

**WESTERN DUBUQUE COUNTY
COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

**OFFICIAL ISSUING REPORT
DAVID A. WEGMANN, BUSINESS MANAGER
BUSINESS OFFICE**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

JUNE 30, 2008

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WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

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OFFICIALS

Name -----	Title -----	Term Expires -----
Board of Education (Before September 2007 Election)		
Bob McCabe	President	2009
Barb Weber	Vice President	2008
June Brandenburg	Board Member	2008
Mark Knuth	Board Member	2009
Dean Knepper	Board Member	2007

Board of Education (After September 2007 Election)

Bob McCabe	President	2009
June Brandenburg	Vice President	2008
Jeanne Coppola	Board Member	2010
Mark Knuth	Board Member	2009
Barb Weber	Board Member	2008

School Officials

Jeff Corkery	Superintendent	2008
David Wegmann	Board Secretary/ Business Manager/ District Treasurer	2008

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA
W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Western Dubuque County Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government 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 that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the District's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include financial data for its component units. The District has not issued such reporting entity financial statements. The assets, liabilities, net assets, revenues, and expenses of the legally separate component units are unknown, thus the amount by which this departure would affect the financial statements taken as a whole is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with the accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the Western Dubuque Community School District, as of June 30, 2008, or the changes in financial position thereof for the year then ended.

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Furthermore, in our opinion, the respective financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Western Dubuque County 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 report dated December 29, 2008, on our consideration of the 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 important for assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information 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 Western Dubuque County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements with the exception of the four years ended June 30, 2007. For the four years ended June 30, 2007, we expressed an unqualified opinion on the financial statements of the various opinion units of the primary government and we expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, 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.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks + Co., P.C.

Dubuque, Iowa
December 29, 2008

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Western Dubuque County Community School District provides this Management's Discussion and Analysis as a part of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

<u>Area</u>	<u>Page #</u>
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Financial Notes

- The 2007-08 fiscal year was the first year of the District's renewed five-year Instructional Support Program (ISP). The new five-year program commencing July 1, 2007 was authorized and approved by the School Board on December 11, 2006.

Receipts:

Property Tax	\$325,871
Income Surtax*	610,296
State Aid	<u>68,565</u>
	<u>\$1,004,732</u>

Expenses:

Wages/Benefits	\$520,298
Private Schools	139,454
School Buses	461,658
Computers/Software	<u>113,969</u>
	<u>\$1,235,379</u>

*The \$610,296 of Income Surtax represents the final payment on the previous five-year program. Income Surtaxes are received one year after they are assessed. The 2007-08 budgeted amount for income surtaxes for the new program is estimated to be \$913,822.

- The General Fund June 30, 2007 unreserved fund balance decreased from \$491,901 to \$16,177 resulting in a Financial Solvency Ratio of .069%.

2002-2003	3.500 %
2003-2004	0.400 %
2004-2005	0.100 %
2005-2006	1.630 %
2006-2007	2.200 %
2007-2008	0.069 %

Primary reasons for the reduction were:

- One year delay in receiving new income surtax revenues from the District's Instructional Support Program.
- A \$161,229 increase in diesel fuel costs for the District school buses.
- A \$470,942 increase in District Special Education Costs.

Overview of the Financial Statements

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 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 the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1				
Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund 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 and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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, expenses and changes in 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 resources 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 during the year or soon thereafter	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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

1. *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional schedules explain the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Activity Fund, Management Fund, Physical Plant and Equipment Levy Fund, Debt Service Fund, Construction Fund, and Local Option Sales Tax Fund.

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

2. **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide 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, the School Nutrition Fund and the Regular Education Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

Financial Analysis of the District as a Whole

Net assets - Figures A-2 and A-3 below provide a summary of the District's revenues, expenses, and net assets for the year ended June 30, 2008 compared to 2007 for the governmental and business-type activities.

Figure A-2
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	2007	2008	2007	2008	2007	2008	
Current and other assets	24,835,843	26,735,328	426,688	400,368	25,262,531	27,135,696	7.41%
Capital assets	27,398,335	27,409,092	130,453	166,609	27,528,788	27,575,701	0.17%
Total assets	52,234,178	54,144,420	557,141	566,977	52,791,319	54,711,397	3.64%
Long-term obligations	14,306,536	12,039,972	-	-	14,306,536	12,039,972	-15.84%
Other liabilities	18,541,944	19,038,710	13,929	44,477	18,555,873	19,083,187	2.84%
Total liabilities	32,848,480	31,078,682	13,929	44,477	32,862,409	31,123,159	-5.29%
Net assets:							
Invested in capital assets							
net of related debt	15,613,335	17,524,092	130,453	166,609	15,743,788	17,690,701	12.37%
Restricted	5,255,002	6,793,975	-	-	5,255,002	6,793,975	29.29%
Unrestricted	(1,482,639)	(1,252,329)	412,759	355,891	(1,069,880)	(896,438)	-16.21%
Total net assets	19,385,698	23,065,738	543,212	522,500	19,928,910	23,588,238	18.36%

Net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.) Consequently, *unrestricted* net assets of the District's governmental activities showed a \$1,252,329 deficit at the end of this year. This deficit does not mean that Western Dubuque Schools does not have resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than currently available resources.

The District's total assets increased slightly in the governmental funds group from June 30, 2007 to June 30, 2008 (from \$52,234,178 to \$54,144,420).

Figure A-3
Changes in Net Assets from Operating Results

	Governmental Activities			Business Type Activities			Total School District		
	2006-07	2007-08	Change	2006-07	2007-08	Change	2006-07	2007-08	Change
Revenues:									
Program Revenues:									
Charges for service and sales	2,046,420	2,026,052	(20,368)	879,802	993,060	113,258	2,926,222	3,019,112	92,890
Operating grants and contributions	3,732,305	4,197,956	465,651	448,851	455,600	6,749	4,181,156	4,653,556	472,400
Capital grants and contributions	6,011	16,540	10,529	-	-	-	6,011	16,540	10,529
General Revenues:									
Property tax	10,755,088	10,628,749	(126,339)	-	-	-	10,755,088	10,628,749	(126,339)
Instructional support surtax	611,143	1,280,623	669,480	-	-	-	611,143	1,280,623	669,480
Local option sales and services tax	2,539,245	2,572,549	33,304	-	-	-	2,539,245	2,572,549	33,304
Unrestricted state grants	9,143,503	9,534,122	390,619	-	-	-	9,143,503	9,534,122	390,619
Unrestricted investment earnings	560,545	563,032	2,487	16,209	14,790	(1,419)	576,754	577,822	1,068
Other	71,664	119,345	47,681	-	-	-	71,664	119,345	47,681
Transfers	3,428	-	(3,428)	(3,428)	-	3,428	-	-	-
Total Revenues	29,469,352	30,938,968	1,469,616	1,341,434	1,463,450	122,016	30,810,786	32,402,418	1,591,632
Expenditures:									
Instruction	15,368,124	16,606,535	1,238,411	-	95,839	95,839	15,368,124	16,702,374	1,334,250
Support services	7,427,985	8,012,457	584,472	-	-	-	7,427,985	8,012,457	584,472
Non-instructional programs	3,585	30,885	27,300	1,267,655	1,388,323	120,668	1,271,240	1,419,208	147,968
Other expenses	2,610,598	2,653,801	43,203	-	-	-	2,610,598	2,653,801	43,203
Total Expenses	25,410,292	27,303,678	1,893,386	1,267,655	1,484,162	216,507	26,677,947	28,787,840	2,109,893
Change in Net Assets	4,059,060	3,635,290	(423,770)	73,779	(20,712)	(94,491)	4,132,839	3,614,578	(518,261)

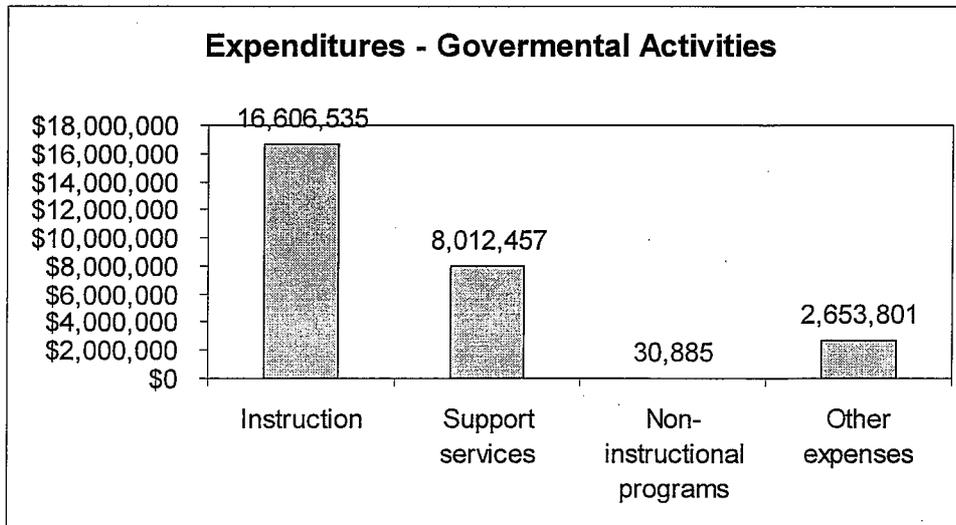
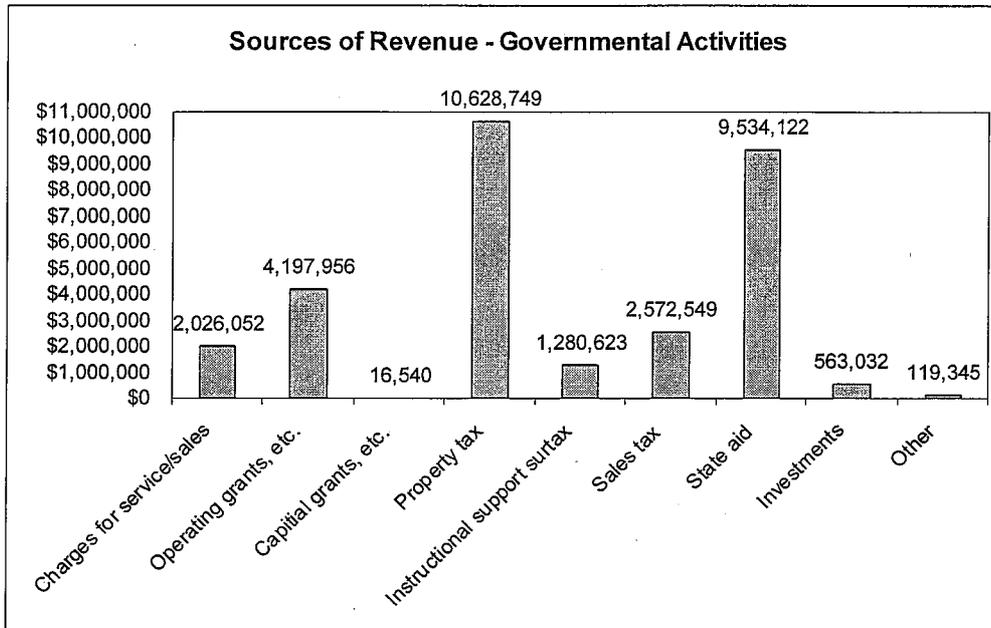
(COMMENTS ON NEXT PAGE)

Governmental Activities

Revenues for governmental activities were \$30,983,718 while total expenses amounted to \$27,303,678.

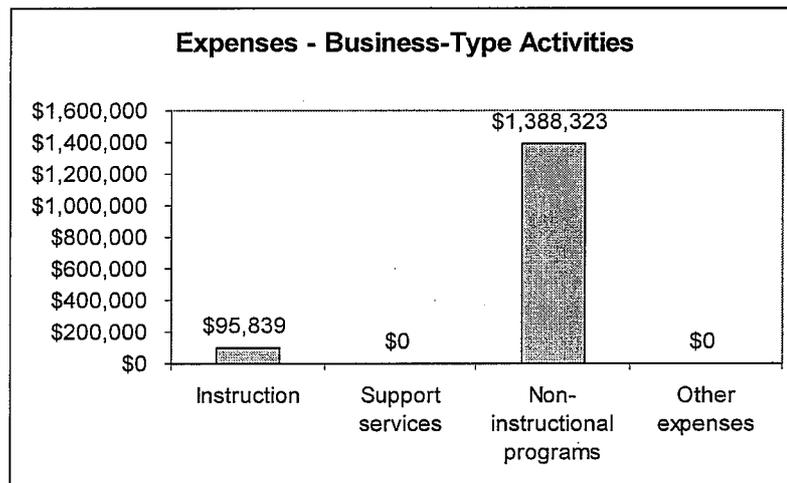
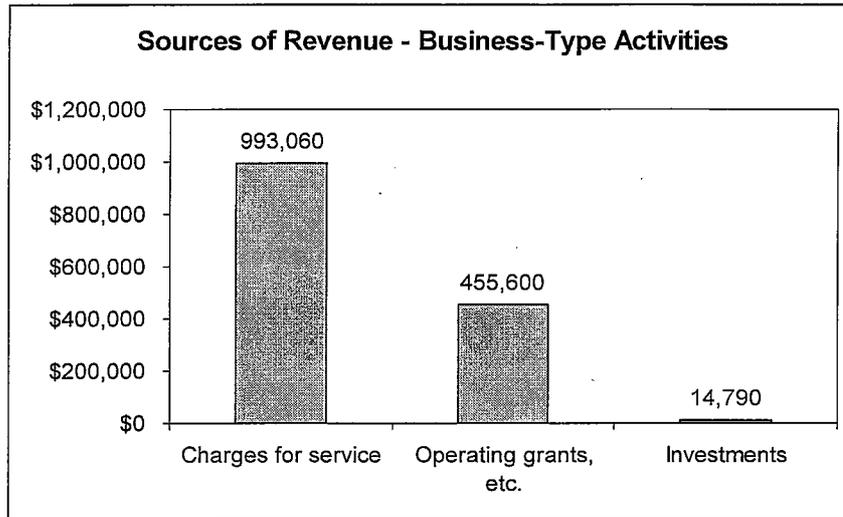
The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants and aid and Federal grants.

Bar Graph for Figure A-3 – Changes in Net Assets from Operating Results



Business-Type Activities

Revenues of the District's business-type activities (School Nutrition and Regular Education Preschool Fund) were \$1,463,450 and expenses were \$1,484,162. Revenues of these activities were comprised of a la carte sales, charges for meals, tuition, interest, and federal and state reimbursements.



Financial Analysis of the District's Funds

Western Dubuque Schools uses fund accounting to ensure and demonstrate compliance with state and federal legal reporting requirements.

Governmental Fund Highlights

- Following are ending balances of the various funds within the Governmental Fund group and a discussion concerning the change in balances.

Fund Name	2007 Balance	2008 Balance	Change
General	\$ 563,080	\$ 171,888	\$ (391,192)
Activity	389,435	485,160	95,725
Management	585,328	1,013,378	428,050
Physical Plant & Equipment	346,278	339,821	(6,457)
Construction	57,743	-	(57,743)
Local Option Sales Tax	3,645,520	4,622,760	977,240
Debt Service	159,519	177,145	17,626
	<u>\$ 5,746,903</u>	<u>\$ 6,810,152</u>	<u>\$ 1,063,249</u>

- General Fund: The \$171,888 balance is low for the size of the District's total General Fund budget. The District has taken a significant step to improve the balance by levying over \$1 million in cash reserves for the 2008-09 budget year.
- Activity Fund: Over 90 separate fund accounts for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. Transfer of \$44,750 of FFA funds from the District's Trust Fund to the Activity Fund accounted for the bulk of the fund balance increase.
- Management Fund: The fund is used to pay for early retirement benefits and property/liability insurance. The increased fund balance is needed to pay insurance obligations coming due in early 2008-09 prior to taxes coming in and to provide needed reserves to offset future GASB 45 liabilities that will be shown on District financials beginning in fiscal 2008-09.
- Physical Plant and Equipment Levy Fund: The \$6,456 decrease is due to the payment for various projects that were started in fiscal 2006-07 but were not completed until well after the start of the 2007-08 fiscal year. The P.P.E.L. Fund otherwise is generally earmarked for the following three purposes.
 1. Instructional equipment.
 2. School vehicles.
 3. Buildings and Grounds projects.
- Construction Fund: There is no longer a balance in the District's Construction Fund (31). The fund was used to account for revenues and expenses from the \$6,350,000 bond issuance in fiscal 2002 for the Cascade Elementary and Epworth Elementary projects.

- Local Option Sales Tax Fund: Revenues in this fund come from the one-cent sales tax for school infrastructure from the five counties in the District. In fiscal 2007-08 the District received \$2,572,549 in sales tax receipts from those five counties. In June of 2003 (fiscal year 2003) the District issued \$11,000,000 of revenue bonds for construction projects at Cascade High School, Dyersville Elementary, Peosta Elementary, Drexler Elementary and Western Dubuque High School.

The annual principal and interest payment of \$1.32 million for the repayment (10 years) of the \$11,000,000 bond issuance is paid for from annual sales tax receipts. In addition to the annual interest and principal payment, the District is currently allocating \$250,000 per year for general infrastructure projects from the Fund. Annually the District will have approximately \$1.2 million remaining after payment of debt and approved projects. The \$977,239 increase in the 06-30-08 fund balance reflects this budget planning.

- Debt Service Fund: The ending balance increased slightly from \$159,519 to \$177,145 due to investment interest.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$543,212 on June 30, 2007 to \$522,500 on June 30, 2008.

Budgetary Highlights

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

The District amended the Instructional and Total Support Services, Non-Instructional function areas of the 2007-2008 budget to reflect expected increases in revenues and corresponding expenses. Support Service Expenses were amended down to reflect cost reclassifications for state funded teacher quality funds. The expenses for the teacher quality programs were classified as instructional costs.

<u>Function</u>	<u>Original</u>	<u>Amended</u>	<u>Actual</u>
Instruction	\$16,261,946	\$17,586,422	\$17,097,075
Support Services	\$9,015,927	\$8,326,740	\$8,302,213
Non-instructional	\$1,310,558	No Change	\$1,427,776
Total Other	\$4,482,647	No Change	\$4,243,725

The amendments and over expenditures were funded from existing cash balances and did not result in any use or additional levy of state or local taxes.

Capital Asset and Debt Administration

Capital Assets

The following table shows the District's capital assets, net of accumulated depreciation.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2007	2008	2007	2008	2007	2008	
Land	240,116	240,116	-	-	240,116	240,116	0.00%
Construction in progress	297,203	93,213	-	-	297,203	93,213	-68.64%
Buildings	24,329,694	24,262,476	-	-	24,329,694	24,262,476	-0.28%
Improvements	176,817	166,839	-	-	176,817	166,839	-5.64%
Furniture & equipment	2,354,505	2,646,448	130,453	166,609	2,484,958	2,813,057	13.20%
Total Capital Assets	<u>27,398,335</u>	<u>27,409,092</u>	<u>130,453</u>	<u>166,609</u>	<u>27,528,788</u>	<u>27,575,701</u>	<u>0.17%</u>

The District's current investment in capital assets of \$27,575,701 represents an increase of \$46,913.

