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WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

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# WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Craig Loffredo	President	2008
Loween Clayberg	Vice President	2006
Dan Ryherd	Board Member	2008
Dr. Subhash Sahai	Board Member	2007
Judy Maubach	Board Member	2007
Board of Education (After September 2006 Election)		
Craig Loffredo	President	2008
Judy Maubach	Vice President	2007
Pamela Hayes	Board Member, appointed October 2006	2007
Dr. Subhash Sahai	Board Member, resigned October 2006	2007
Dan Ryherd	Board Member	2008
Loween Clayberg	Board Member	2009
Mike Sherwood	Superintendent	2007
Cathi Hildebrand	District Secretary/Treasurer	2007
James Hanks	Attorney	Indefinite

Webster City Community School District



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### Independent Auditors' Report

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Webster City Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated March 25, 2008 on our consideration of Webster City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Webster City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinions on those financial statements. The supplementary information included on pages 41 through 47, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

March 25, 2008

## Management Discussion and Analysis

This section of the Webster City Community School District's Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2007. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follows this section.

### Financial Highlights

- General Fund revenues increased from \$12,700,904 in fiscal 2006 to \$13,623,405 in fiscal 2007, while General Fund expenditures increased from \$12,623,521 in fiscal 2006 to \$13,790,459 in fiscal 2007. This resulted in a decrease in the District's General Fund balance from \$1,223,261 in fiscal 2006 to \$1,064,277 in fiscal 2007, a 13 percent decrease from the prior year.
- The increase in General Fund revenues was attributable to increases in state aid revenue and property tax revenue received. The increase in expenditures was due, for the most part, to increases in salaries and benefits.

### Overview of the Financial Statements

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

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

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

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

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

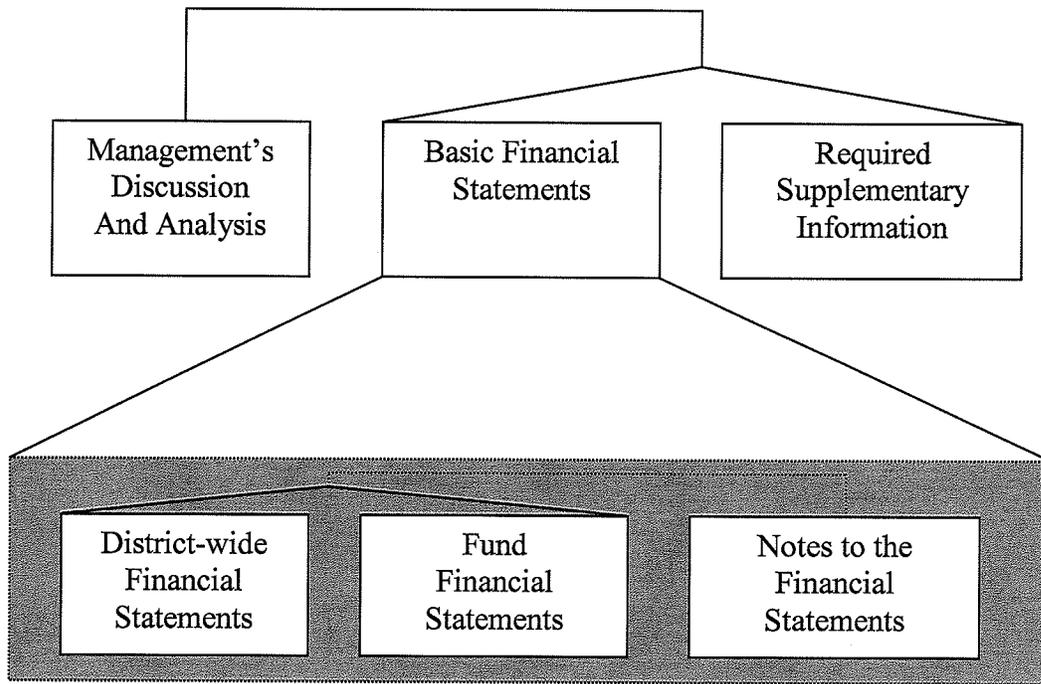


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

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

### **District-wide Statements**

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

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

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

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

**Financial Analysis of the District as a Whole**

*Net assets.* Figure A-3 below provides a summary of the District’s net assets as of June 30, 2007 and 2006.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
(expressed in thousands)							
	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	7,212	7,358	47	62	7,259	7,420	2.2%
Capital assets	10,489	10,566	82	91	10,571	10,657	.8%
Total assets	17,701	17,924	129	153	17,830	18,077	1.4%
Long-term obligations	4,244	3,723	0	0	4,244	3,723	-12.3%
Other liabilities	4,824	4,970	1	0	4,825	4,970	3.0%
Total liabilities	9,068	8,693	1	0	9,069	8,693	-4.2%
Net assets:							
Invested in capital assets,							
Net of related debt	6,304	6,911	82	91	6,386	7,002	9.6%
Restricted	1,478	1,626	0	0	1,478	1,626	10.0%
Unrestricted	851	694	46	62	897	756	-22.6%
Total Net Assets	8,633	9,231	128	153	8,761	9,384	7.1%

The District’s combined net assets were significantly larger on June 30, 2007, than they were the year before, increasing, more than 7%. Most of this improvement in the District’s financial position came from its governmental activities, the net assets of which grew .5 million to \$9.2 million. The net assets of the District’s business-type activities increased 20% to \$153 thousand.

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

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2007.

