

BENTON COMMUNITY SCHOOL DISTRICT
VAN HORNE, IOWA

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

JUNE 30, 2007

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BENTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2006 Election)		
George Martin	President	2007
Brenda Schanbacher	Vice President	2007
Terry Harrington	Board Member	2006
Chris Christensen	Board Member	2006
Robyn Allen	Board Member	2008
Brian Strellner	Board Member	2008
Dan Voss	Board Member	2007

<u>Board of Education</u>		
(After September 2006 Election)		
George Martin	President	2007
Brenda Schanbacher	Vice President	2007
Terry Harrington	Board Member	2009
Bryce Brecht	Board Member	2009
Robyn Allen	Board Member	2008
Brian Strellner	Board Member	2008
Dan Voss	Board Member	2007

<u>School Officials</u>		
Gary Zittergruen	Superintendent	2007
Doug Embray	District Secretary	2007
Barb Barr	District Treasurer	2007
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Benton 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 Benton Community School District, 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 the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Benton 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 accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2008 on our consideration of Benton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts 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.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 46 through 47 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. However, 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 Benton 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, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 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 the 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.

Oskaloosa, Iowa
January 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS 2007

This section of the Benton Community School District's annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ending on June 30, 2007. Our analysis will focus on the District's financial performance as a whole for the fiscal year 2006-2007.

This is the fifth year that all District financial activities are reported on a full accrual basis, and comparisons with prior years will be made when appropriate. Efforts have been made to provide comparison data from the prior year when such data is required. In subsequent years, with additional data, five-year trends will be provided for District financial information.

Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

Fiscal 2007 Financial Highlights

- ◆ General Fund revenue increased from \$12,390,470 in fiscal 2006 to \$12,884,858 in fiscal 2007 while General Fund expenditures increased from \$12,384,078 in fiscal 2006 to \$12,999,536 in fiscal 2007. This resulted in an overall change in the District's General Fund balance from \$2,541,384 in fiscal 2006 to \$2,426,705 in fiscal 2007, a moderate decrease from the prior fiscal year.
- ◆ The increase in General Fund revenues was attributed to an increase in local property tax collections as well as state and federal program revenue in fiscal 2007. In addition 2007 was the fifth year of the District Instructional Support Levy, funded by a mixture of Income-surtax, local property tax and State Aid. The levy is scheduled to provide approximately \$439,380 dollars for District identified purchases. The increase in expenditures was due primarily to an increase in personnel costs due to negotiated salary and benefit agreements and increased accounts payable expenditures. The District also increased number of employees in Fiscal 2007 compared to fiscal 2006.
- ◆ The District continues to collect one-cent sales tax revenue from Benton, Iowa and Tama Counties during the 2006-2007 fiscal year. The revenue from this tax will be used to reduce District long-term debt.
- ◆ Higher interest rates during the fiscal year resulted in a small increase in General Fund interest earnings on investments. In fiscal 2006 the District earned \$36,661 on investments. In fiscal year 2007 the District earned \$39,130 on investments, a 6 percent increase.
- ◆ The District completed several Physical Plant and Equipment activities related to building and grounds projects during the 2006-2007 fiscal year.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ◆ The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- ◆ The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

- ◆ The statements for governmental funds explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- ◆ The statements for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services, latchkey and preschool.
- ◆ The statements for fiduciary funds provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District Wide Statements

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

The two District-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

- ◆ Over time, increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating, respectively.
- ◆ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings and facilities, and student enrollment trends.

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

- ◆ **Governmental funds:** 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 funds:** The District charges fees to help cover the cost of certain services it provides. The District school nutrition program would be included here.

Fund Financial Statements

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

- ◆ 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 show that it is properly using certain revenues such as federal grants.

Benton Community School District has three types of funds:

- ◆ **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - ◆ The District's governmental funds include the General Fund; Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund.

- ◆ **Proprietary funds:** Services for which the District charges a fee are generally reported in the proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - ◆ The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the school nutrition program and the preschool program.

- ◆ **Fiduciary funds:** The District is trustee, or fiduciary, for assets that belong to others.
 - ◆ **Agency Fund:** These are either funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts, or certain revenue collected from District employee purchases of pop and related expenditures.

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

Financial Analysis of the District as a Whole

Net assets: Figure A-1 provides a summary of the District's net assets for fiscal years ended June 30, 2006 and June 30, 2007.

Figure A-1 Statement of Net Assets

	Governmental Activities	Business-type Activity	School District	Government Activities	Business Activity	School District	Change
	2006	2006	2006	2007	2007	2007	
Current /other assets	10,291,580	108,405	10,399,985	11,026,139	138,413	11,164,552	764,567
Capital Assets	8,384,040	49,104	8,433,144	9,063,330	61,737	9,125,067	691,923
Total Assets	18,675,620	157,509	18,833,129	20,089,469	200,150	20,289,619	1,456,490
Long-term obligations	3,320,000	0	3,320,000	3,185,000	0	3,185,000	-135,000
Other liabilities	5,160,090	13,077	5,173,167	5,710,096	21,918	5,732,014	558,847
Total Liabilities	8,480,090	13,077	8,493,167	8,895,096	21,918	8,917,014	423,847
Net Assets:							
Invested in capital Assets, net of debt	5,064,040	49,104	5,113,144	5,878,330	61,737	5,940,067	826,923
Restricted	2,479,139	0	2,479,139	2,755,322	0	2,755,322	276,183
Unrestricted	2,652,351	95,328	2,747,679	2,560,721	116,495	2,677,216	-70,463
Total Net Assets	10,195,530	144,432	10,339,962	11,194,373	178,232	11,372,605	1,032,643

Changes in net assets: Figure A-2 shows the changes in net assets for the years ending June 30, 2006 and June 30, 2007.