Long-Term Debt

On June 30, 2008 the District had total long-term debt obligations of \$12,132,504. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	6/30/2008	6/30/2007
General Obligation Bonds	5,045,000	5,885,000
Revenue Bonds	5,940,000	7,000,000
Early Retirement	1,147,504	1,531,780
	<u>12,132,504</u>	<u>14,416,780</u>

The District currently has three different series of registered debt. The \$11,000,000 of revenue bonds was issued in June of 2003 and are payable from local option sales tax.

Year	Original Amount	Unpaid Principal	Remaining Years
2001	4,000,000	4,000,000	13
2002	2,350,000	1,045,000	4
2003	11,000,000	5,940,000	5
	<u>17,350,000</u>	<u>10,985,000</u>	

Factors Bearing on the District's Future

Following are several factors that could have a significant effect on the District's financial condition.

- District Enrollment: The District's certified resident count increased in fiscal 2007-2008 by 34.2 students.

September 2007	2,775.8
September 2006	2,741.6
September 2005	2,771.3

The increase is significant in that it has a direct bearing on the District's general fund revenues. Continued growth in the eastern part of the District should result in steady or increased enrollment in future years.

The District had 121 open enrolled-in students and 70 open enrolled-out students in fiscal 2007. Each student generates \$5,128 in tuition revenue or expense. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses.

- Instructional Support Program: The District started a new five-year Instructional Support Program in 2007-08. The new five-year program commencing July 1, 2007 and ending on June 30, 2012 was authorized and approved by the School Board on December 11, 2006. Approximately \$1.3 million per year in property taxes, income surtax, and state aid revenues will result from the program. Expenditures for the program in 2007-08 were as follows.

Wages/Benefits	\$ 520,298
Private School	139,134
School Buses	461,658
Computers/Software	<u>113,969</u>
	<u>\$1,235,379</u>

The passage of the District's Revenue Purpose Statement approved by vote on September 9, 2008 for use of State Sales Tax Funds will allow the District to move a significant amount of the school bus cost from the Instructional Support Program in the General Fund to the Sales Tax Fund. The transfer of costs will have a positive affect on the District's General Fund – Fund Balance and Financial Solvency Ratio.

- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for transportation costs. Diesel fuel costs for the District in 2007-08 increased by \$166,229.
- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Approximately 39% of the District's enrollment is in grades 9-12. The state average for the same grade range is 30%. The Iowa funding formula does not provide additional funding for high school students versus elementary students. As a result, the Western Dubuque District already incurs significant costs for

operating two high schools. A significant change in its elementary to secondary school enrollment ratio would affect the ability to fund existing high school programs and activities.

- Wages and benefits are by far the most significant expenditure of the District’s operation costs. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District’s General Fund Budget.
- Financial Solvency Ratio: A measure of a school district’s financial health can be determined from its Financial Solvency Ratio. The ratio is used by lending institutions to determine a district’s ability to repay borrowings. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

$$\frac{\text{Unreserved Fund Balance}}{\div \text{Total Receipts} - \text{AEA Support}}$$

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

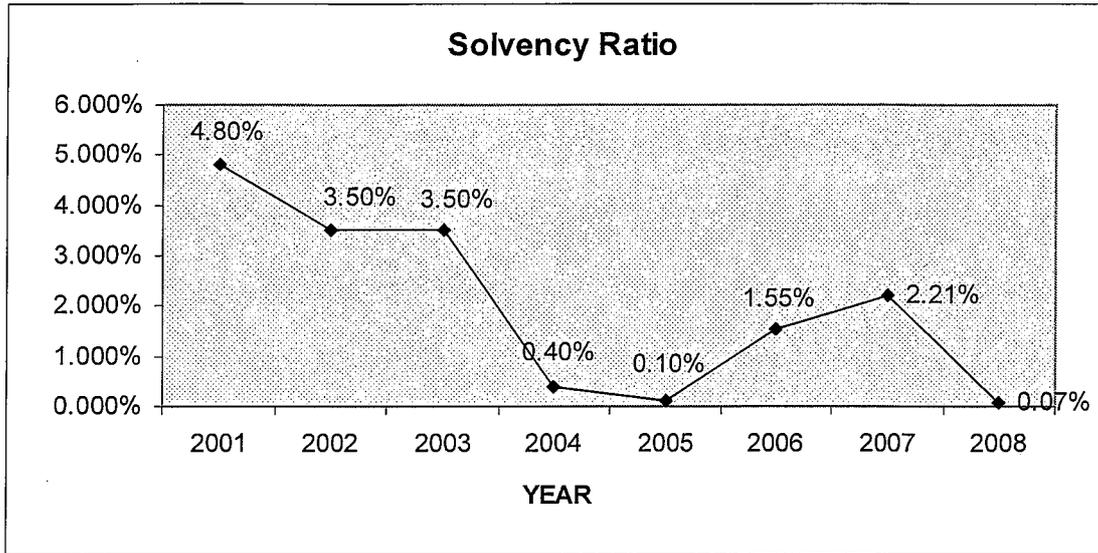
2000-2001	4.80%
2001-2002	3.50%
2002-2003	3.50%
2003-2004	0.40%
2004-2005	0.10%
2005-2006	1.55%
2006-2007	2.21%
2007-2008	0.07%

<u>Grading:</u>	
> 5%	Good
0% to 5%	Acceptable
-3% to 0%	Concern
< -3%	Serious Concern

Three major reasons for the decline of the ratio in 2007-08 are:

1. One year delay in receiving new income surtax revenues from the District’s Instructional Support Program.
2. A \$161,229 increase in diesel fuel costs for District school buses.
3. A \$470,942 increase in District Special Education Costs

To achieve a targeted solvency ratio of 5%, the District would need to initially levy approximately \$1.1 million. Thereafter, the District would need to levy for on-time enrollment increases and state aid cuts or reduce expenditures to compensate for the cash shortfalls related to the two factors. The Adopted Budget for the 2008-09 fiscal year includes a cash reserve levy of \$1,063,218. The levy approved by the School Board will have a significant impact on improving the District’s Financial Solvency Ratio.



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 David Wegmann, District Secretary/Treasurer and Business Manager, Western Dubuque County Community School District, 405 3rd Avenue NE, Farley, Iowa 52046.

BASIC FINANCIAL STATEMENTS

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities	Business Type Activities	Total
Assets	-----	-----	-----
Cash and Cash Equivalents:			
ISCAP	\$ 5,033,340	\$ ---	\$ 5,033,340
Other	7,774,673	478,282	8,252,955
Receivables:			
Property tax:			
Delinquent	107,538	---	107,538
Succeeding year	11,619,643	---	11,619,643
Income surtax	877,878	---	877,878
Accounts	17,301	---	17,301
Accrued interest:			
ISCAP accrued interest	37,114	---	37,114
Other	16,693	773	17,466
Due from other governments	983,855	2,956	986,811
Due from other funds	133,090	(133,090)	---
Prepaid expenses	89,689	103	89,792
Deferred debt expense	44,514	---	44,514
Inventories	---	51,344	51,344
Capital assets, net of accumulated depreciation	27,409,092	166,609	27,575,701
	-----	-----	-----
Total Assets	\$ 54,144,420	\$ 566,977	\$ 54,711,397
	-----	-----	-----
Liabilities			
Accounts payable	\$ 351,506	\$ 30,707	\$ 382,213
Salaries and benefits payable	1,931,871	13,770	1,945,641
Accrued interest payable	35,926	---	35,926
Deferred revenue:			
Succeeding year property tax	11,619,643	---	11,619,643
Other year property tax	5,927	---	5,927
ISCAP warrants payable	5,000,000	---	5,000,000
ISCAP accrued interest payable	25,779	---	25,779
ISCAP unamortized premium	68,058	---	68,058
Long-term Liabilities:			
Portion due within one year:			
General obligation bonds payable	295,000	---	295,000
Revenue bonds payable	1,095,000	---	1,095,000
Early retirement payable	528,593	---	528,593
Portion due after one year:			
General obligation bonds payable	4,750,000	---	4,750,000
Revenue bonds payable	4,845,000	---	4,845,000
Early retirement payable	618,911	---	618,911
Unamortized bond discount	(92,532)	---	(92,532)
	-----	-----	-----
Total Liabilities	\$ 31,078,682	\$ 44,477	\$ 31,123,159
	-----	-----	-----

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF NET ASSETS
 JUNE 30, 2008

	Governmental Activities -----	Business Type Activities -----	Total -----
Net Assets			
Invested in capital assets, net of related debt	\$ 17,524,092	\$ 166,609	\$ 17,690,701
Restricted for:			
Management levy	1,013,378	---	1,013,378
Physical plant and equipment levy	339,821	---	339,821
Other special revenue purposes	485,160	---	485,160
School infrastructure	3,412,919	---	3,412,919
Debt service	1,386,986	---	1,386,986
Other	155,711	---	155,711
Unrestricted	(1,252,329)	355,891	(896,438)
	-----	-----	-----
Total Net Assets	\$ 23,065,738	\$ 522,500	\$ 23,588,238
	=====	=====	=====

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular	\$ 9,822,414	\$ 770,551	\$ 1,611,560	\$ ---	\$ (7,440,303)	\$ ---	\$ (7,440,303)
Special	3,407,284	214,988	657,500	---	(2,534,796)	---	(2,534,796)
Other	3,376,837	835,055	24,878	---	(2,516,904)	---	(2,516,904)
Total Instruction	\$ 16,606,535	\$ 1,820,594	\$ 2,293,938	\$ ---	\$ (12,492,003)	\$ ---	\$ (12,492,003)
Support Services:							
Student	\$ 879,872	\$ ---	\$ 68,792	\$ ---	\$ (811,080)	\$ ---	\$ (811,080)
Instructional staff	328,743	---	23,250	---	(305,493)	---	(305,493)
Administration	2,724,676	---	---	---	(2,724,676)	---	(2,724,676)
Operation and maintenance of plant	1,736,593	40,287	---	---	(1,696,306)	---	(1,696,306)
Transportation	2,342,573	165,171	715,206	---	(1,462,196)	---	(1,462,196)
Total Support Services	\$ 8,012,457	\$ 205,458	\$ 807,248	\$ ---	\$ (6,999,751)	\$ ---	\$ (6,999,751)
Non-instructional Programs	\$ 30,885	\$ ---	\$ ---	\$ ---	\$ (30,885)	\$ ---	\$ (30,885)

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs (Continued)							
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 235,723	\$ ---	\$ ---	\$ 16,540	\$ (219,183)	\$ ---	\$ (219,183)
Long-term debt interest	539,806	---	---	---	(539,806)	---	(539,806)
AEA flowthrough	1,096,770	---	1,096,770	---	---	---	---
Depreciation (unallocated)*	781,502	---	---	---	(781,502)	---	(781,502)
Total Other Expenditures	\$ 2,653,801	\$ ---	\$ 1,096,770	\$ 16,540	\$ (1,540,491)	\$ ---	\$ (1,540,491)
Total Governmental Activities	\$ 27,303,678	\$ 2,026,052	\$ 4,197,956	\$ 16,540	\$ (21,063,130)	\$ ---	\$ (21,063,130)
Business Type Activities:							
Instruction:							
Regular	\$ 95,839	\$ 95,839	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Non-instructional programs:							
Food service operations	1,388,323	897,221	455,600	---	---	(35,502)	(35,502)
Total Business Type Activities	\$ 1,484,162	\$ 993,060	\$ 455,600	\$ ---	\$ ---	\$ (35,502)	\$ (35,502)
Total	\$ 28,787,840	\$ 3,019,112	\$ 4,653,556	\$ 16,540	\$ (21,063,130)	\$ (35,502)	\$ (21,098,632)

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

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Governmental Activities	Business Type Activities	Total	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions				
General Revenues:							
Property tax levied for:							
General purposes				\$ 9,231,193	\$ ---	\$ 9,231,193	
Debt service				1,108,130	---	1,108,130	
Capital outlay				289,426	---	289,426	
Instructional support surtax				1,280,623	---	1,280,623	
Local option sales and service tax				2,572,549	---	2,572,549	
Unrestricted state grants				9,534,122	---	9,534,122	
Unrestricted investment earnings				563,032	14,790	577,822	
Other				119,345	---	119,345	
Total General Revenues				\$ 24,698,420	\$ 14,790	\$ 24,713,210	
Change in Net Assets				\$ 3,635,290	\$ (20,712)	\$ 3,614,578	
Net Assets Beginning of Year				\$ 19,385,698	\$ 543,212	\$ 19,928,910	
Prior Period Adjustment				44,750	---	44,750	
Net Assets Beginning of Year, restated				\$ 19,430,448	\$ 543,212	\$ 19,973,660	
Net Assets End of Year				\$ 23,065,738	\$ 522,500	\$ 23,588,238	

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
Assets	-----	-----	-----	-----
Cash and pooled investments:				
ISCAP	\$ 5,033,340	\$ ---	\$ ---	\$ 5,033,340
Other	1,286,190	4,481,542	2,006,941	7,774,673
Receivables:				
Property tax:				
Delinquent	82,367	---	25,171	107,538
Succeeding year	9,692,991	---	1,926,652	11,619,643
Income surtax	877,878	---	---	877,878
Accounts	15,740	---	1,561	17,301
Accrued interest:				
ISCAP accrued interest	37,114	---	---	37,114
Other	---	13,448	3,245	16,693
Due from other funds	133,731	---	---	133,731
Due from other governments	758,388	208,879	16,588	983,855
Prepaid expenses	63,980	---	25,709	89,689
Total Assets	\$17,981,719	\$ 4,703,869	\$ 4,005,867	\$ 26,691,455
	=====	=====	=====	=====
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 207,327	\$ 81,109	\$ 63,070	\$ 351,506
Salaries and benefits payable	1,931,871	---	---	1,931,871
Due to other funds	---	---	641	641
ISCAP warrants payable	5,000,000	---	---	5,000,000
ISCAP unamortized premium	68,058	---	---	68,058
ISCAP accrued interest payable	25,779	---	---	25,779
Deferred revenue:				
Succeeding year property tax	9,692,991	---	1,926,652	11,619,643
Income surtax	877,878	---	---	877,878
Other	5,927	---	---	5,927
Total Liabilities	\$17,809,831	\$ 81,109	\$ 1,990,363	\$ 19,881,303
	-----	-----	-----	-----
Fund Balances:				
Reserved for:				
Debt service	\$ ---	\$ 1,209,841	\$ ---	\$ 1,209,841
Other	155,711	---	---	155,711
Unreserved	16,177	3,412,919	2,015,504	5,444,600
Total Fund Balances	\$ 171,888	\$ 4,622,760	\$ 2,015,504	\$ 6,810,152
	-----	-----	-----	-----
Total Liabilities and Fund Balances	\$17,981,719	\$ 4,703,869	\$ 4,005,867	\$ 26,691,455
	=====	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances of Governmental Funds	\$ 6,810,152
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets of \$44,645,369, net of accumulated depreciation of (\$17,236,277) are not financial resources and, therefore, are not reported in the governmental funds.	27,409,092
Income surtaxes and other deferred revenues will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	877,878
Long-term liabilities of (\$12,132,504) are not due and payable in the current period and are not reported in the funds. Other related amounts include deferred debt expense of \$44,514, bond interest payable of (\$35,926), and unamortized bond discount of \$92,532.	(12,031,384)
Net Assets of Governmental Activities	\$ 23,065,738

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
Revenues				
Local sources:				
Local tax	\$ 9,063,193	\$ 2,572,549	\$ 2,501,723	\$ 14,137,465
Tuition	825,845	---	---	825,845
Other	735,220	196,043	996,952	1,928,215
Intermediate sources	12,488	---	---	12,488
State sources	12,891,820	---	1,584	12,893,404
Federal sources	785,357	---	16,540	801,897
Total Revenues	\$24,313,923	\$ 2,768,592	\$ 3,516,799	\$ 30,599,314
Expenditures				
Current:				
Instruction:				
Regular	\$ 9,813,807	\$ ---	\$ 383,376	\$ 10,197,183
Special	3,396,380	---	6,935	3,403,315
Other	2,529,241	---	871,497	3,400,738
Total Instruction	\$15,739,428	\$ ---	\$ 1,261,808	\$ 17,001,236
Support Services:				
Student	\$ 890,285	\$ ---	\$ 14,478	\$ 904,763
Instructional staff	345,810	---	26,192	372,002
Administration	2,720,185	515	48,128	2,768,828
Operation and maintenance of plant	1,584,119	---	195,579	1,779,698
Transportation	2,334,330	---	142,592	2,476,922
Total Support Services	\$ 7,874,729	\$ 515	\$ 426,969	\$ 8,302,213
Non-instructional Programs	\$ ---	\$ ---	\$ 39,453	\$ 39,453

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Expenditures (Continued)				
Other Expenditures:				
Facilities acquisition	\$ ---	\$ 473,822	\$ 245,289	\$ 719,111
Long-term debt:				
Principal	---	---	1,900,000	1,900,000
Interest and fiscal charges	---	---	527,844	527,844
AEA flowthrough	1,096,770	---	---	1,096,770
	-----	-----	-----	-----
Total Other Expenditures	\$ 1,096,770	\$ 473,822	\$ 2,673,133	\$ 4,243,725
	-----	-----	-----	-----
Total Expenditures	\$24,710,927	\$ 474,337	\$ 4,401,363	\$29,586,627
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (397,004)	\$ 2,294,255	\$ (884,564)	\$ 1,012,687
	-----	-----	-----	-----
Other Financing Sources (Uses)				
Sale of equipment and materials	\$ 5,812	\$ ---	\$ ---	\$ 5,812
Operating transfers in	---	---	1,317,015	1,317,015
Operating transfers out	---	(1,317,015)	---	(1,317,015)
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 5,812	\$(1,317,015)	\$ 1,317,015	\$ 5,812
	-----	-----	-----	-----
Net Change in Fund Balances	\$ (391,192)	\$ 977,240	\$ 432,451	\$ 1,018,499
	-----	-----	-----	-----
Fund Balances Beginning of Year	\$ 563,080	\$ 3,645,520	\$ 1,538,303	\$ 5,746,903
Prior Period Adjustment	---	---	44,750	44,750
	-----	-----	-----	-----
Fund Balances Beginning of Year, restated	\$ 563,080	\$ 3,645,520	\$ 1,583,053	\$ 5,791,653
	-----	-----	-----	-----
Fund Balances End of Year	\$ 171,888	\$ 4,622,760	\$ 2,015,504	\$ 6,810,152
	=====	=====	=====	=====

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

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 \$ 1,018,499

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,470,953 exceeded depreciation of \$(1,449,582) in the current period. 21,371

In the statement of activities, loss on the sale or disposition of assets is reported, whereas in the governmental funds, the proceeds from the sale or disposition increase financial resources. This is the amount by which the cost of the assets disposed of \$(305,392) exceeded the related accumulated depreciation of \$294,778. (10,614)

Because income surtaxes and other deferred revenues will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 344,456

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments of \$1,900,000 exceeded amortization of bond discount of \$(17,712) and amortization of issuance costs of \$(10,736). 1,871,552

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net decreases in early retirement payable of \$384,276 and accrued interest of \$5,750. 390,026

Change in Net Assets of Governmental Activities \$ 3,635,290

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008**

	School Nutrition	Other Nonmajor Enterprise Fund ----- Regular Education Preschool	Total
	-----	-----	-----
Assets			
Cash and cash equivalents	\$ 478,282	\$ ---	\$ 478,282
Receivables:			
Accrued interest	773	---	773
Due from other governments	2,956	---	2,956
Prepaid expenses	103	---	103
Inventories	51,344	---	51,344
Capital assets, net of accumulated depreciation	166,609	---	166,609
	-----	-----	-----
Total Assets	\$ 700,067	\$ ---	\$ 700,067
	-----	-----	-----
Liabilities			
Accounts payable	\$ 30,707	\$ ---	\$ 30,707
Salaries and benefits payable	13,770	---	13,770
Due to other funds	133,090	---	133,090
	-----	-----	-----
Total Liabilities	\$ 177,567	\$ ---	\$ 177,567
	-----	-----	-----
Net Assets			
Invested in capital assets, net of related debt	\$ 166,609	\$ ---	\$ 166,609
Unrestricted	355,891	---	355,891
	-----	-----	-----
Total Net Assets	\$ 522,500	\$ ---	\$ 522,500
	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008**

	School Nutrition	Other Nonmajor Enterprise Fund ----- Regular Education Preschool	----- Total
Operating Revenues			
Local sources:			
Charges for services	\$ 897,221	\$ 95,839	\$ 993,060
Operating Expenses			
Instruction:			
Regular:			
Salaries and benefits	\$ ---	\$ 70,342	\$ 70,342
Benefits	---	24,441	24,441
Purchased services	---	1,056	1,056
Total Instruction	\$ ---	\$ 95,839	\$ 95,839
Non-instructional programs:			
Food service operations:			
Salaries and benefits	\$ 558,687	\$ ---	\$ 558,687
Benefits	122,301	---	122,301
Purchased services	17,605	---	17,605
Supplies	669,626	---	669,626
Depreciation	20,104	---	20,104
Total Non-instructional Programs	\$ 1,388,323	\$ ---	\$ 1,388,323
Total Operating Expenses	\$ 1,388,323	\$ 95,839	\$ 1,484,162
Operating Loss	\$ (491,102)	\$ ---	\$ (491,102)
Non-Operating Revenues			
State sources	\$ 19,140	\$ ---	\$ 19,140
Federal sources	436,460	---	436,460
Interest income	14,790	---	14,790
Total Non-Operating Revenues	\$ 470,390	\$ ---	\$ 470,390
Change in Net Assets	\$ (20,712)	\$ ---	\$ (20,712)
Net Assets Beginning of Year	543,212	---	543,212
Net Assets End of Year	\$ 522,500	\$ ---	\$ 522,500

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008**

	School Nutrition	Other Nonmajor Enterprise Fund Regular Education Preschool	Total
Cash Flows From Operating Activities			
Cash received from sale of lunches and breakfasts	\$ 897,221	\$ ---	\$ 897,221
Cash received for tuition	---	95,839	95,839
Cash payments to employees for services	(547,323)	(94,783)	(642,106)
Cash payments to suppliers for goods or services	(603,376)	(1,056)	(604,432)
Net Cash Used by Operating Activities	\$ (253,478)	\$ ---	\$ (253,478)
Cash Flows From Non-Capital Financing Activities			
State grants received	\$ 19,140	\$ ---	\$ 19,140
Federal grants received	373,080	---	373,080
Net Cash Provided by Non-Capital Financing Activities	\$ 392,220	\$ ---	\$ 392,220
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	\$ (56,260)	\$ ---	\$ (56,260)
Cash Flows From Investing Activities			
Interest on investments	\$ 14,017	\$ ---	\$ 14,017
Net Increase in Cash and Cash Equivalents	\$ 96,499	\$ ---	\$ 96,499
Cash and Cash Equivalents at Beginning of Year	381,783	---	381,783
Cash and Cash Equivalents at End of Year	\$ 478,282	\$ ---	\$ 478,282

See notes to financial statements.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2008

	School Nutrition	Other Nonmajor Enterprise Fund ----- Regular Education Preschool	Total -----
Reconciliation of Operating Loss to Net Cash Used by Operating Activities			
Operating loss	\$ (491,102)	\$ ---	\$ (491,102)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	60,424	---	60,424
Depreciation	20,104	---	20,104
(Increase) in inventories	(6,504)	---	(6,504)
Increase in accounts payable	29,935	---	29,935
Increase in salaries and benefits payable	613	---	613
Increase in due to other funds	133,052	---	133,052
	-----	-----	-----
Net Cash Used in Operating Activities	\$ (253,478)	\$ ---	\$ (253,478)
	=====	=====	=====

Non-Cash Investing, Capital and Financing Activities

During the year ended June 30, 2008, the District received \$74,600 of federal commodities.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2008

	Private Purpose Trust
	----- Scholarship -----
Assets	
Cash and pooled investments	\$ 17,588

Liabilities	
None	\$ ---

Net Assets	
Reserved for scholarships	\$ 17,588
	=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007**

	Private Purpose Trust
	Scholarship
Additions	
Local Sources:	
Gifts and contributions	\$ 1,200
Interest	603

Total Additions	\$ 1,803

Deductions	
Support Services:	
Scholarships awarded	\$ 1,200

Change in Net Assets	\$ 603

Net Assets Beginning of Year	\$ 61,735
Prior Period Adjustment	(44,750)

Net Assets Beginning of Year, restated	\$ 16,985

Net Assets End of Year	\$ 17,588
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 1 - Summary of Significant Accounting Policies:

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. The District is governed by a Board of Education whose members are elected on a nonpartisan 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, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Western Dubuque County Community School District has two component units which meet the Governmental Accounting Standards Board criteria, the Bobcat Foundation and the C.A.R.E. Foundation. These component units have not been included in the District's financial statements.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do 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 Dubuque County Assessor's Conference Board and the Dubuque County Empowerment Board.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 - Summary of Significant Accounting Policies: (Continued)

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 services.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

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 Local Option Sales Tax Fund is used to account for resources used in the acquisition and construction of capital facilities as well as accounting for resources used for repayment of revenue bonds issued to finance the acquisition of capital facilities.

The District reports the following major proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statements 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental fund types 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 that 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 becomes due and collectible in September and March of the fiscal year with a 1½% 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
-----	-----
Land	All
Buildings	\$ 3,000
Improvements other than buildings	3,000
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

Asset Class	Estimated Useful Lives
-----	-----
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

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

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Long-Term Obligations, Deferred Debt Expense, and Bond Discounts/Premiums
In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are 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.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 1 - Summary of Significant Accounting Policies: (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements in the non-instructional programs functional area exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

F. Estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 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:

	Amortized Cost

Diversified Portfolio	\$ 318,616
	=====

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 3 - Due From and Due To Other Funds:

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Student Activity	\$ 641
	Enterprise:	
	Nutrition	133,090

		<u><u>\$ 133,731</u></u>

The Student Activity Fund is reimbursing the General Fund for expenditures paid from the General Fund. The Nutrition Fund is repaying the General Fund for nutrition program wages paid from the General Fund. These balances will be repaid within fiscal year 2009.

Note 4 - Interfund Transfers:

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Local Option Sales Tax	\$ 1,317,015
		=====

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 5 - 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. NA 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	\$ ---	\$ 14,944	\$ ---	\$ ---
2007-08B	1/23/08	1/23/09	1,504,815	20,832	1,500,000	24,436
2008-09A	6/26/08	6/25/09	3,528,525	1,338	3,500,000	1,343
			\$ 5,033,340	\$ 37,114	\$ 5,000,000	\$ 25,779

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:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ ---	\$ 1,500,000	\$ 1,500,000	\$ ---
2007-08B	---	1,075,000	1,075,000	---
	\$ ---	\$ 2,575,000	\$ 2,575,000	\$ ---

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 5 - Iowa School Cash Anticipation Program (ISCAP): (Continued)

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

Note 6 - Capital Assets:

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 240,116	\$ ---	\$ ---	\$ 240,116
Construction in progress	297,203	93,213	297,203	93,213
Total capital assets, not being depreciated	\$ 537,319	\$ 93,213	\$ 297,203	\$ 333,329
Capital assets, being depreciated:				
Buildings	\$ 32,178,641	\$ 626,494	\$ ---	\$ 32,805,135
Improvements other than buildings	1,602,819	56,749	---	1,659,568
Furniture and equipment	9,161,029	991,700	305,392	9,847,337
Total capital assets, being depreciated	\$ 42,942,489	\$ 1,674,943	\$ 305,392	\$ 44,312,040
Less accumulated depreciation for:				
Buildings	\$ 7,848,947	\$ 693,712	\$ ---	\$ 8,542,659
Improvements other than buildings	1,426,002	66,727	---	1,492,729
Furniture and equipment	6,806,524	689,143	294,778	7,200,889
Total accumulated depreciation	\$ 16,081,473	\$ 1,449,582	\$ 294,778	\$ 17,236,277
Total capital assets, being depreciated, net	\$ 26,861,016	\$ 225,361	\$ 10,614	\$ 27,075,763
Total governmental activities capital assets, net	\$ 27,398,335	\$ 318,574	\$ 307,817	\$ 27,409,092

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 6- Capital Assets: (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
Business type activities:				
Furniture and equipment	\$ 238,515	\$ 56,260	\$ ---	\$ 294,775
Less accumulated depreciation	108,062	20,104	---	128,166
	-----	-----	-----	-----
Business type activities capital assets, net	\$ 130,453	\$ 36,156	\$ ---	\$ 166,609
	=====	=====	=====	=====

Depreciation expense was charged by the District as follows:

Governmental activities:

 Instruction:

Regular	\$ 237,285
Special	3,969
Other	31,915

 Support Services:

Student	1,647
Instructional staff	663
Administration	8,036
Operation and maintenance of plant	12,651
Transportation	354,172

 Non-instructional 17,742

 Unallocated 781,502

Total governmental activities depreciation expense \$ 1,449,582

Business type activities:

 Food service operations \$ 20,104

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 7 - 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	\$ 5,885,000	\$ ---	\$ 840,000	\$ 5,045,000	\$ 295,000
Revenue bonds	7,000,000	---	1,060,000	5,940,000	1,095,000
Early retirement	1,531,780	---	536,240	995,540	493,269
Health reimbursement arrangement	---	151,964	---	151,964	35,324
Total	\$ 14,416,780	\$ 151,964	\$ 2,436,240	\$ 12,132,504	\$ 1,918,593

General Obligation Bonds

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

Year Ending June 30,	Bond Issue September 1, 2001			Bond Issue February 1, 2002			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2009	4.500	---	187,499	4.000	295,000	42,815	295,000	230,314	525,314
2010	4.500	---	187,499	4.000	305,000	31,015	305,000	218,514	523,514
2011	4.500	---	187,499	4.200	320,000	18,815	320,000	206,314	526,314
2012	4.500	210,000	187,499	4.300	125,000	5,375	335,000	192,874	527,874
2013	4.625	350,000	178,049	---	---	---	350,000	178,049	528,049
2014-2018	4.625	1,995,000	632,351	---	---	---	1,995,000	632,351	2,627,351
2019-2021	4.750	1,445,000	139,413	---	---	---	1,445,000	139,413	1,584,413
		<u>4,000,000</u>	<u>1,699,809</u>		<u>1,045,000</u>	<u>98,020</u>	<u>5,045,000</u>	<u>1,797,829</u>	<u>6,842,829</u>

Series 2001 bonds due June 1, 2012-2021, inclusive, are callable on any date on or after June 1, 2011, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any maturities as determined by the District and within any maturity by lot.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 7 - Long-Term Liabilities: (Continued)

Series 2002 bonds due June 1, 2004 - 2008, inclusive, are non-callable. Bonds due June 1, 2009 - 2012, inclusive, are callable in whole or in part on any date after June 1, 2008 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

Revenue Bonds

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

Year Ending June 30,	Rates	Bond Issue June 30, 2003		
-----	-----	Principal Amount	Interest	Total
-----	-----	-----	-----	-----
2009	3.200%	1,095,000	223,095	1,318,095
2010	3.600%	1,140,000	188,055	1,328,055
2011	3.900%	1,185,000	147,015	1,332,015
2012	4.000%	1,235,000	100,800	1,335,800
2013	4.000%	1,285,000	51,400	1,336,400
		-----	-----	-----
		5,940,000	710,365	6,650,365
		=====	=====	=====

The District has pledged future local option sales and services tax revenues to repay the \$11,000,000 bonds issued in June 2003. The bonds were issued for the purpose of financing the costs of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2013. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 52 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$6,650,365. For the current year, principal and interest paid and total local option sales and services tax revenues were \$1,317,015 and \$2,572,549, respectively.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 7 - Long-Term Liabilities: (Continued)

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

- a) Interest on the Bonds is payable on June 1 and December 1 in each year, beginning December 1, 2003, to the registered owners thereof. The Bonds will mature serially on June 1. Bonds maturing on or after June 1, 2010, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at par plus accrued interest to date of call.
- b) The Bond Resolution establishes a Project Fund (the "Project Fund") into which the net Bond proceeds shall be deposited. Moneys in the Project Fund shall be used for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose. Any Project Fund moneys used to pay debt service on the Bonds shall be repaid to the Project Fund at the earliest opportunity.
- c) The Bond Resolution also establishes the Local Option Sales and Services Tax Revenue Fund (the "Revenue Fund"), into which shall be deposited all local option sales taxes when received from the State. Moneys in the Revenue Fund shall be disbursed to the following funds and accounts in the following order of priority.
- d) Interest and principal on the Bonds (and any Parity Obligations, as defined below) will be paid from the Sinking Fund (the "Sinking Fund"). The amount to be deposited in the Sinking Fund shall be equal to the amount of principal and interest coming due on the Bonds, and any other obligations payable from the Local Option Tax revenues on a parity with the Bonds ("Parity Obligations") during the fiscal year and shall be used solely for the purpose of paying debt service on the Bonds and any Parity Obligations.
- e) The Bonds are secured by the Reserve Fund established under the Bond Resolution which Reserve Fund will be funded from proceeds of the Bonds. So long as any Bonds are outstanding, the Issuer is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the proceeds of the Bonds; (b) 125% of the average annual debt service on such Bonds and (c) the maximum annual debt service on such Bonds (the "Reserve Fund Requirement").

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 7 - Long-Term Liabilities: (Continued)

The District did comply with all of the provisions during the year ended June 30, 2008. The Sinking Fund and Reserve Fund requirements are accounted for in the Local Option Sales Tax Fund.

Early Retirement

The District previously offered the following early retirement plans to its employees.

Principals/Supervisors – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District of which the last ten years must be as an administrator or supervisor. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Cash incentive benefits are deposited with a third-party administrator on behalf of the employee. Employees are provided four years of medical insurance payments at the same employer contribution level as when they retired.

Teachers/Nurses – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days and personal leave days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided five years of medical insurance payments at the employer contribution level for family coverage at the time of retirement.

Hourly Employees – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided three years of medical insurance payments at the same employer contribution level as when they retired.

Early retirement benefits paid during the year ended June 30, 2008, totaled \$536,240. Fiscal year 2006 was the final year of the program for Principals/Supervisors and Teachers/Nurses. Fiscal year 2007 was the final year of the program for Hourly Employees.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 7 - Long-Term Liabilities: (Continued)

Health Reimbursement Arrangement

The District has established a Health Reimbursement Arrangement and will contribute to an employer-provided medical reimbursement plan for contracted employees when they retire. To qualify, the retiring employee must be at least age fifty-five and have fifteen or more years of service with the District. However, for fiscal year 2008 only, employees who were at least age fifty-four and had 14 or more years of experience were eligible. For contracted employees eligible for health insurance, the District will contribute to the HRA an amount equal to its annual contribution to the cost of family medical insurance at the time of retirement for the employee's work classification for a period of five years. For employees not eligible for medical insurance, the District will contribute to the HRA a one-time amount equal to 25% of the employee's regular wages earned during the last year of employment with the District.

No health reimbursement arrangement amounts were paid during the year ended June 30, 2008.

Note 8 - Lease Agreement:

On October 20, 2001, the District entered an agreement to lease a building for five years. The District is to receive rent of \$36,000 per year for the first two years with the rent for the remaining three years to be negotiated. On February 12, 2003, the lease was renegotiated and the District is to receive \$37,440 for the remainder of the lease. At the end of five years, the lessee has the option to renew the lease for an additional five years. On February 15, 2006, the lessee renewed the lease for five years. The District is to receive rent of \$37,440 per year.

Note 9 - 28E Agreements:

On July 20, 2005, the District entered into a 28E Agreement with the City of Farley, Iowa. The agreement is for the purpose of constructing a high school regulation softball field. Along with the 28E Agreement, the District has entered into a lease agreement with the City of Farley for the use of the softball field. The term of the lease is 40 years with annual rent of \$1.

On April 14, 2007, the District entered into a 28E Agreement with Northeast Iowa Community College. The agreement is for the purpose of jointly administering an Alternative High School.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 10 - Pension and Retirement Benefits:

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

Plan members are required to contribute 3.90% 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 contribution to IPERS for the years ended June 30, 2008, 2007, and 2006, were \$928,383, \$825,574, and \$856,349, respectively, equal to the required contributions for each year.

Note 11 - Risk Management:

Western Dubuque County 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.

Note 12 - 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 \$1,096,770 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.

Note 13- Construction in Progress:

In April 2008, the District entered into a contract totaling \$255,239 to install an elevator at a middle school. At June 30, 2008, \$83,024 of the contract was completed. The remaining amount will be paid as work on the project progresses.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Note 14 - Commitments:

During fiscal year 2008, the District approved a contract in the amount of \$366,299 for the purchase of five school buses. No amounts had been paid under this contract at June 30, 2008.

Note 15 - Contingencies:

Health Reimbursement Arrangement - As of June 30, 2008, several District employees met the eligibility criteria for the health reimbursement arrangement but did not retire. Therefore, no liability was recorded for those individuals. The District's unrecorded contingent liability for the health reimbursement arrangement is approximately \$3,259,649 as of June 30, 2008.

Compensated Absences - District employees accumulate sick leave hours for subsequent use. Since the accumulated hours do not vest, they do not become liabilities until used. The District's unrecorded contingent liability for sick leave as of June 30, 2008, is approximately \$5,547,020. The District does not have a liability for employee vacations as they do not vest and any unused vacation lapses at year-end.

Note 16 - Prior Period Adjustment:

Upon review by the District, it was determined that funds recorded in the Private Purpose Trust Fund should have been recorded in the Student Activity Special Revenue Fund. This adjustment reclassifies these funds and causes fund balance of the Student Activity Fund to increase by \$44,750 and the net assets of the Private Purpose Trust Fund to decrease by \$44,750.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues						
Local sources	\$ 16,891,525	\$ 1,007,850	\$ 17,899,375	\$ 17,820,163	\$ 17,820,163	\$ 79,212
Intermediate sources	12,488	---	12,488	5,000	5,000	7,488
State sources	12,893,404	19,140	12,912,544	12,594,305	12,594,305	318,239
Federal sources	801,897	436,460	1,238,357	1,376,847	1,376,847	(138,490)
Total Revenues	\$ 30,599,314	\$ 1,463,450	\$ 32,062,764	\$ 31,796,315	\$ 31,796,315	\$ 266,449
Expenditures/Expenses						
Instruction	\$ 17,001,236	\$ 95,839	\$ 17,097,075	\$ 16,261,946	\$ 17,586,422	\$ 489,347
Support services	8,302,213	---	8,302,213	9,015,927	8,326,740	24,527
Non-instructional programs	39,453	1,388,323	1,427,776	1,310,558	1,310,558	(117,218)
Other expenditures	4,243,725	---	4,243,725	4,482,647	4,482,647	238,922
Total Expenditures/Expenses	\$ 29,586,627	\$ 1,484,162	\$ 31,070,789	\$ 31,071,078	\$ 31,706,367	\$ 635,578
Excess (Deficiency) of Revenues Over (Under) Expenditures/Expenses	\$ 1,012,687	\$ (20,712)	\$ 991,975	\$ 725,237	\$ 89,948	\$ 902,027
Other Financing Sources, Net	5,812	---	5,812	---	---	5,812
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	\$ 1,018,499	\$ (20,712)	\$ 997,787	\$ 725,237	\$ 89,948	\$ 907,839

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Balances Beginning of Year	\$ 5,746,903	\$ 543,212	\$ 6,290,115	\$ 5,600,949	\$ 5,600,949	\$ 689,166
Prior Period Adjustment	44,750	---	44,750	---	---	44,750
Balances Beginning of Year, restated	\$ 5,791,653	\$ 543,212	\$ 6,334,865	\$ 5,600,949	\$ 5,600,949	\$ 733,916
Balances End of Year	\$ 6,810,152	\$ 522,500	\$ 7,332,652	\$ 6,326,186	\$ 5,690,897	\$ 1,641,755

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment decreasing budgeted expenditures by \$635,289.

During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	
Assets						
Cash and pooled investments	\$ 975,716	\$ 532,248	\$ 333,570	\$ ---	\$ 165,407	\$2,006,941
Receivables:						
Property tax:						
Delinquent	10,759	---	2,985	---	11,427	25,171
Succeeding year	1,092,427	---	308,911	---	525,314	1,926,652
Accounts	---	1,561	---	---	---	1,561
Accrued interest	1,545	966	444	---	290	3,245
Due from other governments	22	---	16,545	---	21	16,588
Prepaid expenses	25,709	---	---	---	---	25,709
Total Assets	\$ 2,106,178	\$ 534,775	\$ 662,455	\$ ---	\$ 702,459	\$4,005,867
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 373	\$ 48,974	\$ 13,723	\$ ---	\$ ---	\$ 63,070
Due to other funds	---	641	---	---	---	641
Deferred revenue:						
Succeeding year property tax	1,092,427	---	308,911	---	525,314	1,926,652
Total Liabilities	\$ 1,092,800	\$ 49,615	\$ 322,634	\$ ---	\$ 525,314	\$1,990,363
Unreserved Fund Balances	\$ 1,013,378	\$ 485,160	\$ 339,821	\$ ---	\$ 177,145	\$2,015,504
Total Liabilities and Fund Balances	\$ 2,106,178	\$ 534,775	\$ 662,455	\$ ---	\$ 702,459	\$4,005,867

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	
Revenues						
Local Sources:						
Local tax	\$ 1,104,167	\$ ---	\$ 289,426	\$ ---	\$ 1,108,130	\$ 2,501,723
Other	69,633	895,958	10,448	1,274	19,639	996,952
State sources	719	---	179	---	686	1,584
Federal sources	---	---	16,540	---	---	16,540
Total Revenues	\$ 1,174,519	\$ 895,958	\$ 316,593	\$ 1,274	\$ 1,128,455	\$ 3,516,799
Expenditures						
Current:						
Instruction:						
Regular	\$ 352,839	\$ ---	\$ 30,537	\$ ---	\$ ---	\$ 383,376
Special	6,935	---	---	---	---	6,935
Other	32,170	839,327	---	---	---	871,497
Total Instruction	\$ 391,944	\$ 839,327	\$ 30,537	\$ ---	\$ ---	\$ 1,261,808
Support Services:						
Student	\$ 14,478	\$ ---	\$ ---	\$ ---	\$ ---	\$ 14,478
Instructional staff	2,473	---	---	23,719	---	26,192
Administration	47,955	144	29	---	---	48,128
Operation and maintenance of plant	136,134	---	59,445	---	---	195,579
Transportation	114,032	5,512	23,048	---	---	142,592
Total Support Services	\$ 315,072	\$ 5,656	\$ 82,522	\$ 23,719	\$ ---	\$ 426,969
Non-instructional Programs	\$ 39,453	\$ ---	\$ ---	\$ ---	\$ ---	\$ 39,453

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	
Expenditures (Continued)						
Other Expenditures:						
Facilities acquisition	\$ ---	\$ ---	\$ 209,991	\$ 35,298	\$ ---	\$ 245,289
Long-term debt:						
Principal	---	---	---	---	1,900,000	1,900,000
Interest and fiscal charges	---	---	---	---	527,844	527,844
Total Other Expenditures	\$ ---	\$ ---	\$ 209,991	\$ 35,298	\$ 2,427,844	\$ 2,673,133
Total Expenditures	\$ 746,469	\$ 844,983	\$ 323,050	\$ 59,017	\$ 2,427,844	\$ 4,401,363
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 428,050	\$ 50,975	\$ (6,457)	\$ (57,743)	\$ (1,299,389)	\$ (884,564)
Other Financing Sources (Uses)						
Operating transfers in	---	---	---	---	1,317,015	1,317,015
Net Change in Fund Balances	\$ 428,050	\$ 50,975	\$ (6,457)	\$ (57,743)	\$ 17,626	\$ 432,451
Fund Balances Beginning of Year	\$ 585,328	\$ 389,435	\$ 346,278	\$ 57,743	\$ 159,519	\$ 1,538,303
Prior Period Adjustment	---	44,750	---	---	---	44,750
Fund Balances Beginning of Year, restated	\$ 585,328	\$ 434,185	\$ 346,278	\$ 57,743	\$ 159,519	\$ 1,583,053
Fund Balances End of Year	\$ 1,013,378	\$ 485,160	\$ 339,821	\$ ---	\$ 177,145	\$ 2,015,504

See accompanying independent auditor's report.

SCHEDULE "3"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Revenues	Expenditures	Intrafund Transfers	Prior Period Adjustment	Balance June 30, 2008
District Wide Accounts						
Employee Awards	\$ 154	\$ ---	\$ ---	\$ ---	\$ ---	\$ 154
Miscellaneous	(165)	---	144	---	---	(309)
Western Trip	8,715	---	---	---	---	8,715
District Wide Interest	74,719	6,719	---	---	---	81,438
Student/Employee Wellness	949	---	400	---	---	549
Total District Wide	\$ 84,372	\$ 6,719	\$ 544	\$ ---	\$ ---	\$ 90,547
Epworth High School:						
Computer Technology	\$ 380	\$ 225	\$ 191	\$ ---	\$ ---	\$ 414
Poms	3,427	17,510	18,225	(72)	---	2,640
Dramatics Fund	5,054	6,766	9,525	---	---	2,295
Speech Club	---	2,797	1,973	---	---	824
Vocal Music	1,357	3,694	2,268	72	---	2,855
Instrumental Music	1,410	4,805	3,063	---	---	3,152
Show Choir	(477)	59,013	53,124	---	---	5,412
Model U.N.	831	1,040	1,141	---	---	730
Student Council	3,834	11,768	11,028	(405)	---	4,169
Future Farmers	3,082	34,984	37,888	(185)	---	(7)
Yearbook	7,884	21,672	18,238	384	---	11,702
Library Club	1,651	190	---	---	---	1,841
Close Up	32	---	---	---	---	32
Post Prom	2,328	2,161	2,498	794	---	2,785
National Honor Society	132	646	637	---	---	141
Class of 2011	---	4,263	2,865	185	---	1,583
Class of 2010	1,633	200	25	---	---	1,808
Class of 2009	910	10,098	3,739	(1,270)	---	5,999
Class of 2008	4,343	143	802	475	---	4,159
Class of 2007	3,291	---	---	---	---	3,291
Class of 2006	698	---	---	---	---	698
Class of 2005	743	---	---	---	---	743
Class of 2003	899	---	---	---	---	899
Class of 2001	7	---	---	---	---	7
Future Business Leaders	1,350	3,474	3,934	---	---	890
Athletic Fund	96,463	225,826	209,094	(881)	---	112,314
Pop and Uniforms	4,385	5,279	7,235	---	---	2,429
Fundraiser	5,905	1,383	530	(328)	---	6,430
Band	1,137	661	905	---	---	893
Miscellaneous	1,729	2,700	5,061	825	---	193
Total Epworth High School	\$ 154,418	\$ 421,298	\$ 393,989	\$ (406)	\$ ---	\$ 181,321

See accompanying independent auditor's report.

SCHEDULE "3" (Continued)

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

	Balance June 30, 2007	Revenues	Expenditures	Intrafund Transfers	Prior Period Adjustment	Balance June 30, 2008
Cascade High School:						
Poms	\$ 3,144	\$ 3,855	\$ 5,459	\$ ---	\$ ---	\$ 1,540
Dramatics/Speech	9,059	14,018	14,050	---	---	9,027
Vocal Music	973	3,623	11,156	9,382	---	2,822
Instrumental Music	6,928	27,249	28,508	(454)	---	5,215
Band	808	75	962	79	---	---
Student Council	1,690	3,970	5,545	805	---	920
Future Farmers	11,248	62,748	50,797	---	44,750	67,949
Cheerleaders	366	27	203	---	---	190
National Honor Society	489	46	101	---	---	434
Spanish Club	190	---	---	---	---	190
Junior High	3,199	13,787	14,712	(692)	---	1,582
Class of 2009	---	955	1,127	200	---	28
Class of 2008	1,787	268	335	(200)	---	1,520
Class of 2007	447	---	---	---	---	447
Athletic Fund	15,888	114,284	119,932	3,100	---	13,340
Pop and Uniforms	5,330	13,310	9,109	(3,500)	---	6,031
Vocal Music - Student	2,964	9,563	3,521	(9,006)	---	---
Yearbook	4,116	14,451	13,821	692	---	5,438
Miscellaneous	2,309	6,110	7,877	---	---	542
Total Cascade High School	\$ 70,935	\$ 288,339	\$ 287,215	\$ 406	\$ 44,750	\$ 117,215
Bernard Elementary:						
Student Expenses	\$ 3,876	\$ 5,286	\$ 3,687	\$ ---	\$ ---	\$ 5,475
Cascade Elementary:						
Student Expenses	\$ 7,422	\$ 12,029	\$ 8,886	\$ 50	\$ ---	10,615
School Photos	811	545	---	---	---	1,356
Student Council	1,104	926	852	(50)	---	1,128
Total Cascade Elementary	\$ 9,337	\$ 13,500	\$ 9,738	\$ ---	\$ ---	\$ 13,099
Dyersville Elementary:						
Student Expenses	\$ 1,350	\$ 3,701	\$ 1,880	\$ 657	\$ ---	\$ 3,828
Book Fair	---	785	785	---	---	---
School Photos	1,534	148	---	---	---	1,682
Total Dyersville Elementary	\$ 2,884	\$ 4,634	\$ 2,665	\$ 657	\$ ---	\$ 5,510

See accompanying independent auditor's report.

SCHEDULE "3" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008**

	Balance June 30, 2007	Revenues	Expenditures	Intrafund Transfers	Prior Period Adjustment	Balance June 30, 2008
	-----	-----	-----	-----	-----	-----
Farley:						
Spring Fundraiser	\$ 7,893	\$ 15,762	\$ 5,806	\$ (657)	\$ ---	\$ 17,192
Student Council	126	651	495	---	---	282
Yearbook	1,154	4,913	4,572	---	---	1,495
Vocal Music	(105)	423	1,418	1,100	---	---
Instrumental Music	(314)	8,962	9,471	823	---	---
Athletic Fund	134	4,829	16,314	11,870	---	519
Booster Club/PTO	455	---	---	---	---	455
Outdoor Education	5,147	---	751	(1,555)	---	2,841
Pop and Uniforms	3,452	2,223	1,124	(264)	---	4,287
Fitness Program	3,841	3,927	3,920	---	---	3,848
Book Fair	1,590	11,601	11,316	---	---	1,875
School Photos	11,352	4,244	---	(2,705)	---	12,891
Magazine/Newspaper Fundraiser	6,583	22,753	18,673	(9,883)	---	780
Grade 8 Class Trip	---	5,166	5,430	264	---	---
Various Groups	8,622	38,615	32,061	350	---	15,526
	-----	-----	-----	-----	-----	-----
Total Farley	\$ 49,930	\$ 124,069	\$ 111,351	\$ (657)	\$ ---	\$ 61,991
	-----	-----	-----	-----	-----	-----
Epworth Elementary:						
Student Expenses	\$ 12,101	\$ 5,859	\$ 10,914	\$ ---	\$ ---	\$ 7,046
	-----	-----	-----	-----	-----	-----
Peosta Elementary:						
Yearbook	\$ 66	\$ 1,931	\$ 1,035	\$ ---	\$ ---	\$ 962
Booster Club	---	17,000	14,796	---	---	2,204
Miscellaneous	1,516	7,323	9,049	---	---	(210)
	-----	-----	-----	-----	-----	-----
Total Peosta Elementary	\$ 1,582	\$ 26,254	\$ 24,880	\$ ---	\$ ---	\$ 2,956
	-----	-----	-----	-----	-----	-----
Total	\$ 389,435	\$ 895,958	\$ 844,983	\$ ---	\$ 44,750	\$ 485,160
	=====	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "4"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	2008	2007	2006	2005	2004	2003	2002
Revenues							
Local Sources:							
Local tax	\$ 14,137,465	\$ 13,880,533	\$ 13,144,109	\$ 12,445,327	\$ 11,259,357	\$ 8,635,638	\$ 7,757,212
Tuition	825,845	830,306	717,011	651,757	631,073	576,731	598,362
Other	1,928,215	1,911,309	1,592,219	1,349,802	1,279,922	1,194,147	1,648,306
Intermediate Sources	12,488	1,306	6,459	---	4,108	80	---
State Sources	12,893,404	11,984,915	11,440,396	10,326,712	9,278,073	9,556,936	9,545,789
Federal Sources	801,897	850,311	1,416,939	1,464,404	950,399	1,552,042	776,270
Total	\$ 30,599,314	\$ 29,458,680	\$ 28,317,133	\$ 26,238,002	\$ 23,402,932	\$ 21,515,574	\$ 20,325,939

SCHEDULE "4" (Continued)

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	2008	2007	2006	2005	2004	2003	2002
Expenditures							
Instruction:							
Regular	\$ 10,197,183	\$ 10,311,911	\$ 9,154,370	\$ 8,469,963	\$ 8,377,622	\$ 8,181,683	\$ 8,286,275
Special	3,403,315	2,782,573	3,289,290	3,099,950	3,605,876	3,074,974	2,871,659
Other	3,400,738	3,020,372	2,105,981	2,667,318	2,129,419	2,108,320	2,046,932
Support Services:							
Student	904,763	841,912	819,965	692,460	666,742	589,805	626,819
Instructional staff	372,002	393,706	866,136	553,355	534,905	467,647	392,662
Administration	2,768,828	2,590,845	2,528,027	2,138,672	1,627,196	1,772,832	1,750,488
Operation and maintenance of plant	1,779,698	1,707,388	1,568,012	1,471,773	1,299,654	1,175,562	1,136,769
Transportation	2,476,922	2,227,582	2,121,983	2,002,883	1,708,369	1,435,289	1,297,138
Central support					1,244	93,387	10,950
Non-instructional Programs	39,453	37,462	19,643	26,152	18,420	14,350	
Other Expenditures:							
Facilities acquisition	719,111	965,701	649,303	6,953,304	5,427,398	5,825,035	750,806
Long-term debt:							
Principal	1,900,000	1,840,000	1,760,000	1,705,000	1,670,000	435,000	415,000
Interest and other charges	527,844	593,974	650,629	704,141	753,765	578,879	140,928
AEA flowthrough	1,096,770	1,042,947	974,359	903,083	872,561	920,041	918,733
Total	\$ 29,586,627	\$ 28,356,373	\$ 26,507,698	\$ 31,388,054	\$ 28,693,171	\$ 26,672,804	\$ 20,645,159

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
 FARLEY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect Programs:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY08	\$ 42,693
National School Lunch Program	10.555	FY08	390,810
			\$ 433,503
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY08	\$ 309,483
Career and Technical Education			
- Basic Grants to States	84.048	FY08	36,875
Safe and Drug Free Schools and Communities			
- State Grants	84.186	FY08	12,254
State Grants for Innovative Programs	84.298	FY08	5,457
Improving Teacher Quality State Grants	84.367	FY08	153,175
State Assessment	84.369	FY08	23,250
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY08	205,371
			\$ 745,865
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY08	\$ 67,215
Total			\$ 1,246,583

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Dubuque County 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 Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

O'CONNOR, BROOKS & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of the
Western Dubuque County Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2008, which collectively comprises the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 29, 2008. We expressed an unqualified opinion on the financial statements of the various opinion units of the primary government and an adverse opinion on the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units. 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 Western Dubuque County 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Western Dubuque County Community School District's internal control over financial reporting.

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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 the 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 the District's financial statements will not be prevented or detected by the District's internal control.

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 the 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 or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Dubuque County 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.

Western Dubuque County 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 the District's responses and accordingly, we express no opinion on them.

We noted certain other matters that were reported to management in a separate letter dated December 29, 2008.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque County 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 Western Dubuque County 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.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
December 29, 2008

O'CONNOR, BROOKS & CO., P.C.

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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 the
Western Dubuque County Community School District

Compliance

We have audited the compliance of Western Dubuque County Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The 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 Western Dubuque County Community School District's management. Our responsibility is to express an opinion on the 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 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 the 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 the District's compliance with those requirements.

In our opinion, Western Dubuque County 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.

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Internal Control Over Compliance

The management of Western Dubuque County 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 the 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 the District's internal control over compliance.

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.

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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Western Dubuque County 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 the District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque County 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.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
December 29, 2008

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

Part I: Summary of Independent Auditor's Results

- a) Unqualified opinions were issued on the financial statements of the primary government. An adverse opinion was issued on the financial statements of the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units.
- b) No material weaknesses were disclosed during the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit did not disclose any 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 were 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) Western Dubuque County Community School District did not qualify as a low-risk auditee.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - Disbursements for the year ended June 30, 2008, exceeded the amended certified budget amounts in the non-instructional programs functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-08 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-08 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-08 Deposits and Investments - 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 were noted.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-09 Student Activity Fund - Several Student activity accounts had deficit balances at June 30, 2008.

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

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

Conclusion - Response accepted.

O'CONNOR, BROOKS & CO., P.C.

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To the Board of Education and Management of the
Western Dubuque County Community School District
Farley, Iowa

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and suggestions are summarized below. We previously reported on the District's internal control in our report dated December 29, 2008. This letter does not affect our report dated December 29, 2008, on the financial statements of the Western Dubuque County Community School District.

Payroll – An individual reviews the payroll register for changes in deductions from employees' wages; however, internal control could be improved by the preparation of an edit report on a monthly basis detailing any changes made to the payroll master file. This report should be printed and reviewed by an individual not involved in the preparation of the payroll records. Changes on the edit report should be compared to supporting documents.

Capital Assets – To ensure that all capital assets are properly included in the fixed asset subsidiary ledger, we recommend the District prepare a list of checks posted to the capital outlay accounts and compare the total of the checks to the amount recorded for asset acquisitions in the fixed asset subsidiary ledger. Differences between these amounts should be reconciled.

We will review the status of these comments and suggestions during our next audit engagement. We have already discussed these comments and suggestions with various

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District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks + Co., P.C.

Dubuque, Iowa

December 29, 2008