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

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2006	2007	2006	2007	2006	2007	2006-2007
<b>Revenues</b>							
Program revenues							
Charges for service and sales	1,403	1,424	517	499	1,920	1,923	.2%
Operating Grants & Contributions	1,497	1,739	253	289	1,750	2,028	15.9%
Capital Grants & Contributions	0	0	0	0	0	0	0
General revenues							
Property taxes	5,519	5,776	0	0	5,519	5,776	4.7%
Unrestricted state grants	6,358	6,500	0	0	6,358	6,500	2.2%
Unrestricted investment earnings	114	138	2	1	116	139	19.8%
Other	13	84	0	0	13	84	546.0%
<b>Total revenues</b>	<b>\$14,904</b>	<b>\$15,661</b>	<b>\$772</b>	<b>\$789</b>	<b>\$15,676</b>	<b>\$16,450</b>	<b>4.9%</b>
<b>Program expenses</b>							
Governmental activities							
Instruction	8,785	9,433	0	0	8,785	9,433	7.4%
Support services	4,081	4,625	0	0	4,081	4,625	13.3%
Non-instructional programs	4	17	794	764	798	781	-2.1%
Other expenses	1,112	988	12	0	1,124	988	-12.1%
<b>Total expenses</b>	<b>\$13,982</b>	<b>\$15,063</b>	<b>\$806</b>	<b>\$764</b>	<b>\$14,788</b>	<b>\$15,827</b>	<b>7.0%</b>
<b>Change in net assets</b>	<b>\$922</b>	<b>\$598</b>	<b>\$(34)</b>	<b>\$25</b>	<b>\$888</b>	<b>\$623</b>	<b>-29.8%</b>

Property tax and unrestricted state grants account for 75 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 89 percent of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$15.6 million and expenses \$15.0 million. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

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

	Total Cost of Services		Percentage Change	Net Cost Of Services		Percentage Change
	2006	2007	2006-2007	2006	2007	2006-2007
Instruction	8,785	9,433	7.4%	5,905	6,289	6.5%
Support services	4,081	4,625	13.3%	4,061	4,605	13.4%
Non-instructional programs	4	17	325.0%	4	17	325.0%
Other expenses	1,112	988	-11.2%	1,112	988	-11.2%
<b>Totals</b>	<b>\$13,982</b>	<b>\$15,063</b>	<b>7.7%</b>	<b>\$11,082</b>	<b>\$11,899</b>	<b>7.4%</b>

- The cost of all governmental activities this year was \$15.1 million.
- Some of the cost (\$1.4 million) was financed by users of the District's programs.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions of \$1.7 million.
- Most of the District's costs (\$11.9 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$5.7 million in property taxes, \$6.5 million in unrestricted state grants, \$138 thousand in interest income, and \$84 thousand in miscellaneous income.

## Business-Type Activities

Revenues of the District's business-type activities were \$788,242 and expenses were \$764,499. The District's business-type activities include the School Nutrition Fund and Building Trades Fund. Revenues of these activities were comprised of charges for service, reimbursement for supplies, federal and state reimbursements and investment income.

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

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,389,322, which is down slightly from last year's ending fund balance of \$2,390,942.

### **Governmental Budgetary Highlights**

- The General Fund balance decreased from \$1,223,261 to \$1,064,277 due, for the most part, to increased expenditures.
- The Management Fund balance decreased from \$83,886 to \$82,263 due to increased cost for worker's compensation insurance.
- The Capital Projects Fund increased from \$743,921 to \$798,538 due to revenue received from Hamilton, Wright and Webster County Local Option Sales Tax dollars. Seventy-five percent of the revenue received from Hamilton County will be used for the payment or retirement of outstanding bonds previously issued for construction of Webster City Middle School.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$123,741 at June 30, 2006 to \$146,610 at June 30, 2007, representing an increase of 18.5 percent. Although revenues increased in 2006-07, expenditures decreased even more, resulting in the increase of net assets.

## **Budgetary Highlights**

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

### **Legal Budgetary Highlights**

The District's total actual receipts were \$927,751 less than the total budgeted receipts, a variance of 5.3%. This year the District received more in various components of local and federal sources than anticipated and less from state sources.

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

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2007, the District had invested more than \$18.0 million (\$10.6 million net of depreciation) in a broad range of capital assets including land, buildings, athletic facilities, computer and audiovisual equipment, maintenance equipment, and transportation equipment. (See Figure A-6) This amount represents a net increase of .6 percent from last year.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2006-2007
	2006	2007	2006	2007	2006	2007	
Land	590	590	0	0	590	590	0.0%
Construction in progress	0	9	0	0	0	9	N/A
Buildings	8,985	8,814	0	0	8,985	8,814	-2.4%
Improvements other than Buildings	147	180	0	0	147	180	96.0%
Machinery and equipment	767	973	82	91	849	1,064	82.9%
<b>TOTALS</b>	<b>10,489</b>	<b>10,566</b>	<b>82</b>	<b>91</b>	<b>10,571</b>	<b>10,657</b>	<b>.7%</b>

In 2006-2007 the District completed storage rooms at Pleasant View Elementary and the High School, put in new water and sewer lines at the High School football field, did improvements to the Middle School storm sewer including some concrete work, and began work on the Administration Building and the Bus Barn.

### Long-Term Debt

At June 30, 2007, the District had \$3.7 million in general obligation bonds and other long-term debt outstanding. This represents a decrease of 12.3% over the previous fiscal year as can be seen in Figure A-7 below.

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

	Total School District		Total Percentage Change 2006-2007
	2006	2007	
Compensated Absences	59	68	15.3%
Capital Loan Note	430	330	-23.3%
Bonds Payable	3,755	3,325	-11.5%
Other Long Term Liabilities	0	0	0
<b>Total</b>	<b>4,244</b>	<b>3,723</b>	<b>-12.3%</b>

The District retired \$521 thousand of its obligations in 2007. The District issued a capital loan note in the amount of \$750,000 for updates to the High School electrical service and adding an entrance hallway to the fitness center in fiscal 2008.

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

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

- District enrollment increased in fiscal year 2006-2007 by 9.4 students, or .6% in total budgeted enrollment. Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Hamilton Local Option Sales Tax revenues will continue to go towards tax relief by paying down outstanding bonds issued for construction of Webster City Middle School.

