

BENNETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

BENNETT COMMUNITY SCHOOL DISTRICT
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BENNETT COMMUNITY SCHOOL DISTRICT
OFFICIALS
June 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2006 Election)		
Art Ahrens	Board President	2008
Jim Pelzer	Board Member	2006
Karen Rohlf	Board Member	2007
Nyle Paper	Board Member	2007
David Rixe	Board Member	2008
(After September, 2006 Election)		
Art Ahrens	Board President	2008
Karen Rohlf	Board Member	2007
Nyle Paper	Board Member	2007
David Rixe	Board Member	2008
Jim VonMuenster	Board Member	2009
School Officials		
John Sauer	Superintendent	2007
Lonna Moeller	District Secretary/Treasurer	2007
Brian Gruhn	Attorney	2007

KAY L. CHAPMAN, CPA PC

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

Independent Auditor's Report

To the Board of Education
Bennett Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District, Bennett, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Bennett Community School District as of June 30, 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, I have also issued my report dated February 22, 2008 on my consideration of Bennett Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bennett Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2007, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic and general purpose financial statements from which it has been derived.



Kay L. Chapman, CPA PC
February 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bennett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$1,880,591 in fiscal 2006 to \$1,831,333 in fiscal 2007, and General Fund expenditures decreased from \$1,854,128 in fiscal 2006 to \$1,796,023 in fiscal 2007. The District's General Fund balance increased from \$558,476 in fiscal 2006 to \$593,786 in fiscal 2007, a 6% increase.
- The decrease in General Fund revenues was attributable to a decrease in state and federal grant revenue in fiscal 2007. The decrease in expenditures was due partially to a reduction in staff brought about by the whole grade sharing agreement, which went into effect in July of 2005. The decrease in expenditures is also attributable to a gradual decrease in building and transportation costs. The reason the General Fund balance increased is because the decrease in expenses was greater than the decrease in income.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bennett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

