

BENNETT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2006

BENNETT COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2006

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	<u>Exhibit</u>
Government-wide Financial Statements	
Statement of Net Assets	A 15
Statement of Activities	B 16-17
Governmental Fund Financial Statements	
Balance Sheet	C 18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances	E 20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 22
Proprietary Fund Financial Statements	
Statement of Net Assets	G 23
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 24
Statement of Cash Flows	I 25
Notes to Financial Statements	26-34
Required Supplementary Information	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	36
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	37
Notes to Required Supplementary Information - Budgetary Reporting	38

BENNETT COMMUNITY SCHOOL DISTRICT
Table of Contents
June 30, 2006

	<u>Schedule</u>	<u>Page</u>
Other Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Nonmajor Proprietary Funds		
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	3	42
Combining Statement of Cash Flows	4	43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	45
 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters		 46-47
 Schedule of Findings		 48-49
 Audit Staff		 50

BENNETT COMMUNITY SCHOOL DISTRICT
OFFICIALS
June 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2005 Election)		
Art Ahrens	Board President	2005
David Rixe	Board Member	2005
Jim Pelzer	Board Member	2006
Karen Rohlf	Board Member	2007
Nyle Paper	Board Member	2007
(After September, 2005 Election)		
Art Ahrens	Board President	2008
Jim Pelzer	Board Member	2006
Karen Rohlf	Board Member	2007
Nyle Paper	Board Member	2007
David Rixe	Board Member	2008
School Officials		
Mary Jo Hainstock	Superintendent	2006
Sue Hillmann	District Secretary	(retired January 2006) 2006
Lonna Moeller	District Secretary	(appointed January 2006) 2006
Kay Burmeister	District Treasurer	2006
Brian Gruhn	Attorney	2006

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Bennett Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District, Bennett, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Bennett Community School District as of June 30, 2006, 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, I have also issued my report dated October 27, 2006 on my consideration of Bennett Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bennett Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules I through 6, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
October 27, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bennett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,835,619 in fiscal 2005 to \$1,880,591 in fiscal 2006, and General Fund expenditures decreased from \$1,963,896 in fiscal 2005 to \$1,854,128 in fiscal 2006. The District's General Fund balance increased from \$532,149 in fiscal 2005 to \$558,612 in fiscal 2006, a 5% increase.
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2006. The decrease in expenditures was due primarily to reduction in staff brought about by the whole grade sharing agreement, which went into effect in July of 2005. One reason the General Fund balance increased is because the enrollment of the district has stabilized and general operating costs have decreased due to the closing of part of the building.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bennett 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 Bennett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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 Governmental Funds.

