	-	547,578	547,578
TOTAL ASSETS	\$ 2,851,934	\$ 659,642	\$ -	\$ 6,699,087	\$ 10,210,663
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 108,561	\$ -	\$ -	\$ 195,366	\$ 303,927
Accrued liabilities	47,304	625	-	4,343	52,272
Deferred revenue	1,671,633	659,017	-	2,348,879	4,679,529
Advances from other funds	-	659,017	1,572,093	603,690	2,834,800
Total Liabilities	<u>1,827,498</u>	<u>1,318,659</u>	<u>1,572,093</u>	<u>3,152,278</u>	<u>7,870,528</u>
Fund Balances					
Reserved for:					
Debt service	-	-	-	165,123	165,123
Trust activities	-	-	-	386,877	386,877
Advances	-	-	-	547,578	547,578
Prepaid items	7,613	-	-	-	7,613
Unreserved and designated, reported in:					
General fund	40,227	-	-	-	40,227
Unreserved and undesignated, reported in:					
General fund	976,596	-	-	-	976,596
Special revenue funds (deficit)	-	(659,017)	-	1,187,562	528,545
Capital projects funds (deficit)	-	-	(1,572,093)	1,259,669	(312,424)
Total Fund Balances (deficit)	<u>1,024,436</u>	<u>(659,017)</u>	<u>(1,572,093)</u>	<u>3,546,809</u>	<u>2,340,135</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,851,934	\$ 659,642	\$ -	\$ 6,699,087	

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

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	23,579,718
Land held for resale by governmental funds are not financial resources and, therefore, are not reported in the funds	221,699
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	970,748
Internal service funds are reported in the statement of net assets as governmental funds. See Note II.A.	413,233
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II.A.	<u>(6,782,593)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 20,742,940

See accompanying notes to financial statements.

CITY OF WEBSTER CITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended June 30, 2007

	General	Child Care Center	Second Street Reconstruction	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,670,713	\$ -	\$ -	\$ 2,884,871	\$ 4,555,584
Intergovernmental	2,671	-	-	807,769	810,440
Regulation and compliance	119,190	-	-	-	119,190
Public charges for services	331,738	-	-	3,906	335,644
Intergovernmental charges for services	27,975	-	-	-	27,975
Special assessments	-	-	-	1,408	1,408
Investment income	240,271	32,108	-	61,764	334,143
Miscellaneous	215,882	64,892	-	856,705	1,137,479
Total Revenues	<u>2,608,440</u>	<u>97,000</u>	<u>-</u>	<u>4,616,423</u>	<u>7,321,863</u>
EXPENDITURES					
Current					
General government	272,530	-	-	36,534	309,064
Public safety	1,270,046	-	-	453,442	1,723,488
Public works	518,143	-	-	1,183,953	1,702,096
Health and human services	51,706	-	-	2,405	54,111
Culture and recreation	763,798	-	-	367,732	1,131,530
Community and economic development	52,817	-	-	389,450	442,267
Debt Service					
Principal	-	-	-	724,214	724,214
Interest and fiscal charges	-	-	-	343,009	343,009
Total Expenditures	<u>2,929,040</u>	<u>-</u>	<u>-</u>	<u>3,500,739</u>	<u>6,429,779</u>
Excess (deficiency) of revenues over expenditures	<u>(320,600)</u>	<u>97,000</u>	<u>-</u>	<u>1,115,684</u>	<u>892,084</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	137,000	-	-	34,249	171,249
Transfers in	290,700	-	141,542	528,147	960,389
Transfers out	(250,000)	(32,108)	-	(419,689)	(701,797)
Total Other Financing Sources (Uses)	<u>177,700</u>	<u>(32,108)</u>	<u>141,542</u>	<u>142,707</u>	<u>429,841</u>
Change in Fund Balances	<u>(142,900)</u>	<u>64,892</u>	<u>141,542</u>	<u>1,258,391</u>	<u>1,321,925</u>
FUND BALANCES (DEFICIT) -					
Beginning of Year	<u>1,167,336</u>	<u>(723,909)</u>	<u>(1,713,635)</u>	<u>2,288,418</u>	<u>1,018,210</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 1,024,436</u>	<u>\$ (659,017)</u>	<u>\$ (1,572,093)</u>	<u>\$ 3,546,809</u>	<u>\$ 2,340,135</u>

See accompanying notes to financial statements.

CITY OF WEBSTER CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds	\$ 1,321,925
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities.

Acquisition of capital assets is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	533,227
Proceeds from sales of capital assets are reported as a revenue in the fund financial statements but only the gain or loss on capital asset disposals are reported in the government-wide financial statements.	(338,028)
Depreciation is reported in the government-wide statements	(752,942)

Contributed capital assets are reported as revenues in the government-wide financial statements	120,431
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Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. See Note II.B.	(906,473)
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Debt and leases issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which issues (\$0) exceeded payments (\$726,612).	726,612
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Some expenses 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	(16,376)
Accrued interest on debt	3,620
Debt issuance costs	(11,456)

Internal service funds are used by management to charge the costs of capital equipment and medical insurance to individual departments. The increase in net assets of the internal service funds is reported with governmental activities. See Note II.B.	101,349
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 781,889
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See accompanying notes to financial statements.

CITY OF WEBSTER CITY

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2007

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Sewer Utility	Electric Utility	Totals	Internal Service Funds
ASSETS					
Current Assets					
Cash and investments	\$ 1,655,134	\$ 1,180,500	\$ 4,403,092	\$ 7,238,726	\$ 623,286
Restricted Assets					
Cash and investments	7,867	50,000	-	57,867	-
Accounts receivable, net	113,776	114,172	755,227	983,175	-
Interest receivable	13,470	11,055	43,521	68,046	-
Inventories	75,656	26,803	732,250	834,709	-
Prepaid items	-	-	-	-	35,972
Total Current Assets	<u>1,865,903</u>	<u>1,382,530</u>	<u>5,934,090</u>	<u>9,182,523</u>	<u>659,258</u>
Noncurrent Assets					
Restricted Assets					
Cash and investments	219,500	331,500	142,887	693,887	-
Plant					
Plant in service	13,037,303	10,464,191	32,676,707	56,178,201	-
Less: Accumulated depreciation	(7,328,188)	(3,175,593)	(24,511,200)	(35,014,981)	-
Construction work in progress	28,302	-	52,494	80,796	-
Net Utility Plant	<u>5,737,417</u>	<u>7,288,598</u>	<u>8,218,001</u>	<u>21,244,016</u>	<u>-</u>
Other Property and Investments					
Preliminary survey and investigation	-	-	25,422	25,422	-
Advances to other funds, net	-	-	2,287,222	2,287,222	-
Unamortized debt issuance costs	15,999	60,998	-	76,997	-
Total Noncurrent Assets	<u>5,972,916</u>	<u>7,681,096</u>	<u>10,673,532</u>	<u>24,327,544</u>	<u>-</u>
Total Assets	<u>7,838,819</u>	<u>9,063,626</u>	<u>16,607,622</u>	<u>33,510,067</u>	<u>659,258</u>
LIABILITIES					
Current Liabilities					
Accounts payable	30,407	49,828	1,130,545	1,210,780	5,510
Accrued payroll and payroll taxes	7,393	7,033	17,026	31,452	-
Accrued compensated absences	19,655	8,929	41,980	70,564	-
Other accrued liabilities and deposits	2,055	-	146,832	148,887	-
Current portion of general obligation debt	50,000	-	-	50,000	-
Liabilities payable from restricted assets					
Accrued interest	700	14,170	-	14,870	-
Current portion of revenue bonds	85,000	338,000	-	423,000	-
Total Current Liabilities	<u>195,210</u>	<u>417,960</u>	<u>1,336,383</u>	<u>1,949,553</u>	<u>5,510</u>
Noncurrent Liabilities					
Long-term debt net of current maturities					
Accrued compensated absences	15,064	9,661	39,942	64,667	-
General obligation debt	415,000	-	-	415,000	-
Revenue bonds payable	90,000	4,032,000	-	4,122,000	-
Unamortized loss on advance refunding	-	(36,834)	-	(36,834)	-
Total Noncurrent Liabilities	<u>520,064</u>	<u>4,004,827</u>	<u>39,942</u>	<u>4,564,833</u>	<u>-</u>
Total Liabilities	<u>715,274</u>	<u>4,422,787</u>	<u>1,376,325</u>	<u>6,514,386</u>	<u>5,510</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,113,416	3,016,430	8,218,001	16,347,847	-
Restricted for:					
Debt service	226,667	217,330	-	443,997	-
Depreciation	-	150,000	-	150,000	-
Unrestricted	<u>1,783,462</u>	<u>1,257,079</u>	<u>7,013,296</u>	<u>10,053,837</u>	<u>653,748</u>
TOTAL NET ASSETS	<u>\$ 7,123,545</u>	<u>\$ 4,640,839</u>	<u>\$ 15,231,297</u>	<u>26,995,681</u>	<u>\$ 653,748</u>

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

Net assets of the internal service funds are allocated to the business-type activities 240,515

NET ASSETS OF BUSINESS-TYPE ACTIVITIES \$ 27,236,196

See accompanying notes to financial statements.

CITY OF WEBSTER CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Electric Utility		
OPERATING REVENUES					
Charges for services	\$ 1,420,480	\$ 1,383,407	\$ 12,153,945	\$ 14,957,832	\$ 337,744
OPERATING EXPENSES					
Operating and maintenance	988,203	789,102	11,979,679	13,756,984	230,905
Depreciation	227,543	275,655	724,227	1,227,425	-
Total Operating Expenses	1,215,746	1,064,757	12,703,906	14,984,409	230,905
Operating income (loss)	204,734	318,650	(549,961)	(26,577)	106,839
NON-OPERATING REVENUES (EXPENSES)					
Investment income	77,877	64,987	265,882	408,746	-
Rental income	-	-	11,364	11,364	-
Interest expense	(43,968)	(196,595)	-	(240,563)	-
Miscellaneous	(55,544)	(1,396)	209,477	152,537	-
Total Nonoperating Revenues (Expenses)	(21,635)	(133,004)	486,723	332,084	-
Net income (loss) before contributions and transfers	183,099	185,646	(63,238)	305,507	106,839
TRANSFERS IN	-	-	32,108	32,108	-
TRANSFERS OUT	(71,232)	(48,762)	(170,706)	(290,700)	-
Change in Net Assets	111,867	136,884	(201,836)	46,915	106,839
NET ASSETS - Beginning of Year	7,011,678	4,503,955	15,433,133	26,948,766	546,909
NET ASSETS - END OF YEAR	\$ 7,123,545	\$ 4,640,839	\$ 15,231,297	\$ 26,995,681	\$ 653,748

Change in net assets - proprietary funds \$ 46,915

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of capital equipment and medical insurance to individual departments. The increase in net assets of the internal service funds is reported with business-type activities. 5,490

CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES **\$ 52,405**

CITY OF WEBSTER CITY

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPES
 For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Utility	Sewer Utility	Electric Utility	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 1,446,132	\$ 1,385,349	\$ 12,602,141	\$ 15,433,622	\$ -
Received from other funds	-	-	-	-	337,744
Customer deposits received	-	-	20,077	20,077	-
Paid to suppliers for goods and services	(858,723)	(485,522)	(10,551,229)	(11,895,474)	(229,440)
Paid to employees for services	(297,029)	(295,163)	(726,490)	(1,318,682)	-
Net Cash Flows From Operating Activities	<u>290,380</u>	<u>604,664</u>	<u>1,344,499</u>	<u>2,239,543</u>	<u>108,304</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers to other funds	(71,232)	(48,762)	(138,598)	(258,592)	-
Net Cash Flows From Noncapital Financing Activities	<u>(71,232)</u>	<u>(48,762)</u>	<u>(138,598)</u>	<u>(258,592)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payments on long-term debt	(125,000)	(326,000)	-	(451,000)	-
Interest paid	(39,015)	(181,988)	-	(221,003)	-
Acquisition and construction of capital assets	(244,725)	(134,734)	(127,666)	(507,125)	-
Received (loaned) on long-term advances	100,000	113,729	214,147	427,876	-
Net Cash Flows From Capital and Related Financing Activities	<u>(308,740)</u>	<u>(528,993)</u>	<u>86,481</u>	<u>(751,252)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	84,626	64,416	221,945	370,987	-
Net Cash Flows From Investing Activities	<u>84,626</u>	<u>64,416</u>	<u>221,945</u>	<u>370,987</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(4,966)	91,325	1,514,327	1,600,686	108,304
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,887,467</u>	<u>1,470,675</u>	<u>3,031,652</u>	<u>6,389,794</u>	<u>514,982</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,882,501</u>	<u>\$ 1,562,000</u>	<u>\$ 4,545,979</u>	<u>\$ 7,990,480</u>	<u>\$ 623,286</u>