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

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

## Basic Financial Statements

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Net Assets  
June 30, 2007**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 2,239,414	\$ 53,531	\$ 2,292,945
Receivables:			
Property tax:			
Delinquent	66,840	-	66,840
Succeeding year	4,759,255	-	4,759,255
Accounts	126	401	527
Accrued interest	14,697	213	14,910
Due from other governments	277,339	-	277,339
Inventories	-	8,136	8,136
Capital assets, net of accumulated depreciation	10,566,060	91,123	10,657,183
Total assets	<u>17,923,731</u>	<u>153,404</u>	<u>18,077,135</u>
<b>Liabilities</b>			
Accounts payable	38,798	-	38,798
Accrued interest payable	13,513	-	13,513
Payroll withholdings payable	86	-	86
Due to other governments	100,817	-	100,817
Early retirement payable	57,093	-	57,093
Deferred revenue, succeeding year property tax	4,759,255	-	4,759,255
Long-term liabilities:			
Due within one year	633,309	-	633,309
Due after one year	3,090,000	-	3,090,000
Total liabilities	<u>8,692,871</u>	<u>-</u>	<u>8,692,871</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,911,060	91,123	7,002,183
Restricted for:			
Categorical aid	300,313	-	300,313
Debt service	214,311	-	214,311
Management	82,263	-	82,263
Capital projects	798,538	-	798,538
Physical plant and equipment levy	96,657	-	96,657
Other special revenue purposes	133,276	-	133,276
Unrestricted	694,442	62,281	756,723
Total net assets	<u>\$ 9,230,860</u>	<u>\$ 153,404</u>	<u>\$ 9,384,264</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Activities**

**Year ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grant, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities</b>				
<b>Instruction:</b>				
Regular instruction	\$ 5,608,065	\$ 682,243	\$ 1,626,621	\$ -
Special instruction	2,251,275	268,268	-	-
Vocational instruction	641,191	-	-	-
Other instruction	931,995	453,273	112,626	-
	<u>9,432,526</u>	<u>1,403,784</u>	<u>1,739,247</u>	<u>-</u>
<b>Support services:</b>				
Student services	601,459	-	-	-
Instructional staff services	782,080	-	-	-
General administration services	300,234	-	-	-
School administration services	875,621	-	-	-
Business and central administration services	204,058	-	-	-
Operation and maintenance	1,303,369	18,633	-	-
Transportation services	558,073	1,253	-	-
	<u>4,624,894</u>	<u>19,886</u>	<u>-</u>	<u>-</u>
Noninstructional programs	<u>17,284</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	(2,685)	-	-	-
Long-term debt interest	187,729	-	-	-
AEA flowthrough	543,026	-	-	-
Loss on fixed asset disposal	3,542	-	-	-
Depreciation (unallocated)	256,600	-	-	-
	<u>988,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>15,062,916</u>	<u>1,423,670</u>	<u>1,739,247</u>	<u>-</u>
<b>Business-Type Activities</b>				
<b>Noninstructional programs:</b>				
Nutrition services	756,629	489,106	289,080	-
House project	7,870	10,056	-	-
	<u>764,499</u>	<u>499,162</u>	<u>289,080</u>	<u>-</u>
Total	<u>\$ 15,827,415</u>	<u>\$ 1,922,832</u>	<u>\$ 2,028,327</u>	<u>\$ -</u>

Continued on following page.

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
\$ (3,299,201)	\$ -	\$ (3,299,201)
(1,983,007)	-	(1,983,007)
(641,191)	-	(641,191)
(366,096)	-	(366,096)
<u>(6,289,495)</u>	<u>-</u>	<u>(6,289,495)</u>
(601,459)	-	(601,459)
(782,080)	-	(782,080)
(300,234)	-	(300,234)
(875,621)	-	(875,621)
(204,058)	-	(204,058)
(1,284,736)	-	(1,284,736)
(556,820)	-	(556,820)
<u>(4,605,008)</u>	<u>-</u>	<u>(4,605,008)</u>
<u>(17,284)</u>	<u>-</u>	<u>(17,284)</u>
2,685	-	2,685
(187,729)	-	(187,729)
(543,026)	-	(543,026)
(3,542)	-	(3,542)
(256,600)	-	(256,600)
(988,212)	-	(988,212)
<u>(11,899,999)</u>	<u>-</u>	<u>(11,899,999)</u>
-	21,557	21,557
-	2,186	2,186
<u>-</u>	<u>23,743</u>	<u>23,743</u>
<u>(11,899,999)</u>	<u>23,743</u>	<u>(11,876,256)</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Activities**

**Year ended June 30, 2007**

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
4,892,431	-	4,892,431
883,787	-	883,787
6,499,530	-	6,499,530
137,852	1,312	139,164
83,981	-	83,981
<u>12,497,581</u>	<u>1,312</u>	<u>12,498,893</u>
597,582	25,055	622,637
<u>8,633,278</u>	<u>128,349</u>	<u>8,761,627</u>
<u>\$ 9,230,860</u>	<u>\$ 153,404</u>	<u>\$ 9,384,264</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds  
June 30, 2007**

	General	Management	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and pooled investments:					
Other	\$ 943,691	\$ 134,920	\$ 720,707	\$ 440,096	\$ 2,239,414
Receivables:					
Property tax:					
Delinquent	57,230	3,173	-	6,437	66,840
Succeeding year	4,203,493	196,633	-	359,129	4,759,255
Accounts	126	-	-	-	126
Accrued interest	9,255	1,253	2,744	1,445	14,697
Due from other governments	202,041	10	75,267	21	277,339
Total assets	<u>\$ 5,415,836</u>	<u>\$ 335,989</u>	<u>\$ 798,718</u>	<u>\$ 807,128</u>	<u>\$ 7,357,671</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 34,863	\$ -	\$ 180	\$ 3,755	\$ 38,798
Payroll withholdings payable	86	-	-	-	86
Due to other governments	100,817	-	-	-	100,817
Early retirement payable	-	57,093	-	-	57,093
Deferred revenue:					
Succeeding year property tax	4,203,493	196,633	-	359,129	4,759,255
Other	12,300	-	-	-	12,300
Total liabilities	<u>4,351,559</u>	<u>253,726</u>	<u>180</u>	<u>362,884</u>	<u>4,968,349</u>
Fund balance:					
Reserved for:					
Categorical aid	300,313	-	-	-	300,313
Unreserved, reported in:					
General fund	763,964	-	-	-	763,964
Management fund	-	82,263	-	-	82,263
Capital projects fund	-	-	798,538	-	798,538
Debt service fund	-	-	-	214,311	214,311
Nonmajor Special revenue funds	-	-	-	229,933	229,933
Total fund balances	<u>1,064,277</u>	<u>82,263</u>	<u>798,538</u>	<u>444,244</u>	<u>2,389,322</u>
Total liabilities and fund balances	<u>\$ 5,415,836</u>	<u>\$ 335,989</u>	<u>\$ 798,718</u>	<u>\$ 807,128</u>	<u>\$ 7,357,671</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2007**