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

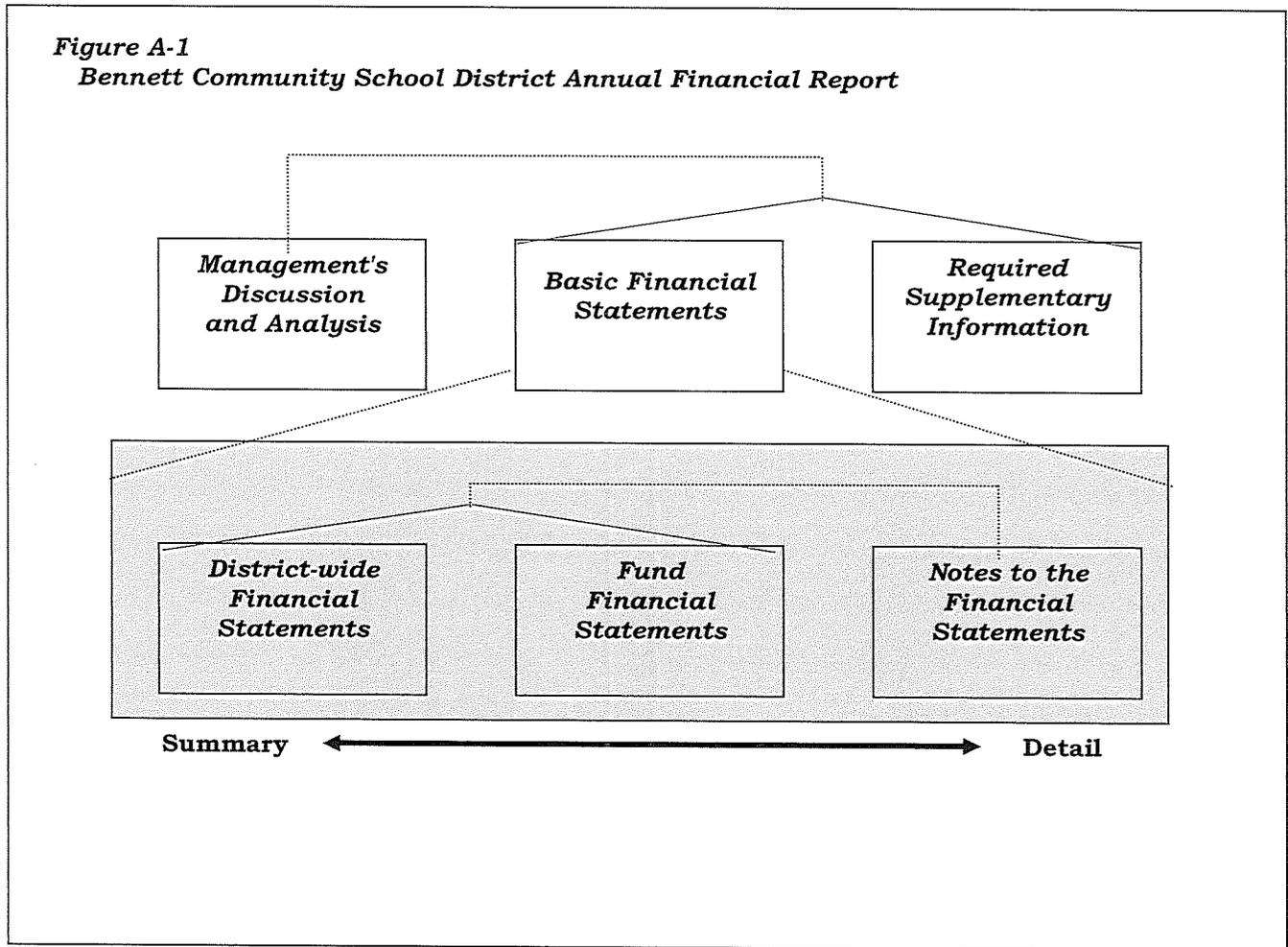


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary 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 rental
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 fund net assets • Statement of cash flows
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
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, short-term and long-term
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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

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

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

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. During fiscal 2006, the District had two Enterprise Funds, the School Nutrition Fund and Rental Fund. The Rental Fund was closed out at the end of fiscal 2006.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Current and other assets	\$ 2,105,668	\$ 1,996,685	\$ 5,608	\$ 17,724	\$ 2,111,276	\$ 2,014,409	4.81%
Capital assets	<u>281,448</u>	<u>250,943</u>	<u>5,674</u>	<u>3,700</u>	<u>287,122</u>	<u>254,643</u>	12.75%
Total assets	<u>2,387,116</u>	<u>2,247,628</u>	<u>11,282</u>	<u>21,424</u>	<u>2,398,398</u>	<u>2,269,052</u>	5.70%
Long-term obligations	280,000	310,000	-	-	280,000	310,000	-9.68%
Other liabilities	<u>997,224</u>	<u>1,044,100</u>	<u>-</u>	<u>1,000</u>	<u>997,224</u>	<u>1,045,100</u>	-4.58%
Total liabilities	<u>1,277,224</u>	<u>1,354,100</u>	<u>-</u>	<u>1,000</u>	<u>1,277,224</u>	<u>1,355,100</u>	-5.75%
Net assets							
Invested in capital assets, net of related debt	281,448	250,943	5,674	3,700	287,122	254,643	12.75%
Restricted	549,832	420,436	-	-	549,832	420,436	30.78%
Unrestricted	<u>278,612</u>	<u>222,149</u>	<u>5,608</u>	<u>16,724</u>	<u>284,220</u>	<u>238,873</u>	18.98%
Total net assets	<u>\$ 1,109,892</u>	<u>\$ 893,528</u>	<u>\$ 11,282</u>	<u>\$ 20,424</u>	<u>\$ 1,121,174</u>	<u>\$ 913,952</u>	22.67%

The District's combined net assets increased by approximately 23%, or \$207,222 from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$129,396, or approximately 31% over the prior year. The increase was primarily a result of the purchase of a 2006

School Bus, and the purchase of building and grounds equipment in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$45,347, or approximately 19%. This increase in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues							
Program revenues							
Charges for service and sales	\$ 97,961	\$ 141,548	\$ 27,495	\$ 60,517	\$ 125,456	\$ 202,065	-37.91%
Operating grants	245,955	268,436	19,265	28,357	265,220	296,793	-10.64%
General revenues							
Property tax	967,001	1,047,448	-	-	967,001	1,047,448	-7.68%
Sales and services tax	133,313	129,495	-	-	133,313	129,495	2.95%
Unrestricted state grants	644,069	603,591	-	-	644,069	603,591	6.71%
Contributions and donations	16,544	-	-	-	16,544	-	100.00%
Unrestricted investment earnings	24,896	11,295	69	71	24,965	11,366	119.65%
Other	77	5,874	-	-	77	5,874	-98.69%
Gain on sale of real property	52,433	-	-	-	52,433	-	100.00%
Transfers	11,352	(2,175)	(11,352)	2,175	-	-	0.00%
Total revenues	<u>2,193,601</u>	<u>2,205,512</u>	<u>35,477</u>	<u>91,120</u>	<u>2,229,078</u>	<u>2,296,632</u>	-2.94%
Program expenses							
Governmental activities							
Instruction	1,400,218	1,509,236	-	-	1,400,218	1,509,236	-7.22%
Support services	468,885	584,012	-	-	468,885	584,012	-19.71%
Non-instructional programs	-	-	44,619	91,539	44,619	91,539	-51.26%
Other expenses	108,134	115,946	-	-	108,134	115,946	-6.74%
Loss on disposal of capital assets	-	2,882	-	-	-	2,882	-100.00%
Total expenses	<u>1,977,237</u>	<u>2,212,076</u>	<u>44,619</u>	<u>91,539</u>	<u>2,021,856</u>	<u>2,303,615</u>	-12.23%
Change in net assets	<u>\$ 216,364</u>	<u>\$ (6,564)</u>	<u>\$ (9,142)</u>	<u>\$ (419)</u>	<u>\$ 207,222</u>	<u>\$ (6,983)</u>	3067.52%

In fiscal 2006, property tax and unrestricted state grants account for 73% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were \$2,229,078 of which \$2,193,601 was for governmental activities and \$35,477 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.94% decrease in revenues and a 12.23% decrease in expenses. Unrestricted state grants increased \$40,478 to fund increases in expenditures. The decrease in expenses related to decreases in the staff salaries and benefits due to the whole grade sharing agreement. There was also a significant decrease in expenditures for non-instructional programs.

Governmental Activities

Revenues for governmental activities were \$2,193,601 and expenses were \$1,977,237. In 2006, the district eliminated several staff positions, including administrative, professional, and clerical.

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

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	\$ 1,400,218	\$ 1,509,236	-7.2%	\$ 1,125,380	\$ 1,169,761	-3.8%
Support services	468,885	584,012	-19.7%	468,554	581,830	-19.5%
Non-instructional programs	-	-	0.0%	-	-	0.0%
Other expenses	<u>108,134</u>	<u>115,946</u>	<u>-6.7%</u>	<u>39,387</u>	<u>47,619</u>	<u>-17.3%</u>
Total expenses	<u>\$ 1,977,237</u>	<u>\$ 2,209,194</u>	<u>-10.5%</u>	<u>\$ 1,633,321</u>	<u>\$ 1,799,210</u>	<u>-9.2%</u>

- The cost financed by users of the District's programs was \$97,961.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$245,955.
- The net cost of governmental activities was financed with \$1,100,314 in property and other taxes and \$644,069 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$35,477 representing a 61% decrease from the prior year and expenses were \$44,619, a 51% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Rental Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The decrease in revenues from 2006 was due to decreased number of lunches served as a result of the school's transition from a K-12 building to a K-6 building. The Superintendent's residence was also sold, eliminating the rental income received from that property.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,108,444, well above last year's ending fund balances of \$953,297. The primary reason for the increase in combined fund balances in fiscal 2006 is due to decreased spending for salaries, a stable premium in health insurance costs and a decrease in general operating costs.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Increased state aid during the year, factored by a stable enrollment, and decreased spending for staff salaries and benefits, resulted in an increase in fund balance. Decreased transportation costs resulted in the General Fund increase being smaller than it otherwise would have been.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$128,103 in fiscal 2005 to \$166,445 in fiscal 2006. A new bus was purchased for \$55,591, a new condensing unit was purchased for \$4,390, new bubblers and faucets were installed in elementary rooms for \$3,357, the chemical cleanup in the science room was completed for \$4,367, new carpet and tile was installed for \$5,260, new thermostats were installed in the west wing for \$4,347, a new water heater was installed for \$4,200 and several doors were replaced for \$1,830.
- The Capital Projects Fund balance increased from \$163,256 in 2005 to \$297,299 in 2006. The primary reason for this increase was that more Local Option Sales and Services Taxes were received than were expended during fiscal 2006.

Proprietary Fund Highlights

Enterprise Fund net assets decreased significantly from \$20,424 at June 30, 2005 to \$11,282 at June 30, 2006, representing a decrease of approximately 45%. The District had a slight increase in the prices for lunches or breakfasts in 2006. Due to a decline in enrollment, less students and faculty were eating the meals. The cost of food and salaries continued to rise. Also, the school-owned rental house was sold during fiscal 2006 and the Rental Fund balance was transferred to the Physical Plant and Equipment Levy Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Bennett Community School District amended its annual budget one time to reflect additional whole-grade sharing and school nutrition costs.

The District's receipts were \$156,046 less than budgeted receipts, a variance of 7%. The most significant variance resulted from the District receiving less in state aid than expected.

Total expenditures were \$422,628 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$287,122, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 13% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$51,691.

The original cost of the District's capital assets was \$1,480,164. Governmental funds account for \$1,433,266, with the remainder of \$46,898 accounted for in the Proprietary, School Nutrition Fund.

There has been no significant change in the District's capital assets.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005-2006</u>
Land	\$ 2,210	\$ 2,210	\$ -	\$ -	\$ 2,210	\$ 2,210	0.00%
Land improvements	17,200	17,200	-	-	17,200	17,200	0.00%
Buildings and improvements	60,181	61,971	-	-	60,181	61,971	-2.89%
Furniture and equipment	<u>201,857</u>	<u>169,562</u>	<u>5,674</u>	<u>3,700</u>	<u>207,531</u>	<u>173,262</u>	19.78%
Totals	<u>\$281,448</u>	<u>\$250,943</u>	<u>\$ 5,674</u>	<u>\$ 3,700</u>	<u>\$ 287,122</u>	<u>\$254,643</u>	12.75%

Long-Term Debt

At June 30, 2006, the District had \$280,000 in general obligation and debt outstanding. This represents a decrease of approximately 9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total School District	Total Change
	<u>2006</u>	<u>2005</u>

General obligation bonds	\$	280,000	\$	310,000	-9.68%
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ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- The District has experienced declining enrollment for the last eight of nine years. Projections are for it to stabilize or continue to decline gradually. Grades K-6 will be impacted if the decline in enrollment accelerates.
- The District has a three-year whole grade sharing agreement with the Durant School District beginning 2006. Grades 7-12 will be serviced by the Durant School District. The transition will have an economical impact on the District, with payment of 100% of the cost per pupil for those three years. Also, the whole grade sharing agreement has initiated a significant number of students to open enroll to a district other than Durant.
- The District will be negotiating a one-year contract with the Bennett Education Association for the 2007-08 school year. Health insurance premiums continue to increase (9.98%), which plays a major role in staff salaries.
- Beginning in fiscal 2006, the superintendent’s position became a reduced position; therefore, there will be a cost savings administratively.