	Business-type Activities - Enterprise Funds				Governmental
	Water Utility	Sewer Utility	Electric Utility	Totals	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ 204,734	\$ 318,650	\$ (549,961)	\$ (26,577)	\$ 106,839
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Depreciation	227,543	275,655	724,227	1,227,425	-
Other non-cash operating expense	-	-	621,072	621,072	-
Non-operating income	6,030	(392)	220,841	226,479	-
Change in assets and liabilities					
Accounts receivable	19,622	2,334	110,666	132,622	-
Due from other funds	-	-	116,689	116,689	-
Inventories	(7,779)	(3,324)	(58,913)	(70,016)	-
Prepaid items	-	-	-	-	(4,045)
Accounts payable	(166,778)	9,508	128,839	(28,431)	5,510
Accrued compensated absences	6,383	(88)	5,766	12,061	-
Other accrued liabilities and deposits	625	2,321	5,196	8,142	-
Customer deposits	-	-	20,077	20,077	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 290,380	\$ 604,664	\$ 1,344,499	\$ 2,239,543	\$ 108,304
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS					
Cash and investments - statement of net assets - proprietary funds	\$ 1,655,134	\$ 1,180,500	\$ 4,403,092	\$ 7,238,726	\$ 623,286
Restricted cash and investments - statement of net assets - proprietary funds	227,367	381,500	142,887	751,754	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,882,501	\$ 1,562,000	\$ 4,545,979	\$ 7,990,480	\$ 623,286
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
None					

CITY OF WEBSTER CITY

**STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2007**

	<u>Private Purpose Trusts</u>
ASSETS	
Cash and investments	\$ 22,666
Accrued interest receivable	<u>13</u>
Total Assets	<u>22,679</u>
LIABILITIES	<u>-</u>
NET ASSETS	
Reserved for private purpose trust activities	<u>22,679</u>
TOTAL NET ASSETS	<u>\$ 22,679</u>

See accompanying notes to financial statements.

CITY OF WEBSTER CITY

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Year Ended June 30, 2007**

	Private Purpose Trusts
ADDITIONS	
Investment income	\$ 899
DEDUCTIONS	
Culture and recreation	382
Change in Net Assets	517
NET ASSETS - Beginning of Year	22,162
NET ASSETS - END OF YEAR	\$ 22,679

CITY OF WEBSTER CITY

COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS June 30, 2007

	<u>Airport Commission</u>	<u>Fuller Trust</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 26,581	\$ 2,887,105	\$ 2,913,686
Accounts receivable	330	200	530
Capital assets			
Buildings	-	42,000	42,000
Less: Accumulated depreciation	-	(6,300)	(6,300)
Total Assets	<u>26,911</u>	<u>2,923,005</u>	<u>2,949,916</u>
LIABILITIES			
Accounts payable	<u>16,703</u>	<u>-</u>	<u>16,703</u>
NET ASSETS			
Restricted for trust purposes - expendable	-	2,923,005	2,923,005
Unrestricted	<u>10,208</u>	<u>-</u>	<u>10,208</u>
TOTAL NET ASSETS	<u>\$ 10,208</u>	<u>\$ 2,923,005</u>	<u>\$ 2,933,213</u>

See accompanying notes to financial statements.

CITY OF WEBSTER CITY

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - COMPONENT UNITS For the Year Ended June 30, 2007

	Airport Commission	Fuller Trust	Totals
OPERATING REVENUES			
Rents and royalties	\$ 22,463	\$ 4,800	\$ 27,263
Miscellaneous	5,300	10,911	16,211
Total Revenues	<u>27,763</u>	<u>15,711</u>	<u>43,474</u>
OPERATING EXPENSES			
Operation and maintenance	338,898	228,428	567,326
Depreciation	-	840	840
Total Expenses	<u>338,898</u>	<u>229,268</u>	<u>568,166</u>
Operating Income (Loss)	<u>(311,135)</u>	<u>(213,557)</u>	<u>(524,692)</u>
NONOPERATING REVENUES			
Contributions from primary government	80,000	-	80,000
Intergovernmental grants	234,227	-	234,227
Investment income	136	424,274	424,410
Total Nonoperating Revenues	<u>314,363</u>	<u>424,274</u>	<u>738,637</u>
Change in Net Assets	3,228	210,717	213,945
NET ASSETS - Beginning of Year	<u>6,980</u>	<u>2,712,288</u>	<u>2,719,268</u>
NET ASSETS - END OF YEAR	<u>\$ 10,208</u>	<u>\$ 2,923,005</u>	<u>\$ 2,933,213</u>

See accompanying notes to financial statements.

CITY OF WEBSTER CITY

INDEX TO NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE	<u>Page</u>
I. Summary of Significant Accounting Policies	17
A. Reporting Entity	17
B. Government-Wide and Fund Financial Statements	18
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	21
D. Assets, Liabilities, and Net Assets or Equity	23
1. Deposits and Investments	23
2. Receivables	24
3. Inventories and Prepaid Items	25
4. Restricted Assets	25
5. Capital Assets	26
6. Other Assets	27
7. Compensated Absences	27
8. Long-Term Obligations/Conduit Debt	27
9. Claims and Judgments	28
10. Equity Classifications	28
II. Reconciliation of Government-Wide and Fund Financial Statements	29
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Assets	29
B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities	30
III. Stewardship, Compliance, and Accountability	30
A. Budgetary Information	30
B. Excess Expenditures and Other Financing Uses Over Appropriations	31
C. Deficit Balances	31
IV. Detailed Notes on All Funds	31
A. Deposits and Investments	31
B. Receivables	32
C. Restricted Assets	33
D. Capital Assets	34
E. Interfund Receivables/Payables, Advances and Transfers	39
F. Long-Term Obligations	41
G. Lease Disclosures	45
H. Net Assets/Fund Balances	46
I. Component Units	48

CITY OF WEBSTER CITY

INDEX TO NOTES TO FINANCIAL STATEMENTS (cont.)
June 30, 2007

NOTE	<u>Page</u>
V. Other Information	50
A. Employees' Retirement System	50
B. Risk Management	51
C. Employee Vision and Dental Plan	51
D. Commitments and Contingencies	52

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Webster City (city) is a political subdivision of the State of Iowa located in Hamilton County. It was first incorporated in 1874 and operates under the Home Rule provisions of the Constitution of Iowa. The city operates under the Council-Manager form of government with the council members elected on a non-partisan basis. The city provides numerous services to citizens including general government, public safety, public works, health and social services, culture and recreation, and community and economic development services. The city also provides water, sewer and electric services for its citizens.

The accounting policies of the City of Webster City, Iowa conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The acceptable standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the City of Webster City. The reporting entity for the city consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The discretely presented component units are reported in a separate column in the government-wide financial statements (see notes below for descriptions) to emphasize that they are legally separate from the primary government.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. *REPORTING ENTITY* (cont.)

Discretely Presented Component Units

Webster City Airport Commission

The government-wide financial statements include the Webster City Airport Commission (“airport commission”) as a component unit. The airport commission is a legally separate organization. The board of the airport commission is appointed by the Webster City Council. Iowa Statutes provide for circumstances whereby the city can impose their will on the airport commission. The airport commission can create a potential financial benefit to or burden on the city. See Note IV.I. As a component unit, the airport commission's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2007. Separate financial statements are not issued for the Webster City Airport Commission.

Fuller Trust

The government-wide financial statements include the Fuller Trust as a component unit. The Fuller Trust is a legally separate organization. The board of Fuller Trust is elected by the general public. See Note IV.I. As a component unit, the Fuller Trust's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2007. Separate financial statements are not issued for the Fuller Trust.

B. *GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 or segment. The city does not allocate indirect expenses to functions in the statement of activities. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the city believes is particularly important to financial statement users may be reported as a major fund.

The city reports the following major governmental funds:

General Fund – accounts for the city's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Child Care Center – accounts for resources legally restricted to supporting expenditures for the child care center.

Second Street Reconstruction – accounts for revenues and expenditures related to the Second Street reconstruction project.

The city reports the following major enterprise funds:

Water Utility – accounts for operations of the water system

Sewer Utility – accounts for operations of the sewer system

Electric Utility – accounts for operations of the electric system

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following non-major governmental funds:

Non-Major Governmental Funds

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

FICA/IPERS	Urban Renewal Tax Increment–Hy-Vee
Worker's Compensation	Urban Renewal Tax Increment–Brewer Creek
Medical/Flex Insurance	Self-Supported Municipal Improvement District
Unemployment Compensation	Urban Renewal Tax Increment–Struchen
Road Use Tax	Urban Renewal Tax Increment–WC RV Project
Police/Fire Retirement Trust	Urban Renewal Tax Increment–Beam
DARE/ Seized Property Trust	Urban Renewal Tax Increment–Vantec
K9 Trust	Urban Renewal Tax Increment–Southeast
Economic Development Loan	Urban Renewal Tax Increment–Southwest
WC Comm Rehabilitation	Urban Renewal Tax Increment–New Castle
Revolving Loan Program	Urban Renewal Tax Increment–Gourley
Urban Renewal Tax Increment–	Wilson Brewer Park Depot
Riverview	Webster City Pride

Debt Service Fund – used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

 General Debt Service

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

Brewer Creek Estates	Annual Street Maintenance
Boone River Trail	Capital Improvement Reserve
Wilson Avenue Bridge Improvements	Railroad Crossing – Bicentennial
1999 Sidewalk Improvements	City Hall Plaza

Permanent Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the reporting government's programs; that is, for the benefit of the government or its citizenry.

 Perpetual Care Trust

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

In addition, the city reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

Capital Equipment

Medical/Flex

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Joe E. Barr Trust

Zella Silvers Trust

Edgar Foster Trust

Mulberry Church Trust

Calvary Cemetery Trust

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water, sewer, and electric utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled to the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The city reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The 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 water, sewer, and electric utilities are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary 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.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of city funds is restricted by state statutes. Available investments are limited to:

- a. Obligations of the United States government, its agencies and instrumentalities.
- b. Certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the city council.
- c. Prime eligible bankers acceptances.
- d. Certain high rated commercial paper.
- e. Perfected repurchase agreements.
- f. Certain registered open-end management investment companies.
- g. Certain joint investment trusts
- h. Warrants or improvement certificates of a drainage district.

The city has adopted an investment policy. That policy follows the state statute for allowable investments.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Custodial Credit Risk – The city has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances.

See Note IV.A. for further information.

2. Receivables

Property Taxes

Property taxes are levied in March on the assessed value as of January 1 of the prior year. The county collects the property taxes and remits them to the city.

Property tax calendar – 2007-2008 tax roll:

Lien date and levy date	March 2007
Payment in full, or	September 30, 2007
First installment due	September 30, 2007
Second installment due	March 31, 2008

Uncollectible Accounts

Accounts receivable have been shown net of an allowance for uncollectible accounts.

Interfund Transactions

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

2. Receivables (cont.)

Loans

The city has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed.

It is the city's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as designated fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to July 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. The city has retroactively reported all network infrastructure acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	30-150 Years
Land Improvements	50-100 Years
Machinery and Equipment	3-30 Years
Utility System	25-90 Years
Infrastructure	20-100 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

Preliminary survey and investigation represents initial project engineering costs related to utility plant construction. The balance will be capitalized upon commencement of the project.

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2007 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year end, the aggregate principal amount for the one series outstanding could not be determined; however, the original issue amount totaled \$300,000. This IRB will be forgiven or paid by May 20, 2009.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

10. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

Fiduciary fund equity is classified as held in trust for various private purposes on the statement of fiduciary net assets. Various donor restrictions apply, including authorizing and spending trust income, and the city believes it is in compliance with all significant restrictions. Net appreciation of \$22,679 was available for various private purposes for the year ended June 30, 2007.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The details of these differences are as follows:

Internal service funds are reported in the statement of net assets as governmental funds.

Capital equipment fund net assets	\$ 608,143
Medical/flex fund net assets	45,605
Portion of internal service fund net assets attributed to business-type activities	<u>(240,515)</u>
Combined Adjustment for Internal Service Funds	<u>\$ 413,233</u>

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets.

Bonds and notes payable	\$ 6,624,380
Compensated absences	212,192
Capital leases	1,046
Accrued interest	14,214
Unamortized debt issuance costs	<u>(69,239)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 6,782,593</u>

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The details of these differences are as follows:

Receivables not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. The changes to deferred revenue are detailed below.