Total governmental fund balances	\$ 2,389,322
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	10,566,060
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	12,300
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,513)
Long-term liabilities, including compensated absences and bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(3,723,309)</u>
Net assets of governmental activities	<u><u>\$ 9,230,860</u></u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2007**

	General	Management	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property and other local taxes	\$ 4,187,724	\$ 224,143	\$ 883,787	\$ 480,564	\$ 5,776,218
Other local sources	1,248,235	11,971	45,063	384,266	1,689,535
State sources	7,768,352	175	-	358	7,768,885
Federal sources	419,094	-	-	-	419,094
Total revenues	<u>13,623,405</u>	<u>236,289</u>	<u>928,850</u>	<u>865,188</u>	<u>15,653,732</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	5,391,781	160,383	-	-	5,552,164
Special instruction	2,228,925	-	-	-	2,228,925
Vocational instruction	629,006	-	-	-	629,006
Other instruction	528,650	-	-	395,307	923,957
	<u>8,778,362</u>	<u>160,383</u>	<u>-</u>	<u>395,307</u>	<u>9,334,052</u>
<b>Support services:</b>					
Student services	587,005	-	-	-	587,005
Instructional staff services	1,009,244	-	-	-	1,009,244
General administration services	289,535	3,280	-	-	292,815
School administration services	860,988	-	-	-	860,988
Business and central administration services	209,812	-	-	400	210,212
Operation and maintenance	1,032,366	74,249	34,500	138,156	1,279,271
Transportation services	462,837	-	-	46,220	509,057
	<u>4,451,787</u>	<u>77,529</u>	<u>34,500</u>	<u>184,776</u>	<u>4,748,592</u>
Noninstructional programs	<u>17,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,284</u>
<b>Other expenditures:</b>					
Facilities acquisition and construction	-	-	245,364	54,907	300,271
<b>Debt service:</b>					
Principal	-	-	-	530,000	530,000
Interest and other charges	-	-	-	190,197	190,197
AEA flowthrough	543,026	-	-	-	543,026
	<u>543,026</u>	<u>-</u>	<u>245,364</u>	<u>775,104</u>	<u>1,563,494</u>
Total expenditures	<u>13,790,459</u>	<u>237,912</u>	<u>279,864</u>	<u>1,355,187</u>	<u>15,663,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(167,054)</u>	<u>(1,623)</u>	<u>648,986</u>	<u>(489,999)</u>	<u>(9,690)</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	-	-	-	713,659	713,659
Operating transfers out	-	-	(594,369)	(119,290)	(713,659)
Proceeds from sale of fixed assets	8,070	-	-	-	8,070
Total other financing sources (uses)	<u>8,070</u>	<u>-</u>	<u>(594,369)</u>	<u>594,369</u>	<u>8,070</u>
Net change in fund balances	(158,984)	(1,623)	54,617	104,370	(1,620)
Fund balances beginning of year	1,223,261	83,886	743,921	339,874	2,390,942
Fund balances end of year	<u>\$ 1,064,277</u>	<u>\$ 82,263</u>	<u>\$ 798,538</u>	<u>\$ 444,244</u>	<u>\$ 2,389,322</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year ended June 30, 2007**

Net change in fund balances - total governmental funds	\$	(1,620)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.</p>		
Capital outlays	\$	619,752
Depreciation expense		<u>(538,870)</u>
		80,882
The net effect of the disposal of capital assets is to decrease net assets.		(3,542)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets.		530,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		2,468
Certain revenue not collected for several months after year end is not considered available in the governmental funds and is deferred. However, it is recorded as revenue in the statement of activities.		(1,304)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated absences		<u>(9,302)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>597,582</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2007**

<b>Assets</b>	School Nutrition	Building Trades	Total
<b>Current assets:</b>			
Cash and pooled investments	\$ 46,737	\$ 6,794	\$ 53,531
Receivables:			
Accounts	401	-	401
Accrued interest	213	-	213
Inventories	8,136	-	8,136
	<hr/>	<hr/>	<hr/>
Total current assets	55,487	6,794	62,281
<b>Noncurrent assets:</b>			
Capital assets, net of accumulated depreciation	91,123	-	91,123
	<hr/>	<hr/>	<hr/>
Total assets	146,610	6,794	153,404
 <b>Net assets</b>			
Invested in capital assets, net of related debt	91,123	-	91,123
Unrestricted	55,487	6,794	62,281
	<hr/>	<hr/>	<hr/>
Total net assets	<u>\$ 146,610</u>	<u>\$ 6,794</u>	<u>\$ 153,404</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Assets  
Propriety Funds  
Year ended June 30, 2007**

	School Nutrition	Building Trades	Total
Operating revenue:			
Local sources:			
Charges for service	\$ 484,550	\$ 10,056	\$ 494,606
Other	4,556	-	4,556
	<u>489,106</u>	<u>10,056</u>	<u>499,162</u>
Operating expenses:			
Noninstructional programs:			
Salaries and benefits	252,488	-	252,488
Benefits	119,840	-	119,840
Purchased services	8,112	-	8,112
Supplies	363,299	7,870	371,169
Depreciation	12,808	-	12,808
Other	82	-	82
	<u>756,629</u>	<u>7,870</u>	<u>764,499</u>
Operating loss	<u>(267,523)</u>	<u>2,186</u>	<u>(265,337)</u>
Nonoperating revenue:			
State sources	7,874	-	7,874
Federal sources	275,806	-	275,806
Contributions.	5,400	-	5,400
Interest on investments	1,312	-	1,312
Total non-operating revenue	<u>290,392</u>	<u>-</u>	<u>290,392</u>
Change in net assets	22,869	2,186	25,055
Net assets beginning of year	<u>123,741</u>	<u>4,608</u>	<u>128,349</u>
Net assets end of year	<u>\$ 146,610</u>	<u>\$ 6,794</u>	<u>\$ 153,404</u>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Cash Flows  
Propriety Funds  
Year ended June 30, 2007**