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

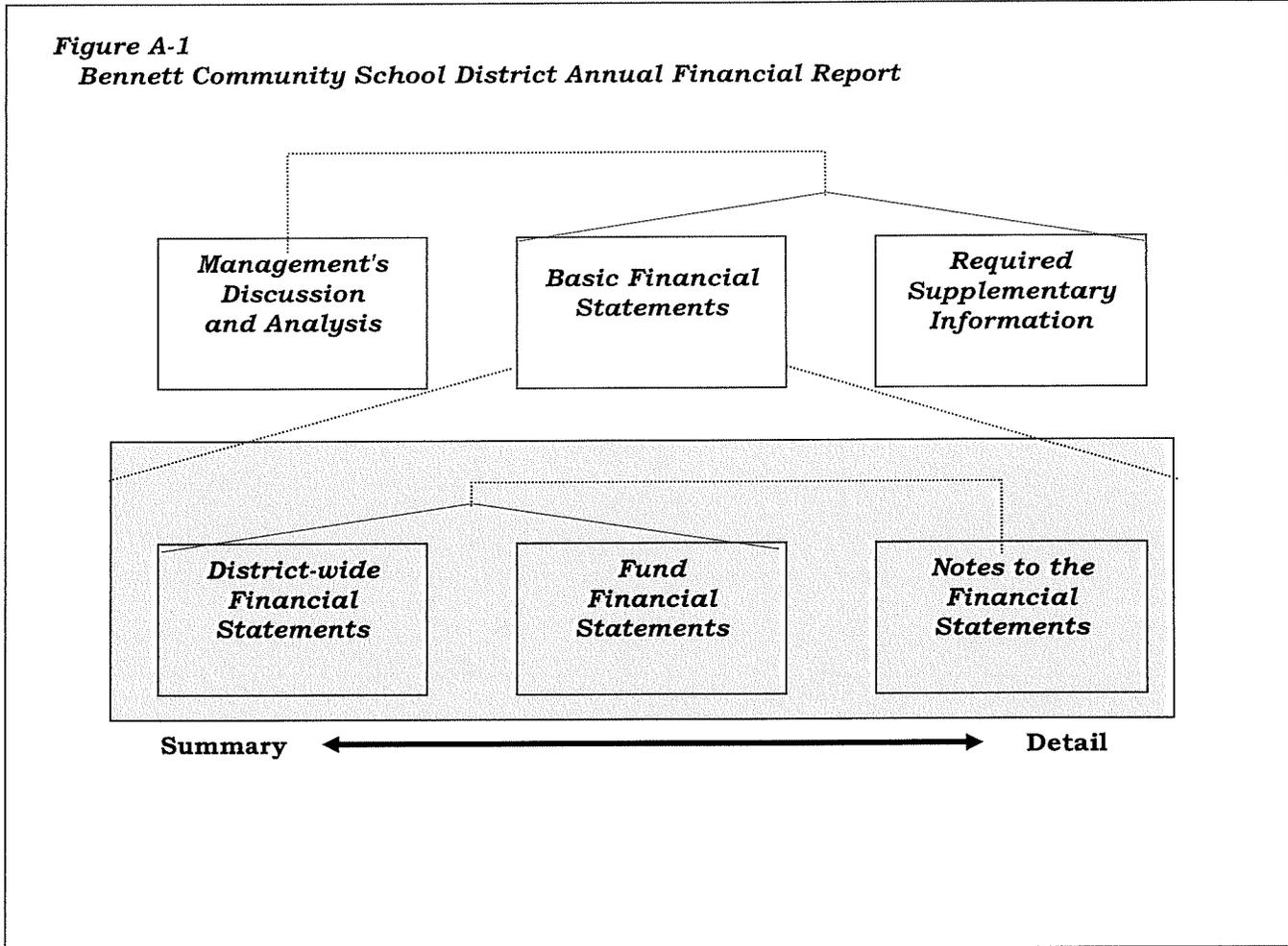


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. During fiscal 2007, the District had one enterprise fund, the School Nutrition Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2006-</u> <u>2007</u>
Current and other assets	\$ 2,464,712	\$ 2,105,668	\$ 12,015	\$ 5,608	\$ 2,476,727	\$ 2,111,276	17.31%
Capital assets	<u>251,326</u>	<u>281,448</u>	<u>4,993</u>	<u>5,674</u>	<u>256,319</u>	<u>287,122</u>	-10.73%
Total assets	<u>2,716,038</u>	<u>2,387,116</u>	<u>17,008</u>	<u>11,282</u>	<u>2,733,046</u>	<u>2,398,398</u>	13.95%
Long-term obligations	245,000	280,000	-	-	245,000	280,000	-12.50%
Other liabilities	<u>1,020,157</u>	<u>997,224</u>	<u>1,315</u>	<u>-</u>	<u>1,021,472</u>	<u>997,224</u>	2.43%
Total liabilities	<u>1,265,157</u>	<u>1,277,224</u>	<u>1,315</u>	<u>-</u>	<u>1,266,472</u>	<u>1,277,224</u>	-0.84%
Net assets							
Invested in capital assets, net of related debt	251,326	281,448	4,993	5,674	256,319	287,122	-10.73%
Restricted	770,966	549,832	-	-	770,966	549,832	40.22%
Unrestricted	<u>428,589</u>	<u>278,612</u>	<u>10,700</u>	<u>5,608</u>	<u>439,289</u>	<u>284,220</u>	54.56%
Total net assets	<u>\$ 1,450,881</u>	<u>\$ 1,109,892</u>	<u>\$ 15,693</u>	<u>\$ 11,282</u>	<u>\$ 1,466,574</u>	<u>\$ 1,121,174</u>	30.81%

The District's combined net assets increased by approximately 31%, or \$345,400 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 \$221,134, or approximately 40% over the prior year. The increase was primarily a result of the fact that no major purchase was made this year in terms of buses or vehicles. We continue to have healthy revenue without having any major expenses, which accounts for the increased balance in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$155,069, or approximately 55%. This increase in unrestricted net assets was a result of the District using carryover fund balance from the previous year to meet its financial obligations during the 2006-07 school year, as well as holding down expenses throughout the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4

	Change in Net Assets						Total Change
	Governmental Activities		Business Type Activities		Total District		
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues							
Program revenues							
Charges for service and sales	\$ 90,867	\$ 97,961	\$ 26,216	\$ 27,495	\$ 117,083	\$ 125,456	-6.67%
Operating grants	206,413	245,955	20,512	19,265	226,925	265,220	-14.44%
General revenues							
Property tax	1,064,729	967,001	-	-	1,064,729	967,001	10.11%
Sales and services tax	154,338	133,313	-	-	154,338	133,313	15.77%
Unrestricted state grants	690,123	644,069	-	-	690,123	644,069	7.15%
Contributions and donations	1,802	16,544	-	-	1,802	16,544	-89.11%
Unrestricted investment earnings	30,301	24,896	-	69	30,301	24,965	21.37%
Other	15,184	77	-	-	15,184	77	19619.48%
Gain on sale of real property	-	52,433	-	-	-	52,433	-100.00%
Total revenues	<u>2,253,757</u>	<u>2,182,249</u>	<u>46,728</u>	<u>46,829</u>	<u>2,300,485</u>	<u>2,229,078</u>	3.20%
Program expenses							
Governmental activities							
Instruction	1,373,594	1,400,218	-	-	1,373,594	1,400,218	-1.90%
Support services	424,696	468,885	-	-	424,696	468,885	-9.42%
Non-instructional programs	158	-	42,317	44,619	42,475	44,619	-4.81%
Other expenses	114,282	108,134	-	-	114,282	108,134	5.69%
Loss on disposal of capital assets	<u>2,832</u>	-	-	-	<u>2,832</u>	-	100.00%
Total expenses	<u>1,915,562</u>	<u>1,977,237</u>	<u>42,317</u>	<u>44,619</u>	<u>1,957,879</u>	<u>2,021,856</u>	-3.16%
Excess of revenues over expenses							
before transfers	338,195	205,012	4,411	2,210	342,606	207,222	65.33%
Transfers	-	11,352	-	(11,352)	-	-	0.00%
Change in net assets	<u>\$ 338,195</u>	<u>\$ 216,364</u>	<u>\$ 4,411</u>	<u>\$ (9,142)</u>	<u>\$ 342,606</u>	<u>\$ 207,222</u>	65.33%

In fiscal 2007, property tax and unrestricted state grants account for 76% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were \$2,300,485 of which \$2,253,757 was for governmental activities and \$46,728 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase in revenues and a 3% decrease in expenses. Unrestricted state grants increased \$46,054 to fund expenditures. The decrease in expenses related to decreases in several different operational areas including transportation and educational supplies. There was also a decrease in expenditures for non-instructional programs.