Loans and other long-term receivables	\$ (851,525)
Investment income	<u>(54,948)</u>
Combined Adjustment for Deferred Revenue	<u>\$ (906,473)</u>

Internal service funds are used by management to charge the costs of capital equipment and medical insurance to individual departments. The increase in net assets of the internal service funds is reported with governmental activities.

Increase in net assets	\$ 106,839
Business-type activities share of net asset increase	<u>(5,490)</u>
Combined Adjustment for Internal Service Funds	<u>\$ 101,349</u>

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: general government, public safety, public works, health and social services, culture and recreation, community and economic development, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments decreased budgeted disbursements by \$364,426. These budget amendments are reflected in the final budgeted amounts.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS

Budgeted expenditures were exceeded by actual expenditures in the following functions:

Function	Budgeted Expenditures	Actual Expenditures	Excess
Public works	\$ 1,390,966	\$ 1,411,921	\$ 20,955
Debt service	1,306,760	1,396,681	89,921

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end.

As of June 30, 2007, the following non-major individual funds held a deficit balance:

Fund	Amount	Reason
Urban Renewal Tax Increment – Southeast	\$ 182,359	Tax increment not sufficient to cover expenditures
Urban Renewal Tax Increment – Southwest	406,112	Tax increment not sufficient to cover expenditures

Tax incremental district deficits are anticipated to be funded with future incremental taxes levied over the lives of the districts. Other fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Deposits	<u>\$ 13,467,545</u>	<u>\$ 13,243,544</u>	Custodial credit risk
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 12,693,125		
Restricted cash and investments	751,754		
Per statement of net assets –			
Fiduciary Funds			
Private purpose trust	<u>22,666</u>		
Total Cash and Investments	<u>\$ 13,467,545</u>		

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts. In accordance with Chapter 12C of the Code of Iowa, deposits are insured by the state sinking fund, which provides for additional assessments against the depositories to ensure there will be no loss of public funds.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city.

The city does not have any deposits exposed to custodial credit risk.

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

Information regarding receivables as of year-end for the city's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate are as follows:

	General	Child Care Center	Water Utility	Sewer Utility	Electric Utility	Other Govern- mental Funds
Amounts not expected to be collected within one year	\$ 2,105	\$ 659,017	\$ 2,029	\$ 3,134	\$ 78,747	\$ 984,973

Revenues of the city are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to water utility	\$ 2,029
Uncollectibles related to sewer utility	3,134
Uncollectibles related to electric utility	78,747
Uncollectibles related to economic development loan fund	<u>836,539</u>
 Total Uncollectibles of the Current Fiscal Year	 <u>\$ 920,449</u>

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Taxes receivable for use in subsequent year	\$ -	\$ 3,643,521	\$ 3,643,521
State grant not spent	-	65,260	65,620
Federal grant not received with 60 days of year end	62,348	-	62,348
Long-term loans receivable not yet due	870,644	-	870,643
Other long-term receivables not collected within 60 days of year end	37,756	-	37,756
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 970,748	 \$ 3,708,781	 \$ 4,679,529

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long Term Debt Accounts

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

Customer Deposit Account

The electric utility established a customer deposit account to segregate deposits collected from customers.

Following is a list of restricted assets at June 30, 2007:

	<u>Restricted Assets</u>
Bond reserve account	\$ 401,000
Bond depreciation account	150,000
Bond redemption account	57,867
Customer deposit account	<u>142,887</u>
 Total Restricted Assets	 <u>\$ 751,754</u>

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 3,928,113	\$ -	\$ 272,450	\$ 3,655,663
Right of way	897,701	10,000	-	907,701
Construction in progress	<u>101,659</u>	<u>232,737</u>	-	<u>334,396</u>
Total Capital Assets Not Being Depreciated	<u>4,927,473</u>	<u>242,737</u>	<u>272,450</u>	<u>4,897,760</u>

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

<u>Governmental Activities (cont.)</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Land improvements	\$ 1,769,401	\$ 72,161	\$ -	\$ 1,841,562
Structures and improvements	6,736,182	-	-	6,736,182
Machinery and equipment	2,900,707	285,469	138,284	3,047,892
Streets	17,407,732	-	-	17,407,732
Trails and paths	138,912	-	-	138,912
Sidewalks	425,861	53,291	1,567	477,585
Storm sewers	930,714	-	-	930,714
Bridges	2,017,993	-	-	2,017,993
Dam	200,000	-	-	200,000
Traffic signals	183,657	-	-	183,657
Total Capital Assets Being Depreciated	<u>32,711,159</u>	<u>410,921</u>	<u>139,851</u>	<u>32,982,229</u>
Total Capital Assets	<u>37,638,632</u>	<u>653,658</u>	<u>412,301</u>	<u>37,879,989</u>
Less: Accumulated depreciation for				
Land improvements	(80,320)	(33,481)	-	(113,801)
Structures and improvements	(2,122,457)	(178,114)	-	(2,300,571)
Machinery and equipment	(1,607,758)	(166,868)	106,955	(1,667,671)
Streets	(8,166,705)	(316,461)	-	(8,483,166)
Trails and paths	(9,162)	(2,778)	-	(11,940)
Sidewalks	(199,282)	(4,260)	1,567	(201,975)
Storm sewers	(439,237)	(10,061)	-	(449,298)
Bridges	(903,455)	(26,906)	-	(930,361)
Dam	(46,667)	(6,667)	-	(53,334)
Traffic signals	(80,808)	(7,346)	-	(88,154)
Total Accumulated Depreciation	<u>(13,655,851)</u>	<u>(752,942)</u>	<u>108,522</u>	<u>(14,300,271)</u>
Capital Assets, Net of Depreciation	<u>\$ 23,982,781</u>			<u>\$ 23,579,718</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 30,503
Public safety	59,974
Public works, which includes the depreciation of infrastructure	473,350
Culture and recreation	<u>189,115</u>
Total Governmental Activities Depreciation Expense	<u>\$ 752,942</u>

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Electric</u>				
Capital assets not being depreciated				
Land	\$ 372,527	\$ -	\$ -	\$ 372,527
Construction in progress	17,509	34,985	-	52,494
Total Capital Assets Not Being Depreciated	390,036	34,985	-	425,021
Capital assets being depreciated				
Generation	12,460,975	-	-	12,460,975
Transmission	6,355,235	-	-	6,355,235
Distribution	11,269,483	72,407	-	11,341,890
Structures and improvements	1,076,140	-	-	1,076,140
Machinery and equipment	1,049,666	20,274	-	1,069,940
Total Capital Assets Being Depreciated	32,211,499	92,681	-	32,304,180
Total Capital Assets	32,601,535	127,666	-	32,729,201
Less: Accumulated depreciation for				
Generation	(9,497,636)	(377,688)	-	(9,875,324)
Transmission	(5,571,171)	(39,741)	-	(5,610,912)
Distribution	(7,572,924)	(229,168)	-	(7,802,092)
Structures and improvements	(425,441)	(29,323)	-	(454,764)
Machinery and equipment	(719,801)	(48,307)	-	(768,108)
Total Accumulated Depreciation	(23,786,973)	(724,227)	-	(24,511,200)
Net Electric Plant	\$ 8,814,562			\$ 8,218,001

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>				
Capital assets not being depreciated				
Land	\$ 348,786	\$ -	\$ -	\$ 348,786
Construction in progress	264,652	-	236,350	28,302
Total Capital Assets Not Being Depreciated	<u>613,438</u>	<u>-</u>	<u>-</u>	<u>377,088</u>
Capital assets being depreciated				
Wells and towers	1,611,277	-	-	1,611,277
Treatment	2,350,280	-	-	2,350,280
Distribution	5,767,246	435,882	66,113	6,137,015
Structures and improvements	2,043,417	-	-	2,043,417
Machinery and equipment	544,679	34,957	33,108	546,528
Total Capital Assets Being Depreciated	<u>12,316,899</u>	<u>470,839</u>	<u>99,221</u>	<u>12,688,517</u>
Total Capital Assets	<u>12,930,337</u>	<u>470,839</u>	<u>335,567</u>	<u>13,065,605</u>
Less: Accumulated depreciation for				
Wells and towers	(1,192,879)	(30,872)	-	(1,223,751)
Treatment	(2,192,721)	(30,599)	-	(2,223,320)
Distribution	(1,599,929)	(99,004)	11,576	(1,687,357)
Structures and improvements	(1,803,892)	(14,759)	-	(1,818,651)
Machinery and equipment	(348,869)	(52,309)	26,069	(375,109)
Total Accumulated Depreciation	<u>(7,138,290)</u>	<u>(227,543)</u>	<u>37,645</u>	<u>(7,328,188)</u>
Net Water Plant	<u>\$ 5,792,047</u>			<u>\$ 5,737,417</u>

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<i>Sewer</i>				
Capital assets not being depreciated				
Land	\$ 64,871	\$	\$	\$ 64,871
Total Capital Assets Not Being Depreciated	64,871	-	-	64,871
Capital assets being depreciated				
Distribution	3,262,863	91,703	-	3,354,566
Treatment	6,530,466	-	-	6,530,466
Structures and improvements	368,571	-	-	368,571
Machinery and equipment	93,434	57,012	4,729	145,177
Total Capital Assets Being Depreciated	10,255,334	148,715	4,729	10,399,320
Total Capital Assets	10,320,205	148,715	4,729	10,464,191
Less: Accumulated depreciation for				
Distribution	(906,360)	(38,444)	-	(944,804)
Treatment	(1,722,104)	(217,682)	-	(1,939,786)
Structures and improvements	(224,137)	(9,214)	-	(233,351)
Machinery and equipment	(51,061)	(10,315)	3,724	(57,652)
Total Accumulated Depreciation	(2,903,662)	(275,655)	3,724	(3,175,593)
Net Sewer Plant	\$ 7,416,543			\$ 7,288,598
Business-type Capital Assets, Net of Depreciation	\$ 22,023,152			\$ 21,244,016

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 227,543
Sewer	275,655
Electric	724,227
Total Business-type Activities Depreciation Expense	\$ 1,227,425

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

	Amount
Total – Fund Financial Statements	\$ -
Add: Adjustment to government-wide statements – Internal Service Funds	240,515
Total Internal Balances – Current – Government-wide Statement of Net Assets	\$ 240,515

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
Economic Development Loan	Urban Renewal Tax Increment–Southeast	\$ 197,578	\$ 197,578
Electric Utility	Urban Renewal Tax Increment – Southwest	406,112	406,112
Electric Utility	Second Street Reconstruction	1,572,093	1,572,093
Electric Utility	Child Care Center	309,017	309,017
Capital Improvement Reserve	Child Care Center	350,000	350,000
Sub-total Fund Financial Statements		2,834,800	2,834,800
Less: Fund eliminations		(547,578)	(547,578)
Total Internal Balances – Advances – Government-wide Statement of Net Assets		\$ 2,287,222	\$ 2,287,222

The purpose of these interfunds is to finance capital projects and economic development, which will be repaid with future tax increments and payments from private parties.