	School Nutrition	Building Trades	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 489,106	\$ -	\$ 489,106
Cash received from sale of houses	-	10,056	10,056
Cash payments to employees for services	(371,255)	-	(371,255)
Cash payments to suppliers for goods or services	<u>(341,452)</u>	<u>(7,870)</u>	<u>(349,322)</u>
Net cash provided by (used) in operating activities	<u>(223,601)</u>	<u>2,186</u>	<u>(221,415)</u>
Cash flows from noncapital financing activities:			
State grants received	7,874	-	7,874
Federal grants received	271,952	-	271,952
Contributions received	<u>5,400</u>	<u>-</u>	<u>5,400</u>
Net cash provided by noncapital financing activities	<u>285,226</u>	<u>-</u>	<u>285,226</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(22,136)</u>	<u>-</u>	<u>(22,136)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,312</u>	<u>-</u>	<u>1,312</u>
Net increase in cash and cash equivalents	40,801	2,186	42,987
Cash and cash equivalents beginning of year	<u>5,936</u>	<u>4,608</u>	<u>10,544</u>
Cash and cash equivalents end of year	<u>\$ 46,737</u>	<u>\$ 6,794</u>	<u>\$ 53,531</u>
Cash and cash equivalents consist of the following:			
Cash and pooled investments	<u>\$ 46,737</u>	<u>\$ 6,794</u>	<u>\$ 53,531</u>
Total cash and cash equivalents	<u>\$ 46,737</u>	<u>\$ 6,794</u>	<u>\$ 53,531</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (267,523)	\$ 2,186	\$ (265,337)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	30,041	-	30,041
Depreciation	12,808	-	12,808
Increase in receivables	(225)	-	(225)
Decrease in inventories	1,044	-	1,044
Increase (Decrease) in accounts payable and accrued liabilities	<u>254</u>	<u>-</u>	<u>254</u>
Net cash used in operating activities	<u>\$ (223,601)</u>	<u>\$ 2,186</u>	<u>\$ (221,415)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$30,041 of federal commodities.

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007**

	Private Purpose Trust- Nonexpendable Scholarships	<u>Agency Fund</u> Private Purpose Trust- Expendable Scholarships
<b>Assets</b>		
Cash and investments	\$ 1,931,724	\$ 247,345
Accounts receivable - other	480	-
	<hr/>	<hr/>
Total assets	1,932,204	247,345
	<hr/>	<hr/>
<b>Liabilities</b>		
Liabilities:		
Due to others	-	247,345
	<hr/>	<hr/>
Total liabilities	-	247,345
	<hr/>	<hr/>
<b>Net assets</b>		
Reserved for scholarships	\$ 1,932,204	\$ -
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year ended June 30, 2007**

	Private Purpose Trust- Nonexpendable Scholarships
Additions:	
Local sources:	
Investment income	<u>\$ 204,059</u>
Total additions	204,059
Transfers	<u>(72,078)</u>
Change in net assets	131,981
Net assets beginning of year	<u>1,800,223</u>
Net assets end of year	<u><u>\$ 1,932,204</u></u>

See notes to financial statements.

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide financial statements- The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

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

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

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

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

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

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

The District reports the following major governmental funds:

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

The Management Fund accounts for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

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

The District reports the following major proprietary funds:

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

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

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

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

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

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

The Government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. The District's fiduciary fund, the agency fund, does not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for customer's sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes from the current and prior year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget in April 15 of each year for the subsequent fiscal year.

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

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

# WEBSTER CITY COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

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

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

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

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

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

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

## WEBSTER CITY COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

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

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

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

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

The District reserves the following fund balances:

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

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the functional area of support services exceeded the amount budgeted.

#### F. Use of Estimates

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

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

(2) Cash and Cash Equivalents and Investments

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

Credit risk: The District is authorized by statute to invest public funds not currently needed for operating expenses in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts and warrants for improvement certificates of a drainage district. The District has no investment policies that would further limit its investment choices.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$3,156,157</u>

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

The District has investments that were donated to the District to be used for scholarship awards for students. At June 30, 2007, those investments consisted of the following:

	Maturities	Fair Value
Common stock	N/A	\$ 568,035
U.S. agencies	10/15/2008	<u>44,986</u>
		<u>\$ 613,021</u>

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

Custodial credit risk: For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Chapter 12C of the Code of Iowa requires all District funds be deposited into an approved depository and be either insured or collateralized. As of June 30, 2007, the District has no deposits or investments subject to custodial credit risk.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 590,000	\$ -	\$ -	\$ 590,000
Construction in progress	-	9,042	-	9,042
Total capital assets not being depreciated	<u>590,000</u>	<u>9,042</u>	<u>-</u>	<u>599,042</u>
Capital assets being depreciated:				
Buildings and improvements	13,771,651	85,365	-	13,857,016
Improvements other than buildings	259,771	48,072	-	307,843
Machinery and equipment	<u>2,627,701</u>	<u>477,273</u>	<u>36,921</u>	<u>3,068,053</u>
Total capital assets being depreciated	<u>16,659,123</u>	<u>610,710</u>	<u>36,921</u>	<u>17,232,912</u>
Less accumulated depreciation for:				
Buildings and improvements	4,786,265	256,600	-	5,042,865
Improvements other than buildings	112,944	15,392	-	128,336
Machinery and equipment	<u>1,861,194</u>	<u>266,878</u>	<u>33,379</u>	<u>2,094,693</u>
Total accumulated depreciation	<u>6,760,403</u>	<u>538,870</u>	<u>33,379</u>	<u>7,265,894</u>
Total capital assets being depreciated, net	<u>9,898,720</u>	<u>71,840</u>	<u>3,542</u>	<u>9,967,018</u>
Governmental activities capital assets, net	<u>\$ 10,488,720</u>	<u>\$ 80,882</u>	<u>\$ 3,542</u>	<u>\$ 10,566,060</u>
Business-type activities:				
Furniture, equipment, vehicles	\$ 189,284	\$ 22,136	\$ -	\$ 211,420
Less accumulated depreciation	<u>107,489</u>	<u>12,808</u>	<u>-</u>	<u>120,297</u>
Business-type activities capital assets, net	<u>\$ 81,795</u>	<u>\$ 9,328</u>	<u>\$ -</u>	<u>\$ 91,123</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 59,561
Special		23,494
Vocational		21,021
Other		8,038
Support services:		
Student		5,152
Instructional staff		60,591
General administration		7,419
School administration		14,633
Business administration		6,183
Operation and maintenance		25,147
Transportation		51,031
		<u>282,270</u>
Unallocated depreciation		<u>256,600</u>
		<u>\$ 538,870</u>
Business-type activities:		
School nutrition		<u>\$ 12,808</u>
		<u>\$ 12,808</u>

(4) Bonds Payable

Details of the District's June 30, 2007 bonded indebtedness are as follows:

Series 1999			
Interest Rates	Principal	Interest	Total
4.25%	\$ 460,000	\$ 146,070	\$ 606,070
4.30%	480,000	126,520	606,520
4.35%	505,000	105,880	610,880
4.40%	525,000	83,913	608,913
4.45%	550,000	60,812	610,812
4.50%	580,000	36,338	616,338
4.55%	225,000	10,237	235,237
	<u>\$3,325,000</u>	<u>\$ 569,770</u>	<u>\$ 3,894,770</u>

During the year ended June 30, 2007, the District retired \$430,000 of the above bond issues.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

(5) Capital Loan Notes

Details of the District's June 30, 2007, capital loan notes indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.80-4.85%	\$ 105,000	\$ 14,895	\$ 119,895
2009	4.85-4.90%	110,000	9,694	119,694
2010	4.90-4.95%	115,000	4,317	119,317
		<u>\$ 330,000</u>	<u>\$ 28,906</u>	<u>\$ 358,906</u>

During the year ended June 30, 2007, the District retired \$100,000 of the above capital loan notes.

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital loan note	\$ 430,000	\$ -	\$ 100,000	\$ 330,000	\$ 105,000
Bonds payable	3,755,000	-	430,000	3,325,000	460,000
Compensated absences	59,007	68,309	59,007	68,309	68,309
Total	<u>\$ 4,244,007</u>	<u>\$ 68,309</u>	<u>\$ 589,007</u>	<u>\$ 3,723,309</u>	<u>\$ 633,309</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

The annual debt service requirements, including principal and interest, for long-term debt as June 30, 2007, are as follows:

Year Ending June 30,	Total
2008	\$ 794,274
2009	726,214
2010	730,197
2011	608,913
2012	610,812
After 2012	<u>851,575</u>
Total Principal and Interest	4,321,985
Less Interest	<u>(598,676)</u>
Liability as of June 30, 2007	<u><u>\$ 3,723,309</u></u>

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$493,041, \$463,368, and \$444,757, respectively, equal to required contributions for each year.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the area education agency. The District's actual amount for this purpose totaled \$543,026 for the year ended June 30, 2007, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

(9) Contingencies and Risk Management

At June 30, 2007, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. It has been the District's experience that such claims are settled for amounts substantially less than claimed amounts. District management estimates that the potential claims against the District, not covered by various insurance policies, would not materially affect the financial condition of the District. The District is also exposed to various risks of loss related to torts; theft; damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss, including Workers' Compensation and employee health and accident insurance. There has been no reduction in insurance coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

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

(11) Transfers Within the Reporting Entity

Interfund transfers were as follows:

Transfer Out:	Transfer In:
	Debt Service Fund
Capital Projects	\$ 594,369
Physical Plant and Equipment Levy	<u>119,290</u>
	<u>\$ 713,659</u>

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support services area exceed the amounts budgeted.

**Required Supplementary Information**

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund  
Required Supplementary Information  
Year ended June 30, 2007**

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 7,587,368	\$ 506,032
Intermediate sources	-	-
State sources	7,718,085	7,874
Federal sources	356,903	271,952
Total receipts	<u>15,662,356</u>	<u>785,858</u>
Disbursements:		
Instruction	9,265,473	7,870
Support services	4,715,778	-
Noninstructional programs	17,284	735,001
Other expenditures	1,587,225	-
Total disbursements	<u>15,585,760</u>	<u>742,871</u>
Excess (deficiency) of receipts over (under) disbursements	76,596	42,987
Other financing sources, net	<u>8,070</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	84,666	42,987
Balance beginning of year	<u>2,154,748</u>	<u>10,544</u>
Balance end of year	<u>\$ 2,239,414</u>	<u>\$ 53,531</u>

See accompanying independent auditors' report.

Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
	Original	Final	
\$ 8,093,400	\$ 8,431,810	\$ 8,431,810	\$ (338,410)
-	21,400	21,400	(21,400)
7,725,959	8,107,755	8,107,755	(381,796)
628,855	815,000	815,000	(186,145)
<u>16,448,214</u>	<u>17,375,965</u>	<u>17,375,965</u>	<u>(927,751)</u>
9,273,343	11,715,028	11,715,028	2,441,685
4,715,778	4,640,208	4,640,208	(75,570)
752,285	1,166,239	1,166,239	413,954
1,587,225	2,677,567	2,677,567	1,090,342
<u>16,328,631</u>	<u>20,199,042</u>	<u>20,199,042</u>	<u>3,870,411</u>
119,583	(2,823,077)	(2,823,077)	2,942,660
<u>8,070</u>	<u>-</u>	<u>-</u>	<u>8,070</u>
127,653	(2,823,077)	(2,823,077)	2,950,730
<u>2,165,292</u>	<u>4,951,885</u>	<u>4,951,885</u>	<u>(2,786,593)</u>
<u>\$ 2,292,945</u>	<u>\$ 2,128,808</u>	<u>\$ 2,128,808</u>	<u>\$ 164,137</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information  
Year ended June 30, 2007**

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,662,356	\$ (8,624)	\$ 15,653,732
Expenditures	15,585,760	77,662	15,663,422
Net	76,596	(86,286)	(9,690)
Other financing sources	8,070	-	8,070
Beginning fund balances	2,154,748	236,194	2,390,942
Ending fund balances	<u>\$ 2,239,414</u>	<u>\$ 149,908</u>	<u>\$ 2,389,322</u>

	Proprietary Fund Type Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 785,858	\$ 3,696	\$ 789,554
Expenses	742,871	21,628	764,499
Net	42,987	(17,932)	25,055
Other financing sources (uses)	-	-	-
Beginning net assets	10,544	117,805	128,349
Ending net assets	<u>\$ 53,531</u>	<u>\$ 99,873</u>	<u>\$ 153,404</u>

See accompanying independent auditors' report.

## **WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting June 30, 2006**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2007, disbursements in the support services functional area exceeded the amount budgeted.

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**Other Supplementary Information**

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

	Special Revenue		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
<b>Assets</b>			
Cash and pooled investments	\$ 135,805	\$ 92,353	\$ 228,158
Receivables:			
Property tax:			
Delinquent	-	4,887	4,887
Succeeding year	-	359,129	359,129
Accrued interest	246	381	627
Due from other governments	-	16	16
<b>Total assets</b>	<b><u>\$ 136,051</u></b>	<b><u>\$ 456,766</u></b>	<b><u>\$ 592,817</u></b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 2,775	\$ 980	\$ 3,755
Deferred revenue:			
Succeeding year property tax	-	359,129	359,129
<b>Total liabilities</b>	<b><u>2,775</u></b>	<b><u>360,109</u></b>	<b><u>362,884</u></b>
Fund equity:			
Unreserved, undesignated fund balance	<u>133,276</u>	<u>96,657</u>	<u>229,933</u>
<b>Total liabilities and fund equity</b>	<b><u>\$ 136,051</u></b>	<b><u>\$ 456,766</u></b>	<b><u>\$ 592,817</u></b>

See accompanying independent auditors' report.

Debt Service Fund	Total
\$ 211,938	\$ 440,096
1,550	6,437
-	359,129
818	1,445
5	21
<u>\$ 214,311</u>	<u>\$ 807,128</u>

\$ -	\$ 3,755
-	359,129
-	<u>362,884</u>

<u>214,311</u>	<u>444,244</u>
<u>\$ 214,311</u>	<u>\$ 807,128</u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2007**

	Special Revenue		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue
Revenues:			
Property and other local taxes	\$ -	\$ 364,956	\$ 364,956
Other local sources	371,300	9,451	380,751
State sources	-	272	272
	<u>371,300</u>	<u>374,679</u>	<u>745,979</u>
Total revenues			
Expenditures:			
Current:			
Instruction:			
Other instruction	395,307	-	395,307
Support services:			
Business and central administration services	-	-	-
Operating and maintenance	-	138,156	138,156
Transportation services	-	46,220	46,220
Other expenditures:			
Facilities acquisition	-	54,907	54,907
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<u>395,307</u>	<u>239,283</u>	<u>634,590</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(24,007)</u>	<u>135,396</u>	<u>111,389</u>
Other financing uses:			
Operating transfers in	-	-	-
Operating transfers out	-	(119,290)	(119,290)
Total other financing uses	<u>-</u>	<u>(119,290)</u>	<u>(119,290)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(24,007)	16,106	(7,901)
Fund balances beginning of year	<u>157,283</u>	<u>80,551</u>	<u>237,834</u>
Fund balances end of year	<u>\$ 133,276</u>	<u>\$ 96,657</u>	<u>\$ 229,933</u>

See accompanying independent auditors' report.

	Debt Service Fund	Total
\$	115,608	\$ 480,564
	3,515	384,266
	86	358
	<u>119,209</u>	<u>865,188</u>
	-	395,307
	400	400
	-	138,156
	-	46,220
	-	54,907
	530,000	530,000
	<u>190,197</u>	<u>190,197</u>
	<u>720,597</u>	<u>1,355,187</u>
	<u>(601,388)</u>	<u>(489,999)</u>
	713,659	713,659
	-	(119,290)
	<u>713,659</u>	<u>594,369</u>
	112,271	104,370
	<u>102,040</u>	<u>339,874</u>
\$	<u><u>214,311</u></u>	<u><u>\$ 444,244</u></u>

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Funds  
Year ended June 30, 2007**

<b>Assets</b>	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
Cash and investments	<u>\$ 231,967</u>	<u>\$ 88,773</u>	<u>\$ 73,395</u>	<u>\$ 247,345</u>
Total assets	<u><u>\$ 231,967</u></u>	<u><u>\$ 88,773</u></u>	<u><u>\$ 73,395</u></u>	<u><u>\$ 247,345</u></u>
<b>Liabilities</b>				
Due to others	<u>\$ 231,967</u>	<u>\$ 88,773</u>	<u>\$ 73,395</u>	<u>\$ 247,345</u>
Total liabilities	<u><u>\$ 231,967</u></u>	<u><u>\$ 88,773</u></u>	<u><u>\$ 73,395</u></u>	<u><u>\$ 247,345</u></u>

See accompanying independent auditors' report.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2007**

	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Athletics clubs and band	\$ (27,167)	\$ 69,883	\$ 93,674	\$ (50,958)
Elementary School	27,702	62,916	68,246	22,372
Middle School	20,471	45,587	48,494	17,564
High School	76,280	147,435	138,501	85,214
Administration	<u>59,997</u>	<u>45,479</u>	<u>46,392</u>	<u>59,084</u>
Total	<u>\$ 157,283</u>	<u>\$ 371,300</u>	<u>\$ 395,307</u>	<u>\$ 133,276</u>

See accompanying independent auditors' report.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

