

**BOONE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

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Introductory Section

Board of Education and School District Officials

At June 30, 2007

Name	Title	Term Expires
Board of Education		
Dr. Jeffrey Anderson	President	2007
Jim Malloy	Vice President	2008
Kirk Leeds	Member	2007
Paulette Newbold	Board Member	Resigned June, 2007
Everett Johnson	Board Member	2009
Pamela Boehm	Board Member	(Appointed June, 2007) 2008
School Officials		
Dr. Theron Shutte	Superintendent	Indefinite
Jodi Severson, CPA	District Secretary/Treasurer	Indefinite

Financial Section



Independent Auditor's Report

Board of Education
Boone Community School District
Boone, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District, Boone, Iowa, at and for the year ended June 30, 2007, and the discretely presented component unit at and for the year ended December 31, 2006, 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 an opinion 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 and provisions 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Boone Community School District at June 30, 2007 and the discretely presented component unit at December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the years 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 December 20, 2007 on our consideration of the Boone Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boone 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 year ended June 30, 2006 (which are not presented herein) and express a qualified opinion on those financial statements. The financial statements for the years ended June 30, 2005 and 2004 (which are not presented herein) were audited by other auditors who expressed a qualified opinion on the June 30, 2005 financial statements and an unqualified opinion on the June 30, 2004 financial statements. Other supplementary information included on Pages 38 through 44, including the accompanying Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 20, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Boone Community School District is pleased to provide this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the District's financial performance 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 immediately follow this section.

Financial Highlights

During fiscal year 2007, the General Fund balance was restated from \$282,754 to \$331,006 due to correcting the accrual of wages payable and the prepayment of the general business insurance policy from fiscal year 2006.

- General Fund revenues increased 4% from \$20,204,160 in fiscal 2006 to \$21,100,864 in 2007, a revenue increase of \$896,704. General Fund expenditures increased 7% from \$19,691,013 in 2006 to \$21,109,752 for fiscal year 2007, an increase of \$1,418,739. The District's General Fund balance decreased from \$331,006 to \$322,118, a 3% decline.
- State and local General Fund revenues for fiscal year 2007 increased by \$636,728 over the prior year. Revenues from property taxes and other local sources of \$460,000 was the main reason for the increase.
- Capital Project expenditures decreased from \$7.5 million in fiscal 2006 to approximately \$700,000 in 2007, a decrease of over \$6.8 million as a result of the substantial completion of the Middle School project. The Middle School was opened for the 2006-2007 school year.

Overview of the Financial Statements

This annual report consists of five parts:

1. Management's Discussion and Analysis (this section)
2. Basic Financial Statements
3. Notes to Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first, the Statement of Net Assets and the Statement of Activities, are *District-Wide Financial Statements* that provide information about the District as a whole and present an overall view of the District's finances.
- The second 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, as follows:
 - The *Governmental Fund Statements* 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 Proprietary Fund Statements* offer short- and long-term financial information about the activities the District operates like a business, such as food services.
- The statements for *Fiduciary Funds* provide information about the financial relationships in which the District acts solely as a trustee for the benefit of others, such as scholarship trusts.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The statements are followed by a section of Required Supplementary Information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

The following diagram, Figure A-1, shows how the various parts of this annual report are arranged and related to one another.

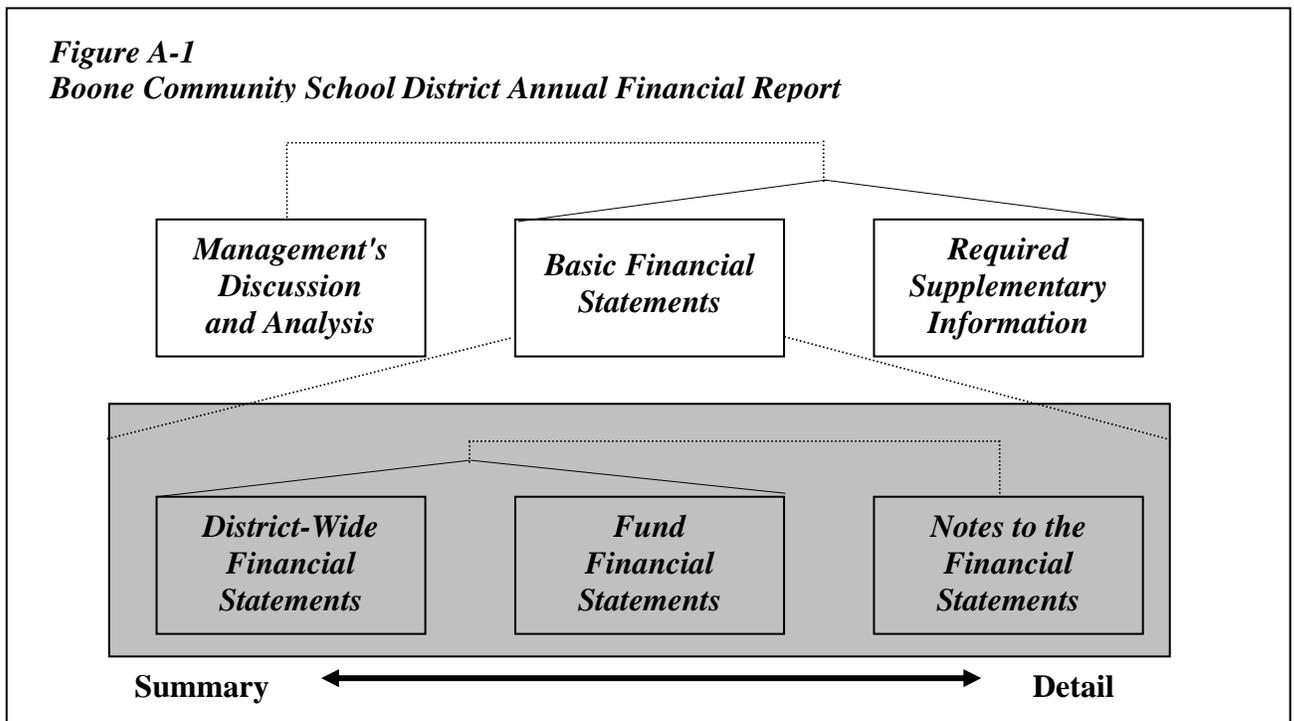


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

<i>Figure A-2</i>				
<i>Major Features of the District-Wide and Fund Financial Statements</i>				
	District-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Balance sheet Statement of revenue, expenses and changes in net assets	Statement of fiduciary net assets
	Statement of activities	Statements of revenue, expenditures and changes in fund balances	Statement of cash flows	Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the 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 after	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial 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 and how they have changed. 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 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 financial position is improving or deteriorating.
- To assess the District's overall health, readers should consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-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 food services are included here, as reported in the School Nutrition Fund.

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 or by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for various student activity funds or to demonstrate it is properly using certain revenues.

The 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 that can readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, reconciliations between the District-wide financial statements and the fund financial statements follow the fund financial statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund.
 - The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- *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 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 one enterprise fund, the School Nutrition Fund.
 - The required financial statements for proprietary funds include a balance sheet, a statement of revenue, expenses and changes in net assets and a statement of cash flows.
- *Fiduciary funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

Government-Wide Financial Analysis

Net Assets – Figure A-3 provides a summary of the District's net assets for the year ended June 30, 2007 compared to 2006.

Figure A-3
Condensed Statement of Net Assets
 (expressed in thousands)

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and Other Assets	16,883	18,592	98	235	16,981	18,827	-10%
Capital Assets	19,013	18,500	182	27	19,195	18,527	4%
Total Assets	35,896	37,092	280	262	36,176	37,354	-3%
Long-Term Liabilities	11,345	12,070	-	-	11,345	12,070	-6%
Other Liabilities	14,072	15,601	12	16	14,084	15,617	-10%
Total Liabilities	25,417	27,671	12	16	25,429	27,687	-8%
Net Assets							
Invested in capital assets, net of related debt	6,943	5,735	182	27	7,125	5,762	24%
Restricted	2,531	2,780	-	-	2,531	2,780	-9%
Unrestricted	1,005	906	86	219	1,091	1,125	-3%
Total Net Assets	10,479	9,421	268	246	10,747	9,667	11%

As shown in figure A-3, current and other assets decreased by 10%, or by approximately \$1.8 million from the prior year. The decrease is accounted for by the District's decrease in ISCAP investments and receivables at the end of fiscal year 2007. The District's capital assets increased due mainly to the completion of the new Middle School. The District's other liabilities decreased by 10%, or by approximately \$1.5 million. This decrease was mainly due to the District's Middle School construction project being substantially complete.

Restricted net assets decreased by approximately \$249,000 or 9%. The net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation, which limits how they can be used. The decrease in restricted net assets is primarily due to a decrease in the Physical Plant and Equipment Levy fund balances and the Capital Projects fund balance. Unrestricted assets, the part of net assets that can be used to finance day-to-day operations without constraints, decreased by approximately \$34,000, or 3%, from the prior fiscal year while total net assets increased by about \$1.1 million, or 11%, from the prior year.

Changes in Net Assets – Figure A-4 shows a summary of the District's changes in net assets for the fiscal year ended June 30, 2007 as compared to fiscal 2006.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues							
Program Revenues							
Charge for service	2,286	2,348	523	466	2,809	2,814	-0.2%
Operating grants, contributions and restricted interest	2,805	2,150	333	309	3,138	2,459	27.6%
General Revenues							
Property tax	6,827	5,990	-	-	6,827	5,990	14.0%
Local option sales and service tax	1,373	1,087	-	-	1,373	1,087	26.3%
Income surtax	859	700	-	-	859	700	22.7%
Unrestricted state grants and contributions	9,616	9,668	-	-	9,616	9,668	-0.5%
Unrestricted investment earnings	503	459	9	6	512	465	10.1%
Other	203	252	-	-	203	252	-19.4%
Total Revenues	24,472	22,654	865	781	25,337	23,435	8.1%
Program Expenses							
Instruction	15,932	14,125	-	-	15,932	14,125	12.8%
Support services	6,278	5,678	-	-	6,278	5,678	10.6%
Non-instructional programs	-	-	843	691	843	691	22.0%
Other expenses	1,229	1,233	-	-	1,229	1,233	-0.3%
Total Expenses	23,439	21,036	843	691	24,282	21,727	11.8%
Change in Net Assets	1,033	1,618	22	90	1,055	1,708	-38.2%

Property tax and unrestricted state grants accounted for 65% of the District's total revenues in all funds, as shown above. The District's expenses are primarily in the instruction and support services, which total 95% of the total expenses shown in Figure A-4. Total District revenues were 8.1% higher than the prior year, and the corresponding expenses were 11.8% higher resulting in net assets of approximately \$1.1 million, down 38% from \$1.7 million for fiscal 2006.

Governmental Activities

Figure A-5 presents the cost of the four major District activities: Instruction, Support Services, Non-Instructional Programs and Other Expenses. The table shows each activity's *net* cost, which is the total expense less any fees generated by the activities and intergovernmental aid provided for specific programs. Therefore, the net cost indicates the financial burden placed on the District's taxpayers by each of these District functions.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in thousands)

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 15,932	\$ 11,662	\$ 14,125	\$ 10,342
Support Services	6,277	6,178	5,678	5,645
Other Expenses	1,229	507	1,233	551
Total	\$ 23,438	\$ 18,347	\$ 21,036	\$ 16,538

The total cost of all governmental activities for FY07 was \$23,438,387. Users of the District's programs, through fees and admissions revenues, financed approximately \$2.3 million. Federal and state governments, through restricted program grants and contributions, subsidized approximately \$2.8 million. These revenues are categorized as program revenues as they are specifically related to a certain program and, therefore, must be expended within that program.

The net cost of services for all governmental activities was \$18,347,022, financed primarily with revenues from unrestricted state aid and local property tax. State aid and property tax are examples of general revenues, as they are not specific to a program and are available to be expended for more universal purposes within a specific fund. The differences in total cost of services versus net cost of services remained very similar from the prior year to the current year, as shown in the comparison above.

Business-Type Activities

As previously discussed, the District's business-type fund is the School Nutrition Fund. Revenues for this fund were \$865,453, an increase of 10% or \$83,128 from the prior year. Similarly, expenses increased for FY07 by \$152,161 or 22%. This was primarily due to the purchase of the Middle School lunch room supplies.

Financial Analysis of the District's Funds

The Boone Community School District uses fund accounting to ensure and demonstrate compliance with finance-related statutory requirements. A summary financial analysis of individual District funds follows, categorized into governmental and business types:

Individual Fund Analysis

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

Schedule of Revenue by Source and Expenditures by Function – Figure A-6 shows a summary of the District’s revenue by source and expenditures by function for the governmental funds for the fiscal year ended June 30, 2007 as compared to fiscal 2006.

Figure A-6
Governmental Funds
Schedule of Revenue By Source and Expenditures By Function
For the Years Ended June 30,

	2007	2006	Increase (Decrease)	Percent Change
Revenue				
Local Sources				
Local Taxes	\$ 9,053,675	\$ 7,883,932	\$ 1,169,743	15%
Tuition	1,855,694	1,816,342	39,352	2%
Other	1,300,917	1,548,970	(248,053)	-16%
Intermediate Sources	-	479	(479)	-100%
State Sources	11,336,321	11,161,043	175,278	2%
Federal Sources	865,332	541,175	324,157	60%
Total	\$24,411,939	\$22,951,941	\$ 1,459,998	6%
Expenditures				
Instruction				
Regular	\$ 10,019,156	\$ 9,031,889	\$ 987,267	11%
Special	3,797,441	3,762,965	34,476	1%
Other	1,303,120	1,167,500	135,620	12%
Support Services				
Student Services	746,397	749,001	(2,604)	0%
Instructional Staff Services	714,945	671,320	43,625	7%
Administration Services	2,314,547	2,152,091	162,456	8%
Operation/Maintenance	2,058,498	1,694,632	363,866	21%
Transportation Services	495,398	482,188	13,210	3%
Other Expenditures				
Facilities Construction	1,277,941	7,638,697	(6,360,756)	-83%
Long-Term Debt Principal	695,000	680,000	15,000	2%
Interest and Fiscal Charges	503,380	526,606	(23,226)	-4%
AEA Flowthrough	722,385	682,318	40,067	6%
Total	\$24,648,208	\$29,239,207	\$(4,590,999)	-16%

The local source of revenues, which includes property taxes, tuition, transportation and other revenue, account for 50% of the District’s total revenues in all governmental fund types. State sources account for 46% and federal sources are the remaining 4% of revenues. The District’s expenses are primarily in instruction, support services and facilities operation and maintenance, which total 76% of the total expenses. The facilities construction expenditures declined in fiscal year 2007 as the Middle School construction project was substantially completed and occupied in August 2006. Total District revenues were 6% higher than the prior year, and the corresponding expenses were 16% lower.

Governmental Fund Highlights

The financial performance of the District as a whole is largely reflected in its governmental funds, particularly by analysis of the fund balances. Overall, the District's governmental funds had combined fund balances of \$2,933,999 at June 30, 2007, a decrease of approximately \$236,000 from the prior year. The following is a closer look at each individual major fund:

- The **General Fund** reported an overall decrease in its fund balance of \$8,888 at the end of fiscal 2007 to \$322,118. The decrease was due to a 4.2% increase in revenues which was more than offset by a 7.2% increase in expenditures.
- The **Capital Projects Fund** balance decreased from \$1,409,215 at the end of fiscal 2006 to \$1,212,316 at the end of fiscal 2007. The District collects local option sales and services tax and is required to account for these revenues and expenses in a separate fund since they may only be used for capital projects or debt reduction. The District's share of revenues from the local option sales and services tax from Boone County was \$1,373,032 for fiscal 2007.

Business-Type Fund Highlights

- The **School Nutrition Fund** balance increased from a balance of \$246,200 at the end of fiscal year 2006 to \$268,115 at June 30, 2007. Business-type fund capital assets were \$181,959 as of June 30, 2007, an increase of \$155,264 due to the Middle School lunch room equipment purchases.

General Fund Budgetary Highlights

Over the course of the year, the District amended its annual budget one time to reflect additional expenditures associated with various programs within the District.

The District's revenues were \$25,277,392; \$614,285 more than budgeted revenues, a variance of 2.5% from budgeted revenues of \$24,663,107. The District's expenditures/expenses were \$25,491,746; \$4,268,254 less than budgeted expenditures/expenses of \$29,760,000, a variance of 14.3%.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007 the District had invested, net of depreciation, about \$19.2 million in capital assets, including school buildings, vehicles and other equipment.

Construction in progress decreased \$13.3 million to \$1,615 at June 30, 2007. This category typically can vary greatly from year to year, according to the timing of when construction projects are started or completed. The category included the District's new Middle School project, which was substantially completed and occupied August 8, 2006. The project is funded through debt issuances, which occurred in FY04.

Long-Term Debt

On June 30, 2007, the District had a total of \$12,146,626 in general obligation bonds and other long-term obligations outstanding. This represents a decrease of 5.4% from the prior year total of \$12,841,160.

Regular scheduled debt service payments of principal and interest on general obligation bonds were paid in fiscal 2007 and included principal payments of \$695,000.

Early retirement obligations rose slightly from \$76,160 at the end of 2006 to \$76,626 at the end of 2007.

Economic Factors Bearing on the District's Future

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

- District enrollment decreased at the start of the 2007-2008 school year by 98.5 students, or by about 4.21% of the total enrolled in the previous year. Under Iowa's school foundation formula, a school district's state aid funding is highly dependant upon its enrollment. This will generate a substantial decrease in funding over and above the allowable growth amount set by the Legislature. These enrollment figures reported in September 2007 will be the basis for the District's state funding for fiscal year 2008.
- The District levied a cash reserve levy of \$711,453 for fiscal year 2008.
- Successful grant applications will allow continuation or expansion of programs.
- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District.
- Historically, the District has entered into annual contracts with its two collective bargaining units. The District will negotiate new agreements during fiscal 2008. 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 related fund balance. Corresponding cost reductions may be necessary to offset the cost of negotiated settlements and other cost increases.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus must be replaced during fiscal year 2008 at an approximate cost of \$85,000. To pay for this bus, the District will use resources from the Physical Plant and Equipment Levy Fund.
- Rising fuel costs will increase the cost of student transportation leaving fewer funds available for instructional and other services.
- The District is in the process of establishing a facility condition report to develop a repair/maintenance schedule for all facilities.
- The early retirement plan has been rescinded beginning in fiscal year 2007 and forward. The Board of Education will review and determine when it will be in the best interest of the District to reinstate.

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 commitment of accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Jodi Severson CPA MBA, Business Manager, Boone Community School District, 500 Seventh Street, Boone, Iowa 50036-2898.

Basic Financial Statements

Statement of Net Assets

At June 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
Assets				
Cash and Cash Equivalents				
ISCAP	\$ 4,482,449	\$ —	\$ 4,482,449	\$ —
Other	4,124,038	69,856	4,193,894	300,734
Receivables				
Property Taxes, Net of Allowance				
Current year delinquent	77,876	—	77,876	—
Succeeding year	6,595,373	—	6,595,373	—
Accrued interest	34,662	—	34,662	—
Other	20,410	9,850	30,260	—
Due from other governments	1,462,758	—	1,462,758	—
Inventories and prepaid expenses	85,963	18,553	104,516	—
Capital assets, net of accumulated depreciation	<u>19,012,556</u>	<u>181,959</u>	<u>19,194,515</u>	<u>—</u>
Total Assets	<u>\$ 35,896,085</u>	<u>\$ 280,218</u>	<u>\$ 36,176,303</u>	<u>\$ 300,734</u>
Liabilities				
Accounts payable	\$ 271,832	\$ —	\$ 271,832	\$ —
Salaries and benefits payable	1,775,407	12,103	1,787,510	—
Accrued interest payable	80,261	—	80,261	—
Deferred revenue - succeeding year property taxes ..	6,595,373	—	6,595,373	—
ISCAP warrants payable	4,491,000	—	4,491,000	—
ISCAP accrued interest payable	27,806	—	27,806	—
ISCAP unamortized premium	28,629	—	28,629	—
Long-Term Liabilities				
Portion Due Within One Year				
General obligation bonds payable	510,000	—	510,000	—
General obligation capital loan notes payable	215,000	—	215,000	—
Early retirement	76,626	—	76,626	—
Portion Due After One Year				
General obligation bonds payable	11,115,000	—	11,115,000	—
General obligation capital loan notes payable	<u>230,000</u>	<u>—</u>	<u>230,000</u>	<u>—</u>
Total Liabilities	<u>25,416,934</u>	<u>12,103</u>	<u>25,429,037</u>	<u>—</u>
Net Assets				
Invested in capital assets, net of related debt	6,942,556	181,959	7,124,515	—
Restricted For				
Debt service	242,882	—	242,882	—
Management levy	184,830	—	184,830	—
Property, plant and equipment levy	725,461	—	725,461	—
Student activities	166,131	—	166,131	—
Capital projects	1,212,316	—	1,212,316	—
Unrestricted	<u>1,004,975</u>	<u>86,156</u>	<u>1,091,131</u>	<u>300,734</u>
Total Net Assets	<u>10,479,151</u>	<u>268,115</u>	<u>10,747,266</u>	<u>300,734</u>
Total Liabilities and Net Assets	<u>\$ 35,896,085</u>	<u>\$ 280,218</u>	<u>\$ 36,176,303</u>	<u>\$ 300,734</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenue		Net (Expenses), Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Boone Educational Endowment Foundation
Governmental Activities							
Instruction							
Regular instruction	\$ 10,828,858	\$ 1,947,292	\$ 1,305,593	\$ (7,575,973)	\$ —	\$ (7,575,973)	\$ —
Special instruction	3,797,441	—	547,513	(3,249,928)	—	(3,249,928)	—
Other instruction	1,305,791	311,023	158,112	(836,656)	—	(836,656)	—
Total Instruction	<u>15,932,090</u>	<u>2,258,315</u>	<u>2,011,218</u>	<u>(11,662,557)</u>	<u>—</u>	<u>(11,662,557)</u>	<u>—</u>
Support Services							
Student services	747,435	—	—	(747,435)	—	(747,435)	—
Instructional staff services	715,535	—	—	(715,535)	—	(715,535)	—
Administration services	2,314,547	—	—	(2,314,547)	—	(2,314,547)	—
Operation and maintenance of plant services	2,049,478	22,215	63,731	(1,963,532)	—	(1,963,532)	—
Transportation services	450,292	5,309	8,192	(436,791)	—	(436,791)	—
Total Support Services	<u>6,277,287</u>	<u>27,524</u>	<u>71,923</u>	<u>(6,177,840)</u>	<u>—</u>	<u>(6,177,840)</u>	<u>—</u>
Other Expenditures							
Long-term debt interest	500,849	—	—	(500,849)	—	(500,849)	—
AEA flow through	722,385	—	722,385	—	—	—	—
Depreciation - unallocated	5,776	—	—	(5,776)	—	(5,776)	—
Total Other Expenditures	<u>1,229,010</u>	<u>—</u>	<u>722,385</u>	<u>(506,625)</u>	<u>—</u>	<u>(506,625)</u>	<u>—</u>
Total Governmental Activities	23,438,387	2,285,839	2,805,526	(18,347,022)	—	(18,347,022)	—
Business-Type Activities							
Noninstructional Programs							
Nutrition services	843,538	523,348	333,220	—	13,030	13,030	—
Total	\$ 24,281,925	\$ 2,809,187	\$ 3,138,746	(18,347,022)	13,030	(18,333,992)	—
Component Unit							
School Foundation	<u>\$ 10,000</u>	<u>\$ —</u>	<u>\$ 8,861</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,139)</u>
General Revenue							
Property Taxes Levied For							
General purposes				5,624,290	—	5,624,290	—
Management				480,534	—	480,534	—
PPEL				669,112	—	669,112	—
Debt service				52,959	—	52,959	—
Local option sales tax				1,373,032	—	1,373,032	—
Income surtax				858,706	—	858,706	—
Unrestricted State Grants							
General				9,616,209	—	9,616,209	—
Interest and investment earnings				503,001	8,885	511,886	35,444
Miscellaneous				202,610	—	202,610	370
Total General Revenue				19,380,453	8,885	19,389,338	35,814
Change in Net Assets				1,033,431	21,915	1,055,346	34,675
Net Assets - Beginning of Year, as restated Note 15				9,445,720	246,200	9,691,920	266,059
Net Assets - End of Year				\$ 10,479,151	\$ 268,115	\$ 10,747,266	\$ 300,734

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2007

	General	Capital Projects	All Other Nonmajor	Total
Assets				
Cash and Pooled Investments				
ISCAP	\$ 4,482,449	\$ —	\$ —	\$ 4,482,449
Other	1,702,799	946,324	1,474,915	4,124,038
Receivables				
Property Taxes, Net				
Current year delinquent.....	64,257	—	13,619	77,876
Succeeding year	5,702,726	—	892,647	6,595,373
Other	12,436	—	7,974	20,410
ISCAP accrued interest.....	34,662	—	—	34,662
Due from other funds	9,839	—	28	9,867
Due from other governments	1,032,130	366,032	64,596	1,462,758
Prepaid insurance.....	85,963	—	—	85,963
Total Assets	<u>\$ 13,127,261</u>	<u>\$ 1,312,356</u>	<u>\$ 2,453,779</u>	<u>\$ 16,893,396</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 20,064	\$ 100,040	\$ 151,728	\$ 271,832
Salaries and benefits payable	1,775,407	—	—	1,775,407
Due to other funds	28	—	9,839	9,867
ISCAP warrants payable	4,491,000	—	—	4,491,000
ISCAP accrued interest payable.....	27,806	—	—	27,806
ISCAP unamortized premium.....	28,629	—	—	28,629
Deferred Revenue				
Succeeding year property taxes ...	5,702,726	—	892,647	6,595,373
Other	759,483	—	—	759,483
Total Liabilities	<u>12,805,143</u>	<u>100,040</u>	<u>1,054,214</u>	<u>13,959,397</u>
Fund Balances				
Reserved For				
Capital project fund.....	—	1,212,316	—	1,212,316
Debt service	—	—	323,143	323,143
Prepaid insurance	85,963	—	—	85,963
Unreserved.....	236,155	—	1,076,422	1,312,577
Total Fund Balances	<u>322,118</u>	<u>1,212,316</u>	<u>1,399,565</u>	<u>2,933,999</u>
Total Liabilities and Fund Balances	<u>\$ 13,127,261</u>	<u>\$ 1,312,356</u>	<u>\$ 2,453,779</u>	<u>\$ 16,893,396</u>

See accompanying notes to the financial statements.