The advance between the Capital Improvement Reserve Fund and the Child Care Center along with the advance between the Electric Utility and the Child Care Center are charging interest of 4.38%. The Child Care Center will pay monies over as they are available. There are currently no formal repayment schedules for these advances.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Water utility	\$ 71,232	Operations
General fund	Electric utility	170,706	Operations
General fund	Sewer utility	48,762	Operations
Economic development loan	Urban renewal tax increment – Gourley	4,625	Per Gourley agreement
Economic development loan	Urban renewal tax increment – Struchen	13,403	Per Struchen agreement
Second Street reconstruction	Urban renewal tax increment – Riverview	141,542	TIF revenue
Electric utility	Child care center	32,108	Advance payment
Medical/flex insurance special revenue	General fund	200,000	Tax relief
Self-supported municipal improvement district	Urban renewal tax Increment – Riverview	2,017	SSMID portion of TIF revenue
Urban renewal tax increment – Southeast	Urban renewal tax Increment – Vantec	215,254	Repayment
Urban renewal tax increment – Southeast	Urban renewal tax increment – WC RV Project	17,848	Repayment
Railroad crossing bicentennial	General fund	10,000	Cover Union Pacific costs Contribution to plaza program
City Hall Plaza	General fund	40,000	
1999 sidewalk improvements	Road use tax	25,000	Curb ramp program
Sub-total – Fund financial statements		992,497	
Less: Fund eliminations		<u>(733,905)</u>	
Total Transfers – Government-Wide Statement of Activities		<u>\$ 258,592</u>	
<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	
Governmental activities	Business-type activities	\$ 290,700	
Business-type activities	Governmental activities	<u>(32,108)</u>	
Total		<u>\$ 258,592</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 5,085,000	\$ -	\$ 700,000	\$ 4,385,000	\$ 555,000
Revenue bonds	2,263,594	-	24,214	2,239,380	-
Sub-totals	7,348,594	-	724,214	6,624,380	555,000
Other Liabilities					
Vested compensated absences	195,816	114,544	98,168	212,192	106,039
Capital leases	3,444	-	2,398	1,046	1,046
Total Other Liabilities	199,260	114,544	100,566	213,238	107,085
Total Governmental Activities Long-Term Liabilities	\$ 7,547,854	\$ 114,544	\$ 824,780	\$ 6,837,618	\$ 662,085
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 510,000	\$ -	\$ 45,000	\$ 465,000	\$ 50,000
Revenue bonds	4,951,000	-	406,000	4,545,000	423,000
Subtract Deferred Amounts For:					
Refundings – losses	(45,428)	-	(8,594)	(36,834)	-
Sub-totals	5,415,572	-	442,406	4,973,166	473,000
Other Liabilities					
Vested compensated absences	120,137	76,728	61,634	135,231	70,564
Total Business-type Activities Long-Term Liabilities	\$ 5,535,709	\$ 76,728	\$ 504,040	\$ 5,108,397	\$ 543,564

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 06-30-07
Governmental Activities					
General Obligation Debt					
Corporate purpose bonds	11/01/98	06/01/13	3.45 - 4.15%	1,100,000	\$ 565,000
Corporate purpose bonds	10/01/99	06/01/15	4.40 - 5.50%	690,000	425,000
Corporate purpose bonds	01/01/02	06/01/17	2.55 - 5.00%	1,010,000	745,000
Corporate purpose bonds	07/01/03	06/01/18	1.25 - 3.80%	1,125,000	570,000
Corporate purpose bonds	11/01/03	06/01/10	1.50 - 3.00%	1,115,000	895,000
Corporate purpose bonds	03/01/06	06/01/16	3.25 - 3.95%	1,280,000	1,185,000
Total Governmental Activities – General Obligation Debt					<u>\$ 4,385,000</u>
Business-type Activities					
General Obligation Debt					
Corporate purpose bonds	10/01/99	06/01/15	4.40 - 5.50%	\$ 745,000	<u>\$ 465,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2008	\$ 555,000	\$ 168,313	\$ 50,000	\$ 24,493
2009	570,000	150,405	50,000	21,993
2010	590,000	130,525	55,000	19,443
2011	410,000	110,180	55,000	16,610
2012	430,000	94,116	60,000	13,750
2013 – 2017	1,725,000	216,095	195,000	21,780
2018	105,000	3,990	-	-
Totals	<u>\$ 4,385,000</u>	<u>\$ 873,624</u>	<u>\$ 465,000</u>	<u>\$ 118,069</u>

Revenue Debt

Revenue bonds are payable only from revenues derived from the operation of the water utility, sewer utility, and Fuller Hall community center.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at June 30, 2007 consists of the following:

Governmental Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 06-30-07
Community Center revenue note	07/01/02	07/01/42	Variable	\$ 2,600,000	\$ <u>2,239,380</u>

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 06-30-07
<u>Water Utility</u>					
Revenue bonds	12/01/97	06/01/09	4.00 - 4.80%	\$ 670,000	\$ <u>175,000</u>
<u>Sewer Utility</u>					
Revenue bonds	02/07/00	06/01/20	3.92%	3,900,000	2,860,000
Revenue bonds	01/10/06	06/01/15	3.30 - 4.10%	1,815,000	<u>1,510,000</u>
			Total Sewer Utility		<u>4,370,000</u>
Total Business-type Activities Revenue Debt					\$ <u>4,545,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 423,000	\$ 178,442
2009	440,000	161,805
2010	362,000	144,309
2011	379,000	130,504
2012	392,000	115,869
2013 – 2017	1,757,000	343,126
2018 – 2020	<u>792,000</u>	<u>62,877</u>
Totals	<u>\$ 4,545,000</u>	<u>\$ 1,136,932</u>

A repayment schedule has not been established for the community center revenue note as of June 30, 2007.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

A statutory mortgage lien upon the city's utility system and any additions, improvements and extensions thereto is created by the ordinances creating the revenue bond issue. The city's utility system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Capital Leases

Refer to Note IV.G.

Prior-Year Defeasance of Debt

In prior years, the city defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the city's financial statements. At June 30, 2007, \$1,540,000 of bonds outstanding are considered defeased. The bonds are callable from 2008 – 2016.

Deferred Amount on Refunding

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deduction from debt payable in the government-wide and proprietary fund statements. Amortization for 2007 was \$8,594 for the sewer utility.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The city believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

G. LEASE DISCLOSURES

Lessee – Capital Leases

In 2002, the city acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$10,869, which is included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of June 30, 2007, are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 1,046	\$ 17	\$ 1,063
Totals	\$ 1,046	\$ 17	\$ 1,063

Lessor – Operating Leases

Gas Line Lease

The city owns a portion of the natural gas distribution system within city limits. These assets were purchased and constructed between 1920 and 1946 and the original cost is not known. In 1947, the city entered into an agreement to lease the use, operation and maintenance of these properties to the local gas company. As part of this agreement, the city receives an annual transportation fee from the gas company. The most recent agreement was executed in 2005 and runs through 2025. A payment of \$107,100 was received for the year ending June 30, 2007. The future minimum rentals as of June 30, 2007 are as follows:

	Governmental Activities
2008	\$ 109,242
2009	111,427
2010	113,655
2011	115,928
2012	118,247
2013 – 2017	627,670
2018 – 2022	692,998
2023 – 2025	449,956
Total Future Minimum Rentals	\$ 2,339,123

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

H. NET ASSETS/FUND BALANCES

Governmental activities net assets reported on the government wide statement of net assets at June 30, 2007 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Land	\$ 4,563,364
Construction in progress	334,396
Other capital assets, net of accumulated depreciation	18,681,958
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(5,356,475)</u>
Total Invested in Capital Assets	<u>18,223,243</u>
Restricted	
Debt service	150,922
Economic development loan	1,120,268
Road use tax	354,333
WC comm. rehabilitation revolving loan program	140,779
Urban renewal tax increment – Riverview	673
Urban renewal tax increment – Brewer Creek	63,789
SSMID	11,281
Urban renewal tax increment – Beam	62,866
Perpetual care trust	<u>386,877</u>
Total Restricted	<u>2,291,788</u>
Unrestricted	<u>227,909</u>
Total Governmental Activities Net Assets	<u>\$ 20,742,940</u>

Governmental fund balances reported on the fund financial statements at June 30, 2007 include the following:

Reserved	
Major Funds	
General Fund	
Prepaid items	\$ 7,613
Non-Major Funds	
Reserved for Debt Service	
General debt service	165,123
Reserved for Trust Activities	
Perpetual Care Trust	386,877
Reserved for Advances	
Economic Development Loan	197,578
Capital Improvement Reserve	<u>350,000</u>
Total Reserved Fund Balance	<u>\$ 1,107,191</u>

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Unreserved (Designated)

Major Funds

General Fund

Surplus applied to subsequent budget \$ 40,227

Unreserved (Deficit)

Major Funds

General Fund

\$ 976,596

Child Care Center Fund

(659,017)

Second Street Reconstruction Fund

(1,572,093)

Total Major Funds

\$ (1,254,514)

Non-Major Funds

Special Revenue Funds

FICA/IPERS Fund

\$ 137,795

Worker's Comp Fund

98,001

Medical/Flex Insurance Fund

133,973

Unemployment Comp Fund

3,426

Road Use Tax Fund

354,333

Police/Fire Retirement Trust Fund

51,564

DARE/Seized Property Trust Fund

2,583

Seized Property Trust Fund

763

K9 Trust Fund

74

Economic Development Loan Fund

780,249

WC Comm Rehabilitation Revolving Loan Program

71,593

Urban Renewal Tax Increment – Riverview

673

Urban Renewal Tax Increment-Brewer Creek

63,789

Self-Supported Municipal Improvement District

11,281

Urban Renewal Tax Increment-Beam

62,866

Urban Renewal Tax Increment-Southeast

(182,359)

Urban Renewal Tax Increment-Southwest

(406,112)

Wilson Brewer Park Depot

360

Webster City Pride

2,710

Total Special Revenue Funds

\$ 1,187,562

Capital Projects Funds

Brewer Creek Estates

\$ 22,622

Boone River Trail

70,825

Wilson Avenue Bridge Improvements

15,217

1999 Sidewalk Improvements

23,989

Annual Street Maintenance

425,226

Capital Improvement Reserve

685,729

Railroad Crossing – Bicentennial

159

City Hall Plaza

15,902

Total Capital Projects Funds

\$ 1,259,669

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Activities (cont.)

Business-type Activities

Invested in capital assets, net of related debt	
Land	\$ 786,184
Construction in progress	80,796
Other capital assets, net of accumulated depreciation	20,377,036
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(4,896,169)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>16,347,847</u>
Restricted	
Debt service	443,997
Depreciation	<u>150,000</u>
Total Restricted	<u>593,997</u>
Unrestricted	<u>10,294,352</u>
Total Business-type Activities Net Assets	<u><u>\$ 27,236,196</u></u>

I. COMPONENT UNITS

Webster City Airport Commission

This report contains the Webster City Airport Commission ("airport commission"), which is included as a component unit. Financial information is presented as a discrete column in the combined statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The airport commission follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Cash and Investments

The cash and investments of the airport commission are commingled with those of the city. As of June 30, 2007, the carrying value of the airport commission's deposits was \$26,581.

c. The airport commission has no employees.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

I. COMPONENT UNITS (cont.)

Fuller Trust

This report contains the Fuller Trust (trust), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The trust follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Investments

The trust's investments totaling \$2,887,105 are held by a legally separate third party and are not subject to custodial credit risk.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the trust considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

d. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated				
Buildings	\$ 42,000	\$ -	\$ -	\$ 42,000
Less: Accumulated depreciation	(5,460)	(840)	-	(6,300)
 Net Capital Assets	 \$ 36,540	 \$ (840)	 \$ -	 \$ 35,700

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

I. COMPONENT UNITS (cont.)

Fuller Trust (cont.)

e. Employee Retirement System

The trust has no employees.

f. Restricted Net Assets

All net assets are legally restricted for use for the enhancement of the City of Webster City's recreation programs, specifically Fuller Hall.

g. Commitments

The Fuller Trust has agreed to reimburse the City of Webster City for principal and interest payments made in relation to revenue bonds issued for the remodeling of Fuller Hall. Payments made to the city for the year ended June 30, 2007 totaled \$141,194.

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

IPERS

The city contributes to the Iowa Public Employee 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 covered salary and the city is required to contribute 5.75% of annual covered payroll except for voluntary fire fighters, in which case the percentages are 6.08% and 9.12%, respectively. Contribution requirements are established by state statute. The city's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$133,631, \$126,475, \$128,098, respectively, equal to the required contributions for each year.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Municipal Fire and Police Retirement System of Iowa (MFPRS)

The city contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the city's contribution rate may not be less than 27.75% of earnable compensation. Contribution requirements are established by state statute. The city's contribution to the Plan for the years ended June 30, 2007, 2006, and 2005 were \$205,838, \$212,072, \$183,920, respectively, equal to the required percentage contribution for each year.

B. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks, with the exception of vision and dental care, are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year. (See Note V.C. for vision and dental care.)

C. EMPLOYEE VISION AND DENTAL PLAN

The City of Webster City Medical/Flex Insurance Fund was established to account for the city's medical and flex benefit plan. Effective September, 1995, the city has entered into an administrative services agreements with Three Rivers Benefit Corporation and Select Benefit Administrators, to administer the employee dental and vision benefit plans. The agreements are subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the City of Webster City Medical/Flex Insurance Fund are recorded as disbursements in the operating funds. Under an administrative services agreement, monthly payments of service fees and claims processed were paid to Three Rivers Benefit Corporation and Select Benefit Administrators from the Internal Service Fund, Medical/Flex Insurance Account.

For vision claims, the claims are limited to specified services outlined in the vision plan and the uninsured risk of loss is minimal per employee. For dental claims, the uninsured risk of loss is \$1,000 for a policy year per employee. The city has not purchased additional commercial insurance since claims are limited to the amounts specified in the plan.

All funds of the city participate in the vision and dental plan. Amounts payable to the medical/flex insurance fund are based on actual claims incurred in prior years.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE V – OTHER INFORMATION (cont.)

C. EMPLOYEE VISION AND DENTAL PLAN (cont.)

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The city does not allocate overhead costs or other nonincremental costs to the claims liability.

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid Claims – Beginning of Year	\$ 3,050	\$ 2,211
Current year claims and changes in estimates	35,650	39,833
Claim payments	<u>(36,489)</u>	<u>(37,212)</u>
Unpaid Claims – End of Year	<u>\$ 2,211</u>	<u>\$ 4,832</u>

D. COMMITMENTS AND CONTINGENCIES

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management and the city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

The city has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City of Webster City has entered into several development agreements with developers.

The developers are constructing industrial/commercial facilities on property located in the city. Chapter 403 of the Code of Iowa authorizes cities to establish urban renewal areas and to undertake economic development projects. In recognition of the developers' commitment, the city agreed to make economic tax rebate payments to the developer during the term of the agreements in amounts which represent the property taxes paid with respect to the project by the developers in that fiscal year, minus the amount of debt service taxes levied by taxing jurisdictions, provided, however, that the total rebate payments during the term of the agreement do not exceed the maximum amounts listed.

The agreement assumes that the full taxable value of the project will go on the property tax rolls as of the dates listed below. All tax rebate payments will be made on December 1 and June 1 beginning the year after the initial incremental taxable value is placed on the property tax roll. The tax rebate payments shall not constitute general obligation of the city, but shall be paid solely and only from incremental property taxes received by the city from the Hamilton County Treasurer which are attributable to each individual project.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE V – OTHER INFORMATION (cont.)

D. COMMITMENTS AND CONTINGENCIES (cont.)

TIF District	Hy-Vee	Gourley	Struchen
Developer	Hy-Vee, Inc	Don Gourley	Don Struchen
Date of Agreement	June 2, 1997	August 5, 2002	January 5, 2004
General Purpose	Commercial Facility Construction	Housing	Housing Construction
Designated Area	Central Business District	SW Urban Renewal	Residential Urban Renewal Area A
Maximum Payments	\$694,130	\$450,000	\$159,036
Rebate Payments	December 1, 2001 – June 1, 2015	December 1, 2004 – June 1, 2014	December 1, 2005 – June 1, 2014
Date on Property Tax Roll	January 1, 2002	January 1, 2003	January 1, 2004

TIF District	Struchen	New Castle Players	Vantec
Developer	Don Struchen	New Castle Players	Vantec, Inc.
Date of Agreement	December 1, 2004	May 19, 2003	September 18, 2000
General Purpose	Housing Construction	Commercial Facility	Industrial Facility Construction
Designated Area	Residential Urban Renewal Area A	SW Urban Renewal	Southeast Industrial Park
Maximum Payments	\$241,249	\$500,097	\$700,000; Amended 9/05
Rebate Payments	December 1, 2005 – June 1, 2014	December 1, 2004 – June 11, 2012	December 1, 2001 – June 1, 2011
Date on Property Tax Roll	January 1, 2004	January 1, 2003	January 1, 2000

The tax rebate payments to the developer are subject to the following conditions:

1. Timely payment of property taxes by the developer when due and submission to the city of a receipt or cancelled check as evidence of each tax payment. Residential developers are not required to submit receipts.
2. Submission of documentation satisfactory to the city, at least one week prior to each December 1 and June 1 payment date, that that project is being used as a commercial facility.

Struchen Tax Increment

On December 16, 2002 and January 5, 2004, the City of Webster City entered into a development agreement with Don Struchen (the "developer"). The developer owns certain property known as the Home Forth and Fifth additions which are located within the Urban Renewal Area. The developer intends to construct housing units after certain improvements have been constructed. The Iowa Urban Renewal law requires that any project related to housing which receives tax increment financing assistance must also generate funds to be used to provide assistance related to housing for low and moderate income families.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE V – OTHER INFORMATION (cont.)

D. COMMITMENTS AND CONTINGENCIES (cont.)

Struchen Tax Increment (cont.)

In recognition of the developer's commitment, the city agreed to make economic development tax increment payments to the developer each fiscal year during the term of this agreement in a total principal amount equal to the developer's documented costs of construction for the improvements, not to exceed \$241,249 in Home Fourth and \$159,036 in Home Fifth. The payments will be made on December 1 and June 1 of each fiscal year, beginning with the first fiscal year for which property taxes are paid with respect to the incremental taxable value of the project and continuing for nine additional fiscal years thereafter. Each payment shall be in an amount which represents 65.38 percent for Home Fourth and 63.20 percent for Home Fifth of the property taxes paid with respect to the incremental value of the property located within the Urban Renewal Area A in the six months preceding such payment date, minus the amount of debt service taxes levied by taxing jurisdictions. The remaining portion of the taxes shall be retained by the city for purposes of providing assistance to low and moderate income families.

The developer will arrange for the installation of certain street improvements, at such specific locations and subject to such specifications as are mutually agreed upon by the parties, subject to inspection of the work by the city, and subject to such covenants as may be requested by the city.

The payments shall be made solely and only from incremental property taxes received by the city from the Hamilton County Treasurer which are attributable to property located within the Urban Renewal Area A.

Gourley Tax Increment

On August 5, 2002, the City of Webster City entered into a development agreement with Don Gourley (the "developer"). The developer owns certain property known as the Gourley Minor Subdivision Plat addition which is located within the Urban Renewal Area. The developer intends to construct housing units after certain improvements have been constructed. The Iowa Urban Renewal law requires that any project related to housing which receives tax increment financing assistance must also generate funds to be used to provide assistance related to housing for low and moderate income families.

In recognition of the developer's commitment, the city agreed to make economic development tax increment payments to the developer each fiscal year during the term of this agreement in a total principal amount equal to the developer's documented costs of construction for the improvements, not to exceed \$450,000. The payments will be made on December 1 and June 1 of each fiscal year, beginning with the first fiscal year for which property taxes are paid with respect to the incremental taxable value of the project and continuing for nine additional fiscal years thereafter. Each payment shall be in an amount which represents 65.68 percent of the property taxes paid with respect to the incremental value of the property located within the Urban Renewal Area A in the six months preceding such payment date, minus the amount of debt service taxes levied by taxing jurisdictions. The remaining portion of the taxes shall be retained by the city for purposes of providing assistance to low and moderate income families.

CITY OF WEBSTER CITY

NOTES TO FINANCIAL STATEMENTS June 30, 2007

NOTE V – OTHER INFORMATION (cont.)

D. COMMITMENTS AND CONTINGENCIES (cont.)

Gourley Tax Increment (cont.)

The developer will arrange for the installation of certain street improvements, at such specific locations and subject to such specifications as are mutually agreed upon by the parties, subject to inspection of the work by the city, and subject to such covenants as may be requested by the city.

The payments shall be made solely and only from incremental property taxes received by the city from the Hamilton County Treasurer which are attributable to property located within the Urban Renewal Area A.

Coal Tar Site

The city owns land that was contaminated by its coal tar utility, which operated from 1907 to 1947. The contaminated soil is monitored on a continuous basis to ensure that the nearby river does not become contaminated. Currently, the city budgets funds every year in the general fund to pay for the soil and water monitoring.

The city is not required to clean up the contaminated soil unless it becomes exposed and endangers the river. In the event that the contaminated soil would be exposed, the city could incur significant costs in order to excavate and clean up the site. The city is currently not setting funds aside to pay for such an event. No estimate is available for the costs required to clean up the entire contaminated site.

Loan Guaranties

The city has guaranteed payment on a promissory note between the Webster City Day Care Center and Corn Belt Power Cooperative. The note was initiated on February 1, 2006 for \$50,000. In the case that the day care center defaults on the promissory note, the city is responsible for paying the outstanding balance on the note.

The city has guaranteed payment on a long-term loan between All Cultures Equal, Inc. and the USDA. The loan was initiated in September, 2004 for \$143,500 of which the city's guarantee is \$43,500. In the case that All Cultures Equal, Inc. defaults on the loan, the city is responsible for paying the outstanding balance of the loan up to its share of the guaranty.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEBSTER CITY

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2007**

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Variance with Final Budget
	Actual		Actual			Original	Final	
RECEIPTS								
Property taxes	\$ 3,043,071	\$ -	\$ -	\$ 3,043,071	\$ 3,068,370	\$ 3,068,370	\$ (25,299)	
Tax increment financing	733,549	-	-	733,549	713,453	719,955	13,594	
Other city taxes	843,461	-	-	843,461	557,895	792,300	51,161	
Licenses and permits	38,249	-	-	38,249	116,370	116,370	(78,121)	
Use of money and property	551,082	484,533	-	1,035,615	563,351	753,851	281,764	
Intergovernmental	1,118,147	-	-	1,118,147	2,174,806	1,567,949	(449,802)	
Charges for fees and service	320,256	15,179,248	-	15,499,504	14,417,200	15,092,200	407,304	
Special assessments	1,408	-	-	1,408	5,408	1,408	-	
Miscellaneous	428,238	204,077	-	632,315	391,182	424,357	207,958	
Total Receipts	7,077,461	15,867,858	204,077	22,945,319	22,008,035	22,536,760	408,559	
DISBURSEMENTS								
General government	366,607	-	-	366,607	427,637	378,042	11,435	
Public safety	1,753,657	-	-	1,753,657	1,884,967	1,876,467	122,810	
Public works	1,411,921	-	-	1,411,921	1,263,035	1,390,966	(20,955)	
Health and social services	49,044	-	-	49,044	50,432	50,432	1,388	
Culture and recreation	890,922	-	-	890,922	877,346	904,346	13,424	
Community and economic development	92,874	-	-	92,874	151,342	236,876	144,002	
Debt service	1,396,681	-	-	1,396,681	1,282,385	1,306,760	(89,921)	
Capital projects	829,987	-	-	829,987	2,305,551	1,366,500	536,513	
Business-type activities	-	14,430,147	-	14,430,147	14,096,852	14,464,732	34,585	
Total Disbursements	6,791,693	14,430,147	21,221,840	21,221,840	22,339,547	21,975,121	753,281	
Excess (deficiency) of receipts over disbursements	285,768	1,437,711	1,723,479	1,723,479	(331,512)	561,639	1,161,840	
Other financing sources (uses), net	(283,790)	162,975	(120,815)	(120,815)	1,737,464	-	(120,815)	
Excess of receipts and other financing sources over disbursements and other financing uses	1,978	1,600,686	1,602,664	1,602,664	1,405,952	561,639	1,041,025	
BALANCES - Beginning of Year	4,829,135	6,389,794	11,218,929	11,218,929	11,218,929	11,218,929	-	
BALANCES - END OF YEAR	\$ 4,831,113	\$ 7,990,480	\$ 12,821,593	\$ 12,821,593	\$ 12,624,881	\$ 11,780,568	\$ 1,041,025	

See accompanying notes to required supplementary information.

CITY OF WEBSTER CITY

RECONCILIATION OF CASH BASIS BUDGET WITH
GAAP FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

	Governmental Funds			Proprietary Funds - Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 7,077,461	\$ 244,402	\$ 7,321,863	\$ 15,867,858	\$ (337,379)	\$ 15,530,479
Expenditures/expenses	6,791,693	(361,914)	6,429,779	14,430,147	794,825	15,224,972
Excess (deficiency) of revenues over expenditures/expenses	285,768	606,316	892,084	1,437,711	(1,132,204)	305,507
Other financing sources, net	(283,790)	713,631	429,841	162,975	(421,567)	(258,592)
BALANCES - Beginning of Year	4,829,135	(3,810,925)	1,018,210	6,389,794	20,558,972	26,948,766
BALANCES - END OF YEAR	\$ 4,831,113	\$ (2,490,978)	\$ 2,340,135	\$ 7,990,480	\$ 19,005,201	\$ 26,995,681

See accompanying notes to required supplementary information.

CITY OF WEBSTER CITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

BUDGETARY INFORMATION

During the year ended June 30, 2007, disbursements in the public works and debt service functions exceeded the amounts budgeted.

S U P P L E M E N T A R Y I N F O R M A T I O N

CITY OF WEBSTER CITY

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue Funds					
	FICA/ IPERS Fund	Worker's Comp Fund	Medical/Flex Insurance Fund	Unemployment Comp Fund	Road Use Tax Fund	Police/Fire Retirement Trust Fund
ASSETS						
Cash and investments	\$ 137,795	\$ 98,001	\$ 133,973	\$ 9,171	\$ 418,382	\$ 51,288
Receivables						
Taxes	157,927	64,663	327,228	14,443	-	193,183
Accounts	-	-	-	-	1,139	-
Interest	-	-	-	-	-	276
Loans	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 295,722	\$ 162,664	\$ 461,201	\$ 23,614	\$ 419,521	\$ 244,747
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ -	\$ -	\$ -	\$ 5,745	\$ 60,845	\$ -
Accrued liabilities	-	-	-	-	4,343	-
Deferred revenue	157,927	64,663	327,228	14,443	-	193,183
Advances from other funds	-	-	-	-	-	-
Total Liabilities	157,927	64,663	327,228	20,188	65,188	193,183
Fund Balances						
Reserved for:						
Debt service	-	-	-	-	-	-
Trust activities	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Unreserved and undesignated (deficit)	137,795	98,001	133,973	3,426	354,333	51,564
Total Fund Balances (Deficit)	137,795	98,001	133,973	3,426	354,333	51,564
TOTAL LIABILITIES AND FUND BALANCES	\$ 295,722	\$ 162,664	\$ 461,201	\$ 23,614	\$ 419,521	\$ 244,747

Special Revenue Funds							
<u>DARE Fund</u>	<u>Seized Property Trust Fund</u>	<u>K9 Trust Fund</u>	<u>Economic Development Loan</u>	<u>WC Comm Rehabilitation Revolving Loan Program</u>	<u>Urban Renewal Tax Increment - Riverview</u>	<u>Urban Renewal Tax Increment - Hyvee</u>	<u>Urban Renewal Tax Increment - Brewer Creek</u>
\$ 2,707	\$ 763	\$ 74	\$ 775,637	\$ 80,802	\$ 673	\$ -	\$ 63,789
-	-	-	-	-	144,367	47,323	-
-	-	-	-	-	-	-	-
-	-	-	4,626	491	-	-	-
-	-	-	142,441	69,186	-	-	-
-	-	-	-	-	-	-	-
-	-	-	197,578	-	-	-	-
<u>\$ 2,707</u>	<u>\$ 763</u>	<u>\$ 74</u>	<u>\$ 1,120,282</u>	<u>\$ 150,479</u>	<u>\$ 145,040</u>	<u>\$ 47,323</u>	<u>\$ 63,789</u>
\$ 124	\$ -	\$ -	\$ 14	\$ 9,700	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	142,441	69,186	144,367	47,323	-
-	-	-	-	-	-	-	-
<u>124</u>	<u>-</u>	<u>-</u>	<u>142,455</u>	<u>78,886</u>	<u>144,367</u>	<u>47,323</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	197,578	-	-	-	-
<u>2,583</u>	<u>763</u>	<u>74</u>	<u>780,249</u>	<u>71,593</u>	<u>673</u>	<u>-</u>	<u>63,789</u>
<u>2,583</u>	<u>763</u>	<u>74</u>	<u>977,827</u>	<u>71,593</u>	<u>673</u>	<u>-</u>	<u>63,789</u>
<u>\$ 2,707</u>	<u>\$ 763</u>	<u>\$ 74</u>	<u>\$ 1,120,282</u>	<u>\$ 150,479</u>	<u>\$ 145,040</u>	<u>\$ 47,323</u>	<u>\$ 63,789</u>

CITY OF WEBSTER CITY

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue Funds					
	Self-Supported	Urban	Urban	Urban	Urban	Urban
	Municipal Improvement District	Renewal Tax Increment - Struchen	Renewal Tax Increment - Beam	Renewal Tax Increment - Vantec	Renewal Tax Increment - Southeast	Renewal Tax Increment - Southwest
ASSETS						
Cash and investments	\$ 11,281	\$ -	\$ 62,866	\$ -	\$ 15,219	\$ -
Receivables						
Taxes	8,866	18,089	-	146,461	93,958	7,822
Accounts	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 20,147	\$ 18,089	\$ 62,866	\$ 146,461	\$ 109,177	\$ 7,822
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Deferred revenue	8,866	18,089	-	146,461	93,958	7,822
Advances from other funds	-	-	-	-	197,578	406,112
Total Liabilities	<u>8,866</u>	<u>18,089</u>	<u>-</u>	<u>146,461</u>	<u>291,536</u>	<u>413,934</u>
Fund Balances						
Reserved for						
Debt service	-	-	-	-	-	-
Trust activities	-	-	-	-	-	-
Advances	-	-	-	-	-	-
Unreserved and undesignated (deficit)	11,281	-	62,866	-	(182,359)	(406,112)
Total Fund Balances (Deficit)	<u>11,281</u>	<u>-</u>	<u>62,866</u>	<u>-</u>	<u>(182,359)</u>	<u>(406,112)</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,147	\$ 18,089	\$ 62,866	\$ 146,461	\$ 109,177	\$ 7,822

Special Revenue Funds				Debt Service	Capital Projects Funds			
Urban Renewal Tax Increment - New Castle	Urban Renewal Tax Increment - Gourley	Wilson Brewer Park Depot	Webster City Pride	General Debt Service	Brewer Creek Estates	Boone River Trail	Wilson Avenue Bridge Improvements	
\$ -	\$ -	\$ 360	\$ 2,710	\$ 165,123	\$ 23,122	\$ 193,371	\$ 15,217	
53,957	15,213	-	-	715,957	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	187	-	-	-	
-	-	-	-	-	-	85,556	-	
-	-	-	-	-	-	-	-	
<u>\$ 53,957</u>	<u>\$ 15,213</u>	<u>\$ 360</u>	<u>\$ 2,710</u>	<u>\$ 881,267</u>	<u>\$ 23,122</u>	<u>\$ 278,927</u>	<u>\$ 15,217</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 80,494	\$ -	
-	-	-	-	-	-	-	-	
53,957	15,213	-	-	716,144	-	127,608	-	
-	-	-	-	-	-	-	-	
<u>53,957</u>	<u>15,213</u>	<u>-</u>	<u>-</u>	<u>716,144</u>	<u>500</u>	<u>208,102</u>	<u>-</u>	
-	-	-	-	165,123	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	360	2,710	-	22,622	70,825	15,217	
-	-	360	2,710	165,123	22,622	70,825	15,217	
<u>\$ 53,957</u>	<u>\$ 15,213</u>	<u>\$ 360</u>	<u>\$ 2,710</u>	<u>\$ 881,267</u>	<u>\$ 23,122</u>	<u>\$ 278,927</u>	<u>\$ 15,217</u>	

CITY OF WEBSTER CITY

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Capital Projects Funds					Permanent Fund	Total Nonmajor Governmental Funds
	1999 Sidewalk Improvements	Annual Street Maintenance	Capital Improvement Reserve	Railroad Crossing - Bicentennial	City Hall Plaza	Perpetual Care Trust	
ASSETS							
Cash and investments	\$ 38,412	\$ 437,797	\$ 685,840	\$ 159	\$ 26,447	\$ 386,877	\$ 3,837,856
Receivables							
Taxes	-	-	-	-	-	-	2,009,457
Accounts	-	-	-	-	-	-	1,139
Interest	-	-	294	-	-	-	5,874
Loans	-	-	-	-	-	-	211,627
Due from other governments	-	-	-	-	-	-	85,556
Advances to other funds	-	-	350,000	-	-	-	547,578
TOTAL ASSETS	\$ 38,412	\$ 437,797	\$ 1,036,134	\$ 159	\$ 26,447	\$ 386,877	\$ 6,699,087
LIABILITIES AND FUND BALANCES							
Accounts payable	\$ 14,423	\$ 12,571	\$ 405	\$ -	\$ 10,545	\$ -	\$ 195,366
Accrued liabilities	-	-	-	-	-	-	4,343
Deferred revenue	-	-	-	-	-	-	2,348,879
Advances from other funds	-	-	-	-	-	-	603,690
Total Liabilities	14,423	12,571	405	-	10,545	-	3,152,278
Fund Balances							
Reserved for							
Debt service	-	-	-	-	-	-	165,123
Trust activities	-	-	-	-	-	386,877	386,877
Advances	-	-	350,000	-	-	-	547,578
Unreserved and undesignated (deficit)	23,989	425,226	685,729	159	15,902	-	2,447,231
Total Fund Balances (Deficit)	23,989	425,226	1,035,729	159	15,902	386,877	3,546,809
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,412	\$ 437,797	\$ 1,036,134	\$ 159	\$ 26,447	\$ 386,877	\$ 6,699,087

CITY OF WEBSTER CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Special Revenue Funds					
	FICA/ IPERS Fund	Worker's Comp Fund	Medical/Flex Insurance Fund	Unemployment Comp Fund	Road Use Tax Fund	Police/Fire Retirement Trust Fund
REVENUES						
Taxes	\$ 149,676	\$ 75,305	\$ 109,328	\$ 15,734	\$ -	\$ 215,659
Intergovernmental	-	-	-	-	681,428	-
Public charges for services	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Investment income	-	-	-	-	-	1,214
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>149,676</u>	<u>75,305</u>	<u>109,328</u>	<u>15,734</u>	<u>681,428</u>	<u>216,873</u>
EXPENDITURES						
Current						
General government	10,579	489	24,809	657	-	-
Public safety	40,432	26,889	165,415	7,788	-	205,838
Public works	39,467	8,083	49,931	2,255	597,079	-
Health and human services	1,000	104	1,240	61	-	-
Culture and recreation	45,586	7,881	47,782	2,912	-	-
Community and economic development	5,794	398	4,319	343	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>142,858</u>	<u>43,844</u>	<u>293,496</u>	<u>14,016</u>	<u>597,079</u>	<u>205,838</u>
Excess (deficiency) of revenues over expenditures	<u>6,818</u>	<u>31,461</u>	<u>(184,168)</u>	<u>1,718</u>	<u>84,349</u>	<u>11,035</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	200,000	-	-	-
Transfers out	-	-	-	-	(25,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
Net Change in Fund Balances	6,818	31,461	15,832	1,718	59,349	11,035
FUND BALANCES (DEFICIT) - Beginning of Year	<u>130,977</u>	<u>66,540</u>	<u>118,141</u>	<u>1,708</u>	<u>294,984</u>	<u>40,529</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 137,795</u>	<u>\$ 98,001</u>	<u>\$ 133,973</u>	<u>\$ 3,426</u>	<u>\$ 354,333</u>	<u>\$ 51,564</u>

Special Revenue Funds								
DARE Fund	Seized Prop Trust	K9 Trust Fund	Economic Development Loan	WC Comm Rehabilitation Revolving Loan Program	Urban Renewal Tax Increment - Riverview	Urban Renewal Tax Increment - Hy-Vee	Urban Renewal Tax Increment - Brewer Creek	Self-Supported Municipal Improvement District
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,232	\$ 53,853	\$ 180,478	\$ 8,760
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	26,948	3,322	-	-	-	-
2,940	2,765	50	699,614	9,423	-	-	-	-
<u>2,940</u>	<u>2,765</u>	<u>50</u>	<u>726,562</u>	<u>12,745</u>	<u>144,232</u>	<u>53,853</u>	<u>180,478</u>	<u>8,760</u>
-	-	-	-	-	-	-	-	-
2,787	4,293	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	19,384	9,700	-	56,083	-	5,115
-	-	-	-	-	-	-	-	-
-	-	-	20,911	-	-	-	-	-
<u>2,787</u>	<u>4,293</u>	<u>-</u>	<u>40,295</u>	<u>9,700</u>	<u>-</u>	<u>56,083</u>	<u>-</u>	<u>5,115</u>
<u>153</u>	<u>(1,528)</u>	<u>50</u>	<u>686,267</u>	<u>3,045</u>	<u>144,232</u>	<u>(2,230)</u>	<u>180,478</u>	<u>3,645</u>
-	-	-	-	-	-	-	-	-
-	-	-	18,028	-	-	-	-	2,017
-	-	-	-	-	(143,559)	-	-	-
-	-	-	18,028	-	(143,559)	-	-	2,017
153	(1,528)	50	704,295	3,045	673	(2,230)	180,478	5,662
<u>2,430</u>	<u>2,291</u>	<u>24</u>	<u>273,532</u>	<u>68,548</u>	<u>-</u>	<u>2,230</u>	<u>(116,689)</u>	<u>5,619</u>
<u>\$ 2,583</u>	<u>\$ 763</u>	<u>\$ 74</u>	<u>\$ 977,827</u>	<u>\$ 71,593</u>	<u>\$ 673</u>	<u>\$ -</u>	<u>\$ 63,789</u>	<u>\$ 11,281</u>