Governmental Activities

Revenues for governmental activities were \$2,253,757 and expenses were \$1,915,562. In 2007, the district combined several staff positions, especially clerical. There were also reductions in the cost of instruction as well as non-instructional programs.

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

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$ 1,373,594	\$ 1,400,218	-1.9%	\$ 1,150,830	\$ 1,125,380	2.3%
Support services	424,696	468,885	-9.4%	421,749	468,554	-10.0%
Non-instructional programs	158	-	100.0%	158	-	100.0%
Other expenses	<u>117,114</u>	<u>108,134</u>	<u>8.3%</u>	<u>45,545</u>	<u>39,387</u>	<u>15.6%</u>
Total expenses	<u>\$ 1,915,562</u>	<u>\$ 1,977,237</u>	<u>-3.1%</u>	<u>\$ 1,618,282</u>	<u>\$ 1,633,321</u>	<u>-0.9%</u>

- The cost financed by users of the District's programs was \$90,867.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$206,413.
- The net cost of governmental activities was financed with \$1,219,067 in property and other taxes and \$690,123 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$46,728 representing a .2% decrease from the prior year and expenses were \$42,317, a 5% decrease from the prior year. The District's business type activities consist of the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

The decrease in revenues from 2007 was due to decreased number of lunches and breakfasts served as a result of a slightly lower enrollment.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,365,831, well above last year's ending fund balances of \$1,111,238. The primary reason for the increase in combined fund balances in fiscal 2007 is due to decreased spending for salaries, a slightly higher premium in health insurance costs and a decrease in general operating costs.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Increased state aid during the year, factored by a generally stable enrollment, and decreased spending for staff salaries and benefits, resulted in an increase in fund balance. Increased transportation costs resulted in the General Fund increase being smaller than it otherwise would have been.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$169,375 in fiscal 2006 to \$214,653 in fiscal 2007. Major expenses in the PPEL fund included several new heating units and doors throughout the building. New thermostats were also installed in the entire elementary wing and an entirely new phone system was installed in the entire building. The replacement of all of the faucets and drinking fountains in the elementary wing was also completed.
- The Capital Projects Fund balance increased from \$297,299 in 2006 to \$453,239 in 2007. The primary reason for this increase was that more Local Option Sales and Services Taxes were received than were expended during fiscal 2007.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$11,282 at June 30, 2006 to \$15,693 at June 30, 2007, representing an increase of approximately 39%. The District had a slight increase in the prices for breakfasts in 2007. Due to a slight decline in enrollment, less students and faculty were eating the meals. The cost of food and salaries continued to rise.

BUDGETARY HIGHLIGHTS

Bennett Community School District did not amend its annual budget during the year ended June 30, 2007.

The District's revenues were \$15,351 less than budgeted revenues, a variance of .7%. The most significant variance resulted from the District receiving less in state aid than expected.

Total expenditures were \$627,345 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the Other Expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$256,319, 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 decrease of approximately 11% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$50,227.

The original cost of the District's capital assets was \$1,499,490. Governmental funds account for \$1,452,592, with the remainder of \$46,898 accounted for in the Proprietary, School Nutrition Fund.

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

Figure A-6

Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change <u>2006-</u> <u>2007</u>
	Activities		Activities		School District		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
Land	\$ 2,210	\$ 2,210	\$ -	\$ -	\$ 2,210	\$ 2,210	0.00%
Land improvements	17,200	17,200	-	-	17,200	17,200	0.00%
Buildings and improvements	58,391	60,181	-	-	58,391	60,181	-2.97%
Furniture and equipment	<u>173,525</u>	<u>201,857</u>	<u>4,993</u>	<u>5,674</u>	<u>178,518</u>	<u>207,531</u>	-13.98%
Totals	<u>\$251,326</u>	<u>\$281,448</u>	<u>\$ 4,993</u>	<u>\$ 5,674</u>	<u>\$ 256,319</u>	<u>\$287,122</u>	-10.73%

Long-Term Debt

At June 30, 2007, the District had \$245,000 in general obligation debt outstanding. This represents a decrease of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

Total School District		Total Change
<u>2007</u>	<u>2006</u>	<u>2006-2007</u>

General obligation bonds	\$	245,000	\$	280,000	-12.50%
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ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District has experienced declining enrollment for the last eight of nine years. Projections are for it to stabilize or continue to decline gradually. Grades K-6 will be impacted if the decline in enrollment accelerates.
- The District has a three-year whole grade sharing agreement with the Durant School District ending in 2008. A new agreement has been approved which will run through 2011. Grades 7-12 will be serviced by the Durant School District. The transition has had an economic impact on the District, with payment of 100% of the cost per pupil for those three years coming from the General Fund. The new agreement will see some of these payments (15%) coming from the PPEL fund which will lessen some of the impact to the General Fund. Also, the whole grade sharing agreement has initiated a significant number of students to open enroll to a district other than Durant.
- The District will be negotiating a one-year contract with the Bennett Education Association for the 2008-09 school year. Health insurance premiums continue to increase (9.98%), which plays a major role in staff salaries.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lonna Moeller, Board Secretary/Treasurer, Bennett Community School District, PO Box D, 300 Cedar Street, Bennett, Iowa, 52721.