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 Lonna Moeller, Board Secretary, Bennett Community School District, PO Box D, 300 Cedar Street, Bennett, Iowa, 52721.

Basic Financial Statements

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,097,017	\$ 4,039	\$ 1,101,056
Receivables			
Property tax		-	
Delinquent	15,963	-	15,963
Succeeding year	898,283	-	898,283
Accounts receivable	57,067	-	57,067
Due from other governments	37,338	-	37,338
Inventories	-	1,569	1,569
Capital assets, net of accumulated depreciation	281,448	5,674	287,122
Total assets	2,387,116	11,282	2,398,398
LIABILITIES			
Accounts payable	25,969	-	25,969
Salaries and benefits payable	71,317	-	71,317
Deferred revenue - succeeding year property tax	898,283	-	898,283
Deferred revenue - other	1,655	-	1,655
Long-term liabilities			
Portion due within one year			
Bonds payable	35,000	-	35,000
Portion due after one year			
Bonds payable	245,000	-	245,000
Total liabilities	1,277,224	-	1,277,224
NET ASSETS			
Invested in capital assets, net of related debt	281,448	5,674	287,122
Restricted for			
Debt service	26,591	-	26,591
Capital projects	297,299	-	297,299
Management levy	53,200	-	53,200
Physical plant and equipment levy	166,445	-	166,445
Other special revenue purposes	6,297	-	6,297
Unrestricted	278,612	5,608	284,220
Total net assets	\$ 1,109,892	\$ 11,282	\$ 1,121,174

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Total
Functions/Programs					
Governmental activities					
Instruction					
Regular instruction	\$ 1,139,987	\$ 97,961	\$ 145,947	\$ -	\$ (896,079)
Special instruction	169,487	-	29,654	-	(139,833)
Other instruction	<u>90,744</u>	<u>-</u>	<u>1,276</u>	<u>-</u>	<u>(89,468)</u>
	<u>1,400,218</u>	<u>97,961</u>	<u>176,877</u>	<u>-</u>	<u>(1,125,380)</u>
Support services					
Student services	5,597	-	-	-	(5,597)
Instructional staff services	19,845	-	-	-	(19,845)
Administration services	220,663	-	-	-	(220,663)
Operation and maintenance of plant services	124,187	-	-	-	(124,187)
Transportation services	<u>98,593</u>	<u>-</u>	<u>331</u>	<u>-</u>	<u>(98,262)</u>
	<u>468,885</u>	<u>-</u>	<u>331</u>	<u>-</u>	<u>(468,554)</u>
Other expenditures					
Facilities acquisition	18,649	-	-	-	(18,649)
Long-term debt interest	16,053	-	-	-	(16,053)
AEA flowthrough	68,747	-	68,747	-	-
Depreciation (unallocated) *	<u>4,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>108,134</u>	<u>-</u>	<u>68,747</u>	<u>-</u>	<u>(4,685)</u>
Total governmental activities	<u>1,977,237</u>	<u>97,961</u>	<u>245,955</u>	<u>-</u>	<u>(1,633,321)</u>

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Nutrition services	\$ 43,643	\$ 19,265	\$ -	\$ -	\$ 3,117	\$ 3,117
Rental	976	-	-	-	(976)	(976)
Total business type activities	<u>44,619</u>	<u>19,265</u>	-	-	<u>2,141</u>	<u>2,141</u>
Total	<u>\$ 2,021,856</u>	<u>\$ 265,220</u>	<u>\$ -</u>	<u>(1,633,321)</u>	<u>2,141</u>	<u>(1,631,180)</u>
<u>General Revenues</u>						
Property tax levied for						
General purposes				891,389	-	891,389
Capital outlay				75,612	-	75,612
Local option sales and services tax				133,313	-	133,313
Unrestricted state grants				644,069	-	644,069
Contributions and donations				16,544	-	16,544
Unrestricted investment earnings				24,896	69	24,965
Other				77	-	77
Special item - gain on sale of real property				52,433	-	52,433
Transfers				11,352	(11,352)	-
Total general revenues, special item and transfers				<u>1,849,685</u>	<u>(11,283)</u>	<u>1,838,402</u>
Change in net assets				216,364	(9,142)	207,222
Net assets, end of year				893,528	20,424	913,952
Net assets, end of year				<u>\$ 1,109,892</u>	<u>\$ 11,282</u>	<u>\$ 1,121,174</u>