CITY OF WEBSTER CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Special Revenue Funds					
	Urban Renewal Tax Increment - Struchen	Urban Renewal Tax Increment - WC RV Project	Urban Renewal Tax Increment - Beam	Urban Renewal Tax Increment - Vantec	Urban Renewal Tax Increment - Southeast	Urban Renewal Tax Increment - Southwest
REVENUES						
Taxes	\$ 39,052	\$ -	\$ 2,131	\$ 148,154	\$ 90,995	\$ 7,714
Intergovernmental	-	-	-	-	-	-
Public charges for services	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Investment income	-	602	3,111	9,613	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>39,052</u>	<u>602</u>	<u>5,242</u>	<u>157,767</u>	<u>90,995</u>	<u>7,714</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community and economic development	25,649	11,354	-	167,865	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total Expenditures	<u>25,649</u>	<u>11,354</u>	<u>-</u>	<u>167,865</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>13,403</u>	<u>(10,752)</u>	<u>5,242</u>	<u>(10,098)</u>	<u>90,995</u>	<u>7,714</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	-	-	-	11,500	-
Transfers in	-	-	-	-	233,102	-
Transfers out	(13,403)	(17,848)	-	(215,254)	-	-
Total Other Financing Sources (Uses)	<u>(13,403)</u>	<u>(17,848)</u>	<u>-</u>	<u>(215,254)</u>	<u>244,602</u>	<u>-</u>
Net Change in Fund Balances	-	(28,600)	5,242	(225,352)	335,597	7,714
FUND BALANCES (DEFICIT) - Beginning of Year	-	28,600	57,624	225,352	(517,956)	(413,826)
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,866</u>	<u>\$ -</u>	<u>\$ (182,359)</u>	<u>\$ (406,112)</u>

Special Revenue Funds				Debt Service	Capital Projects Funds			
Urban Renewal Tax Increment - New Castle	Urban Renewal Tax Increment - Gourley	Wilson Brewer Park Depot	Webster City Pride	General Debt Service	Brewer Creek Estates	Boone River Trail	Wilson Avenue Bridge Improvements	1999 Sidewalk Improvements
\$ 53,713	\$ 12,704	\$ -	\$ -	\$ 912,285	\$ -	\$ -	\$ -	\$ -
-	-	-	2,500	-	-	123,841	-	-
-	-	-	-	1,408	-	-	-	-
-	-	-	-	16,954	-	-	-	-
-	-	360	210	141,193	-	-	-	-
<u>53,713</u>	<u>12,704</u>	<u>360</u>	<u>2,710</u>	<u>1,071,840</u>	<u>-</u>	<u>123,841</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	562	-	-	53,292
-	-	-	-	-	-	239,323	-	-
74,554	8,851	-	-	-	-	41	-	-
-	-	-	-	724,214	-	-	-	-
-	-	-	-	322,098	-	-	-	-
<u>74,554</u>	<u>8,851</u>	<u>-</u>	<u>-</u>	<u>1,046,312</u>	<u>562</u>	<u>239,364</u>	<u>-</u>	<u>53,292</u>
(20,841)	3,853	360	2,710	25,528	(562)	(115,523)	-	(53,292)
-	-	-	-	-	22,749	-	-	-
-	-	-	-	-	-	-	-	25,000
-	(4,625)	-	-	-	-	-	-	-
-	(4,625)	-	-	-	22,749	-	-	25,000
(20,841)	(772)	360	2,710	25,528	22,187	(115,523)	-	(28,292)
<u>20,841</u>	<u>772</u>	<u>-</u>	<u>-</u>	<u>139,595</u>	<u>435</u>	<u>186,348</u>	<u>15,217</u>	<u>52,281</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360</u>	<u>\$ 2,710</u>	<u>\$ 165,123</u>	<u>\$ 22,622</u>	<u>\$ 70,825</u>	<u>\$ 15,217</u>	<u>\$ 23,989</u>

CITY OF WEBSTER CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Capital Projects Fund				Permanent Fund	Total Nonmajor Governmental Funds
	Annual Street Maintenance	Capital Improvement Reserve	Railroad Crossing - Bicentennial	City Hall Plaza	Perpetual Care Trust	
REVENUES						
Taxes	\$ -	\$ 665,098	\$ -	\$ -	\$ -	\$ 2,884,871
Intergovernmental	-	-	-	-	-	807,769
Public charges for services	-	-	-	-	3,906	3,906
Special assessments	-	-	-	-	-	1,408
Investment income	-	-	-	-	-	61,764
Miscellaneous	-	-	-	150	-	856,705
Total Revenues	<u>-</u>	<u>665,098</u>	<u>-</u>	<u>150</u>	<u>3,906</u>	<u>4,616,423</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	36,534
Public safety	-	-	-	-	-	453,442
Public works	420,036	2,921	10,327	-	-	1,183,953
Health and human services	-	-	-	-	-	2,405
Culture and recreation	-	-	-	24,248	-	367,732
Community and economic development	-	-	-	-	-	389,450
Debt Service						
Principal	-	-	-	-	-	724,214
Interest and fiscal charges	-	-	-	-	-	343,009
Total Expenditures	<u>420,036</u>	<u>2,921</u>	<u>10,327</u>	<u>24,248</u>	<u>-</u>	<u>3,500,739</u>
Excess (deficiency) of revenues over expenditures	<u>(420,036)</u>	<u>662,177</u>	<u>(10,327)</u>	<u>(24,098)</u>	<u>3,906</u>	<u>1,115,684</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	-	-	-	-	34,249
Transfers in	-	-	10,000	40,000	-	528,147
Transfers out	-	-	-	-	-	(419,689)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>40,000</u>	<u>-</u>	<u>142,707</u>
Net Change in Fund Balances	<u>(420,036)</u>	<u>662,177</u>	<u>(327)</u>	<u>15,902</u>	<u>3,906</u>	<u>1,258,391</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>845,262</u>	<u>373,552</u>	<u>486</u>	<u>-</u>	<u>382,971</u>	<u>2,288,418</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 425,226</u>	<u>\$ 1,035,729</u>	<u>\$ 159</u>	<u>\$ 15,902</u>	<u>\$ 386,877</u>	<u>\$ 3,546,809</u>

CITY OF WEBSTER CITY

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2007

	Capital Equipment Fund	Medical/Flex Fund	Totals
ASSETS			
Cash and investments	\$ 608,143	\$ 15,143	\$ 623,286
Prepaid items	-	35,972	35,972
Total Assets	<u>608,143</u>	<u>51,115</u>	<u>659,258</u>
LIABILITIES			
Accounts payable	-	5,510	5,510
NET ASSETS			
Unrestricted	<u>\$ 608,143</u>	<u>\$ 45,605</u>	<u>\$ 653,748</u>

CITY OF WEBSTER CITY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007

	Capital Equipment Fund	Medical/Flex Fund	Totals
OPERATING REVENUES	<u>\$ 294,827</u>	<u>\$ 42,917</u>	<u>\$ 337,744</u>
OPERATING EXPENSES			
General government	38,181	54,932	93,113
Public safety	64,683	-	64,683
Public works	57,452	-	57,452
Culture and recreation	<u>15,657</u>	<u>-</u>	<u>15,657</u>
Total Operating Expenses	<u>175,973</u>	<u>54,932</u>	<u>230,905</u>
Change in net assets	118,854	(12,015)	106,839
NET ASSETS - Beginning of Year	<u>489,289</u>	<u>57,620</u>	<u>546,909</u>
NET ASSETS - END OF YEAR	<u>\$ 608,143</u>	<u>\$ 45,605</u>	<u>\$ 653,748</u>

CITY OF WEBSTER CITY

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007

	Capital Equipment Fund	Medical/Flex Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from other funds	\$ 294,827	\$ 42,917	\$ 337,744
Paid to suppliers for goods and services	<u>(175,973)</u>	<u>(53,467)</u>	<u>(229,440)</u>
Net Cash Flows From Operating Activities	<u>118,854</u>	<u>(10,550)</u>	<u>108,304</u>
Net Increase (Decrease) in Cash and Cash Equivalents	118,854	(10,550)	108,304
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>489,289</u>	<u>25,693</u>	<u>514,982</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 608,143</u>	<u>\$ 15,143</u>	<u>\$ 623,286</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 118,854	\$ (12,015)	\$ 106,839
Adjustments to reconcile operating income to net cash flows from operating activities:			
Change in assets and liabilities:			
Prepaid items	-	(4,045)	(4,045)
Accounts payable	<u>-</u>	<u>5,510</u>	<u>5,510</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 118,854</u>	<u>\$ (10,550)</u>	<u>\$ 108,304</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
None.			

CITY OF WEBSTER CITY

COMBINING STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS June 30, 2007

	Private Purpose Trusts					Totals
	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Sillers Trust	Mulberry Church Trust	
ASSETS						
Cash and investments	\$ 1,888	\$ 2,157	\$ 5,000	\$ 3,105	\$ 10,516	\$ 22,666
Interest receivable	-	-	-	-	13	13
Total Assets	<u>1,888</u>	<u>2,157</u>	<u>5,000</u>	<u>3,105</u>	<u>10,529</u>	<u>22,679</u>
LIABILITIES						
Deferred revenue	-	-	-	-	-	-
NET ASSETS						
Reserved for private purpose trust activities	<u>1,888</u>	<u>2,157</u>	<u>5,000</u>	<u>3,105</u>	<u>10,529</u>	<u>22,679</u>
TOTAL NET ASSETS	<u>\$ 1,888</u>	<u>\$ 2,157</u>	<u>\$ 5,000</u>	<u>\$ 3,105</u>	<u>\$ 10,529</u>	<u>\$ 22,679</u>

CITY OF WEBSTER CITY

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS**

For the Year Ended June 30, 2007

	Joe E. Barr Trust	Edgar Foster Trust	Calvary Cemetery Trust	Zella Sillers Trust	Mulberry Church Trust	Totals
ADDITIONS						
Investment income	\$ 74	\$ 87	\$ 247	\$ 137	\$ 354	\$ 899
DEDUCTIONS						
Culture and recreation	23	22	312	25	-	382
Changes in net assets	51	65	(65)	112	354	517
NET ASSETS - Beginning of Year	1,837	2,092	5,065	2,993	10,175	22,162
NET ASSETS - END OF YEAR	<u>\$ 1,888</u>	<u>\$ 2,157</u>	<u>\$ 5,000</u>	<u>\$ 3,105</u>	<u>\$ 10,529</u>	<u>\$ 22,679</u>

CITY OF WEBSTER CITY

COMBINING STATEMENT OF CASH FLOWS -
COMPONENT UNITS
For the Year Ended June 30, 2007

	Airport Commission	Fuller Trust	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers or donors	\$ 30,195	\$ 402,175	\$ 432,370
Paid to suppliers for goods and services	<u>(340,250)</u>	<u>(228,428)</u>	<u>(568,678)</u>
Net Cash Flows From Operating Activities	<u>(310,055)</u>	<u>173,747</u>	<u>(136,308)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental grants received	245,771	-	245,771
Contributions from the primary government	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Net Cash Flows From Noncapital Financing Activities	<u>325,771</u>	<u>-</u>	<u>325,771</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>137</u>	<u>424,274</u>	<u>424,411</u>
Net Cash Flows From Investing Activities	<u>137</u>	<u>424,274</u>	<u>424,411</u>
Net Change in Cash and Cash Equivalents	15,853	598,021	613,874
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>10,728</u>	<u>4,234</u>	<u>14,962</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 26,581</u>	<u>\$ 602,255</u>	<u>\$ 628,836</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (311,135)	\$ (213,557)	\$ (524,692)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation	-	840	840
Change in assets and liabilities			
Accounts receivable	2,432	386,464	388,896
Accounts payable	<u>(1,352)</u>	<u>-</u>	<u>(1,352)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (310,055)</u>	<u>\$ 173,747</u>	<u>\$ (136,308)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - COMPONENT UNITS			
Cash and investments - statement of net assets	\$ 26,581	\$ 2,887,105	\$ 2,913,686
Less: Non-cash equivalents	<u>-</u>	<u>(2,284,850)</u>	<u>(2,284,850)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 26,581</u>	<u>\$ 602,255</u>	<u>\$ 628,836</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
None.			

CITY OF WEBSTER CITY
BOND AND NOTE MATURITIES
 June 30, 2007

Year Ending June 30,	Streets, Alleys and Sewer		General Corporate Purpose		General Corporate Purpose									
	Interest Rates	Amount	Interest Rates	Amount										
2008	3.90	\$ 85,000	5.00	\$ 45,000	3.80	\$ 60,000	2.250	\$ 65,000	2.500	\$ 185,000	3.300	\$ 115,000	3.300	\$ 605,000
2009	3.950	90,000	5.100	45,000	4.050	65,000	2.500	65,000	2.750	190,000	3.400	115,000	3.400	620,000
2010	4.000	90,000	5.150	50,000	4.200	65,000	2.750	70,000	3.000	195,000	3.450	120,000	3.450	645,000
2011	4.050	95,000	5.200	50,000	4.350	70,000	3.000	70,000	3.000	70,000	3.550	125,000	3.550	465,000
2012	4.100	100,000	5.300	55,000	4.450	70,000	3.100	75,000	-	-	3.650	130,000	3.650	490,000
2013	4.150	105,000	5.350	55,000	4.600	75,000	3.250	80,000	-	-	3.750	135,000	3.750	510,000
2014	-	-	5.400	60,000	4.700	80,000	3.400	85,000	-	-	3.850	145,000	3.850	435,000
2015	-	-	5.500	65,000	4.800	85,000	3.500	90,000	-	-	3.900	145,000	3.900	455,000
2016	-	-	-	-	4.900	85,000	3.600	90,000	-	-	3.850	155,000	3.850	330,000
2017	-	-	-	-	5.000	90,000	3.700	100,000	-	-	-	-	-	190,000
2018	-	-	-	-	-	-	3.800	105,000	-	-	-	-	-	105,000
Total		\$ 565,000		\$ 425,000		\$ 745,000		\$ 895,000		\$ 570,000		\$ 1,185,000		\$ 4,850,000

CITY OF WEBSTER CITY
BOND AND NOTE MATURITIES
 June 30, 2007

Year Ending June 30,	Revenue Bonds					
	1997 Water		2000 Sewer		2006 Sewer	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2008	4.800	\$ 85,000	3.92	\$ 173,000	3.50	\$ 165,000
2009	4.800	90,000	3.92	180,000	3.60	170,000
2010	-	-	3.92	187,000	3.70	175,000
2011	-	-	3.92	194,000	3.80	185,000
2012	-	-	3.92	202,000	3.90	190,000
2013	-	-	3.92	209,000	3.95	200,000
2014	-	-	3.92	218,000	4.00	205,000
2015	-	-	3.92	226,000	4.10	220,000
2016	-	-	3.92	235,000	-	235,000
2017	-	-	3.92	244,000	-	244,000
2018	-	-	3.92	254,000	-	254,000
2019	-	-	3.92	264,000	-	264,000
2020	-	-	3.92	274,000	-	274,000
Total		\$ 175,000		\$ 2,860,000		\$ 1,510,000
						\$ 4,545,000

The community center revenue debt has not been included in the above schedule since a repayment schedule has not been established.

CITY OF WEBSTER CITY

COMPARISON OF TAX AND INTERGOVERNMENTAL RECEIPTS PRIMARY GOVERNMENT

	Years Ended June 30,				
	2007	2006	2005	2004	2003
PROPERTY TAX	<u>\$ 3,034,310</u>	<u>\$ 2,731,368</u>	<u>\$ 2,672,274</u>	<u>\$ 2,830,456</u>	<u>\$ 2,667,661</u>
Tax Increment Financing Collections	<u>741,785</u>	<u>694,416</u>	<u>690,460</u>	<u>569,595</u>	<u>653,701</u>
OTHER CITY TAX					
Mobile Home Tax	4,542	4,380	4,416	4,819	4,381
Cable Franchise Tax	<u>63,990</u>	<u>61,438</u>	<u>67,214</u>	<u>67,107</u>	<u>65,942</u>
Total Other City Tax	<u>68,532</u>	<u>65,818</u>	<u>71,630</u>	<u>71,926</u>	<u>70,323</u>
INTERGOVERNMENTAL					
Bank Franchise Tax	-	-	5,321	28,495	43,895
State Allocation	1,921	894	893	888	146,759
Grants	361,317	171,377	211,890	889,966	1,581,137
Road Use Tax	<u>681,428</u>	<u>683,843</u>	<u>680,498</u>	<u>680,959</u>	<u>665,634</u>
Total Intergovernmental	<u>1,044,666</u>	<u>856,114</u>	<u>898,602</u>	<u>1,600,308</u>	<u>2,437,425</u>
TOTALS	<u>\$ 4,889,293</u>	<u>\$ 4,347,716</u>	<u>\$ 4,332,966</u>	<u>\$ 5,072,285</u>	<u>\$ 5,829,110</u>

CITY OF WEBSTER CITY

LIST OF CITY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Eugene C. Gray	Mayor	January 2010
Janet Adams	Mayor Pro tem	January 2010
Janet Adams	Council Member	January 2010
Jack Foster	Council Member	January 2008
Mark Gillette	Council Member	January 2008
Eugene C. Gray	Council Member	January 2010
Jerry Kloberdanz	Council Member	January 2010
Ed Sadler	City Manager	June 2009
Kasie Doering	Finance Officer	Not applicable
Patricia Nokes	City Clerk	January 2009
Elizabeth Ann Smith	Deputy City Clerk	January 2009
Stephen Mourlam	Treasurer	January 2008
Gary J. Groves	Attorney	January 2008
Mark Hemmingson	Assistant City Attorney	January 2008



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 Honorable Mayor and
Members of the City Council

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City, Iowa as of and for the year ended June 30, 2007, which collectively comprise the City of Webster City's basic financial statements and have issued our report thereon dated January 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, 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 the City of Webster City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Webster City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Webster City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Webster City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Webster City's financial statements that is more than inconsequential will not be prevented or detected by the City of Webster City's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These deficiencies are items 2007-1 and 2007-2.

To the Honorable Mayor and
Members of the City Council

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Webster City's internal control over financial reporting. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 2007-1 and 2007-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Webster City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Webster City in a separate letter dated January 29, 2008.

The City of Webster City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City of Webster City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City of Webster City's management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Virchow Krause & Company, LLP

Madison, Wisconsin
January 29, 2008

CITY OF WEBSTER CITY

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended June 30, 2007

FINDING 2007-1: INTERNAL ACCOUNTING CONTROLS

Condition: The City of Webster City does not have complete segregation of duties surrounding its accounting functions.

Criteria: Internal controls should be in place that provides reasonable assurance that individuals have access to only one phase of the accounting process.

Effect: Without complete segregation of duties, financial records have a greater chance of misstatement due to fraud or errors.

Questioned Costs: None

Recommendation: The City Council and management should rely more heavily on their direct knowledge of the city's operations and day-to-day contact with employees to control and safeguard assets.

Management's Response: With limited staff, both management and council review all payments prior to disbursement and will continue to do so twice per month.

FINDING 2007-2: INTERNAL CONTROL DOCUMENTATION AND FINANCIAL REPORTING

Internal Control Documentation

Condition: The City of Webster City has not documented its internal control procedures surrounding its major accounting cycles.

Criteria: Statement on Auditing Standards (SAS) No. 112 states that the city should have documentation of the internal control procedures surrounding its major accounting cycles written in enough detail that would allow a person to fulfill the requirements of those processes by following the explanations included in the documentation.

Effect: Turnover of accounting personnel could result in errors to the financial records that are not detected by the city's internal control procedures.

Recommendation: The city should thoroughly document its internal control procedures surrounding its major accounting cycles before the 2008 audit.

Management's Response: During the ensuing year, the city will endeavor to document all of its internal control procedures by both activity and responsible staff positions.

Financial Reporting (Preparation of Financial Statements)

Condition: The City of Webster City has not prepared the annual financial statements.

Criteria: Statement on Auditing Standards (SAS) No. 112 states that the city should have internal control procedures that enable the preparation of financial statements by city personnel that are free from material errors.

CITY OF WEBSTER CITY

SCHEDULE OF FINDINGS AND RESPONSES (cont.) For the Year Ended June 30, 2007

FINDING 2007-2: INTERNAL CONTROL DOCUMENTATION AND FINANCIAL REPORTING (cont.)

Financial Reporting (Preparation of Financial Statements) (cont.)

Effect: The auditors prepared the annual financial statements.

Recommendation: The city may consider and implement additional internal control procedures to ensure the accuracy of its financial records as well as the preparation of the annual financial statements.

Management's Response: The city will institute additional controls that will endeavor to create more accurate year end annual financial statements.

CITY OF WEBSTER CITY

SCHEDULE OF FINDINGS RELATED TO GOVERNMENT AUDITING STANDARDS AND REQUIRED STATUTORY REPORTING Year Ended June 30, 2007

FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- A-07 Official Depositories – A resolution naming official depositories has been approved by the city. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2007.
- B-07 Certified Budget – Certain functions experienced disbursements in excess of the amounts budgeted. See Note III.B. for details.
- Recommendation – The city should continue analyzing its disbursements throughout the year and amend the budget as needed to help avoid exceeding budgeted amounts.
- Response – The city will do as recommended.
- Conclusion – Response accepted.
- C-07 Questionable Disbursements – No disbursements 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.
- D-07 Travel Expense – No disbursements of city money for travel expenses of spouses of city officials or employees were noted.
- E-07 Business Transactions – No business transactions between the city and city officials or employees were noted.
- F-07 Bond Coverage – Surety bond coverage of city officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- G-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the city's investment policy were noted.
- I-07 Revenue Bonds and Notes – The city has complied with revenue bond provisions in relation to the water and sewer utilities.

CITY OF WEBSTER CITY

SCHEDULE OF FINDINGS RELATED TO GOVERNMENT AUDITING STANDARDS AND REQUIRED STATUTORY REPORTING (cont.)

Year Ended June 30, 2007

FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (cont.)

J-07 Financial Condition – The following individual funds held a deficit balance as of June 30, 2007:

Child Care Center	\$ 659,017
Second Street Reconstruction	1,572,093
Urban Renewal Tax Increment – Southeast	182,359
Urban Renewal Tax Increment – Southwest	406,112

Recommendation – The city should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Response – The city has been and will continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.

Conclusion – Response accepted.

K-07 Telecommunication Services – No instances of noncompliance with Chapter 388.10 of the code of Iowa were noted.

City of Webster City

400 SECOND STREET • P.O. BOX 217 • WEBSTER CITY, IOWA 50595-0217 • FAX (515) 832-9153



January 29, 2008

Virchow, Krause & Company, LLP
Ten Terrace Court
P.O. Box 7398
Madison, WI 53707-7398

Dear Auditors:

We are providing this letter in connection with your audit of the financial statements of the City of Webster City as of June 30, 2007 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Webster City and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the oversight unit and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
2. We have made available to you all -
 - a. Financial records and related data (and all audit or relevant monitoring reports, if any, received from funding sources.)
 - b. Minutes of the meetings of the city council or summaries of actions of recent meetings for which minutes have not yet been prepared.

CITY MANAGER
(515) 832-9151

PUBLIC WORKS
(515) 832-9139

POLICE
(515) 832-9166

CITY CLERK
(515) 832-9151

RECREATION
(515) 832-9193

CEMETERY
(515) 832-9125

FIRE
(515) 832-9131

UTILITY OFFICE
(515) 832-9141

January 29, 2008

Page 2

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. The city has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the municipality is contingently liable.
 - c. All accounting estimates (including fair value measurements), that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.

11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
12. There are no -
 - a. Violations or possible violations of budget ordinances, provisions of contracts and grant agreements, laws or regulations including those pertaining to adopting and amending budgets, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d. Reservations or designation of fund equity that were not properly authorized and approved.
13. The City of Webster City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
14. The city has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
15. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
16. The financial statements properly classify all funds and activities.
17. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

18. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
19. Provisions for uncollectible receivables have been properly identified and recorded.
20. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
21. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
22. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
23. Special and extraordinary items are appropriately classified and reported.
24. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
25. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
26. Required supplementary information (RSI) is measured and presented within prescribed guidelines.
27. We understand that, as part of your audit, you prepared adjusting journal entries and acknowledge that we have reviewed and approved those entries and understand the impact on the financial statements.
28. We understand that you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting the information in the City of Webster City's general ledger into a working trial balance.
29. We understand that, as part of your audit, you prepared the draft financial statements and related notes from the trial balance. We have designated a competent employee to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
30. We understand that, as part of your audit, you prepared the adjusting journal entries necessary to convert our cash basis records to the accrual basis of accounting and acknowledge that we have reviewed and approved those entries.

Virchow, Krause & Company, LLP

January 29, 2008

Page 5

31. We have a process to track the status of audit findings and recommendations.
32. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of this audit being undertaken and the corrective actions taken to address significant findings and recommendations.
33. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
34. We are responsible for complying with Chapter 11 of the Code of Iowa.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Sincerely,

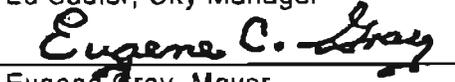
CITY OF WEBSTER CITY

Signed:



Ed Sadler, City Manager

Signed:



Eugene Gray, Mayor

CITY OF WEBSTER CITY
SUMMARY OF PASSED ADJUSTING JOURNAL ENTRIES
 June 30, 2007

	Financial Statements Effect –		
	Increase (Decrease) to Financial Statement		
	Total		
	Total Assets	Total Liabilities	Excess of Revenues over Expenditures
Business-type Activities	\$ -	\$ 44,000	\$ (44,000)
Electric Utility	\$ -	\$ 44,000	\$ (44,000)