Figure A-2 Changes in Net Assets

	Government Activities	Business Activities	School District	Government Activities	Business Activities	School District	Change
	2006	2006	2006	2007	2007	2007	
Revenues:							
Program Revenue:							
Charge for service / sales	1,393,105	559,342	1,952,447	1,109,308	557,415	1,666,723	-285,724
Operating grants, restricted interest	1,103,156	185,974	1,289,130	1,482,544	204,447	1,686,991	397,861
Capital grants, and restricted interest	0	0	0	100,000	0	100,000	100,000
General Revenues:							
Property tax	5,782,945	0	5,782,945	6,213,266	0	6,213,266	430,321
Unrestricted state grants	6,171,464	0	6,171,464	6,344,781	0	6,344,781	173,317
Unrestricted investments	51,517	784	52,301	87,614	950	88,564	36,263
Other	12,314	0	12,314	73,403	0	73,403	61,089
Total revenues	14,514,501	746,100	15,260,601	15,410,916	762,812	16,173,728	913,127
Program Expenses:							
Governmental activities							
Instruction	8,490,423	0	8,490,423	8,928,174	0	8,928,174	437,751
Support services	4,109,530	0	4,109,530	4,413,168	3,404	4,416,572	307,042
Non-instruction Programs	0	711,288	711,288	0	725,608	725,608	14,320
Other expenses	1,029,509	0	1,029,509	1,070,731	0	1,070,731	41,222
Total expenses	13,629,462	711,288	14,340,750	14,412,073	729,012	15,141,085	800,335
Change in net assets:	885,039	34,812	919,851	998,843	33,800	1,032,643	112,792

Property tax and unrestricted state grants account for 81% of the District's total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 93% of the total governmental activities expenses.

Governmental Activities

Revenues for governmental activities were \$15,410,916 and expenses were \$14,412,073. In fiscal 2007, the District attempted to balance revenues and expenses for most Governmental Funds, excluding the Capital Projects Fund. Particular attention was given to the District General Fund. 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-3 Total Net Cost of Governmental Activities

Figure A-3 shows the changes in Net costs for the years ending June 30, 2006 and June 30, 2007.

	Cost of Services	Net Cost of Services	Cost of Services	Net Cost of Services	Change
	2006	2006	2007	2007	
Instruction	8,490,423	6,538,608	8,928,174	6,916,186	377,578
Support services	4,109,530	4,065,857	4,413,168	4,365,187	299,330
Non-instructional programs	0	0	0	0	0
Other expenses	1,029,509	528,736	1,070,131	438,848	-89,888
Total	13,629,462	11,133,201	14,412,073	11,720,221	587020

- ◆ The cost financed by users of District's programs was \$1,109,308
- ◆ Federal and state government subsidized certain programs with grants and contributions totaling \$1,482,544
- ◆ The net cost of governmental activities was financed with \$6,213,266 in property tax, and other taxes \$6,344,781 in state foundation aid and \$87,614 in interest income.

Business -Type Activities

Revenues for the District's business-type activities were \$762,812 and expenses were \$729,012. The District's business-type activities include the School Nutrition Fund, Latch key and Preschool programs. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income.

During the year ended June 30, 2007, the district increased its meal prices and preschool fees. This increased revenue resulted in additions to the School Nutrition Fund and Preschool Daycare Fund, which the District has obligated for updating computers and software and salaries for preschool personnel.

Financial Analysis of the District's Funds

As previously noted, the Benton 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 the District completed the year, its governmental funds reported combined fund balances of \$ 4,930,439 an increase over last year's ending fund balance of \$4,759,258.

Governmental Fund Highlights

- ◆ The District's General Fund financial position is the product of many factors. The Instructional Support Levy, taxes and grants resulted in a moderate increase in revenues. The increase in revenues was coupled with a larger than usual increase in General Fund expenditures. These conditions resulted in a small decrease in the District's carry over fund balance.
- ◆ The General Fund balance moderately decreased from \$2,541,384 to \$2,426,706 for the 2006-07 fiscal year. In addition 2006-2007 was the fourth year for a District Instructional Support Levy, which has helped balance expenditures in the General Fund.
- ◆ The Physical Plant and Equipment Levy (PPEL) Fund balance decreased in 2006-2007. The Fund balance decreased from \$722,167 in fiscal 2006 to \$480,650 in fiscal 2007. The main reason for the fund balance decrease was the construction of an elevator in one of our elementary centers, drainage improvements, and the construction of a fitness center.
- ◆ The District Capital Projects Account increased to a balance of \$1,707,501 on June 30, 2007. This balance is a combination of One-cent sales tax money collections and retainage related to the Middle/High School building project. The balance is reserved for long-term debt reduction.

Proprietary Fund Highlights

The School Nutrition Fund had net assets of \$174,691 on June 30, 2007. As previously noted, the District increased meal prices resulting in the increase in net assets. The District also revamped its Nutrition accounting system and software in 2007 and added an online payment option for district patrons.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following the required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year the district amended its budget one time to reflect additional revenues and expenditures associated with Nutrition, Preschool and Construction Project Accounts. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and Major Special Revenue Funds are not presented on the budgetary comparison pages.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$16,161,351; \$1,101,342 more than the total budget receipts amount of \$15,060,009 a variance of 7.0 percent. The most significant change resulted in the District receiving additional revenue in the one-cent Sales Tax collections. Total expenditures were less than budgeted amount due primarily to the District's amount allocated for the General Fund. It is the District's practice to budget expenditures at an amount that exceeds projected expenditures for the coming fiscal but is less than the maximum allowed by law. The District then manages or controls General Fund spending through a line-item budget at the building level. As a result the District's certified budget should always exceed the actual expenditures during the fiscal year. Despite this budgeting practice, however, the District exceeded the budget in the other expenditures functional area due to the completion of the Middle School / High School construction project and Elementary Elevator

Capital Assets and Debt Administration

Capital Assets

On June 30, 2007, the District had invested \$9,125,067 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, transportation equipment, computers, and audio-visual equipment. (See Figure A-4) This amount represents a net increase from the last fiscal year. More detailed information about capital assets is available in the financial statements. Depreciation expense for the year was \$377,601.

Excluding depreciation, the District has over nine million in capital assets. Governmental Funds account for the majority of the districts capital assets with the remainder in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation

Figure A-4 shows the changes in Capital Assets for the years ending June 30, 2006 and June 30, 2007.

	Governmental	Business-type	School	Governmental	Business-Type	School
	Activities	Activities	District	Activities	Activities	District
	2006	2006	2006	2007	2007	2007
Land	63,056	0	63,056	63,056	0	63,056
Land Improvements	73,864	0	73,864	230,861	0	230,861
Buildings	7,393,779	0	7,393,779	7,503,693	0	7,503,693
Construction	111,622	0	111,622	493,095	0	493,095
Furniture/Equip	741,719	49,104	790,823	772,625	61,737	834,362
Totals	8,384,040	49,104	8,433,144	9,063,330	61,737	9,125,067

Long-Term Debt

On June 30, 2007, the District had \$3,185,000 in general obligation and other long-term debt outstanding. This represents a decrease of 135,000 thousand dollars from the 2006 fiscal year. The District issued \$3,280,000 additional long-term debt in the 2004 fiscal year. These funds are being used to finance the Middle School High School Facility.

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:

- ◆ Although the District has experienced declining enrollment for two of the past three years, the District expects a stable to increasing enrollment in future years due to a new housing development in progress within the District.
- ◆ The District has evaluated the condition of its transportation vehicles and determined that due to rotation schedules, two buses and two vans must be replaced during fiscal 2008 at a cost of \$175,000. To pay for these vehicles the District will use a combination of General Fund and PPEL Fund resources.
- ◆ The District will negotiate a new labor contract in 2008 with its employee groups. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and reserve fund balance.

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 Douglas D. Embray, Associate Superintendent, Benton Community School District, 304 First Street, PO Box 70, Van Horn, Iowa 52346-0070.

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Basic Financial Statements

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 5,639,707	\$ 113,876	\$ 5,753,583
Receivables:			
Property tax:			
Current year	76,085	-	76,085
Succeeding year	4,209,000	-	4,209,000
Income surtax	407,812	-	407,812
Accounts	196	-	196
Due from other governments	684,687	802	685,489
Inventories	8,487	23,735	32,222
Prepaid expenses	165	-	165
Capital assets, net of accumulated depreciation (note 4)	9,063,330	61,737	9,125,067
	<hr/>	<hr/>	<hr/>
Total assets	20,089,469	200,150	20,289,619
Liabilities			
Accounts payable	525,893	552	526,445
Salaries and benefits payable	952,995	10,475	963,470
Accrued interest payable	22,208	-	22,208
Deferred revenue:			
Succeeding year property tax	4,209,000	-	4,209,000
Other	-	10,891	10,891
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	140,000	-	140,000
Portion due after one year:			
Bonds payable	3,045,000	-	3,045,000
	<hr/>	<hr/>	<hr/>
Total liabilities	8,895,096	21,918	8,917,014

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 5,878,330	\$ 61,737	\$ 5,940,067
Restricted for:			
Management levy	25,747	-	25,747
Physical plant and equipment levy	684,556	-	684,556
Other special revenue purposes	271,797	-	271,797
Capital projects	1,707,501	-	1,707,501
Baseball program	15,656	-	15,656
State grants	50,065	-	50,065
Unrestricted	<u>2,560,721</u>	<u>116,495</u>	<u>2,677,216</u>
Total net assets	<u>\$ 11,194,373</u>	<u>\$ 178,232</u>	<u>\$ 11,372,605</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Restricted Contributions
Governmental Activities:				
Instruction	\$ 8,928,174	\$ 1,109,308	\$ 902,680	\$ -
Support services:				
Student services	218,385	-	-	-
Instructional staff services	400,008	-	-	-
Administration services	1,331,187	-	1,500	-
Operation and maintenance of plant services	1,569,636	-	46,481	-
Transportation services	893,952	-	-	-
	<u>4,413,168</u>	<u>-</u>	<u>47,981</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	146,480	-	-	100,000
Long-term debt interest and fiscal charges	139,020	-	-	-
AEA flowthrough	531,883	-	531,883	-
Depreciation (unallocated) *	253,348	-	-	-
	<u>1,070,731</u>	<u>-</u>	<u>531,883</u>	<u>100,000</u>
Total governmental activities	<u>14,412,073</u>	<u>1,109,308</u>	<u>1,482,544</u>	<u>100,000</u>
Business-Type Activities:				
Support services:				
Administration services	2,550	-	-	-
Operation and maintenance of plant services	854	-	-	-
	<u>3,404</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs:				
Food service operations	612,315	457,014	204,447	-
Daycare operations	113,293	100,401	-	-
	<u>725,608</u>	<u>557,415</u>	<u>204,447</u>	<u>-</u>
Total business-type activities	<u>729,012</u>	<u>557,415</u>	<u>204,447</u>	<u>-</u>
Total	<u>\$ 15,141,085</u>	<u>\$ 1,666,723</u>	<u>\$ 1,686,991</u>	<u>\$ 100,000</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,916,186)	\$ -	\$ (6,916,186)
(218,385)	-	(218,385)
(400,008)	-	(400,008)
(1,329,687)	-	(1,329,687)
(1,523,155)	-	(1,523,155)
(893,952)	-	(893,952)
<u>(4,365,187)</u>	<u>-</u>	<u>(4,365,187)</u>
(46,480)	-	(46,480)
(139,020)	-	(139,020)
-	-	-
<u>(253,348)</u>	<u>-</u>	<u>(253,348)</u>
<u>(438,848)</u>	<u>-</u>	<u>(438,848)</u>
<u>(11,720,221)</u>	<u>-</u>	<u>(11,720,221)</u>
-	(2,550)	(2,550)
-	(854)	(854)
<u>-</u>	<u>(3,404)</u>	<u>(3,404)</u>
-	49,146	49,146
-	(12,892)	(12,892)
<u>-</u>	<u>36,254</u>	<u>36,254</u>
<u>-</u>	<u>32,850</u>	<u>32,850</u>
<u>(11,720,221)</u>	<u>32,850</u>	<u>(11,687,371)</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 4,541,945	\$ -	\$ 4,541,945
284,836	-	284,836
420,969	-	420,969
965,516	-	965,516
6,344,781	-	6,344,781
87,614	950	88,564
73,403	-	73,403
12,719,064	950	12,720,014
998,843	33,800	1,032,643
10,195,530	144,432	10,339,962
\$ 11,194,373	\$ 178,232	\$ 11,372,605

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>General</u>	<u>Special Revenue Physical Plant and Equipment Levy</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 3,416,662	\$ 591,510	\$ 1,310,934	\$ 320,601	\$ 5,639,707
Receivables:					
Property tax:					
Current year	68,037	4,322	-	3,726	76,085
Succeeding year	3,724,000	293,000	-	192,000	4,209,000
Income surtax	203,906	203,906	-	-	407,812
Accounts	196	-	-	-	196
Due from other governments	203,550	-	481,137	-	684,687
Inventories	8,487	-	-	-	8,487
Prepaid expenses	-	-	-	165	165
 Total assets	 <u>\$ 7,624,838</u>	 <u>\$ 1,092,738</u>	 <u>\$ 1,792,071</u>	 <u>\$ 516,492</u>	 <u>\$ 11,026,139</u>

BENTON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 317,231	\$ 115,182	\$ 84,570	\$ 8,910	\$ 525,893
Salaries and benefits payable	952,995	-	-	-	952,995
Deferred revenue:					
Succeeding year property tax	3,724,000	293,000	-	192,000	4,209,000
Other	203,906	203,906	-	-	407,812
Total liabilities	5,198,132	612,088	84,570	200,910	6,095,700
Fund balance:					
Reserved for:					
Inventories	8,487	-	-	-	8,487
State grants	50,065	-	-	-	50,065
Debt service	-	-	-	2,382	2,382
Baseball program	-	-	-	15,656	15,656
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	297,544	297,544
Undesignated	2,368,154	480,650	1,707,501	-	4,556,305
Total fund balances	2,426,706	480,650	1,707,501	315,582	4,930,439
Total liabilities and fund balances	\$ 7,624,838	\$ 1,092,738	\$ 1,792,071	\$ 516,492	\$ 11,026,139

See notes to financial statements.

BENTON 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	\$ 4,930,439
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.	9,063,330
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	407,812
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.	(22,208)
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>(3,185,000)</u>
Net assets of governmental activities	<u>\$ 11,194,373</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 4,441,150	\$ 558,203	\$ 965,516	\$ 235,665	\$ 6,200,534
Tuition	411,950	-	-	-	411,950
Other	125,573	7,287	38,996	607,955	779,811
Intermediate sources	27,250	-	-	-	27,250
State sources	7,570,161	43	-	16	7,570,220
Federal sources	308,774	100,000	-	-	408,774
Total revenues	<u>12,884,858</u>	<u>665,533</u>	<u>1,004,512</u>	<u>843,636</u>	<u>15,398,539</u>
Expenditures:					
Current:					
Instruction	8,392,247	-	-	523,526	8,915,773
Support services:					
Student services	218,385	-	-	-	218,385
Instructional staff services	399,005	-	-	-	399,005
Administration services	1,302,745	-	-	27,145	1,329,890
Operation and maintenance of plant services	1,297,782	154,823	-	206,530	1,659,135
Transportation services	857,489	-	-	-	857,489
	<u>4,075,406</u>	<u>154,823</u>	<u>-</u>	<u>233,675</u>	<u>4,463,904</u>
Other expenditures:					
Facilities acquisition	-	752,227	288,556	-	1,040,783
Long term debt:					
Principal	-	-	-	135,000	135,000
Interest and fiscal charges	-	-	-	140,015	140,015
AEA flowthrough	531,883	-	-	-	531,883
	<u>531,883</u>	<u>752,227</u>	<u>288,556</u>	<u>275,015</u>	<u>1,847,681</u>
Total expenditures	<u>12,999,536</u>	<u>907,050</u>	<u>288,556</u>	<u>1,032,216</u>	<u>15,227,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(114,678)</u>	<u>(241,517)</u>	<u>715,956</u>	<u>(188,580)</u>	<u>171,181</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Special Revenue <u>Physical Plant and Equipment Levy</u>	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Interfund transfers in	\$ -	\$ -	\$ -	275,015	\$ 275,015
Interfund transfers out	-	-	(275,015)	-	(275,015)
Total other financing sources (uses)	-	-	(275,015)	275,015	-
Net change in fund balances	(114,678)	(241,517)	440,941	86,435	171,181
Fund balances beginning of year	2,541,384	722,167	1,266,560	229,147	4,759,258
Fund balances end of year	<u>\$ 2,426,706</u>	<u>\$ 480,650</u>	<u>\$ 1,707,501</u>	<u>\$ 315,582</u>	<u>\$ 4,930,439</u>

See notes to financial statements.

BENTON 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 \$ 171,181

Amounts reported for governmental activities in the Statement of Activities
are different because:

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

Expenditures for capital assets	\$ 1,048,637	
Depreciation expense	<u>(369,347)</u>	679,290

Income surtax revenue not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 12,377

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 135,000

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 995

Change in net assets of governmental activities \$ 998,843

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	School Nutrition	Nonmajor - Preschool Daycare	Total
Assets			
Cash and cash equivalents	\$ 100,110	\$ 13,766	\$ 113,876
Due from other governments	-	802	802
Inventories	23,735	-	23,735
Capital assets, net of accumulated depreciation	61,737	-	61,737
Total assets	<u>185,582</u>	<u>14,568</u>	<u>200,150</u>
Liabilities			
Accounts payable	-	552	552
Salaries and benefits payable	-	10,475	10,475
Deferred revenue	10,891	-	10,891
Total liabilities	<u>10,891</u>	<u>11,027</u>	<u>21,918</u>
Net Assets			
Invested in capital assets	61,737	-	61,737
Unrestricted	112,954	3,541	116,495
Total net assets	<u>\$ 174,691</u>	<u>\$ 3,541</u>	<u>\$ 178,232</u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	School Nutrition	Nonmajor - Preschool Daycare	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 457,014	\$ 100,401	\$ 557,415
Operating expenses:			
Support services:			
Administration services	2,550	-	2,550
Operation and maintenance of plant services	854	-	854
Non-instructional programs	612,315	113,293	725,608
	615,719	113,293	729,012
Operating loss	(158,705)	(12,892)	(171,597)
Non-operating revenues:			
Interest on investments	950	-	950
State sources	7,931	-	7,931
Federal sources	196,516	-	196,516
Total non-operating revenues	205,397	-	205,397
Change in net assets	46,692	(12,892)	33,800
Net assets beginning of year	127,999	16,433	144,432
Net assets end of year	\$ 174,691	\$ 3,541	\$ 178,232

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	School Nutrition	Nonmajor - Preschool Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 445,288	\$ -	\$ 445,288
Cash received from miscellaneous operating activities	12,498	107,979	120,477
Cash payments to employees for services	(281,989)	(118,396)	(400,385)
Cash payments to suppliers for goods or services	(287,789)	(1,925)	(289,714)
Net cash used by operating activities	<u>(111,992)</u>	<u>(12,342)</u>	<u>(124,334)</u>
Cash flows from non-capital financing activities:			
State grants received	7,931	-	7,931
Federal grants received	157,011	-	157,011
Net cash provided by non-capital financing activities	<u>164,942</u>	<u>-</u>	<u>164,942</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(20,887)	-	(20,887)
Cash flows from investing activities:			
Interest on investments	950	-	950
Net increase (decrease) in cash and cash equivalents	33,013	(12,342)	20,671
Cash and cash equivalents beginning of year	<u>67,097</u>	<u>26,108</u>	<u>93,205</u>
Cash and cash equivalents end of year	<u>\$ 100,110</u>	<u>\$ 13,766</u>	<u>\$ 113,876</u>

BENTON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	<u>School Nutrition</u>	<u>Nonmajor - Preschool Daycare</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (158,705)	\$ (12,892)	\$ (171,597)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	8,254	-	8,254
Commodities used	39,505	-	39,505
Decrease in interfund receivable	199	-	199
Decrease in accounts receivable	-	8,380	8,380
(Increase) in due from other governments	-	(802)	(802)
(Increase) in inventories	(2,017)	-	(2,017)
Increase in accounts payable	-	552	552
Increase in salaries and benefits payable	-	7,517	7,517
(Decrease) in interfund payable	-	(15,097)	(15,097)
Increase in deferred revenue	772	-	772
Net cash used by operating activities	<u>\$ (111,992)</u>	<u>\$ (12,342)</u>	<u>\$ (124,334)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$39,505 of federal commodities.

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	<u>Agency</u>
Assets:	
Cash	\$ <u>4,741</u>
Liabilities:	
Other payables	<u>4,741</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

Benton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Van Horne, Atkins, Blirstown, Elberon, Watkins, and Walford, Iowa, and agricultural territory in Benton, Iowa, and Tama 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, Benton 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. Benton 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 Benton and Iowa County Assessor's Conference Boards.

B. Basis of Presentation

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

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

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

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-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 Special Revenue, Physical Plant and Equipment Levy Fund is used to account for the payment of capital and related expenditures for building improvements and certain types of equipment.

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

The District reports the following major proprietary fund:

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

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

The 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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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.

All proprietary funds of the District apply 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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

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 that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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 District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes 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.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2007 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	45-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 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 collectible 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 in the governmental funds consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2007.

Long-term Liabilities – In the District-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 Balances – 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.

Invested in capital assets, net of related debt – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

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.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

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

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>2,111</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>275,015</u>

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

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. 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	\$ 63,056	\$ -	\$ -	\$ 63,056
Construction in progress	111,622	493,095	111,622	493,095
Total capital assets not being depreciated	<u>174,678</u>	<u>493,095</u>	<u>111,622</u>	<u>556,151</u>
Capital assets being depreciated:				
Buildings	12,858,444	334,934	-	13,193,378
Improvements other than buildings	215,291	171,350	-	386,641
Furniture and equipment	2,397,181	160,880	72,938	2,485,123
Total capital assets being depreciated	<u>15,470,916</u>	<u>667,164</u>	<u>72,938</u>	<u>16,065,142</u>
Less accumulated depreciation for:				
Buildings	5,464,665	225,020	-	5,689,685
Improvements other than buildings	141,427	14,353	-	155,780
Furniture and equipment	1,655,462	129,974	72,938	1,712,498
Total accumulated depreciation	<u>7,261,554</u>	<u>369,347</u>	<u>72,938</u>	<u>7,557,963</u>
Total capital assets being depreciated, net	<u>8,209,362</u>	<u>297,817</u>	<u>-</u>	<u>8,507,179</u>
Governmental activities capital assets, net	<u>\$ 8,384,040</u>	<u>\$ 790,912</u>	<u>\$ 111,622</u>	<u>\$ 9,063,330</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 121,894	\$ 20,887	\$ -	\$ 142,781
Less accumulated depreciation	<u>72,790</u>	<u>8,254</u>	<u>-</u>	<u>81,044</u>
Business-type activities capital assets, net	<u>\$ 49,104</u>	<u>\$ 12,633</u>	<u>\$ -</u>	<u>\$ 61,737</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 12,401
Support services:	
Instructional staff	1,004
Administration	1,296
Operation and maintenance of plant services	5,835
Transportation	<u>95,463</u>
	115,999
Unallocated depreciation	<u>253,348</u>
Total governmental activities depreciation expense	<u>\$ 369,347</u>
Business-type activities:	
Food service operations	<u>\$ 8,254</u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Bonds
Balance beginning of year	\$ 3,320,000
Additions	-
Reductions	<u>135,000</u>
Balance end of year	<u>\$ 3,185,000</u>
Due within one year	<u>\$ 140,000</u>

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Long-Term Liabilities (continued)

Bonds Payable

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

Year Ending June 30,	Bond Issue of November 1, 1993			
	Interest Rates	Principal	Interest	Total
2008	6.00 %	\$ 30,000	\$ 7,800	\$ 37,800
2009	6.00	30,000	6,000	36,000
2010	6.00	35,000	4,200	39,200
2011	6.00	35,000	2,100	37,100
Subtotal		130,000	20,100	150,100
Year Ending June 30,	Bond Issue of December 1, 2003			
	Interest Rates	Principal	Interest	Total
2008	4.375 %	\$ 110,000	\$ 125,445	\$ 235,445
2009	4.500	115,000	120,632	235,632
2010	4.500	120,000	115,458	235,458
2011	4.500	125,000	110,058	235,058
2012	3.375	170,000	104,432	274,432
2013	3.500	180,000	98,695	278,695
2014	3.700	185,000	92,395	277,395
2015	3.800	190,000	85,550	275,550
2016	3.900	200,000	78,330	278,330
2017	4.000	210,000	70,530	280,530
2018	4.100	215,000	62,130	277,130
2019	4.150	225,000	53,315	278,315
2020	4.250	235,000	43,977	278,977
2021	4.300	245,000	33,990	278,990
2022	4.400	260,000	23,455	283,455
2023	4.450	270,000	12,015	282,015
Subtotal		3,055,000	1,230,407	4,285,407
Total		\$ 3,185,000	\$ 1,250,507	\$ 4,435,507

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, 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 \$501,011, \$488,273, and \$467,640, respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$531,883 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 9. Construction Commitments

The District entered into various contracts totaling \$1,197,242 for a fitness center and an elevator addition. As of June 30, 2007, costs of \$327,343 had been incurred against the contracts. The balance of \$869,899 remaining at June 30, 2007 will be paid as work on the projects progresses.

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Required Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Funds
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Funds - Actual		Original	Final	
REVENUES:						
Local sources	\$ 7,392,295	\$ 558,365	\$ 7,950,660	\$ 7,273,825	\$ 7,273,825	\$ 676,835
Intermediate sources	27,250	-	27,250	25,000	25,000	2,250
State sources	7,570,220	7,931	7,578,151	7,376,184	7,376,184	201,967
Federal sources	408,774	196,516	605,290	385,000	385,000	220,290
Total revenues	15,398,539	762,812	16,161,351	15,060,009	15,060,009	1,101,342
EXPENDITURES:						
Instruction	8,915,773	-	8,915,773	9,305,000	9,305,000	389,227
Support services	4,463,904	3,404	4,467,308	4,785,500	4,960,500	493,192
Non-instructional programs	-	725,608	725,608	778,500	778,500	52,892
Other expenditures	1,847,681	-	1,847,681	1,165,556	1,495,556	(352,125)
Total expenditures	15,227,358	729,012	15,956,370	16,034,556	16,539,556	583,186
Excess (deficiency) of revenues over (under) expenditures	171,181	33,800	204,981	(974,547)	(1,479,547)	1,684,528
Balance beginning of year	4,759,258	144,432	4,903,690	3,784,542	3,784,542	1,119,148
Balance end of year	\$ <u>4,930,439</u>	\$ <u>178,232</u>	\$ <u>5,108,671</u>	\$ <u>2,809,995</u>	\$ <u>2,304,995</u>	\$ <u>2,803,676</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
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 except agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$505,000.

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

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Other Supplementary Information

BENTON COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	Special Revenue		Debt Service	Permanent	Total
	Management Levy	Student Activity		Marjorie Smith Trust	
Assets					
Cash and pooled investments	\$ 30,931	\$ 271,632	\$ 2,382	\$ 15,656	\$ 320,601
Receivables:					
Property tax:					
Current year	3,726	-	-	-	3,726
Succeeding year	192,000	-	-	-	192,000
Prepaid expenses	-	165	-	-	165
Total assets	\$ 226,657	\$ 271,797	\$ 2,382	\$ 15,656	\$ 516,492
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 8,910	\$ -	\$ -	\$ -	\$ 8,910
Deferred revenue:					
Succeeding year property tax	192,000	-	-	-	192,000
Total liabilities	200,910	-	-	-	200,910
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	2,382	-	2,382
Baseball program	-	-	-	15,656	15,656
Unreserved:					
Undesignated	25,747	271,797	-	-	297,544
Total fund equity	25,747	271,797	2,382	15,656	315,582
Total liabilities and fund equity	\$ 226,657	\$ 271,797	\$ 2,382	\$ 15,656	\$ 516,492

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	Special Revenue		Debt Service	Permanent	Total
	Management Levy	Student Activity		Marjorie Smith Trust	
Revenues:					
Local sources:					
Local tax	\$ 235,665	\$ -	\$ -	\$ -	235,665
Other	19,964	587,527	24	440	607,955
State sources	16	-	-	-	16
Total revenues	<u>255,645</u>	<u>587,527</u>	<u>24</u>	<u>440</u>	<u>843,636</u>
Expenditures:					
Current:					
Instruction	-	523,526	-	-	523,526
Support services:					
Administration services	27,145	-	-	-	27,145
Operation and maintenance of plant services	206,530	-	-	-	206,530
Other expenditures:					
Long term debt:					
Principal	-	-	135,000	-	135,000
Interest and fiscal charges	-	-	140,015	-	140,015
Total expenditures	<u>233,675</u>	<u>523,526</u>	<u>275,015</u>	<u>-</u>	<u>1,032,216</u>
Excess (deficiency) of revenues over (under) expenditures	21,970	64,001	(274,991)	440	(188,580)
Other financing sources:					
Interfund transfers in	-	-	275,015	-	275,015
Net change in fund balances	21,970	64,001	24	440	86,435
Fund balances beginning of year	<u>3,777</u>	<u>207,796</u>	<u>2,358</u>	<u>15,216</u>	<u>229,147</u>
Fund balances end of year	<u>\$ 25,747</u>	<u>\$ 271,797</u>	<u>\$ 2,382</u>	<u>\$ 15,656</u>	<u>\$ 315,582</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School:				
Cocurricular	\$ 1,074	\$ 1,278	\$ 317	\$ 2,035
Drama	6,505	7,243	7,299	6,449
Vocal	28,012	166,962	155,662	39,312
Instrumental	12,447	11,676	11,888	12,235
Industrial Tech. Resale	522	-	-	522
Student Council	1,059	1,809	1,967	901
Media Club	1,800	-	-	1,800
Concessions	255	-	-	255
Yearbook	8,299	16,540	3,976	20,863
Art Club	118	5,486	3,279	2,325
Pom Pom	399	1,342	862	879
SADD	45	-	-	45
FFA	14,179	58,838	63,130	9,887
Spanish Club	10,486	15,001	10,091	15,396
National Honor Society	2,084	2,908	2,724	2,268
FCCLA	970	9,959	9,022	1,907
Wrestlerettes	45	-	-	45
Cheerleaders	604	4,951	5,390	165
Thespians	802	939	383	1,358
Class of 2006	139	40	179	-
Class of 2007	753	4,224	4,977	-
Class of 2008	2,757	1,814	3,299	1,272
Class of 2009	1,119	1,107	384	1,842
Class of 2010	-	1,114	-	1,114
HOSA	3,496	3,320	3,494	3,322
B/G Cocurricular	26,688	34,612	18,005	43,295
General Athletics	38,917	152,654	142,687	48,884
	<u>163,574</u>	<u>503,817</u>	<u>449,015</u>	<u>218,376</u>
Middle School:				
Student Council	<u>2,778</u>	<u>614</u>	<u>95</u>	<u>3,297</u>

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Atkins:				
Cocurricular	\$ 283	\$ 48	\$ -	\$ 331
Student Council	9,566	18,099	13,085	14,580
Media Club	2,246	4,099	3,380	2,965
	<u>12,095</u>	<u>22,246</u>	<u>16,465</u>	<u>17,876</u>
Norway:				
Cocurricular	801	186	-	987
Student Council	8,433	25,664	25,639	8,458
Media Club	6,046	6,320	10,367	1,999
Yearbook	225	229	-	454
	<u>15,505</u>	<u>32,399</u>	<u>36,006</u>	<u>11,898</u>
Keystone:				
Cocurricular	3,558	183	-	3,741
VHE Fundraiser	2,000	-	-	2,000
Student Council	4,861	26,568	20,245	11,184
Media Club	2,747	1,700	1,700	2,747
Art Club	678	-	-	678
	<u>13,844</u>	<u>28,451</u>	<u>21,945</u>	<u>20,350</u>
 Total	 \$ <u>207,796</u>	 \$ <u>587,527</u>	 \$ <u>523,526</u>	 \$ <u>271,797</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ <u>7,826</u>	\$ <u>-</u>	\$ <u>3,085</u>	\$ <u>4,741</u>
Liabilities				
Other payables	\$ <u>7,826</u>	\$ <u>-</u>	\$ <u>3,085</u>	\$ <u>4,741</u>

See accompanying independent auditor's report.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 6,200,534	\$ 5,749,200	\$ 5,666,309	\$ 4,937,285
Tuition	411,950	435,003	394,057	337,499
Other	779,811	660,751	554,516	616,603
Intermediate sources	27,250	-	31,116	22,981
State sources	7,570,220	7,222,771	6,660,965	6,412,109
Federal sources	408,774	416,949	275,729	300,544
Total revenues	\$ 15,398,539	\$ 14,484,674	\$ 13,582,692	\$ 12,627,021
Expenditures:				
Instruction	\$ 8,915,773	\$ 8,477,351	\$ 8,191,843	\$ 7,923,572
Support services:				
Student services	218,385	282,904	236,472	290,174
Instructional staff services	399,005	415,950	361,657	309,381
Administration services	1,329,890	1,264,891	1,106,402	1,237,100
Operation and maintenance of plant services	1,659,135	1,416,325	1,335,313	1,206,486
Transportation services	857,489	785,013	756,403	745,719
Other expenditures:				
Facilities acquisition	1,040,783	672,640	1,454,627	2,035,075
Long-term debt:				
Principal	135,000	125,000	45,000	25,000
Interest and fiscal charges	140,015	145,453	203,246	14,106
AEA flowthrough	531,883	500,773	477,287	483,909
Total expenditures	\$ 15,227,358	\$ 14,086,300	\$ 14,168,250	\$ 14,270,522

See accompanying independent auditor's report.

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
Benton Community School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Benton 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 January 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Benton 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 an opinion on the effectiveness of Benton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton 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 the 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 Benton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Benton Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We 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 Benton 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 I-A-07, I-B-07, and I-C-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Benton Community School 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton 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.

Oskaloosa, Iowa
January 8, 2008

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-07 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 reviewing, recording and processing cash receipts and performing bank reconciliations, which can be performed by the same person, and preparing, recording, and mailing checks, which can be performed by the same person. 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 some steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that a lack of segregation of duties in the above mentioned areas still exists.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that the Business Manager continue to review and be involved in the day to day transactions.

Response – We will review the recommendation and look to improve in areas where possible.

Conclusion – Response accepted.

I-B-07 Financial Reporting – During the audit, we identified material amounts of capital assets additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital assets additions are identified and included in the District's financial statements.

Response – We have adjusted our capital assets listing for these items and will make sure our capital assets additions listing contains all items greater than our capitalization limit in the future.

Conclusion – Response accepted.

I-C-07 Bank Reconciliations – We noted \$473,218 of checks written in July 2007 that were included as outstanding checks on the June 30, 2007 bank reconciliation. An adjustment was necessary to reflect the proper balances on the District's financial statements.

Recommendation – This practice understates cash and accounts payable and is not in conformity with generally accepted accounting procedures. The outstanding checks on the bank reconciliation should include only checks that had been written June 30 or earlier but had not cleared through the bank. All checks should be dated the day they are written.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

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

Significant Deficiencies (continued):

I-C-07 Bank Reconciliations (continued)

Response – We will try to properly record and date checks in the future. We will discontinue the practice of recording accounts payable items as outstanding checks.

Conclusion – Response accepted.

I-D-07 Athletic Gate Admissions – Ticket reconciliations for athletic events are required but are not being properly completed. We noted that the reconciliations and number of tickets issued were filled out to match the money counted.

Recommendation – The District should establish and follow reconciliation procedures for gate admissions. The reconciliation should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will review our present procedures and consider the recommended reconciliation procedures.

Conclusion – Response accepted.

I-E-07 Unauthorized Signatures – The bank confirmations indicated the name of a former employee who would be able to sign checks as an authorized check signer on seven bank accounts.

Recommendation – The District should obtain and prepare proper authorization cards for these accounts.

Response – We updated the authorization cards for these accounts in September 2007.

Conclusion – Response accepted.

I-F-07 Nontimely Deposit – We noted that a reimbursement check written in October 2006 from one District fund to the Agency Fund was not deposited until September 2007.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities.

Response – We will try to ensure that all receipts are deposited timely.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

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

Significant Deficiencies (continued):

I-G-07 Disbursements – Out of forty disbursements tested, one was not fully supported by an invoice or receipt at the time of payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to their being paid.

Response – We will make sure that all future disbursements are properly supported by an invoice or other document, which is on hand at the business office prior to the disbursement being paid.

Conclusion – Response accepted.

BENTON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

II-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the other expenditures function.

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

Response – We will amend our budget before expenditures exceed the budget.

Conclusion – Response accepted.

II-B-07 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-07 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.

II-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-07 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.

II-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

II-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-07 Sale of Equipment – The District sold a piece of equipment and recorded the revenue in the Special Revenue, Student Activity Fund. Chapter 297.22 of the Code of Iowa requires that proceeds from the sale of equipment be recorded in the General Fund.

Recommendation – All sales of equipment should be recorded in the General Fund.

Response – We will properly record any future equipment sales in the General Fund.

Conclusion – Response accepted.