

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

June 30, 2007

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Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

To the Board of Education of
AGWSR 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 AGWSR Community School District, Ackley, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2008, on our consideration of AGWSR Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 37 through 38 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 AGWSR Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

March 3, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2007 Financial Highlights

- General Fund revenues decreased from \$7,384,289 in fiscal 2006 to \$7,208,555 in fiscal 2007, while General Fund expenditures decreased from \$7,299,224 in fiscal 2006 to \$6,859,820 in fiscal 2007. The District's General Fund balance increased from \$628,680 in fiscal 2006 to \$966,438 in fiscal 2007, a 54% increase.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal 2007. The decrease in expenditures was due primarily to a significant reduction of certified staff.

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 AGWSR 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 AGWSR Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which AGWSR Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

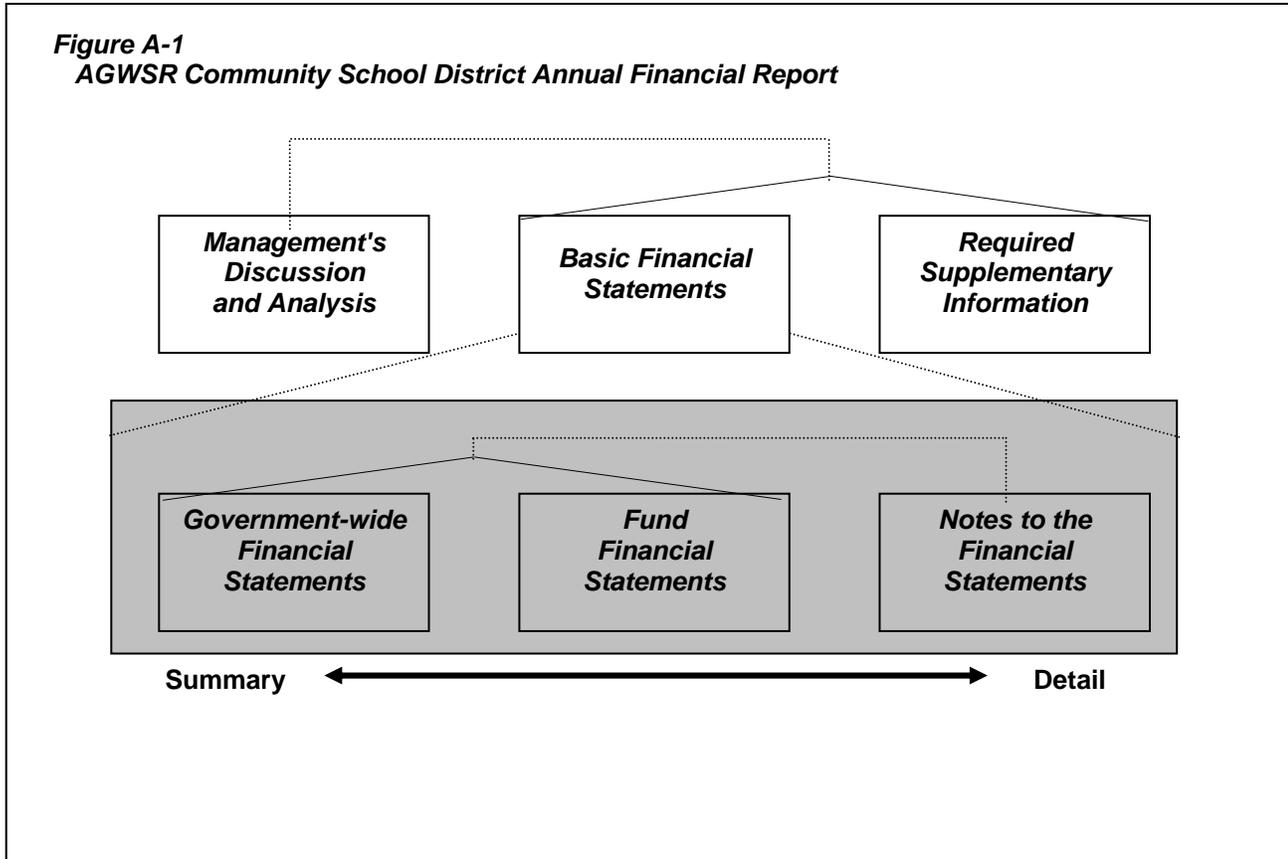


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| Figure A-2 Major Features of the Government-wide and Fund Financial Statements | | | | |
|---|--|--|--|---|
| | Government-wide 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 fund net assets • Statement of cash flows | <ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial 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, 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 |

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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.

- 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.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

| | Condensed Statement of Net Assets | | | | | | Percentage Change 2006-2007 % |
|--|-----------------------------------|------------------|-----------------------------|----------------|--------------------------|------------------|--|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current and other assets | 7,033,081 | 6,322,100 | (13,027) | (12,512) | 7,020,054 | 6,309,588 | 11.3 |
| Capital assets | 3,511,454 | 3,341,918 | 160,225 | 142,916 | 3,671,679 | 3,484,834 | 5.4 |
| Total assets | 10,544,535 | 9,664,018 | 147,198 | 130,404 | 10,691,733 | 9,794,422 | 9.2 |
| Long-term liabilities | 1,564,372 | 1,760,124 | | | 1,564,372 | 1,760,124 | -11.1 |
| Other liabilities | 4,109,688 | 4,028,615 | 3,605 | 3,403 | 4,113,293 | 4,032,018 | 2.0 |
| Total liabilities | 5,674,060 | 5,788,739 | 3,605 | 3,403 | 5,677,665 | 5,792,142 | -2.0 |
| Net Assets: | | | | | | | |
| Invested in capital assets, net of related debt | 2,711,453 | 2,408,584 | 160,225 | 142,916 | 2,871,678 | 2,551,500 | 12.5 |
| Restricted | 1,267,145 | 1,134,667 | | | 1,267,145 | 1,134,667 | 11.7 |
| Unrestricted | 891,877 | 332,028 | (16,632) | (15,915) | 875,245 | 316,113 | 176.9 |
| TOTAL NET ASSETS | 4,870,475 | 3,875,279 | 143,593 | 127,001 | 5,014,068 | 4,002,280 | 25.3 |

The District's combined net assets increased by 25.3%, or \$1,011,788 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 \$132,478, nearly 12% over the prior year. The increase was primarily a result of fiscal year 2007 sales tax revenues that will be spent for capital improvements and equipment in future years.

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 \$559,132, or 177%. This significant increase is the result of staff reductions that significantly reduced the cost of salaries and related benefits.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2007.

Figure A-4

| | Change in Net Assets | | | | | | Percentage Change 2006-2007 % |
|--|----------------------------|------------------|-----------------------------|-----------------|--------------------------|------------------|--|
| | Governmental Activities | | Business-type Activities | | Total School District | | |
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | |
| Revenues | | | | | | | |
| Program Revenues: | | | | | | | |
| Charges for services | 615,432 | 775,059 | 345,248 | 353,096 | 960,680 | 1,128,155 | -14.8 |
| Operating grants & contributions | 808,668 | 805,843 | 154,182 | 132,150 | 962,850 | 937,993 | 2.6 |
| Capital grants & contributions | - | - | - | - | - | - | - |
| General Revenues: | | | | | | | |
| Property taxes | 3,898,325 | 3,466,974 | - | - | 3,898,325 | 3,466,974 | 12.4 |
| Income Surtax | 506,910 | 387,265 | - | - | 506,910 | 387,265 | 30.9 |
| Local option sales tax | 449,617 | 446,961 | - | - | 449,617 | 446,961 | .6 |
| Unrestricted state grants | 2,573,899 | 2,747,714 | - | - | 2,573,899 | 2,747,714 | -6.3 |
| Unrestricted investment earnings | 53,387 | 38,535 | 120 | 105 | 53,507 | 38,640 | 38.5 |
| Other revenue | 41,170 | 85,058 | - | - | 41,170 | 85,058 | -51.6 |
| Total Revenues | 8,947,408 | 8,753,409 | 499,550 | 485,351 | 9,446,958 | 9,238,760 | 2.2 |
| Expenses: | | | | | | | |
| Instruction | 4,860,514 | 5,397,025 | - | - | 4,860,514 | 5,397,025 | -9.9 |
| Support services | 2,612,912 | 2,170,564 | - | - | 2,612,912 | 2,170,564 | 20.4 |
| Non-instructional programs | 9,235 | 4,829 | 521,896 | 557,711 | 531,131 | 562,540 | -5.6 |
| Other expenditures | 430,613 | 417,116 | - | - | 430,613 | 417,116 | 3.2 |
| Total expenses | 7,913,274 | 7,989,534 | 521,896 | 557,711 | 8,435,170 | 8,547,245 | -1.3 |
| Change in net assets before transfers and special items | 1,034,134 | 763,875 | (23,930) | (72,360) | 1,011,788 | 691,515 | 46.3 |
| Special item – termination benefits | - | (803,274) | - | - | - | (803,274) | |
| Transfers | (38,938) | (45,369) | 38,938 | 45,369 | - | - | |
| CHANGE IN NET ASSETS | 995,196 | (84,768) | 16,592 | (26,991) | 1,011,788 | (111,759) | |
| Net assets beginning of year | 3,875,279 | 3,960,047 | 127,001 | 153,992 | 4,002,280 | 4,114,039 | |
| Net assets end of year | 4,870,475 | 3,875,279 | 143,593 | 127,001 | 5,014,068 | 4,002,280 | 25.3 |

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$8,947,408 and expenses were \$7,913,274. Revenue generated through charges for instructional services decreased over the previous year by \$159,627, a decrease of nearly 15%. Revenue generated through the combination of property taxes and the income surtax increased by \$550,996 or 14.3%. The local option sales tax revenue increased by \$2,656, or .6% over the previous year. Investment earnings increased by nearly \$15,000, a 38.5 % increase over fiscal year 2006. The combination of other revenues decreased by \$43,888.

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 2007 | Total Cost of Services 2006 | Net Cost of Services 2007 | Net Cost of Services 2006 |
|----------------------------|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Instruction | 4,860,514 | 5,397,025 | 3,694,353 | 4,071,083 |
| Support Services | 2,612,912 | 2,170,564 | 2,606,643 | 2,162,282 |
| Non-instructional Programs | 9,235 | 4,829 | 9,235 | 4,829 |
| Other Expenses | 430,613 | 417,116 | 178,943 | 170,438 |
| TOTAL | <u>7,913,274</u> | <u>7,989,534</u> | <u>6,489,174</u> | <u>6,408,632</u> |

- The cost financed by users of the District's programs was \$615,432, down from \$775,059 the previous year of 2006. These revenues primarily consist of tuition charged for open enrollment and special education, and revenues from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$808,668.
- The net cost of governmental activities was financed with \$4,854,852 in property and other taxes, up from \$4,301,200 the previous year and \$2,573,899 in unrestricted state grants, down from 2,747,714 in 2006.

Business Type Activities

Revenues for business type activities were \$499,430 in 2007, compared to \$485,351 in 2006 and expenses were \$521,896 in 2007, compared to \$557,711 in 2006, resulting in a loss of \$23,930 in 2007, compared to \$72,360 in 2006. The District's business type activities include the School Nutrition Fund and the Daycare. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and donations.

The District Daycare programs continued to require careful monitoring and during the past year it became evident that expenditures became even more consistent with revenue, with expenditures down and revenue up. Continued effort is still needed and further progress is anticipated.

During the year ended June 30, 2007, the District further controlled Kitchen and Food Service costs. Compared to the previous year revenue increased and expenditures decreased.

INDIVIDUAL FUND ANALYSIS

As previously noted, the AGWSR 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 \$2,529,903, well above last year's ending fund balances of \$1,951,198. The primary reason for the increase in combined fund balances in fiscal 2007 is due to a substantial decrease in expenditures.

Governmental Fund Highlights

- The General Fund balance increased from \$628,680 to \$966,438, due primarily to early retirements and the resulting staff downsizing that was offset, to some extent, by the negotiated salary and benefits settlement, a reduction in state aid, and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$132,766 in fiscal 2006 to \$80,401 in fiscal 2007. While revenues remained constant, the District spending significantly increased from the PPEL Fund because of building repairs, renovations, and large equipment purchases, including, most notably, busses and technology.
- The Capital Projects Fund balance increased during fiscal 2007. The District ended fiscal 2006 with a balance of \$757,022 and fiscal year 2007 ended with a balance of \$887,535. This increase to the Capital Projects Fund balance was primarily due to a decrease in expenditures. The revenue derived from SILO continued to be significant and steady.
- The Management Levy Fund is used to pay the District's insurance premiums for property, vehicle and liability insurance and to pay for the District's early retirement plan. The balance in the Management Levy Fund increased \$141,974 during the year, because the District is accumulating the money to pay its early retirement liability.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$143,141 on June 30, 2006 to \$149,638 on June 30, 2007. Expenses exceeded revenue by \$8,441, with revenue from federal sources continuing to decrease.

The Daycare Fund net assets decreased from a deficit of \$16,140 on June 30, 2006 to a deficit of \$6,045 on June 30, 2007. Expenses exceeded revenue by \$13,905. Salaries and benefits decreased by \$18,840. Revenue remained constant at \$274,969 and exceeded expenditures by \$10,095.

BUDGETARY HIGHLIGHTS

The District's receipts were more than anticipated with more local revenue than originally anticipated.

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

The District's total certified budget was not exceeded.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested over \$3.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 5.4% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$253,906.

At June 30, 2007 the District had committed approximately \$252,000 for roof repairs, athletic field lighting and the purchase of a minibus.

Figure A-6

Capital Assets (net of depreciation)

| | Governmental Activities | | Business type Activities | | Total School District | | Percentage Change 2006-2007 |
|--------------------------|----------------------------|------------------|-----------------------------|----------------|--------------------------|------------------|-----------------------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 52,000 | 52,000 | | | 52,000 | 52,000 | 0 |
| Construction in progress | 0 | 0 | | | 0 | 0 | - |
| Buildings | 2,685,865 | 2,642,459 | | | 2,685,865 | 2,642,459 | 1.6 |
| Improvements | 221,595 | 172,133 | | | 221,595 | 172,133 | 28.7 |
| Equipment & Furniture | 551,994 | 475,326 | 160,225 | 142,916 | 712,219 | 618,242 | 15.2 |
| TOTAL | 3,511,454 | 3,341,918 | 160,225 | 142,916 | 3,671,679 | 3,484,834 | 5.4 |

Long-Term Debt

At June 30, 2007, the District had \$1,510,893 in general obligation and other long-term debt outstanding. This represents an decrease of approximately 14% from last year. (See Figure A-7)

The District offered an Early Retirement Plan during 2006 and 2007. Fifteen employees elected to participate in the plan, which has allowed for significant staff downsizing and the restructuring of various programs throughout the school.

Figure A-7

Outstanding Long-Term Obligations

| | Total School District | | Percentage Change 2006-2007 |
|--------------------|-----------------------|------------------|-----------------------------------|
| | 2007 | 2006 | |
| | \$ | \$ | |
| Capital Loan Notes | 800,001 | 933,334 | -14.3 |
| Early Retirement | 710,892 | 826,790 | -14.0 |
| | <u>1,510,893</u> | <u>1,760,124</u> | <u>-14.2</u> |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Due to the interplay of various economic factors, the school district enrollment continues to decline, with a decrease of 59 students from the previous year. This trend has a very significant and negative impact on the district's revenue.
- A continued phase out of the state budget guarantee is also having a significant and increasingly negative impact on district revenue.
- The district passed School Infrastructure Local Option Tax in 2004 continues to help school infrastructure needs.

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 Dr. Robert Lehman, Superintendent, or Marilyn Brocka, District Secretary/Treasurer, AGWSR Community School District, 511 State Street, Ackley, Iowa, 50601.

BASIC FINANCIAL STATEMENTS

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|--------------------------------|-------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 2,458,480 | 7,488 | 2,465,968 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 62,507 | - | 62,507 |
| Succeeding year | 3,899,733 | - | 3,899,733 |
| Accounts | 7,545 | 12,877 | 20,422 |
| Accrued interest | 486 | - | 486 |
| Due from other governments | 561,467 | 1,778 | 563,245 |
| Interfund receivable/payable | 42,863 | (42,863) | - |
| Inventories | - | 7,693 | 7,693 |
| Capital assets, net of accumulated depreciation | 3,511,454 | 160,225 | 3,671,679 |
| Total assets | 10,544,535 | 147,198 | 10,691,733 |
| Liabilities | | | |
| Accounts payable | 205,555 | 703 | 206,258 |
| Accrued interest payable | 4,400 | - | 4,400 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,899,733 | - | 3,899,733 |
| Other | - | 2,902 | 2,902 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Capital loan notes payable | 133,333 | - | 133,333 |
| Termination benefits | 352,702 | - | 352,702 |
| Portion due after one year: | | | |
| Capital loan notes payable | 666,668 | - | 666,668 |
| Termination benefits | 411,669 | - | 411,669 |
| Total liabilities | 5,674,060 | 3,605 | 5,677,665 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 2,711,453 | 160,225 | 2,871,678 |
| Restricted for: | | | |
| State categorical aid | 7,142 | - | 7,142 |
| Physical plant and equipment levy | 279,346 | - | 279,346 |
| Other special revenue purposes | 93,122 | - | 93,122 |
| Local option sales tax capital projects | 887,535 | - | 887,535 |
| Unrestricted | 891,877 | (16,632) | 875,245 |
| Total net assets | 4,870,475 | 143,593 | 5,014,068 |

See notes to financial statements.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

| Functions/Programs | Expenses | Program Revenues | | |
|------------------------------------|------------------|----------------------|---|---|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grant Contributions and Restricted Interest |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | 2,910,461 | 294,133 | 377,509 | - |
| Special | 1,026,015 | 11,551 | 55,187 | - |
| Other | 924,038 | 309,748 | 118,033 | - |
| | <u>4,860,514</u> | <u>615,432</u> | <u>550,729</u> | <u>-</u> |
| Support services: | | | | |
| Student | 88,147 | - | - | - |
| Instructional staff | 471,155 | - | - | - |
| Administration | 971,404 | - | - | - |
| Operation and maintenance of plant | 594,655 | - | - | - |
| Transportation | 487,551 | - | 6,269 | - |
| | <u>2,612,912</u> | <u>-</u> | <u>6,269</u> | <u>-</u> |
| Non-instructional programs | <u>9,235</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 33,997 | - | - | - |
| Long-term debt interest | 30,067 | - | - | - |
| AEA flowthrough | 251,670 | - | 251,670 | - |
| Depreciation (unallocated)* | 114,879 | - | - | - |
| | <u>430,613</u> | <u>-</u> | <u>251,670</u> | <u>-</u> |
| Total governmental activities | <u>7,913,274</u> | <u>615,432</u> | <u>808,668</u> | <u>-</u> |
| Business type activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 257,022 | 142,741 | 105,720 | - |
| Daycare | 264,874 | 202,507 | 48,462 | - |
| Total business-type activities | <u>521,896</u> | <u>345,248</u> | <u>154,182</u> | <u>-</u> |
| Total | <u>8,435,170</u> | <u>960,680</u> | <u>962,850</u> | <u>-</u> |

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
Income surtax
Local option sales and services tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Transfers

Total general revenues, special item and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|------------------------------------|---|--------------------|
| (2,238,819) | - | (2,238,819) |
| (959,277) | - | (959,277) |
| (496,257) | - | (496,257) |
| <u>(3,694,353)</u> | <u>-</u> | <u>(3,694,353)</u> |
| (88,147) | - | (88,147) |
| (471,155) | - | (471,155) |
| (971,404) | - | (971,404) |
| (594,655) | - | (594,655) |
| (481,282) | - | (481,282) |
| <u>(2,606,643)</u> | <u>-</u> | <u>(2,606,643)</u> |
| (9,235) | - | (9,235) |
| (33,997) | - | (33,997) |
| (30,067) | - | (30,067) |
| - | - | - |
| (114,879) | - | (114,879) |
| (178,943) | - | (178,943) |
| <u>(6,489,174)</u> | <u>-</u> | <u>(6,489,174)</u> |
| - | (8,561) | (8,561) |
| - | (13,905) | (13,905) |
| - | (22,466) | (22,466) |
| <u>(6,489,174)</u> | <u>(22,466)</u> | <u>(6,511,640)</u> |
| 3,737,337 | - | 3,737,337 |
| 160,988 | - | 160,988 |
| 506,910 | - | 506,910 |
| 449,617 | - | 449,617 |
| 2,573,899 | - | 2,573,899 |
| 53,387 | 120 | 53,507 |
| 41,170 | - | 41,170 |
| <u>7,523,308</u> | <u>120</u> | <u>7,523,428</u> |
| (38,938) | 38,938 | - |
| <u>7,484,370</u> | <u>39,058</u> | <u>7,523,428</u> |
| 995,196 | 16,592 | 1,011,788 |
| <u>3,875,279</u> | <u>127,001</u> | <u>4,002,280</u> |
| <u>4,870,475</u> | <u>143,593</u> | <u>5,014,068</u> |

AGWSR COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

| | General Fund | Capital Projects | Management Levy | Nonmajor Governmental Funds | Total |
|--|------------------|---------------------|--------------------|-----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash and pooled investments | 1,028,982 | 759,710 | 495,507 | 174,281 | 2,458,480 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 51,955 | - | 8,028 | 2,524 | 62,507 |
| Succeeding year | 3,268,609 | - | 500,000 | 131,124 | 3,899,733 |
| Accounts | 7,545 | - | - | - | 7,545 |
| Accrued interest | 486 | - | - | - | 486 |
| Interfund receivable | 23,208 | 19,655 | - | - | 42,863 |
| Due from other governments | 254,352 | 108,170 | - | 198,945 | 561,467 |
| Total assets | 4,635,137 | 887,535 | 1,003,535 | 506,874 | 7,033,081 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 201,145 | - | - | 4,410 | 205,555 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 3,268,609 | - | 500,000 | 131,124 | 3,899,733 |
| Other | 198,945 | - | - | 198,945 | 397,890 |
| Total liabilities | 3,668,699 | - | 500,000 | 334,479 | 4,503,178 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| State categorical aid | 7,142 | - | - | - | 7,142 |
| Unreserved reported in: | | | | | |
| General Fund | 959,296 | - | - | - | 959,296 |
| Capital Projects Fund | - | 887,535 | - | - | 887,535 |
| Special Revenue Funds | - | - | 503,535 | 172,395 | 675,930 |
| Total fund balances | 966,438 | 887,535 | 503,535 | 172,395 | 2,529,903 |
| Total liabilities and fund balances | 4,635,137 | 887,535 | 1,003,535 | 506,874 | 7,033,081 |

AGWSR COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

| | |
|---|-------------------------|
| | \$ |
| Total fund balances of governmental funds (Exhibit C) | 2,529,903 |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i> | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 3,511,454 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 397,890 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (4,400) |
| Long-term liabilities, including capital loan notes payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. | <u>(1,564,372)</u> |
| Net assets of governmental activities (Exhibit A) | <u><u>4,870,475</u></u> |

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

| | General Fund | Capital Projects | Management Levy | Nonmajor Governmental Funds | Total |
|---|------------------|---------------------|--------------------|-----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | 3,465,357 | 402,295 | 500,198 | 389,210 | 4,757,060 |
| Tuition | 232,604 | - | - | - | 232,604 |
| Other | 128,027 | 12,550 | 5,086 | 318,699 | 464,362 |
| State sources | 3,173,333 | 47,322 | - | - | 3,220,655 |
| Federal sources | 209,234 | - | - | - | 209,234 |
| Total revenues | <u>7,208,555</u> | <u>462,167</u> | <u>505,284</u> | <u>707,909</u> | <u>8,883,915</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 2,921,604 | - | 252,053 | 26,133 | 3,199,790 |
| Special | 1,026,015 | - | - | - | 1,026,015 |
| Other | 625,624 | 1,624 | - | 290,993 | 918,241 |
| | <u>4,573,243</u> | <u>1,624</u> | <u>252,053</u> | <u>317,126</u> | <u>5,144,046</u> |
| Support services: | | | | | |
| Student | 59,651 | - | - | 27,641 | 87,292 |
| Instructional staff | 328,147 | 132,538 | - | - | 460,685 |
| Administration | 714,522 | - | 32,628 | 11,510 | 758,660 |
| Operation and maintenance of plant | 542,703 | - | 46,285 | 12,779 | 601,767 |
| Transportation | 389,884 | 124,718 | 23,109 | 2,740 | 540,451 |
| | <u>2,034,907</u> | <u>257,256</u> | <u>102,022</u> | <u>54,670</u> | <u>2,448,855</u> |
| Non-instructional programs | - | - | 9,235 | 13,464 | 22,699 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | 72,774 | - | 190,056 | 262,830 |
| Long-term debt: | | | | | |
| Principal | - | - | - | 133,333 | 133,333 |
| Interest and fiscal charges | - | - | - | 30,800 | 30,800 |
| AEA flowthrough | 251,670 | - | - | - | 251,670 |
| | <u>251,670</u> | <u>72,774</u> | <u>-</u> | <u>354,189</u> | <u>678,633</u> |
| Total expenditures | <u>6,859,820</u> | <u>331,654</u> | <u>363,310</u> | <u>739,449</u> | <u>8,294,233</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>348,735</u> | <u>130,513</u> | <u>141,974</u> | <u>(31,540)</u> | <u>589,682</u> |
| Other financing sources (uses): | | | | | |
| Sales of equipment and real property | 13,023 | - | - | - | 13,023 |
| Operating transfers in | - | - | - | 164,133 | 164,133 |
| Operating transfers out | (24,000) | - | - | (164,133) | (188,133) |
| Total other financing sources (uses) | <u>(10,977)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(10,977)</u> |
| Net change in fund balances | 337,758 | 130,513 | 141,974 | (31,540) | 578,705 |
| Fund balances beginning of year | 628,680 | 757,022 | 361,561 | 203,935 | 1,951,198 |
| Fund balances end of year | <u>966,438</u> | <u>887,535</u> | <u>503,535</u> | <u>172,395</u> | <u>2,529,903</u> |

See notes to financial statements.

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

| | | |
|---|----|---------|
| | \$ | \$ |
| Net change in fund balances - total governmental funds (Exhibit E) | | 578,705 |

**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 not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:

| | | |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | 405,549 | |
| Depreciation expense | <u>(236,013)</u> | 169,536 |

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

50,470

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

133,333

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.

733

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows

| | | |
|----------------------|--|---------------|
| Termination benefits | | <u>62,419</u> |
|----------------------|--|---------------|

Changes in net assets of governmental activities (Exhibit B)

| | |
|--|-----------------------|
| | <u><u>995,196</u></u> |
|--|-----------------------|

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

| | Nonmajor Enterprise Funds |
|---|---------------------------------|
| | <u>\$</u> |
| Assets | |
| Cash and cash equivalents | 7,488 |
| Accounts receivable | 12,877 |
| Due from other governments | 1,778 |
| Inventories | 7,693 |
| Capital assets, net of accumulated depreciation | <u>160,225</u> |
| Total assets | <u>190,061</u> |
| Liabilities | |
| Accounts payable | 703 |
| Interfund payables | 42,863 |
| Deferred revenue | <u>2,902</u> |
| Total liabilities | <u>46,468</u> |
| Net assets | |
| Invested in capital assets, net of related debt | 160,225 |
| Unrestricted | <u>(16,632)</u> |
| Total net assets | <u><u>143,593</u></u> |

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

| | Nonmajor Enterprise Funds |
|--|---------------------------------|
| | <u>\$</u> |
| Operating revenue: | |
| Local sources: | |
| Charges for service | <u>345,248</u> |
| Operating expenses: | |
| Non-instructional programs: | |
| Salaries | 275,895 |
| Benefits | 48,874 |
| Purchased services | 15,942 |
| Supplies | 163,292 |
| Depreciation | 17,893 |
| | <u>521,896</u> |
| Operating gain (loss) | <u>(176,648)</u> |
| Non-operating revenues: | |
| State sources | 3,258 |
| Federal sources | 113,034 |
| Donations | 37,890 |
| Interest income | 120 |
| Total non-operating revenues | <u>154,302</u> |
| Gain (loss) before transfers and capital contributions | (22,346) |
| Capital contributions | 14,938 |
| Transfers in | <u>24,000</u> |
| Change in net assets | 16,592 |
| Net assets beginning of year | <u>127,001</u> |
| Net assets end of year | <u><u>143,593</u></u> |

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

| | Nonmajor Enterprise Funds |
|--|---------------------------------|
| | <u>\$</u> |
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | 143,401 |
| Cash received from daycare services | 203,879 |
| Cash payments to employees for services | (324,769) |
| Cash payments to suppliers for goods or services | <u>(156,647)</u> |
| Net cash used by operating activities | <u>(134,136)</u> |
| Cash flows from non-capital financing activities: | |
| Loans from other funds | 8,021 |
| Transfers from other funds | 24,000 |
| Donations | 37,890 |
| State grants received | 3,258 |
| Federal grants received | <u>87,814</u> |
| Net cash provided by non-capital financing activities | <u>160,983</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | <u>(20,264)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>120</u> |
| Net increase (decrease) in cash and cash equivalents | 6,703 |
| Cash and cash equivalents at beginning of year | <u>785</u> |
| Cash and cash equivalents at end of year | <u><u>7,488</u></u> |
| Reconciliation of operating gain (loss) to net cash used by operating activities: | |
| Operating gain (loss) | (176,648) |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: | |
| Commodities used | 24,816 |
| Depreciation | 17,893 |
| Decrease (increase) in inventories | (1,771) |
| Decrease (increase) in accounts receivable | 1,372 |
| (Decrease) increase in accounts payable | (458) |
| (Decrease) increase in deferred revenue | <u>660</u> |
| Net cash used in operating activities | <u><u>(134,136)</u></u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$22,816 of federal commodities.

The Enterprise Funds also received \$14,938 of equipment that was purchased by other funds.

AGWSR COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

| | Private Purpose Trust <u>Scholarship</u> | <u>Agency</u> |
|-----------------------------|---|-----------------|
| | \$ | \$ |
| Assets | | |
| Cash and pooled investments | 26,855 | 3,528 |
| Liabilities | | |
| Other payables | <u>-</u> | <u>3,528</u> |
| Net Assets | | |
| Reserved for scholarships | <u><u>26,855</u></u> | <u><u>-</u></u> |

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

Year ended June 30, 2007

| | Private Purpose Trust Scholarship |
|------------------------------|--|
| | <u>\$</u> |
| Additions: | |
| Local sources: | |
| Interest | 775 |
| Deductions: | |
| Support services: | |
| Scholarships awarded | <u>697</u> |
| Change in net assets | 78 |
| Net assets beginning of year | <u>26,777</u> |
| Net assets end of year | <u><u>26,855</u></u> |

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2007

1. Summary of Significant Accounting Policies

AGWSR Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Ackley, Geneva, Wellsburg and Steamboat Rock, Iowa and the predominately agricultural territory in a portion of Grundy, Franklin and Butler 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, AGWSR 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 AGWSR Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Management Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the management property tax levy.

The District's proprietary funds include the Enterprise, School Nutrition Fund that is used to account for the food service operations of the District and the Enterprise, Daycare Fund that is used to account for a daycare and preschool programs in Ackley and Wellsburg that are run by 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.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable

represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------------------|-------------------------------|
| Buildings | 20-50 years |
| Improvements other than buildings | 20-25 years |
| Furniture and equipment | 5-20 years |

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District terminates.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted.

2. **Cash and Pooled Investments**

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

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------|---------------------------|--------|
| | | \$ |
| General Fund | Nonmajor Enterprise Funds | 23,208 |
| Capital Projects | Nonmajor Enterprise Funds | 19,655 |

The General Fund loaned money to the Daycare Fund during the year for cash flow purposes and at year end the Daycare fund owed the Capital Projects Fund for Daycare equipment purchases.

4. Interfund Transfers

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

| Transfer To | Transfer From | Amount |
|-----------------------|--|---------|
| | | \$ |
| Nonmajor Enterprise: | | |
| Daycare Fund | General Fund | 20,000 |
| School Nutrition Fund | General Fund | 4,000 |
| Debt Service Fund | Nonmajor Governmental: Physical Plant and Equipment Levy Fund | 164,133 |

The transfer from the Physical Plant and Equipment Levy Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

Money was transferred from the General Fund to the Daycare and School Nutrition Funds to subsidize the programs.

5. Capital Assets

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

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---------------------------------------|---------------------------------|-----------|-----------|------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | 52,000 | - | - | 52,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 5,906,834 | 128,118 | - | 6,034,952 |
| Improvements other than buildings | 602,241 | 79,629 | - | 681,870 |
| Furniture and equipment | 1,715,986 | 197,802 | 117,901 | 1,795,887 |
| Total capital assets being deprec. | 8,225,061 | 405,549 | 117,901 | 8,512,709 |

| | | | | |
|--|------------------|----------------|----------------|------------------|
| Less accumulated depreciation for: | | | | |
| Buildings | 3,264,375 | 84,712 | - | 3,349,087 |
| Improvements other than buildings | 430,108 | 30,167 | - | 460,275 |
| Furniture and equipment | <u>1,240,660</u> | <u>121,134</u> | <u>117,901</u> | <u>1,243,893</u> |
| Total accumulated depreciation | <u>4,935,143</u> | <u>236,013</u> | <u>117,901</u> | <u>5,053,255</u> |
| | | | | |
| Total capital assets being depreciated, net | <u>3,289,918</u> | <u>169,536</u> | <u>-</u> | <u>3,459,454</u> |
| | | | | |
| Governmental activities capital assets, net | <u>3,341,918</u> | <u>169,536</u> | <u>-</u> | <u>3,511,454</u> |
| | Balance | | | |
| | Beginning of | | | Balance End |
| | Year | Increases | Decreases | of Year |
| | \$ | \$ | \$ | \$ |
| Business type activities: | | | | |
| Furniture and equipment | 233,900 | 35,202 | 6,573 | 262,529 |
| Less accumulated depreciation | <u>90,984</u> | <u>17,893</u> | <u>6,573</u> | <u>102,304</u> |
| | | | | |
| Business type activities capital assets, net | <u>142,916</u> | <u>17,309</u> | <u>-</u> | <u>160,225</u> |

Depreciation expense was charged by the District as follows:

| | |
|---|----------------|
| | \$ |
| Governmental activities: | |
| Instruction: | |
| Regular | 16,265 |
| Other | 11,716 |
| Support services: | |
| Student services | 855 |
| Instructional staff services | 10,470 |
| Administration services | 7,212 |
| Operation and maintenance of plant services | 2,798 |
| Transportation | <u>71,818</u> |
| | 121,134 |
| Unallocated depreciation | <u>114,879</u> |
| | |
| Total depreciation expense – governmental activities | <u>236,013</u> |
| | |
| Business type activities: | |
| Food service operations | 17,104 |
| Daycare operations | <u>789</u> |
| | |
| Total depreciation expense – business type activities | <u>17,893</u> |

6. Long-Term Liabilities

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

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|----------------------|---------------------------------|----------------|----------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Capital loan notes | 933,334 | - | 133,333 | 800,001 | 133,333 |
| Termination benefits | 826,790 | 217,042 | 279,461 | 764,371 | 352,702 |
| Total | 1,760,124 | 217,042 | 412,794 | 1,564,372 | 486,035 |

Termination Benefits

The District offered a one year voluntary early retirement plan to administrators during fiscal year 2007. Eligible employees must have completed at least fifteen years of continuous service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education. The District offered a similar plan to teachers in fiscal year 2006.

Early retirement benefits are equal to 150% of the employee's regular contractual salary in effect during the employee's last year of employment.

Early retirement benefits will be paid in three equal installments beginning in July following the start of retirement. The second payment will be paid the following July, and the third and final payment shall be paid during July of the next year.

At June 30, 2007, the District has obligations to fifteen participants with a total liability of \$764,371. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$279,461.

Capital Loan Notes

The District issued \$1,200,000 of capital loan notes during the year ended June 30, 2004. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|----------------|----------------|---------------|----------------|
| | % | \$ | \$ | \$ |
| 2008 | 3.30 | 133,333 | 26,400 | 159,733 |
| 2009 | 3.30 | 133,333 | 22,000 | 155,333 |
| 2010 | 3.30 | 133,333 | 17,600 | 150,933 |
| 2011 | 3.30 | 133,333 | 13,200 | 146,533 |
| 2012 | 3.30 | 133,333 | 8,800 | 142,133 |
| 2013 | 3.30 | 133,336 | 4,400 | 137,736 |
| | | <u>800,001</u> | <u>92,400</u> | <u>892,401</u> |

During the year the District paid \$164,133 of principal and interest on the notes.

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS

provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$235,967, \$248,965, and \$243,540 respectively, equal to the required contributions for each year.

8. 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.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$251,670 for the year ended June 30, 2007, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Deficit Net Assets

The Enterprise Daycare Fund has a deficit unrestricted net asset balance of \$28,911 at June 30, 2007.

11. Construction and Equipment Purchase Commitments

The District has entered into contracts totaling \$251,751 for roof repairs, athletic field lighting and a mini-bus. As of June 30, 2007 no costs had been incurred against the contracts.

REQUIRED SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

| | Governmental Funds Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|---|------------------------------|----------------------------|-------------------------|-----------------------|-----------------------|---|
| | | | | Original | Final | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | | |
| Local sources | 5,454,026 | 383,258 | 5,837,284 | 5,334,467 | 5,334,467 | 502,817 |
| State sources | 3,220,655 | 3,258 | 3,223,913 | 3,518,304 | 3,518,304 | (294,391) |
| Federal sources | 209,234 | 113,034 | 322,268 | 424,850 | 424,850 | (102,582) |
| Total revenues | <u>8,883,915</u> | <u>499,550</u> | <u>9,383,465</u> | <u>9,277,621</u> | <u>9,277,621</u> | <u>105,844</u> |
| Expenditures: | | | | | | |
| Instruction | 5,144,046 | - | 5,144,046 | 5,885,230 | 5,885,230 | 741,184 |
| Support services | 2,448,855 | - | 2,448,855 | 2,546,070 | 2,546,070 | 97,215 |
| Non-instructional programs | 22,699 | 521,896 | 544,595 | 660,310 | 660,310 | 115,715 |
| Other expenditures | 678,633 | - | 678,633 | 733,263 | 733,263 | 54,630 |
| Total expenditures | <u>8,294,233</u> | <u>521,896</u> | <u>8,816,129</u> | <u>9,824,873</u> | <u>9,824,873</u> | <u>1,008,744</u> |
| Excess (deficiency) of revenues over (under) expenditures | 589,682 | (22,346) | 567,336 | (547,252) | (547,252) | 1,114,588 |
| Other financing sources (uses) net | <u>(10,977)</u> | <u>38,938</u> | <u>27,961</u> | <u>38,000</u> | <u>38,000</u> | <u>(10,039)</u> |
| Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures | 578,705 | 16,592 | 595,297 | (509,252) | (509,252) | 1,104,549 |
| Balance beginning of year | <u>1,951,198</u> | <u>127,001</u> | <u>2,078,199</u> | <u>1,297,368</u> | <u>1,297,368</u> | <u>780,831</u> |
| Balance end of year | <u><u>2,529,903</u></u> | <u><u>143,593</u></u> | <u><u>2,673,496</u></u> | <u><u>788,116</u></u> | <u><u>788,116</u></u> | <u><u>1,885,380</u></u> |

AGWSR COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

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

OTHER SUPPLEMENTARY INFORMATION

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

| Assets | <u>Special Revenue Funds</u> | | |
|--|------------------------------|--|----------------|
| | Student Activity Fund | Physical Plant and Equipment Levy | Total |
| | \$ | \$ | \$ |
| Cash and pooled investments | 93,122 | 81,159 | 174,281 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 2,524 | 2,524 |
| Succeeding year | - | 131,124 | 131,124 |
| Accrued interest | - | - | - |
| Due from other governments | - | 198,945 | 198,945 |
| Total assets | <u>93,122</u> | <u>413,752</u> | <u>506,874</u> |
| Liabilities & Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | 1,128 | 3,282 | 4,410 |
| Deferred revenue: | | | |
| Succeeding year property tax | - | 131,124 | 131,124 |
| Other | - | 198,945 | 198,945 |
| Total liabilities | <u>1,128</u> | <u>333,351</u> | <u>334,479</u> |
| Fund balances: | | | |
| Unreserved reported in: | | | |
| Special revenue funds | <u>91,994</u> | <u>80,401</u> | <u>172,395</u> |
| Total liabilities and fund balances | <u>93,122</u> | <u>413,752</u> | <u>506,874</u> |

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

| | Special Revenue Funds | | | Total |
|---|-----------------------------|--|------------------|-----------------|
| | Student Activity Fund | Physical Plant and Equipment Levy | Debt Service | |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | - | 389,210 | - | 389,210 |
| Other | 311,818 | 6,881 | - | 318,699 |
| State sources | - | - | - | - |
| Total revenues | <u>311,818</u> | <u>396,091</u> | <u>-</u> | <u>707,909</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | - | 26,133 | - | 26,133 |
| Other | 290,993 | - | - | 290,993 |
| Support services: | | | | |
| Student | - | 27,641 | - | 27,641 |
| Administration | - | 11,510 | - | 11,510 |
| Operation and maintenance of plant | - | 12,779 | - | 12,779 |
| Transportation | - | 2,740 | - | 2,740 |
| Non-instructional programs | - | 13,464 | - | 13,464 |
| Other expenditures: | | | | |
| Facilities acquisition | - | 190,056 | - | 190,056 |
| Long-term debt: | | | | |
| Principal | - | - | 133,333 | 133,333 |
| Interest and fiscal charges | - | - | 30,800 | 30,800 |
| Total expenditures | <u>290,993</u> | <u>284,323</u> | <u>164,133</u> | <u>739,449</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>20,825</u> | <u>111,768</u> | <u>(164,133)</u> | <u>(31,540)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 164,133 | 164,133 |
| Operating transfers out | - | (164,133) | - | (164,133) |
| Total other financing sources (uses) | <u>-</u> | <u>(164,133)</u> | <u>164,133</u> | <u>-</u> |
| Net change in fund balances | 20,825 | (52,365) | - | (31,540) |
| Fund balances beginning of year | <u>71,169</u> | <u>132,766</u> | <u>-</u> | <u>203,935</u> |
| Fund balances end of year | <u>91,994</u> | <u>80,401</u> | <u>-</u> | <u>172,395</u> |

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Proprietary Funds

June 30, 2007

| | Nonmajor Enterprise Funds | | |
|--|---------------------------|----------------|----------------|
| | School | | |
| | Nutrition | Daycare | Total |
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 7,488 | - | 7,488 |
| Accounts receivable | - | 12,877 | 12,877 |
| Due from other governments | - | 1,778 | 1,778 |
| Inventories | 7,693 | - | 7,693 |
| Capital assets, net of accumulated of accumulated depreciation | 137,359 | 22,866 | 160,225 |
| Total assets | <u>152,540</u> | <u>37,521</u> | <u>190,061</u> |
| Liabilities | | | |
| Accounts payable | - | 703 | 703 |
| Interfund payables | - | 42,863 | 42,863 |
| Deferred revenue | 2,902 | - | 2,902 |
| Total liabilities | <u>2,902</u> | <u>43,566</u> | <u>46,468</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 137,359 | 22,866 | 160,225 |
| Unrestricted | 12,279 | (28,911) | (16,632) |
| Total net assets | <u>149,638</u> | <u>(6,045)</u> | <u>143,593</u> |

AGWSR COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

| | Nonmajor Enterprise Funds | | |
|--|---------------------------|-----------------------|-----------------------|
| | School | | |
| | Nutrition | Daycare | Total |
| | \$ | \$ | \$ |
| Operating revenue: | | | |
| Local sources: | | | |
| Charges for service | <u>142,741</u> | <u>202,507</u> | <u>345,248</u> |
| Operating expenses: | | | |
| Non-instructional programs: | | | |
| Salaries | 92,678 | 183,217 | 275,895 |
| Benefits | 21,986 | 26,888 | 48,874 |
| Purchased services | 239 | 15,703 | 15,942 |
| Supplies | 125,015 | 38,277 | 163,292 |
| Depreciation | <u>17,104</u> | <u>789</u> | <u>17,893</u> |
| | <u>257,022</u> | <u>264,874</u> | <u>521,896</u> |
| Operating gain (loss) | <u>(114,281)</u> | <u>(62,367)</u> | <u>(176,648)</u> |
| Non-operating revenues: | | | |
| State sources | 3,258 | - | 3,258 |
| Federal sources | 102,462 | 10,572 | 113,034 |
| Donations | - | 37,890 | 37,890 |
| Interest income | <u>120</u> | <u>-</u> | <u>120</u> |
| Total non-operating revenues | <u>105,840</u> | <u>48,462</u> | <u>154,302</u> |
| Gain (loss) before transfers and capital contributions | (8,441) | (13,905) | (22,346) |
| Capital contributions | 10,938 | 4,000 | 14,938 |
| Transfers in | <u>4,000</u> | <u>20,000</u> | <u>24,000</u> |
| Change in net assets | 6,497 | 10,095 | 16,592 |
| Net assets beginning of year | <u>143,141</u> | <u>(16,140)</u> | <u>127,001</u> |
| Net assets end of year | <u><u>149,638</u></u> | <u><u>(6,045)</u></u> | <u><u>143,593</u></u> |

AGWSR COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2007

| | Nonmajor Enterprise Funds | | |
|--|---------------------------|------------------------|-------------------------|
| | School Nutrition | Daycare | Total |
| | \$ | \$ | \$ |
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | 143,401 | - | 143,401 |
| Cash received from daycare services | - | 203,879 | 203,879 |
| Cash payments to employees for services | (114,664) | (210,105) | (324,769) |
| Cash payments to suppliers for goods or services | (102,449) | (54,198) | (156,647) |
| Net cash used by operating activities | <u>(73,712)</u> | <u>(60,424)</u> | <u>(134,136)</u> |
| Cash flows from non-capital financing activities: | | | |
| Interfund loan proceeds (repayments) | (4,000) | 12,021 | 8,021 |
| Transfers from other funds | 4,000 | 20,000 | 24,000 |
| Donations | - | 37,890 | 37,890 |
| State grants received | 3,258 | - | 3,258 |
| Federal grants received | 77,646 | 10,168 | 87,814 |
| Net cash provided by non-capital financing activities | <u>80,904</u> | <u>80,079</u> | <u>160,983</u> |
| Cash flows from capital and related financing activities | | | |
| Acquisition of capital assets | <u>(609)</u> | <u>(19,655)</u> | <u>(20,264)</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | <u>120</u> | <u>-</u> | <u>120</u> |
| Net increase (decrease) in cash and cash equivalents | 6,703 | - | 6,703 |
| Cash and cash equivalents at beginning of year | <u>785</u> | <u>-</u> | <u>785</u> |
| Cash and cash equivalents at end of year | <u><u>7,488</u></u> | <u><u>-</u></u> | <u><u>7,488</u></u> |
| Reconciliation of operating gain (loss) to net cash used by operating activities: | | | |
| Operating gain (loss) | (114,281) | (62,367) | (176,648) |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: | | | |
| Commodities used | 24,816 | - | 24,816 |
| Depreciation | 17,104 | 789 | 17,893 |
| Decrease (increase) in inventories | (1,771) | - | (1,771) |
| Decrease (increase) in accounts receivable | - | 1,372 | 1,372 |
| (Decrease) increase in accounts payable | (240) | (218) | (458) |
| (Decrease) increase in deferred revenue | 660 | - | 660 |
| Net cash used in operating activities | <u><u>(73,712)</u></u> | <u><u>(60,424)</u></u> | <u><u>(134,136)</u></u> |

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2007

| <u>Account</u> | Balance | Revenues | Expenditures | Balance End |
|-------------------------|--------------|----------|--------------|-------------|
| | Beginning of | | | of Year |
| | Year | | | |
| | \$ | \$ | \$ | \$ |
| Football | 10,878 | 20,944 | 15,333 | 16,489 |
| Volleyball | - | 2,648 | 1,424 | 1,224 |
| Boys basketball | 6,093 | 8,243 | 11,472 | 2,864 |
| Girls basketball | 9,359 | 20,039 | 17,471 | 11,927 |
| Wrestling | 3,238 | 7,163 | 7,374 | 3,027 |
| Boys track | - | 1,788 | 1,788 | - |
| Girls track | 126 | 1,902 | 1,521 | 507 |
| Boys golf | - | 432 | 432 | - |
| Girls golf | - | 984 | 984 | - |
| Baseball | (1,205) | 3,822 | 2,617 | - |
| Softball | 413 | 5,091 | 7,291 | (1,787) |
| Tennis | - | 256 | 524 | (268) |
| MS football | - | 804 | 804 | - |
| MS volleyball | - | 790 | 790 | - |
| MS boys basketball | - | 578 | 578 | - |
| MS girls basketball | - | 1,013 | 1,013 | - |
| MS wrestling | - | 130 | 130 | - |
| MS boys track | (319) | 1,408 | 1,089 | - |
| MS girls track | - | 512 | 512 | - |
| MS baseball | 35 | 1,120 | 1,155 | - |
| MS Softball | - | 1,240 | 1,240 | - |
| Weightlifting | 484 | 650 | 1,127 | 7 |
| Youth basketball | 307 | 60 | 480 | (113) |
| Volleyball camp | 219 | - | - | 219 |
| Youth football | 1,481 | 12,853 | 10,189 | 4,145 |
| Cross country | 2,322 | 382 | 921 | 1,783 |
| After prom | 3,206 | 14,228 | 15,083 | 2,351 |
| Art club | 90 | - | - | 90 |
| Music booster donations | 3,560 | 22,524 | 11,556 | 14,528 |
| Cheerleaders | (172) | 1,496 | 1,350 | (26) |
| Drama | 769 | 650 | 767 | 652 |
| FFA | 4,429 | 28,847 | 23,071 | 10,205 |
| FCCLA | 776 | 765 | 1,908 | (367) |
| National Honor Society | 81 | 344 | 374 | 51 |
| Foreign language club | 292 | 1,929 | 2,077 | 144 |
| Mat club | 373 | 500 | 723 | 150 |
| Student council | 5,743 | 14,027 | 12,698 | 7,072 |
| Cougar impact | (1,001) | 13,949 | 11,103 | 1,845 |
| MS student council | 7 | - | - | 7 |
| MS drama | 786 | - | - | 786 |

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2007

| <u>Account</u> | Balance Beginning of Year \$ | Revenues \$ | Expenditures \$ | Balance End of Year \$ |
|---------------------|---------------------------------------|----------------|--------------------|------------------------------|
| Booster club | 21,675 | 62,970 | 65,026 | 19,619 |
| Drill team | (631) | 3,028 | 2,397 | - |
| Fall musical | (438) | - | - | (438) |
| Torch | (9,817) | 12,303 | 14,266 | (11,780) |
| Material for resale | (366) | 4,674 | 4,614 | (306) |
| Nurse | 1,409 | - | 21 | 1,388 |
| PTA | 6,064 | 11,374 | 11,808 | 5,630 |
| Athletic resale | (282) | 10,919 | 9,568 | 1,069 |
| Class of 2007 | 1,185 | - | 1,151 | 34 |
| Class of 2008 | - | 12,386 | 13,173 | (787) |
| Class of 2010 | - | 53 | - | 53 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 71,169 | 311,818 | 290,993 | 91,994 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2007

| | Elementary Employee Vending | HS Employee Vending | Little Cougar Playhouse | Cougar's Den | Middle School Vending | Total |
|---------------------------|-----------------------------------|---------------------------|-------------------------------|-----------------|-----------------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance beginning of year | 1,679 | 514 | 5,893 | 1,561 | 1,967 | 11,614 |
| Additions: | | | | | | |
| Miscellaneous | 641 | 1,205 | 2,329 | - | 5,494 | 9,669 |
| Deductions: | | | | | | |
| Miscellaneous | <u>363</u> | <u>743</u> | <u>8,222</u> | <u>1,561</u> | <u>6,866</u> | <u>17,755</u> |
| Balance end of year | <u><u>1,957</u></u> | <u><u>976</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>595</u></u> | <u><u>3,528</u></u> |

AGWSR COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

| | Modified Accrual Basis | | | |
|------------------------------------|------------------------|------------------|------------------|------------------|
| | 2007 | 2006 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 4,757,060 | 4,275,824 | 4,144,623 | 3,298,949 |
| Tuition | 232,604 | 343,758 | 215,062 | 219,653 |
| Other | 464,362 | 568,551 | 497,507 | 442,158 |
| State sources | 3,220,655 | 3,326,912 | 3,151,878 | 3,145,204 |
| Federal sources | 209,234 | 250,051 | 354,977 | 262,743 |
| Total revenues | <u>8,883,915</u> | <u>8,765,096</u> | <u>8,364,047</u> | <u>7,368,707</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | 3,199,790 | 3,317,628 | 3,349,177 | 3,236,274 |
| Special | 1,026,015 | 1,008,315 | 985,460 | 1,333,434 |
| Other | 918,241 | 1,106,578 | 1,029,519 | 616,771 |
| Support services: | | | | |
| Student | 87,292 | 106,019 | 137,762 | 120,982 |
| Instructional staff | 460,685 | 288,477 | 179,666 | 135,529 |
| Administration | 758,660 | 764,416 | 721,870 | 631,133 |
| Operation and maintenance of plant | 601,767 | 564,602 | 530,142 | 480,841 |
| Transportation | 540,451 | 531,060 | 433,654 | 346,131 |
| Non-instructional programs | 22,699 | 4,829 | 21,978 | 20,287 |
| Other expenditures: | | | | |
| Facilities acquisition | 262,830 | 89,747 | 1,285,886 | 668,407 |
| Long-term debt: | | | | |
| Principal | 133,333 | 133,333 | 133,333 | - |
| Interest and other charges | 30,800 | 35,200 | 38,280 | - |
| AEA flowthrough | 251,670 | 246,678 | 244,405 | 250,842 |
| Total expenditures | <u>8,294,233</u> | <u>8,196,882</u> | <u>9,091,132</u> | <u>7,840,631</u> |

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
AGWSR 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 AGWSR Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects AGWSR Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sample AGWSR Community School District's financial statements that is more than inconsequential will not be prevented or detected by AGWSR Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by AGWSR Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A, 07-I-B and 07-I-C are material weaknesses.

Compliance and Other Matters

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

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

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

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

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

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

March 3, 2008

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

07-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks, preparing and posting general journal entries, preparing 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, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

07-I-B Check Signing: We noted that the District uses its computer software to print the signatures of the Board President and Board Secretary on checks, as the checks are printed by the computer. It is possible for one person to enter invoices, issue the command to print checks and to receive the checks from the computer center. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate another person to cosign checks when the Board President is not available.

District Response: We will discuss methods to remain efficient, yet have adequate controls.

Conclusion: Response accepted.

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

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

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

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

Conclusion: Response accepted.

Instances of Noncompliance

No matters were reported.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

- 07-II-A Certified Budget: Expenditures for the year ended June 30, 2007 did not exceed the amounts budgeted.
- 07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 07-II-D Business Transactions: We noted no transactions between the District and District officials or employees.
- 07-II-E 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.
- 07-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 07-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 07-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.
- 07-II-J Deficit Balances: The District has a deficit unrestricted net assets balance in the Enterprise, Daycare Fund of \$28,911 at June 30, 2007. The Student Activity Fund Torch Account (yearbook) had a \$11,780 deficit and several other Student Activity Fund accounts also had deficit account balances at year-end.

Recommendation: The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

District Response: We will continue to investigate methods to eliminate the deficits.

Conclusion: Response accepted.

AGWSR COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-II-K Student Activity Fund, Senior Class Account: We noted that the District paid out approximately \$748 excess monies in the Senior Class Student Activity Fund account to the individual members of the senior class at the end of the year.

Uniform Administrative Procedures for Iowa School Officials states, "All funds from all student organizations and activities residing in the school district funds including the student activity fund are owned by the school district. The students are not owners of the funds and the funds do not meet the legal requirement of description to be specific identifiable money (1967 Senior Class of Pekin vs. Tharp, Supreme Court of Iowa, December 12, 1967). An excess of revenues over expenditures for any student activity remains under the control of the board and may not be distributed to any individual member of such activity. Residual interest in all student activity moneys belongs to the district. Upon dissolution of such activity, such as a graduating class, drama club, etc., the surplus must be used to support other student activities in the student activity fund."

Recommendation: The District should refrain from refunding future excess student activity account monies to members of the class or organization.

District Response: We were not aware of this court ruling and will not issue refunds to individuals in the future.

Conclusion: Response accepted.