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

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit C

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and pooled investments	\$ 584,047	\$ 167,653	\$ 259,961	\$ 85,356	\$ 1,097,017
Receivables					
Property tax					
Delinquent	13,901	1,330	-	732	15,963
Succeeding year	735,570	77,713	-	85,000	898,283
Accounts receivable	57,067	-	-	-	57,067
Due from other governments	-	-	37,338	-	37,338
Total assets and other debits	<u>\$ 1,390,585</u>	<u>\$ 246,696</u>	<u>\$ 297,299</u>	<u>\$ 171,088</u>	<u>\$ 2,105,668</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 23,431	\$ 2,538	\$ -	\$ -	\$ 25,969
Salaries and benefits payable	71,317	-	-	-	71,317
Deferred revenue					
Succeeding year property tax	735,570	77,713	-	85,000	898,283
Other	1,655	-	-	-	1,655
Total liabilities	<u>831,973</u>	<u>80,251</u>	<u>-</u>	<u>85,000</u>	<u>997,224</u>
Fund balances					
Reserved for					
Debt service	-	-	-	26,591	26,591
Unreserved					
Special revenue	-	166,445	-	59,497	225,942
Other governmental	558,612	-	297,299	-	855,911
Total fund balances	<u>558,612</u>	<u>166,445</u>	<u>297,299</u>	<u>86,088</u>	<u>1,108,444</u>
Total liabilities and fund balances	<u>\$ 1,390,585</u>	<u>\$ 246,696</u>	<u>\$ 297,299</u>	<u>\$ 171,088</u>	<u>\$ 2,105,668</u>

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2006

Exhibit D

Total fund balances of governmental funds	\$ 1,108,444
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, and, therefore, are not reported as assets in the governmental funds.	281,448
Long-term liabilities, including early retirement, bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(280,000)</u>
Net assets of governmental activities	<u>\$ 1,109,892</u>

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit E

		Special Revenue	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
Revenues						
Local sources						
Local tax						
Tuition						
Other						
State sources						
Federal sources						
Total revenues		\$ 863,855	\$ 75,612	\$ 133,313	\$ 27,534	\$ 1,100,314
		18,964	-	-	-	18,964
		109,945	3,486	730	8,550	122,711
		826,719	-	-	-	826,719
		61,108	-	-	-	61,108
		<u>1,880,591</u>	<u>79,098</u>	<u>134,043</u>	<u>36,084</u>	<u>2,129,816</u>
Expenditures						
Current						
Instruction						
Regular instruction		1,128,724	-	-	506	1,129,230
Special instruction		169,487	-	-	-	169,487
Other instruction		83,872	-	-	6,872	90,744
		<u>1,382,083</u>	<u>-</u>	<u>-</u>	<u>7,378</u>	<u>1,389,461</u>
Support services						
Student services		5,597	-	-	-	5,597
Instructional staff services		19,845	-	-	-	19,845
Administration services		209,404	3,627	-	7,632	220,663
Operation and maintenance of plant services		98,435	7,630	-	12,270	118,335
Transportation services		70,017	55,591	-	5,740	131,348
		<u>403,298</u>	<u>66,848</u>	<u>-</u>	<u>25,642</u>	<u>495,788</u>

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit E

	General	Special Revenue	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
Expenditures (continued)						
Other expenditures	-	\$ 37,693	-	-	-	\$ 37,693
Facilities acquisition	-	-	-	-	30,000	30,000
Long-term debt	-	-	-	-	16,765	16,765
Principal	68,747	-	-	-	-	68,747
Interest and fiscal charges	68,747	37,693	-	-	46,765	153,205
AEA flowthrough	1,854,128	104,541	-	-	79,785	2,038,454
Total expenditures	<u>26,463</u>	<u>(25,443)</u>	<u>134,043</u>	<u>(43,701)</u>	<u>91,362</u>	<u>91,362</u>
Excess (deficiency) of revenues over (under) expenditures						
Other financing sources (uses)						
Proceeds from sale of real property	-	52,433	-	-	-	52,433
Operating transfers in	-	14,282	-	-	-	14,282
Operating transfers out	-	(2,930)	-	-	-	(2,930)
Total other financing sources	<u>-</u>	<u>63,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,785</u>
Net change in fund balances	26,463	38,342	134,043	(43,701)	155,147	155,147
Fund balance, beginning of year	532,149	128,103	163,256	129,789	953,297	953,297
Fund balance, end of year	<u>\$ 558,612</u>	<u>\$ 166,445</u>	<u>\$ 297,299</u>	<u>\$ 86,088</u>	<u>\$ 1,108,444</u>	<u>\$ 1,108,444</u>

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2006

Exhibit F

Net change in fund balances - total governmental funds \$ 155,147

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 81,240	
Depreciation expense	<u>(50,735)</u>	30,505

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 30,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 712

Change in net assets of governmental activities \$ 216,364

See notes to financial statements and Independent Auditor's Report.

BENNETT SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2006

Exhibit G

	Nonmajor Enterprise School Nutrition
ASSETS	
Cash and pooled investments	\$ 4,039
Inventories	1,569
Capital assets, net of accumulated depreciation	5,674
Total assets	11,282
 LIABILITIES	
	-
 NET ASSETS	
Invested in capital assets, net of related debt	5,674
Unreserved retained earnings	5,608
Total net assets	\$ 11,282

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

Exhibit H

	<u>Nonmajor Enterprise</u>
Operating revenue	
Local sources	
Charges for service	<u>\$ 27,495</u>
Operating expenses	
Non-instructional programs	
Food service operation	
Salaries	15,658
Benefits	2,229
Supplies	24,800
Depreciation	956
	<u>43,643</u>
Rental operations	
Purchased services	725
Supplies	251
	<u>976</u>
Total operating expenses	<u>44,619</u>
Operating loss	<u>(17,124)</u>
Non-operating revenue	
Interest income	69
State sources	624
Federal sources	18,641
Total non-operating revenue	<u>19,334</u>
Net income before transfers	2,210
Interfund transfers	<u>(11,352)</u>
Net loss	(9,142)
Net assets, beginning of year	<u>20,424</u>
Net assets, end of year	<u>\$ 11,282</u>

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

Exhibit I

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities	
Cash received from sale of meals	\$ 27,495
Cash payments to employees for services	(17,887)
Cash payments to suppliers for goods and services	<u>(22,577)</u>
Net cash used in operating activities	<u>(12,969)</u>
Cash flows from non-capital financing activities	
Operating transfers to other funds	(14,282)
State grants received	624
Federal grants received	<u>13,884</u>
Net cash provided by non-capital financing activities	<u>226</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>69</u>
Net decrease in cash and cash equivalents	(12,674)
Cash and cash equivalents, beginning of year	16,713
Cash and cash equivalents, end of year	<u>\$ 4,039</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$(17,124)
Adjustments to reconcile operating loss to net cash used in operating activities	
Commodities used	4,757
Depreciation	956
(Increase) in inventories	(558)
(Decrease) in accounts payable	<u>(1,000)</u>
Net cash used in operating activities	<u>\$(12,969)</u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2006 , the District received \$4,757 of federal commodities.

See notes to financial statements and Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Physical Plant & Equipment Levy (PPEL) Fund is a special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, by Iowa Code section 298.2. This fund is created to deposit and expend money from the PPEL levy. The purpose of the fund is to pay the costs of specified major expenditures related to real property and equipment.

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

The District reports no major proprietary funds. However, it reports two nonmajor proprietary funds, the School Nutrition Fund, which is used to account for the food service operations of the District and the Rental Fund, which is used to account for the rental activities of the District. The Rental Fund was closed out to the PPEL Fund during the year ended June 30, 2006.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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 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 become 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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.

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

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings	50 years
Improvements to buildings	20-50 years
Furniture and equipment	4-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 property tax 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 Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted nor did the District exceed its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized
	Cost
Diversified Portfolio	<u>\$ 527,034</u>

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.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Physical Plant and Equipment Levy Rental		\$ 14,282
School Nutrition	Physical Plant and Equipment Levy	<u>2,930</u>
Total		<u>\$ 17,212</u>

The transfer from the Physical Plant and Equipment Levy Fund to the School Nutrition Fund was to reimburse the School Nutrition Fund for a piece of equipment purchased from the Physical Plant and Equipment Levy revenue. The transfer from the Rental Fund to the Physical Plant and Equipment Levy Fund was to close out the Rental Fund after the sale of the school-owned house.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 2,210	\$ -	\$ -	\$ 2,210
Land improvement	<u>17,200</u>	-	-	<u>17,200</u>
Total capital assets, not being depreciated	<u>19,410</u>	-	-	<u>19,410</u>
Capital assets being depreciated:				
Buildings and improvements	732,502	-	-	732,502
Furniture and equipment	<u>600,114</u>	<u>81,240</u>	-	<u>681,354</u>
Total capital assets being depreciated	<u>1,332,616</u>	<u>81,240</u>	-	<u>1,413,856</u>
Less accumulated depreciation for:				
Buildings and improvements	670,531	1,790	-	672,321
Furniture and equipment	<u>430,552</u>	<u>48,945</u>	-	<u>479,497</u>
Total accumulated depreciation	<u>1,101,083</u>	<u>50,735</u>	-	<u>1,151,818</u>
Total capital assets being depreciated, net	<u>231,533</u>	<u>30,505</u>	-	<u>262,038</u>
Governmental activities capital assets, net	<u>\$ 250,943</u>	<u>\$ 30,505</u>	<u>\$ -</u>	<u>\$ 281,448</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 43,968	\$ 2,930	\$ -	\$ 46,898
Less accumulated depreciation	<u>40,268</u>	<u>956</u>	-	<u>41,224</u>
Business type activities capital assets, net	<u>\$ 3,700</u>	<u>\$ 1,974</u>	<u>\$ -</u>	<u>\$ 5,674</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 10,757
Support services	
Operation and maintenance of plant	12,457
Transportation	22,836
Unallocated depreciation	<u>4,685</u>
Total governmental activities depreciation expense	<u>\$ 50,735</u>

Business type activities

Food services	<u>\$ 956</u>
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Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance, Beginning of Year	<u>Additions</u>	<u>Reductions</u>	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 310,000	\$ -	\$ (30,000)	\$ 280,000	\$ 35,000

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond issue of July 1, 1997</u>			
	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	5.25	\$ 14,790	\$ 35,000	\$ 49,790
2008	5.25	12,953	35,000	47,953
2009	5.25	11,115	40,000	51,115
2010	5.25	9,015	40,000	49,015
2011	5.25	6,915	40,000	46,915
2012	5.30	4,815	45,000	49,815
2013	5.40	<u>2,430</u>	<u>45,000</u>	<u>47,430</u>
Totals		<u>\$ 62,033</u>	<u>\$ 280,000</u>	<u>\$ 342,033</u>

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$35,875, \$57,783 and \$59,247 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$68,747 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Whole-grade Sharing Agreement

In July 2005 the Bennett Community School District entered into a whole-grade sharing agreement with Durant Community School District whereby the District began sending their students in grades 7-12 to Durant Community School District for instruction in fiscal 2006. After June 30, 2005, the Bennett Community School District no longer provided instruction within their district for middle school and high school students. Bennett Community School District receives funding from the State of Iowa for these students, who continue to be counted on the District's certified enrollment. In turn, the District pays tuition for these students to Durant Community School District based upon the amount stated in the whole-grade sharing agreement.

Required Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Receipts, Disbursements and
 Changes in Balances - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 For the Year Ended June 30, 2006

	Governmental Funds		Proprietary Funds		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Receipts								
Local sources	\$ 1,227,699		\$ 27,564		\$ 1,255,263	\$ 1,363,439	\$ 1,363,439	\$ (108,176)
State sources	826,719		624		827,343	807,121	807,121	20,222
Federal sources	34,024		13,884		47,908	116,000	116,000	(68,092)
Total receipts	<u>2,088,442</u>		<u>42,072</u>		<u>2,130,514</u>	<u>2,286,560</u>	<u>2,286,560</u>	<u>(156,046)</u>
Disbursements								
Instruction	1,422,476		-		1,422,476	1,500,220	1,600,220	177,744
Support services	510,218		-		510,218	625,375	625,375	115,157
Non-instructional programs	-		40,464		40,464	97,000	117,000	76,536
Other expenditures	155,771		-		155,771	208,962	208,962	53,191
Total disbursements	<u>2,088,465</u>		<u>40,464</u>		<u>2,128,929</u>	<u>2,431,557</u>	<u>2,551,557</u>	<u>422,628</u>
Excess (deficiency) of receipts over (under) disbursements	(23)		1,608		1,585	(144,997)	(264,997)	266,582
Other financing sources, net	<u>66,715</u>		<u>(14,282)</u>		<u>52,433</u>			<u>52,433</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing (uses)	66,692		(12,674)		54,018	(144,997)	(264,997)	319,015
Balance, beginning of year	<u>1,030,325</u>		<u>16,713</u>		<u>1,047,038</u>	<u>1,162,310</u>	<u>1,162,310</u>	<u>(115,272)</u>
Balance, end of year	<u>\$ 1,097,017</u>		<u>\$ 4,039</u>		<u>\$ 1,101,056</u>	<u>\$ 1,017,313</u>	<u>\$ 897,313</u>	<u>\$ 203,743</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund, Physical Plant and Equipment Levy Fund, Capital Projects 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$120,000.

During the year ended June 30, 2006, District disbursements did not exceed the amounts budgeted any of the four functional areas and General Fund disbursements did not exceed the unspent authorized budget.

Other Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

Schedule 1

	Special Revenue			
	Management	Student Activity	Debt Service	Total
ASSETS				
Cash and pooled investments	\$ 52,758	\$ 6,007	\$ 26,591	\$ 85,356
Receivables				
Property tax				
Delinquent	442	290	-	732
Succeeding year	35,000	-	50,000	85,000
Total assets	\$ 88,200	\$ 6,297	\$ 76,591	\$ 171,088
 LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred revenue				
Succeeding year property tax	\$ 35,000	\$ -	\$ 50,000	\$ 85,000
 Fund Balances				
Reserved for debt service	-	-	26,591	26,591
Unreserved fund balances	53,200	6,297	-	59,497
Total fund balances	53,200	6,297	26,591	86,088
Total liabilities and fund balances	\$ 88,200	\$ 6,297	\$ 76,591	\$ 171,088

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

Schedule 2

	Special Revenue			
	Management	Student Activity	Debt Service	Total
Revenues				
Local sources				
Local taxes	\$ 27,534	\$ -	\$ -	\$ 27,534
Other	1,270	6,619	661	8,550
Total revenues	28,804	6,619	661	36,084
Expenditures				
Current				
Instruction				
Regular instruction	506	-	-	506
Other instruction	-	6,872	-	6,872
Support services				
Administrative services	7,632	-	-	7,632
Operation and maintenance of plant services	12,270	-	-	12,270
Transportation services	5,740	-	-	5,740
Other expenditures				
Long-term debt				
Principal	-	-	30,000	30,000
Interest and fiscal charges	-	-	16,765	16,765
Total expenditures	26,148	6,872	46,765	79,785
Net change in fund balances	2,656	(253)	(46,104)	(43,701)
Fund balances, beginning of year	50,544	6,550	72,695	129,789
Fund balances, end of year	\$ 53,200	\$ 6,297	\$ 26,591	\$ 86,088

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2006

Schedule 3

	Enterprise		
	School Nutrition	Rental	Total
Operating revenue			
Local sources			
Charges for service	\$ 27,495	\$ -	\$ 27,495
Operating expenses			
Non-instructional programs			
Salaries	15,658	-	15,658
Benefits	2,229	-	2,229
Purchased services	-	725	725
Supplies	24,800	251	25,051
Depreciation	956	-	956
Total operating expenses	43,643	976	44,619
Operating (loss)	(16,148)	(976)	(17,124)
Non-operating revenue			
Interest income	-	69	69
State sources	624	-	624
Federal sources	18,641	-	18,641
Total non-operating revenue	19,265	69	19,334
Net income (loss) before transfers	3,117	(907)	2,210
Interfund transfers	2,930	(14,282)	(11,352)
Net income (loss)	6,047	(15,189)	(9,142)
Net assets, beginning of year	5,235	15,189	20,424
Net assets, end of year	\$ 11,282	\$ -	\$ 11,282

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2006

Schedule 4

	Enterprise		
	School		
	Nutrition	Rental	Total
Cash flows from operating activities			
Cash received from sale of meals	\$ 27,495	\$ -	\$ 27,495
Cash payments to employees for services	(17,887)	-	(17,887)
Cash payments to suppliers for goods and services	(21,601)	(976)	(22,577)
Net cash (used in) operating activities	(11,993)	(976)	(12,969)
Cash flows from non-capital financing activities			
Operating transfers to other funds	-	(14,282)	(14,282)
State grants received	624	-	624
Federal grants received	13,884	-	13,884
Net cash provided by (used in) non-capital financing activities	14,508	(14,282)	226
Cash flows from investing activities			
Interest on investments	-	69	69
Net increase (decrease) in cash and cash equivalents	2,515	(15,189)	(12,674)
Cash and cash equivalents, beginning of year	1,524	15,189	16,713
Cash and cash equivalents, end of year	\$ 4,039	\$ -	\$ 4,039
Reconciliation of operating (loss) to net cash (used in) operating activities			
Operating (loss)	\$ (16,148)	\$ (976)	\$ (17,124)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Commodities used	4,757	-	4,757
Depreciation	956	-	956
(Increase) in inventories	(558)	-	(558)
(Decrease) in accounts payable	(1,000)	-	(1,000)
Net cash (used in) operating activities	\$ (11,993)	\$ (976)	\$ (12,969)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006 , the District received \$4,757 of federal commodities.

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2006

Schedule 5

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ (384)	\$ 1,865	\$ 1,159	\$ 322
Yearbook	1,124	831	1,952	3
Band	484	9	220	273
Vocal	540	140	133	547
Swimming	342	-	112	230
Class of 2007	1,527	-	-	1,527
Class of 2008	927	-	-	927
Student council	380	3,331	2,790	921
Drama	1,222	-	-	1,222
Music supplies	286	24	-	310
HS Activity	102	403	506	(1)
Interest	-	16	-	16
Totals	<u>\$ 6,550</u>	<u>\$ 6,619</u>	<u>\$ 6,872</u>	<u>\$ 6,297</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 6

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues				
Local sources				
Local tax	\$ 1,100,314	\$ 1,176,943	\$ 1,128,645	\$ 1,089,889
Tuition	18,964	34,395	22,785	47,525
Other	122,711	124,322	171,469	181,003
State sources	826,719	795,556	764,824	843,289
Federal sources	61,108	76,471	90,988	73,956
Total revenues	<u>\$ 2,129,816</u>	<u>\$ 2,207,687</u>	<u>\$ 2,178,711</u>	<u>\$ 2,235,662</u>
Expenditures				
Instruction				
Regular instruction	1,129,230	1,061,298	1,030,869	1,049,874
Special instruction	169,487	218,180	225,327	170,176
Other instruction	90,744	217,229	211,075	180,141
Support services				
Student services	5,597	27,540	20,708	18,993
Instructional staff services	19,845	12,104	3,967	17,298
Administration services	220,663	323,714	297,488	258,250
Operation and maintenance of plant services	118,335	127,609	171,709	148,872
Transportation services	131,348	107,282	92,746	61,760
Central support services	-	-	12,171	688
Other expenditures				
Facilities acquisition	37,693	35,027	25,672	91,632
Long-term debt				
Principal	30,000	30,000	108,221	41,144
Interest and other charges	16,765	18,340	23,433	25,411
AEA flowthrough	68,747	68,327	69,596	75,763
Total expenditures	<u>\$ 2,038,454</u>	<u>\$ 2,246,650</u>	<u>\$ 2,292,982</u>	<u>\$ 2,140,002</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

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
Bennett Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bennett Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 27, 2006. I conducted my 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 my audit, I considered Bennett Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item (A) Segregation of Duties, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bennett Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Bennett Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Bennett Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
October 27, 2006

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

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

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

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Disbursements for the year ended June 30, 2006 did not exceed the amounts budgeted.
2. Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2006

5. 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.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, I noted several significant deficiencies in the amounts reported. As a result of these errors the following fund balances were incorrectly reported:
 - General Fund understated by \$137
 - Physical Plant and Equipment Levy Fund understated by \$2,155
 - Capital Projects Fund overstated by \$41
 - Debt Service Fund overstated by \$845
 - School Nutrition Fund overstated by \$1,244

Recommendation - The District should correct these balances on their subsequent Certified Annual Report for the year ending June 30, 2007.

Response - We will correct the beginning balances on our next year's CAR.

Conclusion - Response accepted.

BENNETT COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2006

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant