

WHITING COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2007

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Independent Auditor's Report

To the Board of Education of
Whiting Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Whiting Community School District, Whiting, 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 financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2008, on our consideration of Whiting Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 10 and 35 through 36 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 required 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 Whiting 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, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Whiting Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,215,359 in fiscal 2006 to \$2,292,235 in fiscal 2007, while General Fund expenditures increased from \$2,027,284 in fiscal 2006 to \$2,135,846 in fiscal 2007. The District's General Fund balance increased from \$381,497 in fiscal 2006 to \$538,239 in fiscal 2007.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Whiting Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Whiting Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Whiting Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

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 [3] kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

- 3) The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.
- 4) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	2,283,092	2,792,447	29,056	24,179	2,312,148	2,816,626	-18%
Capital assets	1,571,007	1,512,987	4,137	3,386	1,575,144	1,516,373	4%
Total assets	3,854,099	4,305,434	33,193	27,565	3,887,292	4,332,999	-10%
Long-term liabilities	735,824	826,148	-	-	735,824	826,148	-10%
Other liabilities	1,257,637	1,901,179	12,045	9,671	1,269,682	1,910,850	-33%
Total liabilities	1,993,461	2,727,327	12,045	9,671	2,005,506	2,736,998	-27%
Net Assets:							
Invested in capital assets, net of related debt	863,600	738,810	4,137	3,386	867,737	742,196	17%
Restricted	427,417	432,878	-	-	427,417	432,878	-1%
Unrestricted	569,621	406,419	17,011	14,508	586,632	420,927	39%
TOTAL NET ASSETS	1,860,638	1,578,107	21,148	17,894	1,881,786	1,596,001	18%

The District's combined net assets increased by nearly 18%, or approximately \$285,785, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$5,461 or 1% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$165,705. This increase in unrestricted net assets was a result of the District expenditures for the year being less than revenues.

Figure A-2 shows the change in net assets for the years ended June 30, 2006 and 2007.

Figure A-2

	Change in Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	
Revenues							
Program Revenues:							
Charges for services	555,126	434,561	57,738	52,428	612,864	486,989	26%
Operating grants & contributions	285,047	306,527	61,287	57,285	346,334	363,812	-5%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,033,792	1,082,328	-	-	1,033,792	1,082,328	-4%
Income Surtax	64,107	54,225	-	-	64,107	54,225	18%
Local option sales tax	118,211	112,915	-	-	118,211	112,915	5%
Unrestricted state grants	627,876	618,367	-	-	627,876	618,367	2%
Unrestricted investment earnings	47,604	38,199	1,128	626	48,732	38,825	26%
Other revenue	353	2,604	-	-	353	2,604	-86%
Total Revenues	2,732,116	2,649,726	120,153	110,339	2,852,269	2,760,065	2%
Expenses:							
Instruction	1,563,487	1,458,356	-	-	1,563,487	1,458,356	7%
Support services	637,931	643,974	-	-	637,931	643,974	-1%
Non-instructional programs	-	-	116,899	105,933	116,899	105,933	10%
Other expenditures	248,167	194,365	-	-	148,167	194,365	-24%
Total expenses	2,449,585	2,296,695	116,899	105,933	2,566,484	2,402,628	7%
Change in net assets before Transfers	282,531	353,031	3,254	4,406	285,785	357,437	-20%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	282,531	353,031	3,254	4,406	285,785	357,437	-20%
Net assets beginning of year	1,578,107	1,225,076	17,894	13,488	1,596,001	1,238,564	29%
Net assets end of year	1,860,638	1,578,107	21,148	17,894	1,881,786	1,596,001	18%

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,732,116 and expenses were \$2,449,585. The District was able to balance the budget by trimming expenses below available revenues.