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

At June 30, 2007

Total Fund Balances for Governmental Funds (Page 16).....		\$ 2,933,999
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds		19,012,556
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the government funds		759,483
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.....		(80,261)
Long-term liabilities, including capital loan notes, general obligation bonds and early retirement benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds payable.....	\$ 11,625,000	
Capital loan notes	445,000	
Early retirement benefits	<u>76,626</u>	<u>(12,146,626)</u>
 Net Assets of Governmental Activities (Page 14)		 <u>\$ 10,479,151</u>

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2007

	General	Capital Projects	All Other Nonmajor	Total Govern- mental Funds
Revenue				
Local Sources				
Local taxes.....	\$ 6,478,096	\$ 1,373,032	\$ 1,202,547	\$ 9,053,675
Tuition	1,855,694	—	—	1,855,694
Other	629,152	124,210	547,555	1,300,917
State sources.....	11,336,321	—	—	11,336,321
Federal sources.....	801,601	—	63,731	865,332
Total Revenue.....	<u>21,100,864</u>	<u>1,497,242</u>	<u>1,813,833</u>	<u>24,411,939</u>
Expenditures				
Current				
Instruction				
Regular instruction	9,526,904	—	492,252	10,019,156
Special instruction.....	3,797,441	—	—	3,797,441
Other instruction.....	931,189	—	371,931	1,303,120
Total Instruction.....	<u>14,255,534</u>	<u>—</u>	<u>864,183</u>	<u>15,119,717</u>
Support Services				
Student services.....	744,883	—	1,514	746,397
Instructional staff services.....	714,535	—	410	714,945
Administration services	2,307,272	2,200	5,075	2,314,547
Operation and maintenance of plant services	1,948,007	—	110,491	2,058,498
Transportation services.....	417,136	—	78,262	495,398
Total Support Services.....	<u>6,131,833</u>	<u>2,200</u>	<u>195,752</u>	<u>6,329,785</u>
Other Expenditures				
Facilities acquisition and construction.....	—	722,831	555,110	1,277,941
Long-Term Debt				
Principal	—	—	695,000	695,000
Interest and fiscal charges	—	—	503,380	503,380
AEA flowthrough	722,385	—	—	722,385
Total Other Expenditures ...	<u>722,385</u>	<u>722,831</u>	<u>1,753,490</u>	<u>3,198,706</u>
Total Expenditures.....	<u>21,109,752</u>	<u>725,031</u>	<u>2,813,425</u>	<u>24,648,208</u>
Revenue Over (Under)				
Expenditures	<u>(8,888)</u>	<u>772,211</u>	<u>(999,592)</u>	<u>(236,269)</u>
Other Financing Sources (Uses)				
Operating transfers in.....	—	—	1,198,380	1,198,380
Operating transfers out.....	—	(969,110)	(229,270)	(1,198,380)
Total Other Financing Sources (Uses)	<u>—</u>	<u>(969,110)</u>	<u>969,110</u>	<u>—</u>
Net Change in Fund Balances.....	(8,888)	(196,899)	(30,482)	(236,269)
Fund Balance - Beginning of Year, as restated, see Note 15.....	331,006	1,409,215	1,430,047	3,170,268
Fund Balance - End of Year.....	<u>\$ 322,118</u>	<u>\$ 1,212,316</u>	<u>\$ 1,399,565</u>	<u>\$ 2,933,999</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2007

Change in Fund Balances - Total Governmental Funds (Page 18) \$ (236,269)

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

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

Capital outlays.....	\$ 1,071,009	
Depreciation expense	<u>(558,253)</u>	512,756

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.....		695,000
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Certain revenue not collected for several months after year end is not considered available revenue and is deferred in governmental funds

Prior period.....	\$ (699,604)	
Current period	<u>759,483</u>	59,879

Interest on long-term liabilities 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		2,531
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.....		<u>(466)</u>
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Change in Net Assets of Governmental Activities (Page 15) \$ 1,033,431

Balance Sheet - Proprietary Fund

At June 30, 2007

	School Nutrition
Assets	
Cash and cash equivalents	\$ 69,856
Receivable - other	9,850
Inventories and prepaid items	18,553
Capital assets, net of accumulated depreciation	<u>181,959</u>
Total Assets	<u>\$ 280,218</u>
Liabilities	
Salaries and benefits payable	<u>\$ 12,103</u>
Net Assets	
Invested in capital assets	181,959
Unrestricted	<u>86,156</u>
Total Net Assets	<u>268,115</u>
Total Liabilities and Net Assets	<u>\$ 280,218</u>

Statement of Revenue, Expenses and Changes in Net Assets - Proprietary Fund

Year Ended June 30, 2007

	School Nutrition
Operating Revenue	
Charges for service	<u>\$ 523,348</u>
Operating Expenses	
Noninstructional Programs	
Food Service Operations	
Salaries and benefits.....	327,043
Purchased services.....	2,937
Supplies	494,559
Depreciation	<u>18,999</u>
Total Operating Expenses	<u>843,538</u>
Loss From Operations	<u>(320,190)</u>
Nonoperating Revenue	
State sources.....	9,206
Federal sources.....	324,014
Interest on investments	<u>8,885</u>
Total Nonoperating Revenue	<u>342,105</u>
Change in Net Assets	21,915
Net Assets - Beginning of Year	<u>246,200</u>
Net Assets - End of Year	<u>\$ 268,115</u>

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2007

	School Nutrition
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts.....	\$ 543,998
Cash payments to employees for services.....	(330,364)
Cash payments to suppliers for goods and services.....	<u>(461,267)</u>
Net Cash Used in Operating Activities	<u>(247,633)</u>
Cash Flows Provided by Noncapital Financing Activities	
State grants received.....	9,206
Federal grants received.....	<u>284,824</u>
Net Cash Provided by Noncapital Financing Activities	<u>294,030</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	<u>(174,263)</u>
Cash Flows From Investment Activities	
Interest on investments	<u>8,885</u>
Net Decrease in Cash and Cash Equivalents	(118,981)
Cash and Cash Equivalents at Beginning of Year.....	<u>188,837</u>
Cash and Cash Equivalents at End of Year	<u>\$ 69,856</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities	
Loss from operations	\$ (320,190)
Adjustments to Reconcile Loss from Operations to Net Cash Used in Operating Activities	
Commodities used	39,752
Depreciation.....	18,999
Changes in Assets and Liabilities	
Increase in inventories and prepaid items.....	(3,523)
Decrease in accounts receivable	20,650
Decrease in salaries and benefits payable.....	<u>(3,321)</u>
Net Cash Used in Operating Activities	<u>\$ (247,633)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2007, the District received \$39,190 of federal commodities.

Statement of Fiduciary Net Assets - Fiduciary Fund ---

At June 30, 2007

	Private Purpose Trusts
Assets	
Cash, Cash Equivalents and Pooled Investments	<u>\$ 161,399</u>
Net Assets	
Reserved for Scholarships	<u>\$ 161,399</u>

Statement of Changes in Fiduciary Net Assets - Fiduciary Fund ---

Year Ended June 30, 2007

	Private Purpose Trusts
Additions	
Local Sources	
Gifts and contributions	\$ 16,644
Interest income	<u>5,151</u>
Total Additions	21,795
Deductions	
Support Services	
Scholarships awarded.....	<u>8,710</u>
Change in Net Assets	13,085
Net Assets - Beginning of Year	<u>148,314</u>
Net Assets - End of Year	<u>\$ 161,399</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The Boone Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Boone, Iowa, and agricultural territory in Boone County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

For financial reporting purposes, the Boone Community School District has included all funds, organizations, account groups, 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.

These financial statements present the Boone Community School District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The Boone Educational Endowment Foundation is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation's primary purpose is to collect funds and provide financial support for activities of the Boone Community School District. The Foundation is governed by a six-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The financial information presented is as of and for its year end of December 31, 2006.

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 Boone County Assessor's Conference Board.

Basis of Presentation

District-Wide Financial Statements

The statement of net assets and the statement of activities report information on all 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 revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

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:

General Fund is the general operating fund of the District. All general tax revenue and other receipts 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 expenses, including instructional, support and other costs.

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

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund includes the following:

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

(1) Summary of Significant Accounting Policies

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." The District-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, 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 revenue. 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 revenue.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

(1) Summary of Significant Accounting Policies

Assets, Liabilities and Fund Equity

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 nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term capital 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 Taxes Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes receivable are 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 taxes receivable represent unpaid taxes for the current and prior years. The succeeding year property taxes receivable represent 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 taxes 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.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly 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 revenue, grants and reimbursements from other governments.

Food Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. At June 30, 2007, total inventories included government commodities valued at \$7,151 which were on hand. Expenditures are recognized when the inventory is used.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 value at the date of donation. The cost 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.

Land	\$ 5,000
Buildings.....	5,000
Improvements other than buildings	5,000
Furniture and Equipment	
School Nutrition equipment.....	500
Other furniture and equipment	5,000

Property, furniture and equipment are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Buildings.....	50 Years
Improvements other than buildings	20-50 Years
Equipment.....	10 Years

Salaries and Benefits Payable

Payroll and related expenditures for teachers and staff with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property taxes receivable and other receivables not collected within 60 days after year end.

Deferred revenue on the statement of net assets includes succeeding year property taxes receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Obligations

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

Budgeting and Budgetary Control

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

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash, Cash Equivalents 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 improvements certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio of \$1,104,309. The investments are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Concentration of Credit Risk

The District's Private Purpose Trust Fund investments consists of the below listed Federal Home Loan Note and \$34,645 in certificates of deposits with maturities ranging from July, 2006 to May, 2008.

Type	Fair Value	Maturity
Federal Home Loan Note	\$50,000	June, 2011

The investments in the Iowa Schools Joint Investment Trust and the Federal Home Loan Note were rated Aaa by Moody's Investors Service.

Notes to the Financial Statements

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Student Activities	General	\$ 28
General	Student Activity	9,839
Total		<u>\$ 9,867</u>

(4) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	\$ 969,110
Debt Service	Special Revenue - PPEL	229,270
Total		<u>\$ 1,198,380</u>

(5) Iowa School Cash Anticipation Program

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2006-07B	1-26-07	1-25-08	\$ 1,496,175	\$ 33,769	\$ 1,500,000	\$ 27,071	\$ 9,675
2007-07A	6-30-05	6-28-07	2,986,274	893	2,991,000	735	18,954
Total			<u>\$ 4,482,449</u>	<u>\$ 34,662</u>	<u>\$ 4,491,000</u>	<u>\$ 27,806</u>	<u>\$ 28,629</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance - Beginning of Year	Advances Received	Advances Repaid	Balance - End of Year
2005-06A	<u>\$ —</u>	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ —</u>

Notes to the Financial Statements

(5) Iowa School Cash Anticipation Program

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

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07B	4.25%	5.315%
2007-08A	4.50	5.455

(6) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 319,432	\$ —	\$ —	\$ 319,432
Construction in progress	<u>12,500,703</u>	<u>803,582</u>	<u>13,302,670</u>	<u>1,615</u>
Total Capital Assets Not Being Depreciated.....	<u>12,820,135</u>	<u>803,582</u>	<u>13,302,670</u>	<u>321,047</u>
Capital Assets Being Depreciated				
Buildings and improvements	14,403,430	13,226,889	—	27,630,319
Furniture and equipment	<u>1,010,485</u>	<u>343,208</u>	<u>—</u>	<u>1,353,693</u>
Total Capital Assets Being Depreciated.....	<u>15,413,915</u>	<u>13,570,097</u>	<u>—</u>	<u>28,984,012</u>
Less Accumulated Depreciation For				
Buildings and improvements	9,097,313	470,876	—	9,568,189
Furniture and equipment	<u>636,937</u>	<u>87,377</u>	<u>—</u>	<u>724,314</u>
Total Accumulated Depreciation ..	<u>9,734,250</u>	<u>558,253</u>	<u>—</u>	<u>10,292,503</u>
Net Total Capital Assets Being Depreciated.....	<u>5,679,665</u>	<u>13,011,844</u>	<u>—</u>	<u>18,691,509</u>
Net Governmental Activities				
Capital Assets	<u>\$ 18,499,800</u>	<u>\$ 13,815,426</u>	<u>\$ 13,302,670</u>	<u>\$ 19,012,556</u>
Business-Type Activities				
Furniture and equipment	\$ 96,762	\$ 174,263	\$ —	\$ 271,025
Less accumulated depreciation	<u>70,067</u>	<u>18,999</u>	<u>—</u>	<u>89,066</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 26,695</u>	<u>\$ 155,264</u>	<u>\$ —</u>	<u>\$ 181,959</u>

Notes to the Financial Statements

(6) Capital Assets

Depreciation expense was charged as follows:

Governmental Activities

Instruction	
Regular.....	\$ 492,634
Other	2,671
Support Services	
Instructional staff services.....	1,038
Administrative services	590
Operation and maintenance of plant services.....	9,141
Transportation.....	<u>46,403</u>
Subtotal	552,477
Unallocated	<u>5,776</u>
Total Governmental Activities Depreciation Expense	<u>\$ 558,253</u>

Business-Type Activities

Food Service.....	<u>\$ 18,999</u>
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(7) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
General obligation bonds	\$ 12,110,000	\$ —	\$ 485,000	\$ 11,625,000	\$ 510,000
General obligation capital loan notes	655,000	—	210,000	445,000	215,000
Early retirement	<u>76,160</u>	<u>76,626</u>	<u>76,160</u>	<u>76,626</u>	<u>76,626</u>
Total	<u>\$ 12,841,160</u>	<u>\$ 76,626</u>	<u>\$ 771,160</u>	<u>\$ 12,146,626</u>	<u>\$ 801,626</u>

General Obligation Bonds

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

June 30,	Bond Issue of December 1, 2003			Bond Issue of May 1, 2004 Series 2004A			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2008	4.00 - 4.50%	\$ —	\$ 216,120	3.500%	\$ 510,000	\$ 251,016	\$ 510,000	\$ 467,136
2009	4.00 - 4.50	—	216,120	3.500	525,000	233,166	525,000	449,286
2010	4.00 - 4.50	—	216,120	3.500	545,000	214,790	545,000	430,910
2011	4.00 - 4.50	—	216,120	3.500	565,000	195,716	565,000	411,836
2012	4.00 - 4.50	—	216,120	3.500	585,000	175,940	585,000	392,060
2013-17	4.00 - 4.50	1,100,000	1,059,000	3.500 - 3.875	2,105,000	573,560	3,205,000	1,632,560
2018-22	4.00 - 4.50	3,180,000	595,580	3.875 - 4.350	710,000	337,324	3,890,000	932,904
2023-27	4.45 - 4.50	720,000	32,400	4.350 - 4.500	1,080,000	89,920	1,800,000	122,320
Total		<u>\$ 5,000,000</u>	<u>\$ 2,767,580</u>		<u>\$ 6,625,000</u>	<u>\$ 2,071,432</u>	<u>\$ 11,625,000</u>	<u>\$ 4,839,012</u>

Notes to the Financial Statements

(7) Long-Term Liabilities

Notes Payable

Details of the District's June 30, 2007 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	PPEL Note Issue of May 1, 2004 - Series 2004B		
	Interest Rates	Principal	Interest
2008.....	2.80%	\$ 215,000	\$ 13,496
2009.....	3.25	<u>230,000</u>	<u>7,476</u>
Total		<u>\$ 445,000</u>	<u>\$ 20,972</u>

(8) Pension Plan

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 3.7% 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 \$750,093, \$691,122 and \$732,800, respectively, equal to the required contributions for each year.

(9) Risk Management

The Boone Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. The ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July, 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. Each member's contributions to ISEBA funds current operations and provided capital.

Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses, due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$1,214,957.

(9) Risk Management

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop-loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop-loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the District's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

The Boone 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.

(10) Area Education Agency Support

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 \$722,385 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.

(11) Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least 15 years of full-time services as a licensed employee since the last date of hire and must have reached the age of 55 on or before June 30 in the calendar year in which early retirement commences. The employee must also meet the rule of "74" (the employee's age plus years of service equal to at least 74). The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to 30% of the employee's regular contractual salary in effect during the employee's last year of regular employment, with a maximum retirement benefit of \$21,000. Early retirement expenditures for the year ended June 30, 2007 totaled \$76,626.

Notes to the Financial Statements

(12) Construction Commitments

The District has entered into contracts totaling \$255,813 for the remodeling of a high school science classroom. As of June 30, 2007, \$1,615 had been incurred and paid. The balance of \$254,198 remaining at June 30, 2007 will be paid as work on the project is completed during the next year.

(13) Financial Condition

Of the District's student activity accounts, 21 had a deficit fund balance at June 30, 2007.

(14) Contingent Liability for Sick Leave Time

District employees accumulate sick leave hours for subsequent use. These accumulations do not vest and, therefore, are not recognized as liabilities of the District until used by employees. The District's contingent liability for employee sick leave at June 30, 2007 was approximately \$2,597,000.

(15) Restatement of General Fund and Nonmajor Governmental Fund Balances

The School District did not properly account for insurance payments for the year ended June 30, 2006. Additionally, the School District did not properly accrue wages and benefits for the year ended June 30, 2006. The net effects of these changes are as follows:

	General Fund	Nonmajor Governmental Fund					Total
		Special Revenue Funds					
	Capital Projects LOSST	Management Account	Student Account	PPEL Fund	Debt Service		
Fund Balance - Beginning of Year, as previously reported	\$ 282,754	\$ 1,409,215	\$ 30,761	\$ 106,619	\$ 1,064,252	\$ 251,699	\$ 3,145,300
Improper accounting for insurance payment	(109,796)	—	(23,284)	—	—	—	(133,080)
Improper accounting for accrued wages and benefits	158,048	—	—	—	—	—	158,048
Fund Balance - Beginning of Year, as Restated	\$ 331,006	\$ 1,409,215	\$ 7,477	\$ 106,619	\$ 1,064,252	\$ 251,699	\$ 3,170,268

Reclassification of beginning district-wide fund balance:

	Governmental Activities	Business-Type Activities	Total
Net Assets - Beginning of Year, as previously reported	\$ 9,420,752	\$ 246,200	\$ 9,666,952
Improper accounting for insurance payment	(133,080)	—	(133,080)
Improper accounting for accrued payroll and benefits.....	158,048	—	158,048
Net Assets - Beginning of Year, as Restated.....	\$ 9,445,720	\$ 246,200	\$ 9,691,920

Required Supplementary Information

Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund

Year Ended June 30, 2007

	Governmental Fund Types - Actual	Pro- prietary Fund - Actual	Total	Original Budget	Final Budget	Final to Actual Variance
Receipts						
Local sources	\$ 12,210,286	\$ 532,233	\$ 12,742,519	\$ 12,338,926	\$ 12,338,926	\$ 403,593
Intermediate sources	—	—	—	500	500	(500)
State sources	11,336,321	9,206	11,345,527	11,325,181	11,325,181	20,346
Federal sources	<u>865,332</u>	<u>324,014</u>	<u>1,189,346</u>	<u>998,500</u>	<u>998,500</u>	<u>190,846</u>
Total Receipts	<u>24,411,939</u>	<u>865,453</u>	<u>25,277,392</u>	<u>24,663,107</u>	<u>24,663,107</u>	<u>614,285</u>
Disbursements						
Instruction.....	15,119,717	—	15,119,717	15,582,000	16,000,000	880,283
Support services	6,329,785	—	6,329,785	6,669,800	6,700,000	370,215
Noninstructional programs .	—	843,538	843,538	770,000	960,000	116,462
Other expenditures.....	<u>3,198,706</u>	<u>—</u>	<u>3,198,706</u>	<u>6,038,384</u>	<u>6,100,000</u>	<u>2,901,294</u>
Total Disbursements	<u>24,648,208</u>	<u>843,538</u>	<u>25,491,746</u>	<u>29,060,184</u>	<u>29,760,000</u>	<u>4,268,254</u>
Receipts Over (Under) Disbursements.....	(236,269)	21,915	(214,354)	(4,397,077)	(5,096,893)	(4,882,539)
Other Financing Sources (Uses).....	—	—	—	—	—	—
Receipts and Other Financing Sources Over (Under) Disbursements..	(236,269)	21,915	(214,354)	(4,397,077)	(5,096,893)	<u>\$(4,882,539)</u>
Balance - Beginning of Year, as Restated, See Note 15	<u>3,170,268</u>	<u>246,200</u>	<u>3,416,468</u>	<u>10,879,751</u>	<u>10,879,751</u>	
Balance - End of Year	<u>\$ 2,933,999</u>	<u>\$ 268,115</u>	<u>\$ 3,202,114</u>	<u>\$ 6,482,674</u>	<u>\$ 5,782,858</u>	

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar and statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The 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 budget expenditures by \$699,816.

Other Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

At June 30, 2007

	Special Revenue Funds			Debt Service	Total Nonmajor Governmental Funds
	Management Account	Student Account	PPEL Fund		
Assets					
Cash and pooled investments	\$ 183,728	\$ 174,675	\$ 793,965	\$ 322,547	\$ 1,474,915
Receivables					
Property Taxes, Net					
Current year delinquent	5,490	—	7,533	596	13,619
Succeeding year	240,228	—	652,419	—	892,647
Other	—	402	7,572	—	7,974
Due from other funds	—	28	—	—	28
Due from other governments	—	865	63,731	—	64,596
Total Assets	\$ 429,446	\$ 175,970	\$ 1,525,220	\$ 323,143	\$ 2,453,779
Liabilities and Equities					
Liabilities					
Accounts payable	\$ 4,388	\$ —	\$ 147,340	\$ —	\$ 151,728
Due to other funds	—	9,839	—	—	9,839
Deferred Revenue					
Succeeding year					
property taxes	240,228	—	652,419	—	892,647
Total Liabilities	244,616	9,839	799,759	—	1,054,214
Equities					
Unreserved, undesignated fund balance	184,830	166,131	725,461	323,143	1,399,565
Total Liabilities and Equities	\$ 429,446	\$ 175,970	\$ 1,525,220	\$ 323,143	\$ 2,453,779

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2007

	<u>Special Revenue Funds</u>			Debt Service	Total Nonmajor Govern- mental Funds
	Management Account	Student Account	PPEL Fund		
Revenue					
Local Sources					
Local taxes.....	\$ 480,534	\$ —	\$ 669,111	\$ 52,902	\$ 1,202,547
Other	25,611	437,842	65,560	18,542	547,555
Federal sources.....	—	—	63,731	—	63,731
Total Revenue.....	<u>506,145</u>	<u>437,842</u>	<u>798,402</u>	<u>71,444</u>	<u>1,813,833</u>
Expenditures					
Instruction					
Regular instruction	326,329	—	165,923	—	492,252
Other instruction.....	—	371,931	—	—	371,931
Total Instruction.....	<u>326,329</u>	<u>371,931</u>	<u>165,923</u>	<u>—</u>	<u>864,183</u>
Support Services					
Student.....	—	1,514	—	—	1,514
Instructional staff services	—	410	—	—	410
Administration services...	—	4,475	600	—	5,075
Operation and mainten- ance of plant services....	2,011	—	108,480	—	110,491
Transportation services...	<u>452</u>	<u>—</u>	<u>77,810</u>	<u>—</u>	<u>78,262</u>
Total Support Services	<u>2,463</u>	<u>6,399</u>	<u>186,890</u>	<u>—</u>	<u>195,752</u>
Other Expenditures					
Facilities acquisition and construction	—	—	555,110	—	555,110
Long-Term Debt					
Principal.....	—	—	—	695,000	695,000
Interest and fiscal charges	<u>—</u>	<u>—</u>	<u>—</u>	<u>503,380</u>	<u>503,380</u>
Total Other Expenditures	<u>—</u>	<u>—</u>	<u>555,110</u>	<u>1,198,380</u>	<u>1,753,490</u>
Total Expenditures.....	<u>328,792</u>	<u>378,330</u>	<u>907,923</u>	<u>1,198,380</u>	<u>2,813,425</u>
Revenue Over (Under) Expenditures	<u>177,353</u>	<u>59,512</u>	<u>(109,521)</u>	<u>(1,126,936)</u>	<u>(999,592)</u>
Other Financing Sources (Uses)					
Operating transfers in.....	—	—	—	1,198,380	1,198,380
Operating transfers out....	<u>—</u>	<u>—</u>	<u>(229,270)</u>	<u>—</u>	<u>(229,270)</u>
Total Other Financing Sources (Uses).....	<u>—</u>	<u>—</u>	<u>(229,270)</u>	<u>1,198,380</u>	<u>969,110</u>
Net Change in Fund Balance					
Balance	177,353	59,512	(338,791)	71,444	(30,482)
Fund Balance - Beginning of Year, as restated see Note 15.....	<u>7,477</u>	<u>106,619</u>	<u>1,064,252</u>	<u>251,699</u>	<u>1,430,047</u>
Fund Balance - End of Year	<u>\$ 184,830</u>	<u>\$ 166,131</u>	<u>\$ 725,461</u>	<u>\$ 323,143</u>	<u>\$ 1,399,565</u>

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2007

	Balance - Beginning of Year	Revenue and Transfers	Expenditures and Transfers	Balance - End of Year
Donations (new middle school)	\$ 766	\$ —	\$ —	\$ 766
Drama.....	11,442	6,080	3,964	13,558
Speech	598	—	546	52
Musicals.....	396	—	—	396
Band uniforms	3,921	4,803	361	8,363
Cheerleading	6,152	10,552	10,591	6,113
Drill team	6,066	1,105	790	6,381
Basketball - B	12,574	9,708	5,573	16,709
State-sponsored tournament.....	11,002	6,557	5,368	12,191
Football - B	32,188	32,994	14,414	50,768
Baseball - B	(24,265)	4,935	7,883	(27,213)
Track - B	363	5,448	3,683	2,128
Cross Country - B.....	(2,353)	57	521	(2,817)
Tennis - B	(3,995)	484	1,551	(5,062)
Golf - B	(4,597)	747	1,810	(5,660)
Swimming - B	(942)	2,971	2,248	(219)
Wrestling - B.....	360	20,078	16,918	3,520
Basketball - G	93	8,172	5,903	2,362
Volleyball - G	(15,837)	6,595	7,874	(17,116)
Softball - G.....	6,632	8,850	6,422	9,060
Track - G.....	7,973	7,141	2,420	12,694
Cross Country - G.....	(2,484)	—	1,361	(3,845)
Soccer - G	(3,817)	15,861	6,739	5,305
Tennis - G.....	(6,169)	1,479	3,460	(8,150)
Golf - G	(3,750)	—	228	(3,978)
Swimming - G	(1,859)	2,750	2,964	(2,073)
Miscellaneous athletics.....	(48,179)	16,135	22,706	(54,750)
RC woodworking	(6,427)	—	—	(6,427)
Dolphins.....	1,689	—	—	1,689
ID cards	43,884	32,499	—	76,383
Lockers	731	—	—	731
Art Club.....	291	—	62	229
Swim suits	2,899	—	—	2,899
Interest.....	10,154	10,592	14,556	6,190
Class Day	250	—	—	250
Class 2001.....	12	—	—	12

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2007

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Class 2004.....	\$ 34	\$ —	\$ —	\$ 34
Class 2005.....	102	—	—	102
Class 2006.....	42	—	—	42
Class 2007.....	42	—	—	42
Future Homemakers.....	95	—	—	95
Future Farmers.....	1,246	16,015	12,600	4,661
Junior Achievement.....	457	92	—	549
FFA vending.....	(3,246)	61	317	(3,502)
Activity miscellaneous.....	(10,948)	2,357	1,514	(10,105)
Activity fund balance.....	(331)	—	—	(331)
Foreign Language Club.....	9,171	20,958	20,942	9,187
Chess Club.....	159	—	—	159
Thespian Club.....	1,017	4,826	4,752	1,091
Peer Helpers.....	2,815	841	1,630	2,026
Life Connections Club.....	275	610	1,759	(874)
Pottery Club.....	50	—	—	50
National Honor Society.....	1,955	729	728	1,956
Student Council.....	2,174	11,425	12,262	1,337
Student Congress.....	984	5,753	4,744	1,993
SADD.....	377	208	280	305
SADD - MS.....	622	—	—	622
Journalism - Scroll.....	37,926	29,174	48,006	19,094
Spotlight.....	1,715	10,465	9,198	2,982
Yearbook - Middle School.....	709	2,850	3,230	329
RC Recycle.....	67	—	—	67
MOC.....	1,419	246	814	851
Prom.....	791	4,916	3,998	1,709
Intramurals.....	1,022	—	—	1,022
Elementary library.....	604	—	30	574
Bryant.....	545	—	680	(135)
Franklin (jump rope).....	500	—	174	326
Franklin (box top).....	5,152	4,278	4,805	4,625
Pick a Better Snack fund balance.....	1,437	—	1,437	—
Lincoln.....	560	562	—	1,122
Lowell box tops.....	235	882	52	1,065
Lowell.....	2,205	1,057	546	2,716

Schedule of Changes in Individual Student Activity Accounts

Year Ended June 30, 2007

	Balance - Beginning of Year	Revenue and and Transfers	Expenditures and Transfers	Balance - End of Year
Page	\$ 953	\$ 75	\$ —	\$ 1,028
Page/Bryant art fundraiser.....	332	560	—	892
Construction Tech	592	1,548	—	2,140
Futures	9	1,957	496	1,470
PE (Iowa Games)	6	1,000	—	1,006
LEGO League.....	22	2,240	2,625	(363)
HS/MS library	4,613	840	1,599	3,854
Principal activity miscellaneous HS....	1,301	6,272	4,475	3,098
Reconnecting Youth Grant	1,050	—	—	1,050
Soccer boys.....	—	16,100	11,423	4,677
Fund balance combine 2005-06	—	—	8,629	(8,629)
Lift-A-Thon fund balance	—	3,299	3,299	—
Franklin Fit for Life.....	—	1,500	—	1,500
MS Art IA	—	1,000	149	851
Vocal music fund	—	49,892	65,525	(15,633)
MS outdoor working lab.....	—	3,569	1,981	1,588
Operations and maintenance pop	—	29	—	29
MS principal miscellaneous	—	2,497	1,880	617
MS activity fund	—	13,426	13,331	95
Tag fundraising.....	—	2,540	2,514	26
HS instrumental music.....	—	13,947	—	13,947
Adv speech fund.....	—	375	—	375
Red Cross fund.....	—	5,025	—	5,025
Lowell Wal-Mart volunteer.....	—	—	472	(472)
RC reclassified accounts	—	735	—	735
	<u>\$ 106,619</u>	<u>\$ 463,324</u>	<u>\$ 403,812</u>	<u>\$ 166,131</u>

Schedule of Revenue By Source and Expenditures By Function - All Governmental Fund Types (Modified Accrual Basis)

Years Ended June 30, 2007, 2006, 2005 and 2004

	2007	2006	2005	2004
Revenue				
Local Sources				
Local taxes.....	\$ 9,053,675	\$ 7,883,932	\$ 7,707,034	\$ 6,631,614
Tuition	1,855,694	1,816,342	2,019,484	1,898,477
Other	1,300,917	1,548,970	900,360	659,339
Intermediate source.....	—	479	445	—
State sources.....	11,336,321	11,161,043	10,393,096	10,133,983
Federal sources.....	<u>865,332</u>	<u>541,175</u>	<u>562,138</u>	<u>571,332</u>
Total	<u>\$ 24,411,939</u>	<u>\$ 22,951,941</u>	<u>\$ 21,582,557</u>	<u>\$ 19,894,745</u>
Expenditures				
Instruction				
Regular instruction	\$ 10,019,156	\$ 9,031,889	\$ 8,741,351	\$ 8,845,202
Special instruction.....	3,797,441	3,762,965	3,793,311	3,592,001
Other instruction.....	1,303,120	1,167,500	1,205,692	939,236
Support Services				
Student services	746,397	749,001	676,438	687,109
Instructional staff services.....	714,945	671,320	998,199	732,980
Administration services.....	2,314,547	2,152,091	1,638,021	1,614,488
Operation and maintenance of plant services	2,058,498	1,694,632	1,606,234	1,628,454
Transportation services.....	495,398	482,188	416,222	303,199
Noninstructional programs.....	—	—	10,260	9,831
Other Expenditures				
Facilities acquisition and construction	1,277,941	7,638,697	4,898,847	486,289
Long-Term Debt				
Principal.....	695,000	680,000	570,000	185,000
Interest and other charges	503,380	526,606	635,305	46,198
AEA flowthrough.....	<u>722,385</u>	<u>682,318</u>	<u>643,892</u>	<u>652,690</u>
Total	<u>\$ 24,648,208</u>	<u>\$ 29,239,207</u>	<u>\$ 25,833,772</u>	<u>\$ 19,722,677</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass- Through Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through From Iowa Department of Education			
Food Donation (noncash)	10.550	FY 2007	<u>\$ 39,190</u>
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2007	30,004
National School Lunch Program.....	10.555	FY 2007	254,585
Special Milk Program for Children	10.556	FY 2007	<u>235</u>
Total Cash Expenditures.....			<u>284,824</u>
Total U.S. Department of Agriculture			<u>324,014</u>
U.S. Department of Education			
Pass-Through From Iowa Department of Education			
Title I Grants to Local Education Agencies	84.010	FY 2007	<u>252,541</u>
Vocational Education - Basic Grants to States	84.048	FY 2007	<u>44,146</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 2007	<u>8,367</u>
Funds for the Improvement of Education.....	84.215	FY 2007	<u>63,731</u>
State Grants for Innovative Programs.....	84.298	FY 2007	<u>14,880</u>
Improving Teacher Quality State Grants.....	84.367	FY 2007	<u>59,007</u>
Total Pass-Through U.S. Department of Education			<u>442,672</u>
Total			<u>\$ 766,686</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Boone Community School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*.

Subrecipients

The Boone Community School District provided no federal awards to subrecipients.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Education
Boone Community School District
Boone, Iowa

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 the Boone Community School District as of and for the year ended June 30, 2007, and the discretely presented component unit as of and for the year ended December 31, 2006, which collectively comprise the Boone Community School District's basic financial statements, and have issued our report thereon dated December 20, 2007. 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 the Boone Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Boone Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Boone Community School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Boone 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 the Boone Community School District's financial statements that is more than inconsequential will not be prevented or detected by the Boone Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 the Boone Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-II-IC-1 and 07-II-IC-4 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

The Boone Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the Boone 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 the Boone Community School District and other parties to whom the Boone 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.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 20, 2007

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance

Board of Education
Boone Community School District
Boone, Iowa

Compliance

We have audited the compliance of the Boone Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Boone Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Boone Community School District's management. Our responsibility is to express an opinion on the Boone Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Boone Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Boone Community School District's compliance with those requirements.

In our opinion, the Boone Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Boone Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Boone Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 07-III-IC-1 and 07-III-IC-2 to be material weaknesses.

The Boone Community School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
December 20, 2007

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiencies identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Numbers

10.553
10.555
10.556
84.010

Name of Federal Program or Cluster

Child Nutrition Cluster
Child Nutrition Cluster
Child Nutrition Cluster
Title I - Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part II: Findings Related to the General-Purpose Financial Statements

Instances of Noncompliance:

There were no current year instances of noncompliance noted.

Significant Deficiencies

Prior year significant deficiencies have not been resolved and have been repeated below as items 07-II-IC-1 through 07-II-IC-4.

07-II-IC-1 Segregation of Duties

Prior Year Finding - The limited number of personnel employed by the District in its accounting department makes it difficult to achieve adequate control procedures through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it impossible to establish an adequate system of automatic internal checks on accounting record accuracy and reliability.

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

Auditor's Recommendation - This is not an unusual condition, but it is important that management be aware that the condition exists. The severity of this condition is clear from the recent frauds and bookkeeping errors.

District's Response - We will monitor this situation and continue to segregate incompatible duties as efficiently as possible.

Auditor's Conclusion - Response accepted.

07-II-IC-2 Investments

Prior Year Finding - An investment register detailing the District's investment activity including purchase and redemption dates, interest rates and interest revenue is not maintained.

Auditor's Recommendation - The District should maintain an investment register.

District's Response - The Scholarship accounts have individual investment registers that are reconciled monthly beginning in 2007-08. The Accounting Clerk is reconciling the monthly bank statement.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2007

07-II-IC-3 Capital Assets

Prior Year Finding - A physical inventory of all capital assets has not been performed recently and reconciled to the detailed capital asset records. In addition, capital asset records are not kept up to date. Additions and deletions are not recorded until after year end.

Auditor's Recommendation - A physical inventory of all capital assets should be completed and reconciled to the detailed capital asset records by employees having no responsibility for the assets. The capital asset records should be maintained currently as addition and deletions occur.

District's Response

1. Capital assets observation will be taken by the Business Manager and Superintendent annually.
2. A capital assets ledger will be maintained semi-annually documenting acquisitions and deletions.

Auditor's Conclusion - Response accepted.

07-II-IC-4 Internal Controls

Prior Year Finding - The Business Manager makes journal entries to correct errors in data entry. No one reviews these entries.

Auditor's Recommendation - A qualified person should review the journal entries made by the Business Manager.

District's Response - The District will establish procedures to document a review of all journal entries.

Auditor's Conclusion - Response accepted.

07-II-IC-5 Disbursements

Finding - We noted that disbursements for officiating were not supported by proper documentation.

Auditor's Recommendation - In the case of expenditures not likely to be supported by formal invoices, we suggest that preprinted "check request" forms be made available which will provide for date, payee, description of expenditure and approval signature. These would serve as the supporting documents accompanying checks to be signed. This will also provide greater control over disbursements.

District's Response - We will implement the use of a form to improve supporting documentation.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance:

All Programs Displayed on the Schedule of Expenditures of Federal Awards

07-III-C-1 Internal Controls Over Federal Revenue and Expenditures

Finding - During our audit, we found that the District does not have the proper internal controls in place to provide reasonable assurance that grant financial and accounting requirements are being met. See Finding 07-III-IC-2 for additional information and the District's response.

Significant Deficiencies

Prior year significant deficiencies have not been resolved and have been repeated below as items 07-III-IC-1 through 07-III-IC-5.

All Programs Displayed on the Schedule of Expenditures of Federal Awards

07-III-IC-1 Segregation of Duties

Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See Finding 07-II-IC-1 for additional information.

07-III-IC-2 Internal Controls Over Federal Revenue and Expenditures

Finding - The District does not have proper internal controls in place that would provide reasonable assurance that the grant requirements are properly met, or if there are errors, that those errors would be detected by the procedures required by the internal control system.

Auditor's Recommendation - The District should establish proper internal control procedures to ensure that grant requirements are properly met.

District's Response - The District is working on an accounting manual that will include new internal control procedures that should, when implemented, provide the proper level of controls.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556: Special Milk Program for Children
Federal Award Year: 2007
U.S. Department of Agriculture
Passed through the Iowa Department of Education

07-III-IC-3 Proper Reporting of Meals Served

Prior Year Finding - The District submits nine reports of meals served to the Iowa Department of Education in order to receive reimbursement at varying levels based on the status of the students eating the meals (free, reduced or full pay). Six of those reports were submitted with errors, with only one of those reports later corrected by the District. The net result of the errors was a reduction in funding to the District of approximately \$120.

Auditor's Recommendation - The District should establish procedures so that a qualified person prepares the reports and that they are reviewed by the Food Service Director before being submitted to the Iowa Department of Education.

District's Response - Appropriate counts will be filed and prepared by a staff member and reviewed by the Food Service Director.

Auditor's Conclusion - Response accepted.

07-III-IC-4 Verification of Free and Reduced Meal Price Applications

Prior Year Finding - The District is required to verify the free and reduced price eligibility of households selected from a sample of approved applications on file on October 31. The District indicated a random sampling method was used to select 3% of the total approved applications on file. We noted the following items related to the District's verification process:

The District did not select a full 3% of the applications. The District should have sampled seven applications but only selected five.

Auditor's Recommendation - The District should establish procedures to sample the appropriate number of applications.

District's Response - An appropriate sample selection will be done by the Business Office.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

CFDA Number 84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2007
U.S. Department of Education
Passed through the Iowa Department of Education

07-III-IC-5 Proper Reporting

Finding - The District application for Title I funds noted that staff assigned to the project would be 4.2 teachers. There were actually 4.67 teachers funded with Title I proceeds.

Auditor's Recommendation - The District should have the applications reviewed by a person with knowledge of the program before the application is submitted.

District's Response - A second party will review the grant applications before they are submitted.

Auditor's Conclusion - Response Accepted.

Part IV: Other Findings Related to Statutory Reporting

07-IV-A Certified Budget - Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

07-IV-B Questionable Disbursements - No disbursements were noted that may not meet the requirements as defined in an Attorney General's opinion dated April 25, 1979.

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

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

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

07-IV-F Board Minutes

Finding - The minutes of the Board of Education proceedings were not published within 15 days as required by Chapter 279.35 of the Code of Iowa in two of the eight meetings that we tested. In addition, three of eight minutes tested did not include a list of the approved disbursements.

Auditor's Recommendation - The minutes should be published within 15 days of the Board meeting and include the list of approved disbursements.

District's Response - We will do this.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

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

07-IV-H Deposits and Investments

Finding - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted, except the interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Auditor's Recommendation - Public fund time certificates of deposit, when renewed, should be renewed at a rate of interest which conforms with current rates for public funds on date of renewal. The District should seek reimbursement of the additional interest due on these certificates of deposit. In addition, the District should be aware of the current allowable rates to insure at least the minimum allowable rate is received for all investments.

District's Response - The District will seek compensation for the interest due from rate being below minimum set by State Rate Setting Committee.

Auditor's Conclusion - Response accepted.

07-IV-I Certified Annual Report

Finding - The Certified Annual Report (CAR) was filed with the Department of Education timely, but we noted several significant deficiencies in the amounts reported.

Auditor's Recommendation - The Certified Annual Report should be reconciled with accounting records, reviewed by a member of management and filed timely.

District's Response - The 2007-08 report will be reconciled with accounting records and filed timely.

Auditor's Conclusion - Response accepted.

07-IV-J Financial Condition

Finding - Of the District's student activity accounts, 21 had deficit fund balances at June 30, 2007.

Auditor's Recommendation - We recommend that the District investigate alternatives to return these accounts to a positive financial condition.

District's Response - We are taking steps to rectify this.

Auditor's Conclusion - Response accepted.