Basic Financial Statements

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

Assets	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents			
Other	\$ 1,402,403	\$ 11,170	\$ 1,413,573
Receivables			
Property tax			
Delinquent	14,473	-	14,473
Succeeding year	860,293	-	860,293
Income surtax	79,803	-	79,803
Accounts receivable	29,940	25	29,965
Due from other governments	77,800	261	78,061
Inventories	-	559	559
Non-depreciable capital assets	19,410	-	19,410
Capital assets, net of accumulated depreciation	<u>231,916</u>	<u>4,993</u>	<u>236,909</u>
Total assets	<u>2,716,038</u>	<u>17,008</u>	<u>2,733,046</u>
Liabilities			
Accounts payable	79,331	5	79,336
Salaries and benefits payable	70,503	1,310	71,813
Accrued interest payable	1,079	-	1,079
Deferred revenue			
Succeeding year property tax	860,293	-	860,293
Federal grants	8,951	-	8,951
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	35,000	-	35,000
Portion due after one year			
General obligation bonds payable	<u>210,000</u>	<u>-</u>	<u>210,000</u>
Total liabilities	<u>1,265,157</u>	<u>1,315</u>	<u>1,266,472</u>
Net Assets			
Invested in capital assets, net of related debt	251,326	4,993	256,319
Restricted for			
Management levy	69,113	-	69,113
Physical plant and equipment levy	214,653	-	214,653
Debt service	25,542	-	25,542
Other special revenue purposes	8,419	-	8,419
Capital projects	453,239	-	453,239
Unrestricted	<u>428,589</u>	<u>10,700</u>	<u>439,289</u>
Total net assets	<u>\$ 1,450,881</u>	<u>\$ 15,693</u>	<u>\$ 1,466,574</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Primary Government</u>	<u>Total</u>
Primary Government						
Governmental activities						
Instruction						
Regular instruction	\$ 1,133,684	\$ 82,661	\$ 93,589	\$ -	\$ (957,434)	\$ (957,434)
Special instruction	196,736	5,811	40,703	-	(150,222)	(150,222)
Other instruction	43,174	-	-	-	(43,174)	(43,174)
	<u>1,373,594</u>	<u>88,472</u>	<u>134,292</u>	<u>-</u>	<u>(1,150,830)</u>	<u>(1,150,830)</u>
Support services						
Student	6,325	-	-	-	(6,325)	(6,325)
Instructional staff	18,157	-	-	-	(18,157)	(18,157)
Administration	175,622	-	-	-	(175,622)	(175,622)
Operation and maintenance of plant	120,529	1,200	-	-	(119,329)	(119,329)
Transportation	104,063	1,195	552	-	(102,316)	(102,316)
	<u>424,696</u>	<u>2,395</u>	<u>552</u>	<u>-</u>	<u>(421,749)</u>	<u>(421,749)</u>
	<u>158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158)</u>	<u>(158)</u>
Non-instructional programs						
Other expenditures						
Facilities acquisition	16,199	-	-	-	(16,199)	(16,199)
Long-term debt interest	16,269	-	-	-	(16,269)	(16,269)
AEA flowthrough	71,569	-	71,569	-	-	-
Loss on disposal of capital assets	2,832	-	-	-	(2,832)	(2,832)
Depreciation (unallocated) *	10,245	-	-	-	(10,245)	(10,245)
	<u>117,114</u>	<u>-</u>	<u>71,569</u>	<u>-</u>	<u>(45,545)</u>	<u>(45,545)</u>
Total governmental activities	<u>1,915,562</u>	<u>90,867</u>	<u>206,413</u>	<u>-</u>	<u>(1,618,282)</u>	<u>(1,618,282)</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Functions/Programs (continued)</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Primary Government</u>
<u>Primary Government (continued)</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Business type activities	<u>Expenses</u>	<u>for Services</u>	<u>Total</u>
Non-instructional programs			
Food service operations	\$ 42,317	\$ 26,216	\$ -
Total primary government	<u>\$ 1,957,879</u>	<u>\$ 117,083</u>	<u>\$ 4,411</u>
		<u>\$ -</u>	<u>\$ 4,411</u>
		<u>\$ 20,512</u>	<u>\$ 4,411</u>
		<u>\$ 226,925</u>	<u>\$ 4,411</u>
		<u>\$ -</u>	<u>(1,613,871)</u>
		<u>\$ -</u>	<u>(1,613,871)</u>
<u>General Revenues</u>			
Property tax levied for			
General purposes		937,020	-
Debt service		49,999	-
Capital outlay		77,710	-
Local option sales and services tax		154,338	-
Unrestricted state grants		690,123	-
Contributions and donations		1,802	-
Unrestricted investment earnings		30,301	-
Other		15,184	-
Total general revenues		<u>1,956,477</u>	<u>-</u>
Change in net assets		338,195	4,411
Net assets, beginning of year, as restated		1,112,686	11,282
Net assets, end of year		<u>\$ 1,450,881</u>	<u>\$ 15,693</u>
		<u>\$ 1,956,477</u>	<u>\$ 1,466,574</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.
See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments					
Other	\$ 675,025	\$ 216,332	\$ 408,259	\$ 102,787	\$ 1,402,403
Receivables					
Property tax					
Delinquent	11,863	1,244	-	1,366	14,473
Succeeding year	727,769	76,228	-	56,296	860,293
Accounts receivable	29,940	-	-	-	29,940
Income surtax	79,803	-	-	-	79,803
Due from other governments	32,820	-	44,980	-	77,800
Total assets	<u>\$1,557,220</u>	<u>\$293,804</u>	<u>\$453,239</u>	<u>\$160,449</u>	<u>\$2,464,712</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 76,408	\$ 2,923	\$ -	\$ -	\$ 79,331
Salaries and benefits payable	70,503	-	-	-	70,503
Deferred revenue					
Succeeding year property tax	727,769	76,228	-	56,296	860,293
Income surtax	79,803	-	-	-	79,803
Federal grants	8,951	-	-	-	8,951
Total liabilities	<u>963,434</u>	<u>79,151</u>	<u>-</u>	<u>56,296</u>	<u>1,098,881</u>
Fund balance					
Reserved for					
Evaluator training	6	-	-	-	6
Salary improvement program	3,522	-	-	-	3,522
Market value program	1,283	-	-	-	1,283
Phase I	19,062	-	-	-	19,062
Phase II	573	-	-	-	573
Iowa Early Intervention program	37,850	-	-	-	37,850
Debt service	-	-	-	26,621	26,621
Unreserved, governmental funds	531,490	-	453,239	-	984,729
Unreserved, special revenue funds	-	214,653	-	77,532	292,185
Total fund balance	<u>593,786</u>	<u>214,653</u>	<u>453,239</u>	<u>104,153</u>	<u>1,365,831</u>
Total liabilities and fund balance	<u>\$1,557,220</u>	<u>\$293,804</u>	<u>\$453,239</u>	<u>\$160,449</u>	<u>\$2,464,712</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds	\$1,365,831
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	251,326
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	79,803
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.	(1,079)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(245,000)</u>
Net assets of governmental activities	<u>\$1,450,881</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit E

	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	Capital Projects <u>Projects</u>	Nonmajor Governmental Funds <u>Funds</u>	<u>Total</u>
Revenues					
Local sources					
Local tax	\$ 822,219	\$ 77,710	\$154,338	\$ 84,998	\$1,139,265
Tuition	35,397	-	-	-	35,397
Other	77,182	12,627	1,602	11,346	102,757
State sources	854,228	-	-	-	854,228
Federal sources	42,307	-	-	-	42,307
Total revenues	<u>1,831,333</u>	<u>90,337</u>	<u>155,940</u>	<u>96,344</u>	<u>2,173,954</u>
Expenditures					
Current					
Instruction					
Regular	1,118,957	2,229	-	3,040	1,124,226
Special	196,736	-	-	-	196,736
Other	37,201	-	-	5,973	43,174
	<u>1,352,894</u>	<u>2,229</u>	<u>-</u>	<u>9,013</u>	<u>1,364,136</u>
Support services					
Student	6,325	-	-	-	6,325
Instructional staff	20,219	-	-	-	20,219
Administration	172,148	2,062	-	1,412	175,622
Operation and maintenance of plant	99,167	10,804	-	12,992	122,963
Transportation	73,701	-	-	4,514	78,215
	<u>371,560</u>	<u>12,866</u>	<u>-</u>	<u>18,918</u>	<u>403,344</u>
Non-instructional programs	-	-	-	158	158
Other expenditures					
Facilities acquisition	-	29,964	-	-	29,964
Long-term debt					
Principal	-	-	-	35,000	35,000
Interest and fiscal charges	-	-	-	15,190	15,190
AEA flowthrough	71,569	-	-	-	71,569
	<u>71,569</u>	<u>29,964</u>	<u>-</u>	<u>50,190</u>	<u>151,723</u>
Total expenditures	<u>1,796,023</u>	<u>45,059</u>	<u>-</u>	<u>78,279</u>	<u>1,919,361</u>
Excess of revenues over expenditures	35,310	45,278	155,940	18,065	254,593
Fund balance, beginning of year, as restated	558,476	169,375	297,299	86,088	1,111,238
Fund balance, end of year	<u>\$ 593,786</u>	<u>\$214,653</u>	<u>\$453,239</u>	<u>\$104,153</u>	<u>\$1,365,831</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2007

Exhibit F

Net change in fund balances - total governmental funds \$254,593

**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 and depreciation expense are as follows:

Expenditures for capital assets	\$ 22,256	
Loss on disposal of capital assets	(2,832)	
Depreciation expense	<u>(49,546)</u>	(30,122)

Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds. 79,803

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. 35,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,079)

Change in net assets of governmental activities \$338,195

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2007

Exhibit G

	<u>Nonmajor School Nutrition</u>
Assets	
Cash and pooled investments	\$ 11,170
Accounts receivable	25
Due from other governments	261
Inventories	559
Capital assets, net of accumulated depreciation	<u>4,993</u>
Total assets	<u>17,008</u>
 Liabilities	
Accounts payable	5
Salaries and benefits payable	<u>1,310</u>
Total liabilities	<u>1,315</u>
 Net Assets	
Invested in capital assets, net of related debt	4,993
Unrestricted	<u>10,700</u>
Total net assets	<u><u>\$ 15,693</u></u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

Exhibit H

	<u>Nonmajor School Nutrition</u>
Operating revenue	
Local sources	
Charges for service	<u>\$26,216</u>
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	15,834
Benefits	2,214
Supplies	23,588
Depreciation	<u>681</u>
Total operating expenses	<u>42,317</u>
Operating loss	<u>(16,101)</u>
Non-operating revenues	
State sources	558
Federal sources	<u>19,954</u>
Total non-operating revenues	<u>20,512</u>
Net income	4,411
Net assets, beginning of year	<u>11,282</u>
Net assets, end of year	<u>\$15,693</u>

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

Exhibit I

	<u>Nonmajor School Nutrition</u>
Cash flows from operating activities	
Cash received from sale of services	\$ 26,191
Cash payments to employees for services	(16,738)
Cash payments to suppliers for goods and services	<u>(19,663)</u>
Net cash (used in) operating activities	<u>(10,210)</u>
Cash flows from non-capital financing activities	
State grants received	558
Federal grants received	<u>16,783</u>
Net cash provided by non-capital financing activities	<u>17,341</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	<u>-</u>
Net increase in cash and cash equivalents	7,131
Cash and cash equivalents, beginning of year	4,039
Cash and cash equivalents, end of year	<u><u>\$ 11,170</u></u>

**Reconciliation of operating (loss) to net cash
(used in) operating activities**

Operating (loss)	\$ (16,101)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	681
Commodities used	2,910
(Increase) in accounts receivable	(25)
Decrease in inventory	1,010
Increase in accounts payable	5
Increase in accrued salaries and benefits	<u>1,310</u>
Net cash (used in) operating activities	<u><u>\$ (10,210)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2007, the District received \$2,910 of federal commodities.

BENNETT COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

The District reports the following major governmental funds:

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

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

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

The District reports no major proprietary funds. However, it reports one nonmajor proprietary fund, the School Nutrition Fund, which is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

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

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$69,113 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures exceeded the amount budgeted in the Other Expenditures functional area; however, General Fund expenditures did not exceed its unspent authorized budget.

Note 2. Cash and Pooled Investments

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

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

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<hr/> \$ 553,498

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

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

Note 3. Capital Assets

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

<u>Governmental activities</u>	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	\$ 2,210	\$ -	\$ -	\$ 2,210
Land improvement	<u>17,200</u>	<u>-</u>	<u>-</u>	<u>17,200</u>
Total capital assets, not being depreciated	<u>19,410</u>	<u>-</u>	<u>-</u>	<u>19,410</u>
Capital assets being depreciated:				
Buildings and improvements	732,502	-	-	732,502
Furniture and equipment	<u>681,354</u>	<u>22,256</u>	<u>(2,930)</u>	<u>700,680</u>
Total capital assets being depreciated	<u>1,413,856</u>	<u>22,256</u>	<u>(2,930)</u>	<u>1,433,182</u>
Less accumulated depreciation for:				
Buildings and improvements	672,321	1,790	-	674,111
Furniture and equipment	<u>479,497</u>	<u>47,756</u>	<u>(98)</u>	<u>527,155</u>
Total accumulated depreciation	<u>1,151,818</u>	<u>49,546</u>	<u>(98)</u>	<u>1,201,266</u>
Total capital assets being depreciated, net	<u>262,038</u>	<u>(27,290)</u>	<u>(2,832)</u>	<u>231,916</u>
Governmental activities capital assets, net	<u>\$ 281,448</u>	<u>\$(27,290)</u>	<u>\$(2,832)</u>	<u>\$ 251,326</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 46,898	\$ -	\$ -	\$ 46,898
Less accumulated depreciation	<u>41,224</u>	<u>681</u>	<u>-</u>	<u>41,905</u>
Business type activities capital assets, net	<u>\$ 5,674</u>	<u>\$(681)</u>	<u>\$ -</u>	<u>\$ 4,993</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 11,687
Support services	
Operation and maintenance of plant	1,766
Transportation	25,848
Unallocated depreciation	<u>10,245</u>
Total governmental activities depreciation expense	<u>\$ 49,546</u>

Business type activities

Food services	<u>\$ 681</u>
---------------	---------------

Note 4. Long-term Liabilities

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

	Balance, Beginning of Year	\$	-	\$ (35,000)	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 280,000	\$	-	\$ (35,000)	\$ 245,000	\$ 35,000

Interest costs incurred and charged to expense on all long-term debt was \$16,269 for the year ended June 30, 2007. During the year ended June 30, 2007, the District made principal payments on total long-term debt of \$35,000.

General Obligation Bonds

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

Year Ending June 30,	Bond issue of July 1, 1997			
	Interest Rates	Interest	Principal	Total
2008	5.25	\$ 12,953	\$ 35,000	\$ 47,953
2009	5.25	11,115	40,000	51,115
2010	5.25	9,015	40,000	49,015
2011	5.25	6,915	40,000	46,915
2012	5.30	4,815	45,000	49,815
2013	5.40	<u>2,430</u>	<u>45,000</u>	<u>47,430</u>
Totals		<u>\$ 47,243</u>	<u>\$ 245,000</u>	<u>\$ 292,243</u>

Note 5. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$33,653, \$35,875 and \$57,783 respectively, equal to the required contributions for each year.

Note 6. Risk Management

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

Note 7. 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 \$71,569 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.

Note 8. Whole-grade Sharing Agreement

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

Note 9. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2007, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 10. Restatement of Beginning Balances

The beginning fund balances of the General Fund and Physical Plant and Equipment Levy Fund were restated during the year ended June 30, 2007 to correct errors noted on the prior year Certified Annual Report. The General Fund beginning balance was decreased by \$136 and the Physical Plant and Equipment Levy Fund balance was increased by \$2,930. These adjustments also affected the beginning net assets for the governmental activities in the Statement of Activities, which was increased by the net effect of \$2,794.

Required Supplementary Information

BENNETT 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
 For the Year Ended June 30, 2007

	Governmental Funds		Proprietary Fund		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$1,277,419	\$ 26,216	\$1,303,635		\$1,216,286	\$1,216,286	\$ 87,349	
Intermediate sources	-	-	-		5,000	5,000	(5,000)	
State sources	854,228	558	854,786		946,747	946,747	(91,961)	
Federal sources	42,307	19,954	62,261		68,000	68,000	(5,739)	
Total revenues	<u>2,173,954</u>	<u>46,728</u>	<u>2,220,682</u>		<u>2,236,033</u>	<u>2,236,033</u>	<u>(15,351)</u>	
Expenditures								
Instruction	1,364,136	-	1,364,136		1,595,000	1,595,000	230,864	
Support services	403,344	-	403,344		710,000	710,000	306,656	
Non-instructional programs	158	42,317	42,475		133,600	133,600	91,125	
Other expenditures	151,723	-	151,723		150,423	150,423	(1,300)	
Total expenditures	<u>1,919,361</u>	<u>42,317</u>	<u>1,961,678</u>		<u>2,589,023</u>	<u>2,589,023</u>	<u>627,345</u>	
Excess of revenues over expenditures	254,593	4,411	259,004		(352,990)	(352,990)	611,994	
Balance, beginning of year, as restated	<u>1,111,238</u>	<u>11,282</u>	<u>1,122,520</u>		<u>891,820</u>	<u>891,820</u>	<u>(230,700)</u>	
Balance, end of year	<u>\$1,365,831</u>	<u>\$ 15,693</u>	<u>\$1,381,524</u>		<u>\$ 538,830</u>	<u>\$ 538,830</u>	<u>\$842,694</u>	

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2007

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

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

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

During the year ended June 30, 2007, District expenditures exceeded the amount budgeted in the Other Expenditures function; however, General Fund expenditures did not exceed the District's unspent authorized budget.

Other Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Schedule 1

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Assets				
Cash and pooled investments	\$ 68,548	\$ 8,419	\$ 25,820	\$ 102,787
Receivables				
Property tax				
Delinquent	565	-	801	1,366
Succeeding year	9,712	-	46,584	56,296
Total assets	\$ 78,825	\$ 8,419	\$ 73,205	\$ 160,449
 Liabilities and Fund Balance				
Liabilities				
Deferred revenue				
Succeeding year property tax	\$ 9,712	\$ -	\$ 46,584	\$ 56,296
 Fund balance				
Reserved for debt service	-	-	26,621	26,621
Unreserved fund balances	69,113	8,419	-	77,532
Total fund balance	69,113	8,419	26,621	104,153
Total liabilities and fund balance	\$ 78,825	\$ 8,419	\$ 73,205	\$ 160,449

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

Schedule 2

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Revenues				
Local sources				
Local taxes	\$ 34,998	\$ -	\$50,000	\$ 84,998
Other	3,031	8,095	220	11,346
Total revenues	<u>38,029</u>	<u>8,095</u>	<u>50,220</u>	<u>96,344</u>
Expenditures				
Current				
Instruction				
Regular	3,040	-	-	3,040
Other	-	5,973	-	5,973
Total instruction	<u>3,040</u>	<u>5,973</u>	<u>-</u>	<u>9,013</u>
Support services				
Administration	1,412	-	-	1,412
Operation and maintenance of plant	12,992	-	-	12,992
Transportation	4,514	-	-	4,514
Total support services	<u>18,918</u>	<u>-</u>	<u>-</u>	<u>18,918</u>
Non-instructional programs	<u>158</u>	<u>-</u>	<u>-</u>	<u>158</u>
Other expenditures				
Long-term debt				
Principal	-	-	35,000	35,000
Interest and fiscal charges	-	-	15,190	15,190
Total other expenditures	<u>-</u>	<u>-</u>	<u>50,190</u>	<u>50,190</u>
Total expenditures	<u>22,116</u>	<u>5,973</u>	<u>50,190</u>	<u>78,279</u>
Excess of revenues over expenditures	15,913	2,122	30	18,065
Fund balances, beginning of year	<u>53,200</u>	<u>6,297</u>	<u>26,591</u>	<u>86,088</u>
Fund balances, end of year	<u>\$ 69,113</u>	<u>\$8,419</u>	<u>\$26,621</u>	<u>\$104,153</u>

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 For the Year Ended June 30, 2007

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ 322	\$ 513	\$ 817	\$ 18
Yearbook	3	996	102	897
Band	273	-	100	173
Vocal	547	2,189	2,251	485
Swimming	230	-	-	230
Class of 2007	1,527	-	465	1,062
Class of 2008	927	-	-	927
Student council	921	4,355	2,238	3,038
Drama	1,222	-	-	1,222
Music supplies	310	-	-	310
HS Activity	(1)	1	-	-
Interest	16	41	-	57
Totals	<u>\$ 6,297</u>	<u>\$ 8,095</u>	<u>\$ 5,973</u>	<u>\$ 8,419</u>

See accompanying Independent Auditor's Report.

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

Schedule 4

	Modified Accrual Basis			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues				
Local sources				
Local tax	\$1,139,265	\$ 1,100,314	\$1,176,943	\$1,128,645
Tuition	35,397	18,964	34,395	22,785
Other	102,757	122,711	124,322	171,469
State sources	854,228	826,719	795,556	764,824
Federal sources	42,307	61,108	76,471	90,988
Total revenues	<u>\$2,173,954</u>	<u>\$ 2,129,816</u>	<u>\$2,207,687</u>	<u>\$2,178,711</u>
Expenditures				
Current				
Instruction				
Regular	\$1,124,226	\$ 1,129,230	\$1,061,298	\$1,030,869
Special	196,736	169,487	218,180	225,327
Other	43,174	90,744	217,229	211,075
Support services				
Student	6,325	5,597	27,540	20,708
Instructional staff	20,219	19,845	12,104	3,967
Administration	175,622	220,663	323,714	297,488
Operation and maintenance of plant	122,963	118,335	127,609	171,709
Transportation	78,215	131,348	107,282	92,746
Central support	-	-	-	12,171
Non-instructional programs	158	-	-	-
Other expenditures				
Facilities acquisition	29,964	37,693	35,027	25,672
Long-term debt				
Principal	35,000	30,000	30,000	108,221
Interest and other charges	15,190	16,765	18,340	23,433
AEA flowthrough	71,569	68,747	68,327	69,596
Total expenditures	<u>\$1,919,361</u>	<u>\$ 2,038,454</u>	<u>\$2,246,650</u>	<u>\$2,292,982</u>

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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

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

To the Board of Education
Bennett Community School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bennett Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 22, 2008. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Bennett Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Bennett Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Bennett Community School District's internal control over financial reporting.

My 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 described below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I 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 Bennett 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 Bennett Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bennett Community

School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings 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 Bennett Community School District's internal control.

My 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, I believe items A, B and D are material weaknesses.

Compliance and Other Matters

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

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

Bennett Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions in the District's responses, I did not audit Bennett Community School District's responses and, accordingly, I 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 Bennett Community School District and other parties to whom Bennett Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

A handwritten signature in cursive script that reads "Kay L. Chapman, CPA PC".

Kay L. Chapman, CPA PC
February 22, 2008

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I 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 - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

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

Conclusion - Response accepted.

- B. Financial Reporting - Reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires the business manager or district management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. The business manager is able to perform the duties required in the normal course of business and to prepare the CAR in accordance with the Department of Education requirements. However, the business manager presently lacks the qualifications and training to appropriately prepare the annual financial statements and footnote disclosures in compliance with GAAP. This is a common situation in small entities where accounting personnel typically do not have four-year accounting degrees and do not receive annual training in order to stay current on new accounting and reporting standards and requirements.

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Recommendation - The business manager should consider obtaining GAAP knowledge through reading relevant accounting literature and/or attending professional education courses to help her significantly improve in her ability to prepare reliable GAAP financial statements, including footnote disclosures.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We will investigate alternatives to our controls, but believe that it would not be an efficient use of District funds to get the necessary training for the business manager to comply with this recommendation.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The CAR contained incorrect amounts for succeeding year property taxes and omitted the retainage payable on construction contracts. These misstatements were subsequently corrected before the final CAR was filed with the Iowa Department of Education.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide some oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the Other Expenditures function.

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

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2007

Response - Future budgets will be amended in sufficient amounts to ensure that expenditures do not exceed the certified budget.

Conclusion - Response accepted.

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

BENNETT COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2007

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant