

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

June 30, 2008

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Webster City Community School District, Webster City, Iowa, as of and for the year ended June 30, 2008, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Webster City Community School District as of June 30, 2008, 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 reports dated February 26, 2009, 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 15 and 44 through 45 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 Webster City Community School District's basic financial statements. The financial statements for the three years ended June 30, 2007, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

February 26, 2009

Management Discussion and Analysis

This section of the Webster City Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2008. 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 follow this section.

Financial Highlights

- General fund revenues increased from \$13,623,405 in fiscal 2007 to \$14,209,061 in fiscal 2008, while General Fund expenditures increased from \$13,790,459 in fiscal 2007 to \$14,426,814 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$1,064,277 in fiscal 2007 to \$893,185 in fiscal 2008, a 16 percent decrease from the prior year.
- The increase in General Fund revenues is attributable to increases in state aid revenue and property tax revenue received. The increases in expenditures were 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 view of the district:

- The first two statements are *Government-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

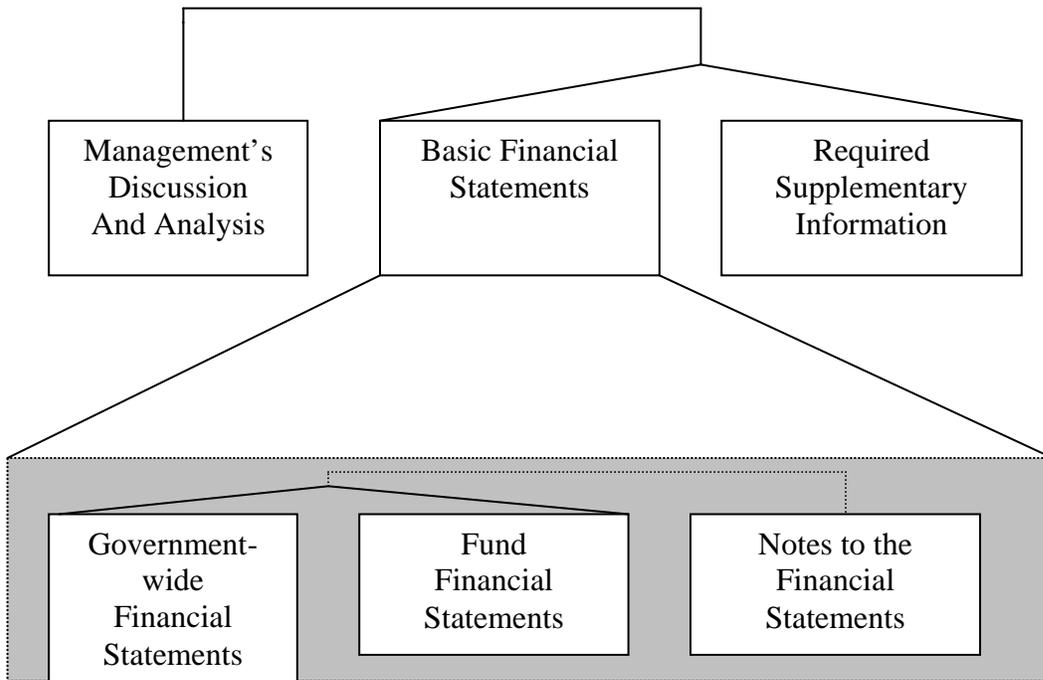


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents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

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	Government-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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenditures and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 Government-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 Government-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 building and other facilities.

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 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 house project 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 Government-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 house project 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. The employee flexible benefit plan is included as an internal service fund.
- *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 Government-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, 2008.

<u>Figure A-3</u>							
<u>Condensed Statement of Net Assets</u>							
(expressed in thousands)							
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u> <u>Percentage</u> <u>Change</u>
	<u>Activities</u>		<u>Activities</u>				
	2007	2008	2007	2008	2007	2008	
Current and other assets	7,358	9,396	62	54	7,420	9,450	27.4%
Capital assets	10,566	11,386	91	90	10,657	11,476	7.7%
Total assets	17,924	20,782	153	144	18,077	20,926	15.8 %
Long-term obligations	3,723	4,015	0	0	3,723	4,015	7.8%
Other liabilities	4,970	6,831	0	7	4,970	6,838	37.6%
Total liabilities	8,693	10,846	0	7	8,693	10,853	24.8%
Net assets:							
Invested in capital assets,							
Net of related debt	6,911	7,475	91	90	7,002	7,565	8.0%
Restricted	1,626	1,589	0	0	1,626	1,589	-2.3%
Unrestricted	694	873	62	47	756	920	21.7%
Total Net Assets	9,231	9,937	153	137	9,384	10,074	7.4%

The District's combined net assets were significantly larger on June 30, 2008, than they were the year before, increasing more than 7%. 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.

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 \$37,000 or 2.3% over the prior year. The decrease was primarily as result of increased expenditures in the Capital Projects Fund.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2008.

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

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2007	2008	2007	2008	2007	2008	2007-2008
Revenues							
Program revenues							
Charges for service and sales	1,424	1,566	499	474	1,923	2,040	6.1%
Operating Grants & Contributions	1,739	1,855	289	285	2,028	2,140	5.5%
Capital Grants & Contributions	0	16	0	0	0	16	n/a
General revenues							
Property taxes	4,892	4,829	0	0	4,892	4,829	-1.3%
Income Surtax		277				277	n/a
Local Option Sales Tax	884	884	0	0	884	884	0.0%
Unrestricted state grants	6,500	6,730	0	0	6,500	6,730	3.5%
Unrestricted investment earnings	138	99	1	2	139	101	-27.3%
Other	84	37	0	0	84	37	-55.9%
Total revenues	\$15,661	\$16,293	\$789	\$761	\$16,450	\$17,054	3.7%
Program expenses							
Instruction	9,433	10,115	0	0	9,433	10,115	7.2%
Support services	4,625	4,715	0	0	4,625	4,715	1.9%
Non-instructional programs	17	0	764	777	781	777	-5%
Other expenses	988	1,051	0	0	988	1,051	6.4%
Total expenses	\$15,063	\$15,881	\$764	\$777	\$15,827	\$16,658	5.3%
Change in net assets	\$598	\$412	\$25	\$-16	\$623	\$396	-36.4%

Total revenues increased 3.7% while expenditures increased 5.3%. The district did show an increase in Net Assets of approximately \$396 thousand. The district has shown an increase in Net Assets every year since we first started presenting the audit report in this manner in 2003.

Property tax and unrestricted state grants account for 68 percent of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$16.3 million and expenses \$15.8 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
	2007	2008	2007-2008	2007	2008	2007-2008
Instruction	9,433	10,115	7.2%	6,290	7,311	16.2%
Support services	4,625	4,715	2.0%	4,605	4,663	1.3%
Non-instructional programs	17	0	-100.0%	17	0	-100.0%
Other expenses	988	1,051	6.4%	988	471	-52.3%
Totals	15,063	15,881	5.4%	11,900	12,445	4.6%

- The cost of all governmental activities this year was \$15.8 million.
- Some of the cost (\$1.5 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 \$1.8 million.
- Most of the District's costs (\$12.4 million), however, were financed by District taxpayers and the taxpayers of our state.
- The net cost portion of governmental activities was financed with \$6 million in property and other local taxes, \$6.7 million in unrestricted state grants, \$99 thousand in interest income, and \$37 thousand in miscellaneous income.

Business-Type Activities

Revenues of the District's business-type activities were \$760,591 and expenses were \$776,717. The District's business-type activities include the School Nutrition Fund and the House Project Fund. Revenues of these activities were comprised of charges for service, reimbursement for supplies, federal and state reimbursements and investment income. Overall revenues for fiscal year 2008 were down and expenditures were up which required the district to use carryover fund balance to meet its financial obligations during the year.

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 \$2,293,793, which is down slightly from last year's ending fund balance of \$2,541,130.

Governmental Budgetary Highlights

- The District's deteriorating General Fund financial position is the result of many factors. The District did see an increase in property tax and state revenues, however there was also a significant increase in expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$1,064,277 to \$893,185 due in part to negotiated salary and benefits, higher natural gas and fuel bills and other existing expenditure commitments of the District.
- The Capital Projects Fund increased from \$928,554 to \$1,080,014 due to increased revenue received from Hamilton, Webster and Wright 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 \$146,610 at June 30, 2007 to \$130,685 at June 30, 2008, representing a decrease of 10.9 percent. For the second year in a row, revenues decreased in 2007-2008, expenditures increased, resulting in the decrease of net assets..

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures of expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed

procedures. The District's budget is prepared on the cash basis. A schedule showing the final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual receipts were \$560,636 less than the total budgeted receipts, a variance of 3.2%. 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, 2008, the District had invested more than \$19 million (\$11.5 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 7.8 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
	2007	2008	2007	2008	2007	2008	2007 – 2008
Land	590	590	0	0	590	590	0%
Construction in progress	9	745	0	0	9	745	81.8%
Buildings	8,814	8,845	0	0	8,814	8,845	.4%
Improvements other than Buildings	179	190	0	0	179	190	6.1%
Machinery and equipment	974	1,016	91	90	1,065	1,106	3.8 %
TOTALS	10,566	11,386	91	90	10,657	11,476	7.7%

In 2007-2008 the District started and/or completed several construction projects. The District purchased and upgraded a building at 805 West Avenue to be used for additional vehicle storage and a central receiving location. A major electrical project was started at the High School. A new ticket booth was completed at the high school sports complex along with concession stand upgrades; a new pump house; baseball, softball, and football field upgrades and a new baseball storage shed. Both elementary buildings saw new storage garages completed along with upgrades to the playground areas.

Long-Term Debt

At June 30, 2008, the District had \$4 million in general obligation bonds and other long-term debt outstanding. This represents a increase of 7.2% 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
	<u>2007</u>	<u>2008</u>	<u>2006 – 2007</u>
Compensated Absences	68	88	29.4%
Termination Benefits	22	15	-31.8%
Capital Loan Note	330	225	-31.8%
General Obligation Bonds Payable	3,325	2,865	-13.8%
Revenue Bonds	0	805	N/A
Equipment Loan Notes	0	17	N/A
Total	3,745	4,015	7.2%

The District retired \$460 thousand of General Obligation Bonds and \$105 thousand of Capital Loan Notes in fiscal 2008. The District issued Revenue Bonds in the amount of \$804,818 for updates to the High School electrical service and Elementary playground resurfacing. Compensated Absences include early retirement stipends and health insurance benefits paid as part of a former early retirement package. The equipment loan note is for a lease/purchase agreement for musical instruments.

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 decreased in 2008 by 42 students, or 2.6% 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 county Local Option Sales Tax money will continue to go towards tax relief by paying down outstanding bonds issued for construction of Webster City Middle School.
- The current situation with the economy has caused major layoffs in at least two local industries which could affect future enrollment numbers.

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, 2008

	Governmental Activities	Business Type Activities	Total	Component Unit Webster City Community School District Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents:				
ISCAP	1,134,169	-	1,134,169	-
Other	2,421,672	41,883	2,463,555	1,171,464
Investments	-	-	-	154,266
Receivables:				
Property tax:				
Delinquent	54,223	-	54,223	-
Succeeding year	5,112,619	-	5,112,619	-
Accounts	1,715	1,023	2,738	-
Accrued interest:				
ISCAP	6,357	-	6,357	-
Other	5,157	62	5,219	2,285
Due from other governments	660,006	-	660,006	-
Inventories	-	10,245	10,245	-
Capital assets, net of accumulated depreciation	11,386,470	90,340	11,476,810	216,000
Total assets	20,782,388	143,553	20,925,941	1,544,015
Liabilities				
Accounts payable	363,041	153	363,194	-
Due to other governments	108,265	-	108,265	-
Accrued interest payable	19,698	-	19,698	-
Termination benefits payable	79,127	-	79,127	-
Deferred revenue:				
Succeeding year property tax	5,112,619	-	5,112,619	-
Other	2,912	6,581	9,493	-
ISCAP warrants payable	1,125,000	-	1,125,000	-
ISCAP accrued interest payable	432	-	432	-
ISCAP premium	19,293	-	19,293	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	480,000	-	480,000	-
Revenue bonds payable	115,000	-	115,000	-
Capital loan notes payable	110,000	-	110,000	-
Equipment note payable	3,934	-	3,934	-
Termination benefits	4,344	-	4,344	-
Compensated absences	75,725	-	75,725	-

See notes to financial statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total	Component Unit Webster City Community School District Foundation
	\$	\$	\$	\$
Portion due after one year:				
General obligation bonds payable	2,385,000	-	2,385,000	-
Revenue bonds payable	689,818	-	689,818	-
Capital loan notes payable	115,000	-	115,000	-
Equipment note payable	12,716	-	12,716	-
Termination benefits	11,128	-	11,128	-
Compensated absences	12,539	-	12,539	-
Total liabilities	10,845,591	6,734	10,852,325	-
Net assets				
Invested in capital assets, net of related debt	7,475,002	90,340	7,565,342	216,000
Restricted for:				
State categorical aid	223,761	-	223,761	-
Management levy	43,019	-	43,019	-
Physical plant and equipment levy	18,839	-	18,839	-
Other special revenue purposes	110,451	-	110,451	-
Local option sales tax capital projects	1,080,014	-	1,080,014	-
Debt service	113,115	-	113,115	-
Unrestricted	872,596	46,479	919,075	1,328,015
Total net assets	9,936,797	136,819	10,073,616	1,544,015

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	6,139,190	800,902	946,662	-
Special	2,290,741	319,812	104,415	-
Vocational	632,782	30,081	-	-
Other	1,051,985	395,971	205,864	-
	<u>10,114,698</u>	<u>1,546,766</u>	<u>1,256,941</u>	<u>-</u>
Support services:				
Student	603,833	-	16,944	-
Instructional staff	895,707	-	-	-
Administration	1,405,159	-	-	-
Operation and maintenance of plant	1,279,007	17,991	-	-
Transportation	531,871	783	17,229	-
	<u>4,715,577</u>	<u>18,774</u>	<u>34,173</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	29,986	-	-	15,735
Long-term debt interest	182,247	-	4,452	-
AEA flowthrough	559,637	-	559,637	-
Depreciation (unallocated)*	279,171	-	-	-
	<u>1,051,041</u>	<u>-</u>	<u>564,089</u>	<u>15,735</u>
Total governmental activities	<u>15,881,316</u>	<u>1,565,540</u>	<u>1,855,203</u>	<u>15,735</u>
Business type activities:				
Non-instructional programs:				
Food service operations	775,925	473,952	284,998	-
Building trades	792	132	-	-
Total business-type activities	<u>776,717</u>	<u>474,084</u>	<u>284,998</u>	<u>-</u>
Total primary government	<u>16,658,033</u>	<u>2,039,624</u>	<u>2,140,201</u>	<u>15,735</u>
Component Unit:				
Webster City Community School District Foundation	92,964	-	25	-
Total	<u>16,750,997</u>	<u>2,039,624</u>	<u>2,140,226</u>	<u>15,735</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(4,391,626)	-	(4,391,626)	-
(1,866,514)	-	(1,866,514)	-
(602,701)	-	(602,701)	-
(450,150)	-	(450,150)	-
<u>(7,310,991)</u>	<u>-</u>	<u>(7,310,991)</u>	<u>-</u>
(586,889)	-	(586,889)	-
(895,707)	-	(895,707)	-
(1,405,159)	-	(1,405,159)	-
(1,261,016)	-	(1,261,016)	-
(513,859)	-	(513,859)	-
<u>(4,662,630)</u>	<u>-</u>	<u>(4,662,630)</u>	<u>-</u>
(14,251)	-	(14,251)	-
(177,795)	-	(177,795)	-
-	-	-	-
(279,171)	-	(279,171)	-
<u>(471,217)</u>	<u>-</u>	<u>(471,217)</u>	<u>-</u>
<u>(12,444,838)</u>	<u>-</u>	<u>(12,444,838)</u>	<u>-</u>
-	(16,975)	(16,975)	-
-	(660)	(660)	-
-	<u>(17,635)</u>	<u>(17,635)</u>	<u>-</u>
<u>(12,444,838)</u>	<u>(17,635)</u>	<u>(12,462,473)</u>	<u>-</u>
-	-	-	<u>(92,939)</u>
<u>(12,444,838)</u>	<u>(17,635)</u>	<u>(12,462,473)</u>	<u>(92,939)</u>
4,465,228	-	4,465,228	-
364,207	-	364,207	-
277,398	-	277,398	-
883,559	-	883,559	-
6,730,203	-	6,730,203	-
99,248	1,509	100,757	92,132
36,700	-	36,700	-
<u>12,856,543</u>	<u>1,509</u>	<u>12,858,052</u>	<u>92,132</u>
459	(459)	-	-
<u>12,857,002</u>	<u>1,050</u>	<u>12,858,052</u>	<u>92,132</u>
412,164	(16,585)	395,579	(807)
<u>9,524,633</u>	<u>153,404</u>	<u>9,678,037</u>	<u>1,544,822</u>
<u>9,936,797</u>	<u>136,819</u>	<u>10,073,616</u>	<u>1,544,015</u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	1,134,169	-	-	1,134,169
Other	841,812	1,149,679	402,325	2,393,816
Receivables:				
Property tax:				
Delinquent	48,075	-	6,148	54,223
Succeeding year	4,475,451	-	637,168	5,112,619
Accounts	209	-	1,506	1,715
Accrued interest:				
ISCAP	6,357	-	-	6,357
Other	2,769	1,934	454	5,157
Due from other governments	457,822	202,184	-	660,006
Total assets	<u>6,966,664</u>	<u>1,353,797</u>	<u>1,047,601</u>	<u>9,368,062</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	64,728	273,783	10,712	349,223
Due to other governments	108,265	-	-	108,265
Early retirement payable	-	-	79,127	79,127
ISCAP warrants payable	1,125,000	-	-	1,125,000
ISCAP accrued interest payable	432	-	-	432
ISCAP premium	19,293	-	-	19,293
Deferred revenue:				
Succeeding year property tax	4,475,451	-	637,168	5,112,619
Other	280,310	-	-	280,310
Total liabilities	<u>6,073,479</u>	<u>273,783</u>	<u>727,007</u>	<u>7,074,269</u>
Fund balances:				
Reserved for:				
State categorical aid	223,761	-	-	223,761
Debt service	-	-	132,813	132,813
Unreserved reported in:				
General fund	669,424	-	-	669,424
Special revenue funds	-	-	187,781	187,781
Capital projects funds	-	1,080,014	-	1,080,014
Total fund balances	<u>893,185</u>	<u>1,080,014</u>	<u>320,594</u>	<u>2,293,793</u>
Total liabilities and fund balances	<u>6,966,664</u>	<u>1,353,797</u>	<u>1,047,601</u>	<u>9,368,062</u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	2,293,793
<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.	11,386,470
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	277,398
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.	(19,698)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	14,038
Long-term liabilities, including bonds payable, notes payable, compensated absences payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,015,204)</u>
Net assets of governmental activities (Exhibit A)	<u><u>9,936,797</u></u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,415,640	883,559	563,484	5,862,683
Tuition	993,992	-	-	993,992
Other	306,587	52,494	441,558	800,639
State sources	8,079,280	-	423	8,079,703
Federal sources	413,562	-	-	413,562
Total revenues	<u>14,209,061</u>	<u>936,053</u>	<u>1,005,465</u>	<u>16,150,579</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,913,235	-	173,609	6,086,844
Special	2,280,758	-	-	2,280,758
Vocational	632,782	-	-	632,782
Other	582,823	-	444,352	1,027,175
	<u>9,409,598</u>	<u>-</u>	<u>617,961</u>	<u>10,027,559</u>
Support services:				
Student	603,833	-	-	603,833
Instructional staff	852,747	-	-	852,747
Administration	1,400,844	-	3,853	1,404,697
Operation and maintenance of plant	1,129,887	34,500	152,881	1,317,268
Transportation	470,268	-	86,351	556,619
	<u>4,457,579</u>	<u>34,500</u>	<u>243,085</u>	<u>4,735,164</u>
Other expenditures:				
Facilities acquisition	-	1,018,952	167,021	1,185,973
Long-term debt:				
Principal	-	-	565,000	565,000
Interest and fiscal charges	-	-	176,062	176,062
AEA flowthrough	559,637	-	-	559,637
	<u>559,637</u>	<u>1,018,952</u>	<u>908,083</u>	<u>2,486,672</u>
Total expenditures	<u>14,426,814</u>	<u>1,053,452</u>	<u>1,769,129</u>	<u>17,249,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(217,753)</u>	<u>(117,399)</u>	<u>(763,664)</u>	<u>(1,098,816)</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	7,281	-	-	7,281
Proceeds form long-term loans	16,650	-	-	16,650
Bonds issued	-	804,818	-	804,818
Sales of materials and equipment	22,271	-	-	22,271
Operating transfers in	459	-	655,513	655,972
Operating transfers out	-	(535,959)	(119,554)	(655,513)
Total other financing sources (uses)	<u>46,661</u>	<u>268,859</u>	<u>535,959</u>	<u>851,479</u>
Net change in fund balances	<u>(171,092)</u>	<u>151,460</u>	<u>(227,705)</u>	<u>(247,337)</u>
Fund balances beginning of year, as restated	<u>1,064,277</u>	<u>928,554</u>	<u>548,299</u>	<u>2,541,130</u>
Fund balances end of year	<u>893,185</u>	<u>1,080,014</u>	<u>320,594</u>	<u>2,293,793</u>

See notes to financial statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(247,337)
<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 and loss on disposal of capital assets in the current year, as follows:		
Loss on disposal of capital assets	(2,519)	
Expenditures for capital assets	1,405,743	
Depreciation expense	<u>(582,814)</u>	820,410
Income surtaxes and other receivables 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.		115,409
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.		565,000
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 interest expense is recognized as the interest accrues, regardless of when it is due.		(6,185)
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	6,320	
Compensated absences	<u>(19,955)</u>	(13,635)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(821,468)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(30)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>412,164</u></u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	41,883	27,856
Accounts receivable	1,023	-
Interest receivable	62	-
Inventories	10,245	-
Capital assets, net of accumulated depreciation	90,340	-
	<u>143,553</u>	<u>27,856</u>
Total assets		
	143,553	27,856
Liabilities		
Accounts payable	153	13,818
Deferred revenue	6,581	-
Total liabilities	<u>6,734</u>	<u>13,818</u>
	6,734	13,818
Net assets		
Invested in capital assets, net of related debt	90,340	-
Unrestricted	46,479	14,038
	<u>136,819</u>	<u>14,038</u>
Total net assets		
	<u>136,819</u>	<u>14,038</u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	474,084	-
Other	-	70,298
	<u>474,084</u>	<u>70,298</u>
Operating expenses:		
Non-instructional programs:		
Salaries	264,938	-
Benefits	116,282	70,364
Purchased services	15,987	-
Supplies	364,647	-
Depreciation	13,790	-
Other	262	-
Total operating expenses	<u>775,906</u>	<u>70,364</u>
Operating gain (loss)	<u>(301,822)</u>	<u>(66)</u>
Non-operating revenues:		
State sources	7,863	-
Federal sources	277,135	-
Interest income	1,509	36
Loss on disposal of capital assets	(811)	-
Total non-operating revenues	<u>285,696</u>	<u>36</u>
Gain (loss) before transfers	(16,126)	(30)
Transfers in (out)	<u>(459)</u>	<u>-</u>
Change in net assets	(16,585)	(30)
Net assets beginning of year, as restated	<u>153,404</u>	<u>14,068</u>
Net assets end of year	<u><u>136,819</u></u>	<u><u>14,038</u></u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows form operating activities:		
Cash received from sale of lunches and breakfasts	480,124	-
Cash received from construction services	132	-
Cash received from other funds	-	70,298
Cash payments to employees for services	(381,220)	(56,565)
Cash payments to suppliers for goods or services	(354,296)	-
Net cash used by operating activities	<u>(255,260)</u>	<u>13,733</u>
Cash flows from non-capital financing activities:		
Transfers from (to) other funds	(489)	-
State grants received	7,863	-
Federal grants received	248,366	-
Net cash provided by non-capital financing activities	<u>255,740</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(13,819)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,661</u>	<u>36</u>
Net increase (decrease) in cash and cash equivalents	(11,678)	13,769
Cash and cash equivalents at beginning of year	<u>53,531</u>	<u>14,087</u>
Cash and cash equivalents at end of year	<u><u>41,853</u></u>	<u><u>27,856</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(301,822)	(66)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	28,769	-
Depreciation	13,790	-
Decrease (increase) in inventories	(2,109)	-
Decrease (increase) in accounts receivable	(622)	-
(Decrease) increase in accounts payable and accrued liabilities	153	13,799
(Decrease) increase in deferred revenue	6,581	-
Net cash used by operating activities	<u><u>(255,260)</u></u>	<u><u>13,733</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$28,769 of federal commodities.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	2,218,926
Accrued interest receivable	<u>480</u>
Total Assets	2,219,406
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>2,219,406</u></u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	30,356
Interest	<u>96,524</u>
Total additions	126,880
Deductions:	
Support services:	
Scholarships awarded	<u>87,023</u>
Change in net assets	39,857
Net assets beginning of year, as restated	<u>2,179,549</u>
Net assets end of year	<u><u>2,219,406</u></u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Webster City Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Webster City Community School Foundation is included in the financial statements as a discretely presented component unit, because of the nature and significance of its relationship with the Webster City Community School District.

The Webster City Community School Foundation was established to advance, support and assist in the development of curricular and extra curricular activities, programs and facilities within the Webster City Community School District. The Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. Because the Foundation has a December 31, year end, transactions between the Foundation and District do not match. For calendar year 2007 the Foundation shows \$75,391 of grants to the District and for the year ended June 30, 2008 the District shows \$85,689 of grants from the Foundation.

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 attributable 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 that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following 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's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

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.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the

timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 balance sheet:

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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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>Asset Class</u>	<u>Amount</u>
	\$
Land	1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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

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

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 receivables and other receivables not collected within sixty days after year end.

Deferred revenue in 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation 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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the Management 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 that are 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 imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	3,169,067

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

The District had investments that were donated to the District to be used for scholarship awards for students. As of June 30, 2008, those investments consisted of the following:

	<u>Maturities</u>	<u>Fair Value</u>
		\$
Common Stock:		
Bristol Myers – 2000 shares	N/A	41,060
Exxon – 4000 shares	N/A	352,520
FPL Group – 1000 shares	N/A	65,580
Integrays Energy Group – 549 shares	N/A	27,906
Teco Energy – 1600 shares	N/A	34,384
Excel Energy – 2800 shares	N/A	56,196
Federal Home Loan Mortgage Corp.	10-15-08	45,338
		<u>622,984</u>

Interest rate risk: The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Iowa Schools Joint Investment Trust and Exxon common stock. The District's investment in the Iowa Schools Joint Investment Trust is 83% of the District's total investments and the investment in Exxon common stock is 9% of the District's total investments.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service. The Federal Home Loan Bank notes were rated Aaa by Moody's Investor Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental: Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	119,554
Debt Service Fund	Capital Projects	535,959
General Fund	Nonmajor Enterprise: School Nutrition	459

The transfers to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from the School Nutrition Fund to the General Fund was to reimburse the General Fund for expenses.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08A	6/27/07	6/27/08	-	5,927	-	-
2008-09A	6/26/08	6/25/09	1,134,169	430	1,125,000	432
Total			<u>1,134,169</u>	<u>6,357</u>	<u>1,125,000</u>	<u>432</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2007-08A	4.500	5.455
2008-09A	3.500	3.469

5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	9,042	745,489	9,042	745,489
Land	590,000	-	-	590,000
Total capital assets not being depr.	<u>599,042</u>	<u>745,489</u>	<u>9,042</u>	<u>1,335,489</u>
Capital assets being depreciated:				
Buildings	13,857,016	292,929	-	14,149,945
Improvements other than buildings	307,843	27,611	-	335,454
Furniture and equipment	3,068,053	348,756	136,052	3,280,757
Total capital assets being deprec.	<u>17,232,912</u>	<u>669,296</u>	<u>136,052</u>	<u>17,766,156</u>
Less accumulated depreciation for:				
Buildings	5,042,865	262,398	-	5,305,263
Improvements other than buildings	128,336	16,773	-	145,109
Furniture and equipment	2,094,693	303,643	133,533	2,264,803
Total accumulated depreciation	<u>7,265,894</u>	<u>582,814</u>	<u>133,533</u>	<u>7,715,175</u>
Total capital assets being depreciated, net	<u>9,967,018</u>	<u>86,482</u>	<u>2,519</u>	<u>10,050,981</u>
Governmental activities capital assets, net	<u>10,566,060</u>	<u>831,971</u>	<u>11,561</u>	<u>11,386,470</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	211,420	13,818	4,754	220,484
Less accumulated depreciation	<u>120,297</u>	<u>13,790</u>	<u>3,943</u>	<u>130,144</u>
Business type activities capital assets, net	<u>91,123</u>	<u>28</u>	<u>811</u>	<u>90,340</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
	\$
Governmental activities:	
Instruction:	
Regular	83,068
Special	9,983
Other	32,944
Support services:	
Instructional staff services	79,075
Administration services	462
Operation and maintenance of plant services	28,708
Transportation	69,403
	<u>303,643</u>
Unallocated depreciation	<u>279,171</u>
Total depreciation expense – governmental activities	<u>582,814</u>
Business type activities:	
Food services	<u>13,790</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	3,325,000	-	460,000	2,865,000	480,000
Revenue bonds	-	804,818	-	804,818	115,000
Capital loan notes	330,000	-	105,000	225,000	110,000
Equipment loan notes	-	16,650	-	16,650	3,934
Termination benefits	21,792	79,127	85,447	15,472	4,344
Compensated absences	68,309	88,264	68,309	88,264	75,725
	<u>3,745,101</u>	<u>988,859</u>	<u>718,756</u>	<u>4,015,204</u>	<u>789,003</u>
Total	<u>3,745,101</u>	<u>988,859</u>	<u>718,756</u>	<u>4,015,204</u>	<u>789,003</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of continuous full time service to the District and the employee's age plus years of service must total 88 on or before June 30 in the calendar year in which early retirement commences.

Early retirement benefits are based on number of years of service multiplied by a per diem rate set by the board of education.

Current early retirement benefits will be paid in one installment in July following the start of retirement. The District has a long-term liability for a former plan with health insurance benefits.

At June 30, 2008, the District has a long-term obligation to two participants with a total liability of \$15,472. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$85,447.

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Bond Issue of 1999				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.30	480,000	126,520	606,520
2010	4.35	505,000	105,880	610,880
2011	4.40	525,000	83,913	608,913
2012	4.45	550,000	60,812	610,812
2013	4.50	580,000	36,338	616,338
2014	4.55	225,000	10,237	235,237
		<u>2,865,000</u>	<u>423,700</u>	<u>3,288,700</u>

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of April 2008				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009				
2010	3.8056	10,964	2,608	13,572
2011	3.8056	10,964	1,669	12,633
2012	3.8056	10,964	1,252	12,216
2013	3.8056	10,963	834	11,797
2014	3.8056	10,963	417	11,380
		<u>54,818</u>	<u>6,780</u>	<u>61,598</u>

Bond Issue of July 2007				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.750	115,000	32,894	147,894
2010	4.750	115,000	27,431	142,431
2011	4.750	100,000	22,325	122,325
2012	4.750	100,000	17,575	117,575
2013	4.750	105,000	12,706	117,706
2014	4.750	110,000	7,600	117,600
2015	4.750	105,000	2,494	107,494
		<u>750,000</u>	<u>123,025</u>	<u>873,025</u>

The District has pledged future local option sales and services tax revenues to repay the \$804,818 bonds issued in July 2007 and April 2008. The bonds were issued for the purpose of financing school renovations. The bonds are payable solely from the proceeds of the local options sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the binds are expected to require nearly 20% of

the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$939,492. For the current year, no principal and \$15,438 of interest was paid on the bonds and total local option sales and services tax revenues were \$833,559

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provision:

The District must set aside in a sinking fund an amount equal to 1/6th of the next interest payment and 1/12 of the next principal payment. The sinking fund is part of the Debt Service Fund.

Capital Loan Notes

Capital loan notes principal and interest are paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.85-4.90	110,000	9,694	119,694
2010	4.90-4.95	115,000	4,317	119,317
		225,000	14,011	239,011

During the year ended June 30, 2008 the District made principal and interest payments totaling \$119,895 under the note agreements.

Equipment Loan Notes

The District has purchased musical instruments with equipment loan notes during fiscal year 2008. The payments will be made from the General Fund. Details of the equipment loan notes are as follows

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.00	3,934	666	4,600
2010	4.00	4,090	510	4,600
2011	4.00	4,255	345	4,600
2012	4.00	4,371	229	4,600
		16,650	1,750	18,400

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 that 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 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$548,032, \$493,041, and \$463,368 respectively, equal to the required contributions for each year.

8. Risk Management

Webster City Community School 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.

9. 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 \$559,637 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Lease Commitment

The District entered into a contract to lease ten copiers. The payments the District will make over the next four years are as follows:

Year Ended June 30	Lease Payment \$
2009	49,908
2010	49,908
2011	49,908
2012	49,908

11. Construction Commitment

The District has entered into a \$710,105 contract for a high school addition and remodeling. The contract was substantially complete at June 30, 2008.

12. Restatement of Beginning Balances

The beginning net assets for the governmental activities and the discretely presented component unit in the Statement of Activities were restated for the following:

	Governmental Activities \$	Discretely Presented Component Unit \$
June 30, 2007 net assets as previously reported	9,230,860	-
Discretely presented component unit not included	-	1,544,822
Internal Service Flex Benefit Fund not included	14,068	-
Sales tax receivable understated	130,016	-
Income surtax receivable not accrued	149,689	-
	<u>9,524,633</u>	<u>1,544,822</u>
Beginning net assets, as restated		

The beginning fund balances for the governmental funds, internal service fund and private purpose trust fund are restated for the following:

	Capital Projects Fund	Nonmajor Governmental Management Fund	Internal Service Fund Flex Benefit Plan	Private Purpose Trust Scholarship
	\$	\$	\$	\$
June 30, 2007 fund balances as previously reported	798,538	82,263	-	1,932,204
Sales tax receivable understated	130,016	-	-	-
Internal Service Fund not included	-	-	14,068	-
Scholarship assets previously in Agency Fund	-	-	-	247,345
Liabilities overstated	-	21,792	-	-
Beginning fund balance as restated	<u>928,554</u>	<u>104,055</u>	<u>14,068</u>	<u>2,179,549</u>

REQUIRED SUPPLEMENTARY INFORMATION

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	7,657,314	475,593	8,132,907	8,109,626	8,109,626	23,281
Intermediate sources	-	-	-	7,000	7,000	(7,000)
State sources	8,079,703	7,863	8,087,566	8,716,180	8,716,180	(628,614)
Federal sources	413,562	277,135	690,697	639,000	639,000	51,697
Total revenues	<u>16,150,579</u>	<u>760,591</u>	<u>16,911,170</u>	<u>17,471,806</u>	<u>17,471,806</u>	<u>(560,636)</u>
Expenditures/Expenses:						
Instruction	10,027,559	-	10,027,559	11,053,472	11,053,472	1,025,913
Support services	4,735,164	-	4,735,164	5,860,000	5,860,000	1,124,836
Non-instructional programs	-	776,717	776,717	955,349	955,349	178,632
Other expenditures	2,486,672	-	2,486,672	2,562,501	2,562,501	75,829
Total expenditures/expenses	<u>17,249,395</u>	<u>776,717</u>	<u>18,026,112</u>	<u>20,431,322</u>	<u>20,431,322</u>	<u>2,405,210</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,098,816)	(16,126)	(1,114,942)	(2,959,516)	(2,959,516)	1,844,574
Other financing sources (uses) net	<u>851,479</u>	<u>(459)</u>	<u>851,020</u>	<u>-</u>	<u>-</u>	<u>851,020</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(247,337)	(16,585)	(263,922)	(2,959,516)	(2,959,516)	2,695,594
Balance beginning of year	<u>2,541,130</u>	<u>153,404</u>	<u>2,694,534</u>	<u>2,959,516</u>	<u>2,959,516</u>	<u>(264,982)</u>
Balance end of year	<u><u>2,293,793</u></u>	<u><u>136,819</u></u>	<u><u>2,430,612</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,430,612</u></u>

WEBSTER CITY 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 the GAAP basis.

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

OTHER SUPPLEMENTARY INFORMATION

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds				Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	135,024	119,622	14,866	132,813	402,325
Receivables:					
Property tax:					
Delinquent	2,209	-	3,939	-	6,148
Succeeding year	250,000	-	387,168	-	637,168
Accounts	-	1,506	-	-	1,506
Accrued interest	420	-	34	-	454
Total assets	387,653	121,128	406,007	132,813	1,047,601
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	35	10,677	-	-	10,712
Deferred revenue:					
Succeeding year property tax	250,000	-	387,168	-	637,168
Early retirement payable	79,127	-	-	-	79,127
Total liabilities	<u>329,162</u>	<u>10,677</u>	<u>387,168</u>	<u>-</u>	<u>727,007</u>
Fund balances:					
Reserved for debt service	-	-	-	132,813	132,813
Unreserved reported in:					
Special revenue funds	<u>58,491</u>	<u>110,451</u>	<u>18,839</u>	<u>-</u>	<u>187,781</u>
Total fund balances	<u>58,491</u>	<u>110,451</u>	<u>18,839</u>	<u>132,813</u>	<u>320,594</u>
Total liabilities and fund balances	387,653	121,128	406,007	132,813	1,047,601

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	Levy	\$	\$
Revenues:					
Local sources:					
Local tax	199,277	-	364,207	-	563,484
Other	10,726	421,527	4,854	4,451	441,558
State sources	153	-	270	-	423
Total revenues	<u>210,156</u>	<u>421,527</u>	<u>369,331</u>	<u>4,451</u>	<u>1,005,465</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	173,609	-	-	-	173,609
Other instruction	-	444,352	-	-	444,352
Support services:					
Administration services	3,453	-	-	400	3,853
Operation and maintenance of plant services	78,658	-	74,223	-	152,881
Transportation services	-	-	86,351	-	86,351
Other expenditures:					
Facilities acquisition	-	-	167,021	-	167,021
Long-term debt:					
Principal	-	-	-	565,000	565,000
Interest and fiscal charges	-	-	-	176,062	176,062
Total expenditures	<u>255,720</u>	<u>444,352</u>	<u>327,595</u>	<u>741,462</u>	<u>1,769,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(45,564)</u>	<u>(22,825)</u>	<u>41,736</u>	<u>(737,011)</u>	<u>(763,664)</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	655,513	655,513
Operating transfers out	-	-	(119,554)	-	(119,554)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(119,554)</u>	<u>655,513</u>	<u>535,959</u>
Net change in fund balances	(45,564)	(22,825)	(77,818)	(81,498)	(227,705)
Fund balances beginning of year, as restated	<u>104,055</u>	<u>133,276</u>	<u>96,657</u>	<u>214,311</u>	<u>548,299</u>
Fund balances end of year	<u><u>58,491</u></u>	<u><u>110,451</u></u>	<u><u>18,839</u></u>	<u><u>132,813</u></u>	<u><u>320,594</u></u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2008

	Enterprise Funds		
	School Nutrition	Building Trades	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	35,749	6,134	41,883
Accounts receivable	1,023	-	1,023
Interest receivable	62	-	62
Inventories	10,245	-	10,245
Capital assets, net of accumulated depreciation	90,340	-	90,340
Total assets	137,419	6,134	143,553
Liabilities			
Accounts payable	153	-	153
Deferred revenue	6,581	-	6,581
Total liabilities	6,734	-	6,734
Net assets			
Invested in capital assets, net of related debt	90,340	-	90,340
Unrestricted	40,345	6,134	46,479
Total net assets	130,685	6,134	136,819

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2008

	Enterprise Funds		
	School	Building	Total
	Nutrition	Trades	
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	473,952	132	474,084
Operating expenses:			
Non-instructional programs:			
Salaries	264,938	-	264,938
Benefits	116,282	-	116,282
Purchased services	15,987	-	15,987
Supplies	363,855	792	364,647
Depreciation	13,790	-	13,790
Other	262	-	262
Total operating expenses	775,114	792	775,906
Operating gain (loss)	(301,162)	(660)	(301,822)
Non-operating revenues:			
State sources	7,863	-	7,863
Federal sources	277,135	-	277,135
Interest income	1,509	-	1,509
Loss on disposal of capital assets	(811)	-	(811)
Total non-operating revenues	285,696	-	285,696
Gain (loss) before transfers	(15,466)	(660)	(16,126)
Transfers in (out)	(459)	-	(459)
Change in net assets	(15,925)	(660)	(16,585)
Net assets beginning of year	146,610	6,794	153,404
Net assets end of year	130,685	6,134	136,819

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2008

	Enterprise Funds		
	School Nutrition	Building Trades	Total
	\$	\$	\$
Cash flows form operating activities:			
Cash received from sale of lunches and breakfasts	480,124	-	480,124
Cash received from constuction services	-	132	132
Cash payments to employees for services	(381,220)	-	(381,220)
Cash payments to suppliers for goods or services	(353,504)	(792)	(354,296)
Net cash used by operating activities	<u>(254,600)</u>	<u>(660)</u>	<u>(255,260)</u>
Cash flows from non-capital financing activities:			
Transfers from (to) other funds	(459)	-	(459)
State grants received	7,863	-	7,863
Federal grants received	248,366	-	248,366
Net cash provided by non-capital financing activities	<u>255,770</u>	<u>-</u>	<u>255,770</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(13,819)</u>	<u>-</u>	<u>(13,819)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,661</u>	<u>-</u>	<u>1,661</u>
Net increase (decrease) in cash and cash equivalents	(10,988)	(660)	(11,648)
Cash and cash equivalents at beginning of year	<u>46,737</u>	<u>6,794</u>	<u>53,531</u>
Cash and cash equivalents at end of year	<u><u>35,749</u></u>	<u><u>6,134</u></u>	<u><u>41,883</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(301,162)	(660)	(301,822)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	28,769	-	28,769
Depreciation	13,790	-	13,790
Decrease (increase) in inventories	(2,109)	-	(2,109)
Decrease (increase) in accounts receivable	(622)	-	(622)
(Decrease) increase in accounts payable	153	-	153
(Decrease) increase in deferred revenue	6,581	-	6,581
Net cash used by operating activities	<u><u>(254,600)</u></u>	<u><u>(660)</u></u>	<u><u>(255,260)</u></u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Stearns/Morrison donations	6,569	5,330	2,712	-	9,187
Concessions	142	39,494	30,128	(9,496)	12
Cheerleaders	3,830	-	-	-	3,830
Athletic hall of fame	-	1,050	-	-	1,050
Pleasant View playground	3,618	-	-	150	3,768
P.I.E.	7,678	40,451	39,649	-	8,480
S.H.I.P.	12,566	24,073	18,757	150	18,032
Pleasant View pop	234	-	-	-	234
Sunset pop	283	-	-	-	283
Fellowship of christian athletes	250	-	-	-	250
Faine reading memorial	2,418	-	-	-	2,418
Mock trial	17	-	-	150	167
Sunset student council	528	1,151	492	-	1,187
Student book orders	46	-	-	-	46
Positive behavior supports	-	256	-	250	506
Special needs	1,160	-	-	-	1,160
Student revolving	68	-	-	-	68
Picture fund	20,097	5,066	24,840	3,930	4,253
Foundation mini grants	2,773	-	-	(2,043)	730
Computer program plan	19	-	-	-	19
Interest	3,930	1,830	167	(5,279)	314
MS drama	110	-	-	-	110
MS band	-	-	135	135	-
MS annual	4,252	3,274	5,959	-	1,567
MS pop	949	586	1,474	-	61
5th grade student council	931	189	1,333	2,717	2,504
6th grade student council	524	651	2,977	2,248	446
7th grade student council	3,573	-	2,604	2,812	3,781
8th grade student council	875	-	980	759	654
Yess mini society	133	-	-	-	133
MS student general account	2,063	47,489	36,400	(10,441)	2,711
MS exploritory account	602	-	2,046	1,904	460
MS regional conference	32	-	-	-	32
HS drama	201	1,100	447	-	854
Forensics (speech) club	259	290	974	600	175
HS band	2,288	3,225	7,507	2,595	601
Boys soccer special fundraiser	432	-	386	-	46
HS baseball boosters	-	255	767	512	-
Football special fundraisers	3,236	9,258	12,494	-	-
Volleyball special fundraisers	4,294	5,249	-	800	10,343

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Girls soccer special fundraisers	-	-	201	201	-
HS girls tennis special fundraisers	203	-	-	-	203
Girls golf scholarship	1,457	-	-	-	1,457
Athletics	12,935	99,251	115,747	3,561	-
Athletic pop fund	(1,868)	1,670	79	2,385	2,108
HS annual	5,538	21,588	19,412	400	8,114
HS art club	9	-	-	-	9
HS pop fund	2,111	711	1,648	-	1,174
Excel program	783	225	845	-	163
Spanish club	926	1,356	1,361	-	921
French club	13	-	-	-	13
FFA	2,790	48,735	50,303	-	1,222
Home ec. club	414	-	370	700	744
HS science club	567	1,580	1,640	300	807
After prom	114	4,540	6,305	1,828	177
Multi occupational class	2,109	1,225	1,329	-	2,005
HS pop can redemption	1,418	465	604	-	1,279
National Honor Society	792	270	680	150	532
Student academic donations	500	-	-	-	500
Class of 2009	131	13,029	11,568	-	1,592
Class of 2010	-	-	80	100	20
Class of 2011	-	-	82	100	18
Class of 2012	2,057	-	79	(1,978)	-
HS student council	3,789	12,369	13,512	(200)	2,446
HS choir robes	100	-	-	-	100
HS musical	3,467	3,281	4,584	-	2,164
HS small tools	605	-	-	-	605
Special projects	1,336	20,965	20,695	-	1,606
Total	133,276	421,527	444,352	-	110,451

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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,862,683	5,776,218	5,518,962	5,535,176
Other	1,794,631	1,689,535	1,571,738	1,466,358
State sources	8,079,703	7,768,885	7,393,287	6,748,480
Federal sources	413,562	419,094	435,523	507,218
Total revenues	<u>16,150,579</u>	<u>15,653,732</u>	<u>14,919,510</u>	<u>14,264,232</u>
Expenditures:				
Instruction:				
Regular instruction	6,086,844	5,552,164	5,060,241	4,818,441
Special instruction	2,280,758	2,228,925	2,220,759	2,180,591
Vocational instruction	632,782	629,006	638,251	582,507
Other instruction	1,027,175	923,957	935,141	934,383
Support services:				
Student services	603,833	587,005	475,109	501,381
Instructional staff services	852,747	1,009,244	757,464	855,658
Administration services	1,404,697	1,364,015	1,197,476	1,178,472
Operation and maintenance of plant	1,317,268	1,279,271	1,083,236	946,380
Transportation services	556,619	509,057	557,243	427,672
Central support services				
Non-instructional programs	-	17,284	4,003	18,622
Other expenditures:				
Facilities acquisition	1,185,973	300,271	569,187	403,082
Long-term debt:				
Principal	565,000	530,000	505,000	475,000
Interest and other charges	176,062	190,197	218,470	244,487
AEA flowthrough	559,637	543,026	511,003	497,832
Total expenditures	<u>17,249,395</u>	<u>15,663,422</u>	<u>14,732,583</u>	<u>14,064,508</u>

WEBSTER CITY COMMUNITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program (noncash)	10.555	FY08	28,769
National School Lunch Program	10.555	FY08	218,831
School Breakfast Program	10.553	FY08	29,610
			<u>277,210</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	6867-G-08	163,112
Improving Teacher Quality State Grants	84.367	FY08	63,831
Grants for State Assessments and Related Activities	84.369	FY08	11,851
State Grants for Innovative Programs	84.298	FY08	1,159
Safe & Drug Free Schools and Communities - State Grants	84.186	FY08	6,392
Vocational Education - Basic Grants to States	84.048	FY08	22,603
Prairie Lakes Area Education Agency:			
Title III English Language Acquisition State Grants	84.365	FY08	11,369
Special Education Grants to States	84.027	FY08	87,996
U.S. Department of Justice:			
Iowa Juvenile Court Service:			
Juvenile Justice and Delinquency Prevention	16.540	FY08	16,944
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services			
Centers of Disease Control and Prevention Investigations and Technical Assistance	93.283	FY08	500
U.S. Department of Energy:			
Iowa Department of Natural Resources:			
State Energy Program Special Projects	81.119	FY08	12,300
Total			<u><u>675,267</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Webster City Community School District and is presented on 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 Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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
Webster City Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Webster City Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 26, 2009. 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 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 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 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 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 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, of the significant deficiencies described above, we believe items 08-II-A, 08-II-B, 08-II-C and 08-II-D are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Webster City Community School District's responses to findings 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 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.

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

February 26, 2009

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Independent Auditor's 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 of
Webster City Community School District:

Compliance

We have audited the compliance of Webster City Community School District with the types of compliance requirements described in 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, 2008. 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 U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Webster City Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. 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, 2008.

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 and would not necessarily identify all deficiencies in the District's 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 material weakness.

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 District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-III-A and 08-III-B to be a significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a material weakness.

Webster City Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we 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 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.

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

February 26, 2009

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs are as follows:

CFDA Number 84.010	Title I Grants to Local Education Agencies
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 not qualify as a low-risk auditee.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

08-II-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 consider increasing its monitoring procedures to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-II-B Financial Reporting: During the audit, we identified material construction payables, sales tax receivables and ISCAP balances not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all payables, receivables and ISCAP transactions are identified and included in the District's financial statements.

District Response: We will double check these in the future to avoid missing any receivables, payables or ISCAP transactions.

Conclusion: Response accepted.

08-II-C Restatement of Beginning Net Assets: The beginning net assets of the governmental activities were increased by \$293,773 because June 30, 2007 receivables for sales tax and income surtax were understated and the internal service flexible benefits fund was not included. Also the discretely presented component unit was not included.

Recommendation: District administrators and accounting personnel should review the completed financial statements and should review the adjustments converting the modified accrual basis statements to the full accrual basis statements.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements (continued):

District Response: We were not aware of these required adjustments; future financial statements will be reviewed.

Conclusion: Response accepted.

08-II-D 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.

08-II-E Athletic Gate Admissions: The District is using a ticket system for admissions to athletic events. However the cash collected is not counted by two people and reconciled to the number of tickets sold immediately after the event.

Recommendation: The District should establish reconciliation procedures for gate admissions. Two people should count the cash and reconcile it to the number of tickets sold immediately after the event. The reconciliation should include a cash count sheet that is signed by the persons counting the cash. The cash count sheet should later be reconciled to the deposit slip for the event.

District Response: We will start having two people count the cash and prepare a cash count sheet immediately after events. We will also reconcile the cash count sheet to the bank deposit slip for the event.

Conclusion: Response accepted.

08-II-F Check Signing Machine: We noted that a check-signing machine was used to sign checks. We also noted that a person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation: The District should establish procedures to control access to the check signing machine, such as having another person control the key to the machine and establishing a log with the numbers on the checks signed that reconciles to a counter on the machine.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements (continued):

District Response: We will review our procedures controlling access to the check-signing machine.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant deficiencies:

CDA Number 84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2008
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program and
CDA Number 10.555: National School Lunch Program
Federal Award Year: 2008
U.S. Department of Agriculture
Passed through the Iowa Department of Education

08-III-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 increase monitoring procedures to obtain the maximum internal control possible under the circumstances.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

CDAAs Number 84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2008
U.S. Department of Education
Passed through the Iowa Department of Education

08-III-B Title I Salary Expenditures: Office of Management and Budget Circular A-87 requires that employees working on a single Federal award semi-annually certify that 100% of their time is spent on that federal program. The District did not have controls in place to obtain the required certifications.

Recommendation: The District should adopt a standard time certification form and a timeline for completing the form twice a year.

District Response: We have created a form and will have it completed twice a year.

Conclusion: Response accepted.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

08-IV-A Certified Budget: Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.

08-IV-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.

08-IV-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.

08-IV-D Business Transactions: No business transactions between the District and District officials or employees were noted.

08-IV-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.

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

08-IV-G Certified Enrollment: Open enrollment in students were included in the calculations for supplemental weighting on line 12 of the Certified Enrollment Certification Form for October 2007.

Recommendation: The District should review its procedures for compiling the lists of students used to calculate supplemental weighting.

District Response: We will review the lists for students that may not be counted for supplemental weighting purposes.

Conclusion: Response accepted.

08-IV-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

08-IV-I Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.

08-IV-J Use of School Vehicles: We noted that two maintenance employees have use of a school vehicles for commuting from home to school. This is a taxable fringe benefit.

Recommendation: The District should review and follow Internal Revenue Service guidelines for determining the taxable portion of the personal use of the vehicles.

District Response: We will follow the relevant IRS guidelines.

Conclusion: Response accepted.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting (continued):

08-IV-K Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a per unit cost exceeding \$500. We noted that expenditures from this fund included approximately \$2,055 for desks and chairs with a unit cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider a General Fund reimbursement to the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.

08-IV-L Construction Contract Change Orders: We noted that the Board of Directors did not approve construction contract change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.

08-IV-M Student Activity Fund Transactions: The Student Activity Fund is to be used to account for transactions related to the District's co-curricular and extra-curricular student activities. The Student Activity Fund should not be used as a clearing account for any other fund nor shall it be used to account for any transactions that are not co-curricular or extra-curricular in nature. Each account in the Student Activity Fund should relate to a specific extra-curricular or co-curricular activity and there should not be any miscellaneous or revolving accounts. We noted several Student Activity Fund accounts that do not appear to be for a specific student activity.

Recommendation: The District should review the types of transactions in the Student Activity Fund. Any transactions not for a specific extra-curricular or co-curricular student activity should be reclassified.

District Response: We will review the types of transactions recorded in the Student Activity Fund.

Conclusion: Response accepted.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Summary Schedule of Prior Federal Audit Findings

June 30, 2008

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action of other explanation</u>
III-A-07	Segregation of Duties	Not resolved	Duties have been segregated to the extent possible.

WEBSTER CITY COMMUNITY SCHOOL DISTRICT

Corrective Action Plan

June 30, 2008

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
08-III-A	Segregation of Duties	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Cathi Hildebrand Board Sec./Bus. Mgr. (515)832-9200	Immediately
08-III-B	Title I Salary Expenditures	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Cathi Hildebrand Board Sec./Bus. Mgr. (515)832-9200	Immediately