The following figure [A-3] presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-3

Total and Net Cost of Governmental Activities

	Total Cost of Services 2007 \$	Total Cost of Services 2006 \$	Net Cost of Services 2007 \$	Net Cost of Services 2006 \$
Instruction	1,563,487	1,458,356	1,024,980	789,594
Support Services	637,931	643,974	405,305	638,474
Non-instructional Programs	-	-	-	-
Other Expenses	248,167	194,365	179,127	127,539
TOTAL	2,449,585	2,296,695	1,609,412	1,555,607

- The cost financed by users of the District's programs was \$555,126.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$285,047.
- The net cost of governmental activities was financed with \$1,216,110 in property and other taxes and \$627,876 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$120,153 and expenses were \$116,899. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Whiting 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 a combined fund balance of \$972,746, well above last year's ending fund balances of \$843,234.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund balance increased from \$381,497 to \$538,239.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$143,667 in fiscal 2006 to \$103,836 in fiscal 2007
- The Capital Projects Fund balance increased from a fiscal 2006 balance of \$218,874 to a fiscal 2007 ending balance of \$230,462

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$17,894 at June 30, 2006 to \$21,148 at June 30, 2007.

BUDGETARY HIGHLIGHTS

The District's receipts were \$136,591 more than budgeted receipts. The most significant variance resulted from the District receiving less in state revenue than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1.58 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$91,914.

The original cost of the District's capital assets was \$2.73 million. Governmental funds account for \$2.72 million, with the remainder of \$0.02 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2006
	2007	2006 restated	2007	2006 restated	2007	2006 restated	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Construction in progress	-	120,660	-	-	-	120,660	0%
Buildings	1,356,848	1,197,500	-	-	1,356,848	1,197,500	13%
Improvements	68,978	82,188	-	-	68,978	82,188	-16%
Equipment & Furniture	135,181	102,639	4,137	3,386	139,318	106,025	31%
TOTAL	1,571,007	1,512,987	4,137	3,386	1,575,144	1,516,373	4%

Long-Term Debt

At June 30, 2007, the District had \$735,824 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 11% from last year. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-5
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2007	2006	2007-2006
	\$	\$	
General Obligation Bonds	705,000	765,000	-8%
Capital Leases	2,407	9,177	-74%
Early Retirement	4,042	29,131	-86%
Compensated Absences	24,375	22,840	7%
	<u>735,824</u>	<u>826,148</u>	<u>-11%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Although the District has experienced a slight increase in total enrollment for the past year, the District expects a slight increase in future enrollment due to open enrollment into the District.
- School financing is highly dependent upon student enrollment. The District's October 2007 resident enrollment decreased by eleven students. This drop in enrollment will decrease the District's state aid funding however, it is anticipated the funds derived from open enrollment into the district will decrease the total funding for fiscal year 2009.
- The District has evaluated the condition of its transportation vehicles and determined, one van will be replaced in fiscal year 2008. To pay for the van, the District will use resources from the Physical Plant and Equipment Levy Fund.

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 Lori West, District Board Secretary, Whiting Community School District, 606 West Street, Whiting, Iowa, 51063.

BASIC FINANCIAL STATEMENTS

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,096,225	26,906	1,123,131
Receivables:			
Property tax:			
Delinquent	12,678	-	12,678
Succeeding year	1,018,887	-	1,018,887
Accounts	55,383	137	55,520
Due from other governments	99,919	-	99,919
Inventories	-	2,013	2,013
Capital assets, net of accumulated depreciation	1,571,007	4,137	1,575,144
	<u>3,854,099</u>	<u>33,193</u>	<u>3,887,292</u>
Liabilities			
Warrants issued in excess of bank balance	19,337	-	19,337
Accounts payable	10,685	-	10,685
Salaries and benefits payable	205,680	11,040	216,720
Accrued interest payable	3,048	-	3,048
Deferred revenue:			
Succeeding year property tax	1,018,887	-	1,018,887
Other	-	1,005	1,005
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	65,000	-	65,000
Capital leases	2,407	-	2,407
Termination benefits	4,042	-	4,042
Compensated absences	4,000	-	4,000
Portion due after one year:			
General obligation bonds payable	640,000	-	640,000
Compensated absences	20,375	-	20,375
	<u>1,993,461</u>	<u>12,045</u>	<u>2,005,506</u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	863,600	4,137	867,737
Restricted for:			
Management levy	58,508	-	58,508
Physical plant and equipment levy	103,836	-	103,836
Other special revenue purposes	22,747	-	22,747
Local option sales tax capital projects	230,462	-	230,462
Debt service	11,864	-	11,864
Unrestricted	569,621	17,011	586,632
Total net assets	<u>1,860,638</u>	<u>21,148</u>	<u>1,881,786</u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	899,790	161,376	150,352	-
Special	274,912	114,458	43,283	-
Other	388,785	69,038	-	-
	<u>1,563,487</u>	<u>344,872</u>	<u>193,635</u>	<u>-</u>
Support services:				
Student	28,123	34,552	-	-
Instructional staff	50,955	-	22,372	-
Administration	269,746	168,526	-	-
Operation and maintenance of plant	191,224	7,176	-	-
Transportation	97,883	-	-	-
	<u>637,931</u>	<u>210,254</u>	<u>22,372</u>	<u>-</u>
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	82,407	-	-	-
Long-term debt interest	39,831	-	-	-
AEA flowthrough	69,040	-	69,040	-
Depreciation (unallocated)*	56,889	-	-	-
	<u>248,167</u>	<u>-</u>	<u>69,040</u>	<u>-</u>
Total governmental activities	2,449,585	555,126	285,047	-
Business type activities:				
Non-instructional programs:				
Food service operations	116,899	57,738	61,287	-
Total business-type activities	<u>116,899</u>	<u>57,738</u>	<u>61,287</u>	<u>-</u>
Total	<u>2,566,484</u>	<u>612,864</u>	<u>346,334</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(588,062)	-	(588,062)
(117,171)	-	(117,171)
(319,747)	-	(319,747)
<u>(1,024,980)</u>	<u>-</u>	<u>(1,024,980)</u>
6,429	-	6,429
(28,583)	-	(28,583)
(101,220)	-	(101,220)
(184,048)	-	(184,048)
(97,883)	-	(97,883)
<u>(405,305)</u>	<u>-</u>	<u>(405,305)</u>
-	-	-
(82,407)	-	(82,407)
(39,831)	-	(39,831)
-	-	-
(56,889)	-	(56,889)
<u>(179,127)</u>	<u>-</u>	<u>(179,127)</u>
(1,609,412)	-	(1,609,412)
-	2,126	2,126
-	<u>2,126</u>	<u>2,126</u>
(1,609,412)	2,126	(1,607,286)
862,665	-	862,665
99,936	-	99,936
71,191	-	71,191
64,107	-	64,107
118,211	-	118,211
627,876	-	627,876
47,604	1,128	48,732
353	-	353
<u>1,891,943</u>	<u>1,128</u>	<u>1,893,071</u>
1,891,943	1,128	1,893,071
282,531	3,254	285,785
<u>1,578,107</u>	<u>17,894</u>	<u>1,596,001</u>
<u>1,860,638</u>	<u>21,148</u>	<u>1,881,786</u>

WHITING COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:	708,184	187,759	200,282	1,096,225
Receivables:				
Property tax:				
Delinquent	10,014	-	2,664	12,678
Succeeding year	807,731	-	211,156	1,018,887
Accounts	54,114	-	1,269	55,383
Due from other governments	55,757	44,162	-	99,919
Total assets	1,635,800	231,921	415,371	2,283,092
Liabilities and Fund Balances				
Liabilities:				
Warrants issued in excess of bank balance	19,337	-	-	19,337
Accounts payable	9,056	1,459	170	10,685
Salaries and benefits payable	205,680	-	-	205,680
Succeeding year property tax	807,731	-	211,156	1,018,887
Other	55,757	-	-	55,757
Total liabilities	<u>1,097,561</u>	<u>1,459</u>	<u>211,326</u>	<u>1,310,346</u>
Fund balances:				
Reserved for:				
Debt service	-	-	14,912	14,912
Unreserved reported in:				
General fund	538,239	-	-	538,239
Special revenue funds	-	-	189,133	189,133
Capital projects funds	-	230,462	-	230,462
Total fund balances	<u>538,239</u>	<u>230,462</u>	<u>204,045</u>	<u>972,746</u>
Total liabilities and fund balances	1,635,800	231,921	415,371	2,283,092

WHITING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	972,746
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,571,007
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	55,757
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.	(3,048)
Long-term liabilities, including bonds payable, capital leases, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(735,824)</u>
Net assets of governmental activities (Exhibit A)	<u><u>1,860,638</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2007

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	876,275	118,211	217,199	1,211,685
Tuition	252,526	-	-	252,526
Other	250,621	10,899	88,685	350,205
State sources	829,533	-	110	829,643
Federal sources	83,280	-	-	83,280
Total revenues	<u>2,292,235</u>	<u>129,110</u>	<u>305,994</u>	<u>2,727,339</u>
Expenditures:				
Current:				
Instruction:				
Regular	892,385	-	-	892,385
Special	272,555	-	-	272,555
Other	317,563	-	71,222	388,785
	<u>1,482,503</u>	<u>-</u>	<u>71,222</u>	<u>1,553,725</u>
Support services:				
Student	28,123	-	-	28,123
Instructional staff	50,955	-	-	50,955
Administration	255,968	-	33,868	289,836
Operation and maintenance of plant	176,586	-	14,635	191,221
Transportation	72,671	-	70,984	143,655
	<u>584,303</u>	<u>-</u>	<u>119,487</u>	<u>703,790</u>
Other expenditures:				
Facilities acquisition	-	117,522	47,252	164,774
Long-term debt:				
Principal	-	-	66,770	66,770
Interest and fiscal charges	-	-	40,081	40,081
AEA flowthrough	69,040	-	-	69,040
	<u>69,040</u>	<u>117,522</u>	<u>154,103</u>	<u>340,665</u>
Total expenditures	<u>2,135,846</u>	<u>117,522</u>	<u>344,812</u>	<u>2,598,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>156,389</u>	<u>11,588</u>	<u>(38,818)</u>	<u>129,159</u>
Other financing sources (uses):				
Sales of materials and equipment	353	-	-	353
Operating transfers in	-	-	7,368	7,368
Operating transfers out	-	-	(7,368)	(7,368)
Total other financing sources (uses)	<u>353</u>	<u>-</u>	<u>-</u>	<u>353</u>
Net change in fund balances	156,742	11,588	(38,818)	129,512
Fund balances beginning of year	<u>381,497</u>	<u>218,874</u>	<u>242,863</u>	<u>843,234</u>
Fund balances end of year	<u>538,239</u>	<u>230,462</u>	<u>204,045</u>	<u>972,746</u>

See notes to financial statements.

WHITING COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		129,512
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	149,866	
Depreciation expense	<u>(91,846)</u>	58,020
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		4,425
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		66,770
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		250
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	25,089	
Compensated absences	<u>(1,535)</u>	<u>23,554</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>282,531</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	26,906
Accounts receivable	137
Inventories	2,013
Capital assets, net of accumulated depreciation	<u>4,137</u>
Total assets	<u>33,193</u>
Liabilities	
Salaries and benefits payable	11,040
Deferred revenue	<u>1,005</u>
Total liabilities	<u>12,045</u>
Net assets	
Invested in capital assets, net of related debt	4,137
Unrestricted	<u>17,011</u>
Total net assets	<u><u>21,148</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>57,738</u>
Operating expenses:	
Non-instructional programs:	
Salaries	36,278
Benefits	22,243
Purchased services	1,851
Supplies	54,505
Depreciation	68
Other	1,954
	<u>116,899</u>
Operating gain (loss)	<u>(59,161)</u>
Non-operating revenues:	
State sources	1,607
Federal sources	59,680
Interest income	1,128
Total non-operating revenues	<u>62,415</u>
Change in net assets	3,254
Net assets beginning of year	<u>17,894</u>
Net assets end of year	<u><u>21,148</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	57,639
Cash payments to employees for services	(56,105)
Cash payments to suppliers for goods or services	<u>(53,689)</u>
Net cash used by operating activities	<u>(52,155)</u>
Cash flows from non-capital financing activities:	
State grants received	1,607
Federal grants received	<u>54,198</u>
Net cash provided by non-capital financing activities	<u>55,805</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(819)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,128</u>
Net increase (decrease) in cash and cash equivalents	3,959
Cash and cash equivalents at beginning of year	<u>22,947</u>
Cash and cash equivalents at end of year	<u><u>26,906</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(59,161)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	5,482
Depreciation	68
Decrease (increase) in inventories	(861)
Decrease (increase) in accounts receivable	(57)
(Decrease) increase in salaries and benefits payable	2,416
(Decrease) increase in deferred revenue	<u>(42)</u>
Net cash used in operating activities	<u><u>(52,155)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$5,482 of federal commodities.

WHITING COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	1,964
Liabilities	
	<u>-</u>
Net assets	
Reserved for scholarships	<u><u>1,964</u></u>

WHITING COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship <u> </u> \$
Additions	-
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	(500)
Net assets beginning of year	<u>2,464</u>
Net assets end of year	<u><u>1,964</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

Whiting Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Whiting, Iowa and the predominately agricultural territory in a portion of Monona County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

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

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, 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 the 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 fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable – Property tax in governmental funds is 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 the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% 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 - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair 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.

<u>Assets Class</u>	<u>Amount</u>
	\$
Land	500
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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 are 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 did not exceed the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental Funds: Debt Service	Nonmajor Governmental Funds: Physical Plant and Equipment Levy Fund	7,368

The transfer from the Physical Plant and Equipment Levy Fund to Debt Service Fund is a capital lease payment.

4. Capital Assets

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

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	120,660	-	120,660	-
Land	10,000	-	-	10,000
Total not being depreciated	<u>130,660</u>	<u>-</u>	<u>120,660</u>	<u>10,000</u>
Capital assets being depreciated:				
Buildings	2,020,000	203,027	-	2,223,027
Improvements other than buildings	110,248	-	-	110,248
Furniture and equipment	317,285	67,499	7,660	377,124
Total capital assets being deprec.	<u>2,447,533</u>	<u>270,526</u>	<u>7,660</u>	<u>2,710,399</u>
Less accumulated depreciation for:				
Buildings	822,500	43,679	-	866,179
Improvements other than buildings	28,060	13,210	-	41,270
Furniture and equipment	214,646	34,957	7,660	241,943
Total accumulated depreciation	<u>1,065,206</u>	<u>91,846</u>	<u>7,660</u>	<u>1,149,392</u>
Total capital assets being depreciated, net	<u>1,382,327</u>	<u>178,680</u>	<u>-</u>	<u>1,561,007</u>
Governmental activities capital assets, net	<u>1,512,987</u>	<u>178,680</u>	<u>120,660</u>	<u>1,571,007</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	17,334	819	-	18,153
Less accumulated depreciation	<u>13,948</u>	<u>68</u>	<u>-</u>	<u>14,016</u>
Business type activities capital assets, net	<u>3,386</u>	<u>751</u>	<u>-</u>	<u>4,137</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	5,870
Special education	2,357
Support services:	
Instructional staff services	
Administration services	5,000
Operation and maintenance of plant services	3
Transportation	<u>21,727</u>
	34,957
Unallocated depreciation	<u>56,889</u>
Total depreciation expense – governmental activities	<u>91,846</u>
Business type activities:	
Food services	<u>68</u>

5. 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
	\$	\$	\$	\$	\$
General obligation bonds	765,000	-	60,000	705,000	65,000
Capital leases	9,177	-	6,770	2,407	2,407
Termination benefits	29,131	-	25,089	4,042	4,042
Compensated absences	<u>22,840</u>	<u>1,535</u>	<u>-</u>	<u>24,375</u>	<u>4,000</u>
Total	<u>826,148</u>	<u>1,535</u>	<u>91,859</u>	<u>735,824</u>	<u>75,449</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than two employees per year will be granted benefits under the policy.

Early retirement benefits consist of the District paying health insurance premiums for three years after the date of retirement.

At June 30, 2007, the District has obligations to one participant with a total liability of \$4,042. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$25,089.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of June 1997			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.95	65,000	36,543	101,543
2009	5.00	65,000	33,325	98,325
2010	5.1	70,000	30,075	100,075
2011	5.2	75,000	26,505	101,505
2012	5.2	80,000	22,643	102,643
2013-2016	5.2-5.3	350,000	47,915	397,915
		<u>705,000</u>	<u>197,006</u>	<u>902,006</u>

Capital Leases

The District's capital lease indebtedness and related schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2007 are as follows:

	Year Ending June 30, 2008	Amount
		\$
		<u>2,456</u>
Minimum Lease Payments		2,456
Less Amount Representing Interest		<u>49</u>
Present Value of Minimum Lease Payments		<u>2,407</u>

6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$68,031, \$66,925, and \$66,877 respectively, equal to the required contributions for each year.

7. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$69,040 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.

REQUIRED SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,814,416	58,866	1,873,282	1,645,675	1,645,675	227,607
State sources	829,643	1,607	831,250	913,226	913,226	(81,976)
Federal sources	83,280	59,680	142,960	152,000	152,000	(9,040)
Total revenues	<u>2,727,339</u>	<u>120,153</u>	<u>2,847,492</u>	<u>2,710,901</u>	<u>2,710,901</u>	<u>136,591</u>
Expenditures:						
Instruction	1,553,725	-	1,553,725	1,997,871	1,997,871	444,146
Support services	703,790	-	703,790	745,370	745,370	41,580
Non-instructional programs	-	116,899	116,899	123,988	123,988	7,089
Other expenditures	340,665	-	340,665	710,839	710,839	370,174
Total expenditures	<u>2,598,180</u>	<u>116,899</u>	<u>2,715,079</u>	<u>3,578,068</u>	<u>3,578,068</u>	<u>862,989</u>
Excess (deficiency) of revenues over (under) expenditures	129,159	3,254	132,413	(867,167)	(867,167)	999,580
Other financing sources (uses) net	<u>353</u>	<u>-</u>	<u>353</u>	<u>4,600</u>	<u>4,600</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	129,512	3,254	132,766	(862,567)	(862,567)	999,580
Balance beginning of year	<u>843,234</u>	<u>17,894</u>	<u>861,128</u>	<u>865,202</u>	<u>865,202</u>	<u>(4,074)</u>
Balance end of year	<u><u>972,746</u></u>	<u><u>21,148</u></u>	<u><u>993,894</u></u>	<u><u>2,635</u></u>	<u><u>2,635</u></u>	<u><u>995,506</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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 Internal Service, 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides 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.

OTHER SUPPLEMENTARY INFORMATION

WHITING COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds				
	Management	Student	Physical	Debt Service	Total
	Levy	Activity	Plant and		
\$	\$	Equipment	\$	\$	
Cash and pooled investments	61,985	22,747	101,864	13,686	200,282
Receivables:					
Property tax:					
Delinquent	565	-	873	1,226	2,664
Succeeding year	39,000	-	70,313	101,843	211,156
Accounts	-	-	1,269	-	1,269
Total assets	101,550	22,747	174,319	116,755	415,371
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	-	170	-	170
Deferred revenue:					
Succeeding year property tax	39,000	-	70,313	101,843	211,156
Total liabilities	39,000	-	70,483	101,843	211,326
Fund balances:					
Reserved for debt service	-	-	-	14,912	14,912
Unreserved reported in:					
Special revenue funds	62,550	22,747	103,836	-	189,133
Total fund balances	62,550	22,747	103,836	14,912	204,045
Total liabilities and fund balances	101,550	22,747	174,319	116,755	415,371

WHITING COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2007

	Special Revenue Funds				
	Management	Student	Physical	Debt Service	Total
	Levy	Activity	Plant and		
\$	Fund	Equipment	\$	\$	
Revenues:					
Local sources:					
Local tax	46,071	-	71,191	99,937	217,199
Other	3,599	69,779	15,017	290	88,685
State sources	23	-	36	51	110
Total revenues	<u>49,693</u>	<u>69,779</u>	<u>86,244</u>	<u>100,278</u>	<u>305,994</u>
Expenditures:					
Current:					
Instruction:					
Other	-	71,222	-	-	71,222
Support services:					
Administration	29,612	-	3,956	300	33,868
Operation & maintenance of plant	14,635	-	-	-	14,635
Transportation	3,485	-	67,499	-	70,984
Other expenditures:					
Facilities acquisition	-	-	47,252	-	47,252
Long-term debt:					
Principal	-	-	-	66,770	66,770
Interest and fiscal charges	-	-	-	40,081	40,081
Total expenditures	<u>47,732</u>	<u>71,222</u>	<u>118,707</u>	<u>107,151</u>	<u>344,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,961</u>	<u>(1,443)</u>	<u>(32,463)</u>	<u>(6,873)</u>	<u>(38,818)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	7,368	7,368
Operating transfers out	-	-	(7,368)	-	(7,368)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,368)</u>	<u>7,368</u>	<u>-</u>
Net change in fund balances	1,961	(1,443)	(39,831)	495	(38,818)
Fund balances beginning of year	<u>60,589</u>	<u>24,190</u>	<u>143,667</u>	<u>14,417</u>	<u>242,863</u>
Fund balances end of year	<u><u>62,550</u></u>	<u><u>22,747</u></u>	<u><u>103,836</u></u>	<u><u>14,912</u></u>	<u><u>204,045</u></u>

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year <u> </u> \$	Revenues <u> </u> \$	Expenditures <u> </u> \$	Balance Beginning of Year <u> </u> \$
Class of 2007	415	462	877	-
Class of 2008	835	5,055	4,602	1,288
Class of 2009	284	220	-	504
Class of 2010	245	150	-	395
Class of 2011	170	95	-	265
Class of 2013	-	80	-	80
Class of 2012	50	75	-	125
Unallocated interest	5,849	741	-	6,590
Music parents	5,551	7,242	8,550	4,243
Band fund raiser	4	323	181	146
Athletics	9,497	43,849	45,012	8,334
Cheerleaders	237		130	107
National honor society	413	573	384	602
Annual	640	10,914	11,486	68
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>24,190</u>	<u>69,779</u>	<u>71,222</u>	<u>22,747</u>

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,211,685	1,249,341	1,105,798	1,259,856
Tuition	252,526	218,616	123,776	118,101
Other	350,205	289,341	297,077	294,508
State sources	829,643	796,971	810,196	670,788
Federal sources	83,280	95,300	95,938	143,684
Total revenues	<u>2,727,339</u>	<u>2,649,569</u>	<u>2,432,785</u>	<u>2,486,937</u>
Expenditures:				
Instruction:				
Regular instruction	892,385	829,274	786,815	858,050
Special instruction	272,555	240,054	397,659	383,182
Other instruction	388,785	379,200	151,583	218,328
Support services:				
Student services	28,123	29,672	28,335	26,968
Instructional staff services	50,955	65,783	48,981	49,023
Administration services	289,836	281,139	334,350	287,704
Operation and maintenance of plant services	191,221	187,099	137,744	152,718
Transportation services	143,655	111,564	50,915	57,713
Non-instructional programs	-	-	2,300	552
Other expenditures:				
Facilities acquisition	164,774	217,578	37,802	54,735
Long-term debt:				
Principal	66,770	66,144	60,575	55,059
Interest and other charges	40,081	44,017	47,224	50,016
AEA flowthrough	69,040	66,545	66,447	67,403
Total expenditures	<u>2,598,180</u>	<u>2,518,069</u>	<u>2,150,730</u>	<u>2,261,451</u>

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

To the Board of Education of
Whiting Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Whiting Community School District 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 31, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whiting 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 Whiting Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Whiting Community School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Whiting 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 a misstatement of Whiting Community School District's financial statements that is more than inconsequential will not be prevented or detected by Whiting Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies 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 a material misstatement of the financial statements will not be prevented or detected by Whiting 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, of the significant deficiencies described above, we believe items 07-I-A and 07-I-B are material weaknesses.

Compliance and Other Matters

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

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.

Whiting Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Whiting 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 Whiting Community School District and other parties to whom Whiting Community School District may report. 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 Whiting 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

March 31, 2008

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, did not exceed the amount budgeted.

07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-C Travel Expenses: 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.

07-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
David Storm, Board Member		-

The Board member is an employee of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

07-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

07-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

07-II-H Deposits and Investments: We noted 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.

07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Department of Education.

WHITING COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting (Continued):

07-II-J Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.