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

	Modified Accrual Basis			
	Years ended June 30,			
	2007	2006	2005	2004
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,776,218	\$ 5,518,962	\$ 5,535,176	\$ 5,037,018
Other	1,689,535	1,571,738	1,466,358	1,479,136
Intermediate sources	-	-	7,000	-
State sources	7,768,885	7,393,287	6,748,480	6,571,400
Federal sources	419,094	435,523	507,218	616,757
<b>Total revenues</b>	<b>\$ 15,653,732</b>	<b>\$ 14,919,510</b>	<b>\$ 14,264,232</b>	<b>\$ 13,704,311</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 5,552,164	\$ 5,060,241	\$ 4,818,441	\$ 4,546,254
Special instruction	2,228,925	2,220,759	2,180,591	2,335,725
Vocational instruction	629,006	638,251	582,507	578,846
Other instruction	923,957	935,141	934,383	647,472
Support services:				
Student services	587,005	475,109	501,381	489,013
Instructional staff services	1,009,244	757,464	855,658	591,880
General administration services	292,815	256,143	212,448	195,594
School administration services	860,988	821,523	743,519	709,239
Business and central administration services	210,212	119,810	222,505	215,542
Operation and maintenance	1,279,271	1,083,236	946,380	965,685
Transportation services	509,057	557,243	427,672	360,294
Non-instructional programs	17,284	4,003	18,622	10,454
Other expenses:				
Facilities acquisition	300,271	569,187	403,082	247,769
Long-term debt:				
Principal	530,000	505,000	475,000	3,925,044
Interest and other charges	190,197	218,470	244,487	482,457
AEA flowthrough	543,026	511,003	497,832	489,209
<b>Total expenditures</b>	<b>\$ 15,663,422</b>	<b>\$ 14,732,583</b>	<b>\$ 14,064,508</b>	<b>\$ 16,790,477</b>

See accompanying independent auditors' report.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007**

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (Noncash)	10.550	N/A	<u>\$ 30,041</u>
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	N/A	29,567
National School Lunch Program	10.555	N/A	216,198
			<u>245,765</u>
Total U.S. Department of Agriculture			<u>275,806</u>
U.S. Department of Education:			
Area Education Agency:			
Special Education - Grants to States	84.027	N/A	<u>88,780</u>
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6867-GC-00	15,388
Title I Grants to Local Educational Agencies	84.010	6867-G-00	1,021
Title I Grants to Local Educational Agencies	84.010	6867-GC-00	158,051
			<u>174,460</u>
Vocational Education - Basic Grants to States	84.048	N/A	<u>23,257</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	<u>10,130</u>
Migrant Education State Grant Programs	84.011	N/A	<u>3,438</u>
State Grants for Innovative Programs	84.298	N/A	<u>2,212</u>
Improving Teacher Quality State Grants	84.367	N/A	<u>63,082</u>
Special Education Preschool Grants	84.281	N/A	<u>375</u>
Hurricane Education Recovery	84.938	N/A	<u>810</u>
Grants for State Assessments and Related Activities	84.369	N/A	<u>12,390</u>
Total U.S. Department of Education			<u>378,934</u>

(continued)

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year ended June 30, 2007**

Grantor/Program	CFDA Number	Grant Number	Expenditures
U.S. Department of Health and Human Services:			
Iowa State University:			
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	N/A	40,160
			<u>-</u>
Total U.S. Department of Health and Human Services			<u>40,160</u>
Total			<u>\$ 694,900</u>

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

See accompanying independent auditors' report.

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

To the Board of Education  
Webster City Community School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Webster City Community School District, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section 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 have identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Webster City Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Webster City Community School District's financial statements that is more than inconsequential will not be prevented or detected by Webster City Community School District's internal control. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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 Webster City Community School District's internal control.

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 believe that the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

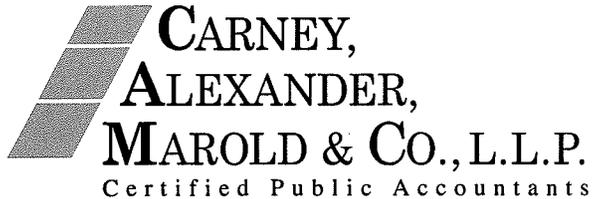
Webster City School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Webster City Community School District's responses and, accordingly,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

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

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

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

March 25, 2008



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

To the Board of Education  
Webster City Community School District

Compliance

We have audited the compliance of Webster City Community School District, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Webster City Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Webster City Community School District's management. Our responsibility is to express an opinion on Webster City Community School District's compliance based on our audit.

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

In our opinion, Webster City Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Webster City Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Webster City Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Webster City Community School District's internal control over compliance.

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

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described item III-A-07 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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

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

*Cainey, Alexander, Rowell & Co., L.L.P.*

March 25, 2008

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2007**

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including no material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, including no material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a) are reported in this schedule.
- (g) Major programs were as follows:
  - Clustered Programs:
    - CFDA Number 10.553                      School Breakfast Program
    - CFDA Number 10.555                      National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Webster City Community School District did qualify as a low-risk auditee.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2007**

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the same individual could receive cash, prepare and make bank deposits, post cash receipts to the cash receipts journal, and prepare the bank reconciliation. We also noted the same individual could compute payroll, prepare payroll checks, prepare the payroll journal and distribute payroll checks.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion - Response accepted.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2007**

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

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

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

III-A-07 Segregation of Duties - The same individual could perform duties which were incompatible in the areas of cash receipts and payroll. See audit finding II-A-07.

**WEBSTER CITY COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2007**

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, exceeded the amount budgeted in the support services area.  
Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget  
Response - The District will amend its budget by functional area as required.  
Conclusion - Response accepted.
- IV-B-07 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-07 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-07 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-07 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2006 was overstated. The District's certified enrollment count on line 1 was overstated by 2 students due to data entry errors when transferring enrollment counts from classroom count sheets to the spreadsheet used to summarize enrollment counts for the certified enrollment report. This resulted in overstating the total actual enrollment at line 7 by 2 students.  
Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.  
Response - We will contact the Iowa Department of Education and the Department of Management.  
Conclusion - Response accepted.

- IV-H-07 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-07 Statutory Rates - The stated rates of interest for three time certificates of deposit were less than the statutory rates established by the State Rate Setting Committee.

Recommendation - The District should establish procedures to monitor time certificate interest rates to ensure they equal or exceed the statutory rates.

Response - Procedures have been put in place to monitor time certificate interest rates to ensure they equal or exceed statutory rates.

Conclusion - Response accepted.