

GEORGE – LITTLE ROCK COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007**

East, Vander Woude, Grant & Co., P.C.

707 West 11th Street
Sioux Falls, SD 57104

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GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education Elected before 2006		
Warren Tiedeman	President	2008
Roger Jurrens	Vice President	2006
Kory Hayenga	Board Member	2006
Amy Jurrens	Board Member	2007
Donell Nagel	Board Member	2007
Board of Education (After September 2006 Election)		
Warren Tiedeman	President	2008
Donell Nagel	Vice President	2007
Amy Jurrens	Board Member	2007
Terrence Clark	Board Member	2009
Doug Krull	Board Member	2008
School Officials		
Joanne Smith	Superintendent	June 30, 2008
Delinda Kruger	District Secretary/Treasurer and Business Manager	Indefinite
Thomas Whorley	Attorney	Indefinite

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

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Independent Auditor's Report

To the Board of Education of the
George - Little Rock Community School District

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

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

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

In accordance with Governmental Auditing Standards, we have also issued our reports dated December 7, 2007 on our consideration of the George - Little Rock 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 Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 38 through 40 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise George - Little Rock Community School District's basic financial statements. The previous audits were not done by this office, but were in accordance with the standards referred to in the

second paragraph of this report, the general-purpose financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, 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 financial statements taken as a whole.

East, Vander Woude, Grant & Co, PC

East, Vander Woude, Grant & Co., P C

December 7, 2007

Management's Discussion and Analysis

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

2007 Financial Highlights

- The General Fund revenues increased from \$4,027,234 in fiscal year 2006 to \$4,090,834 in fiscal year 2007, while General Fund expenditures increased from \$4,109,972 in fiscal year 2006 to \$4,253,739 in fiscal 2007. The District's General Fund balance decreased from \$267,786 in fiscal 2006 to \$102,789 in fiscal 2007, a 61.6% decrease.
- The increase in General Fund revenues was attributable to an increase in local and state revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in salaries.
- The bonds issued for the construction projects resulted in an increase in interest income as funds are invested until needed to pay the construction costs in 2007 and 2008.
- The local option sales and services tax (SILO) became effective January 1, 2004. Revenues collected were \$230,922 in 2006 and \$277,865 in 2007 which were used for architect fees for the new additions to the schools in 2006 and for debt service in 2007.

Using this Annual Report

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the George - Little Rock Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report George - Little Rock Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which George - Little Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the District's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

Figure A-1
George - Little Rock Community School District Annual Financial Report

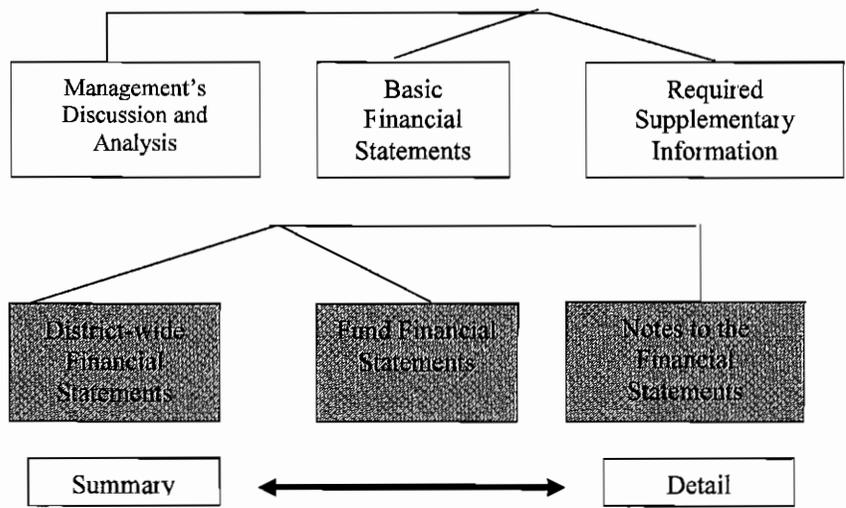


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities covered and the types of information contained.

Figure A-2: Major Features of the District Wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds 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 that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, 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 government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provides 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 statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

Government-wide Financial Analysis

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

	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2007	2006	2007	2006	2007	2006	2006-2007	
Current and other assets	\$ 4,247	\$ 7,022	\$ 5	\$ 11	\$ 4,252	\$ 7,033	(2,781)	(39.54%)
Capital assets	6,607	2,605	99	6	6,706	2,611	4,095	156.8%
Total assets	10,854	9,627	104	17	10,958	9,644	1,314	13.6%
Long-term Liabilities	4,498	4,737	-	-	4,498	4,737	(239)	100.0%
Other Liabilities	3,634	2,816	15	13	3,649	2,829	820	29.0%
Total Liabilities	8,132	7,553	15	13	8,147	7,566	581	7.7%
Net Assets								
Invested in capital assets, net of related debt	2,016	(2,148)	99	6	2,115	(2,142)	4,257	(198.74%)
Restricted	605	3,960	-	-	605	3,960	(3,355)	(84.72%)
Unrestricted	101	262	(10)	(2)	91	260	(169)	(65.00%)
Total net assets	<u>\$ 2,722</u>	<u>\$ 2,074</u>	<u>\$ 89</u>	<u>\$ 4</u>	<u>\$ 2,811</u>	<u>\$ 2,078</u>	<u>\$ 733</u>	<u>35.3%</u>

The District's combined net assets increased by 35 percent or approximately \$733,000 over the prior year. The largest increase is due to the construction project currently going on. The project will be completed in 2008 school year. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$3,355,000 from the prior year. The decrease was primarily a result of the capital projects during the year with funds remaining to pay for the construction projects to be completed in the next school year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – decreased approximately \$169,000 or 65 percent. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-2007
Revenue							
Program revenue:							
Charges for service	\$ 373	\$ 346	\$ 208	\$ 107	\$ 581	\$ 453	28.26%
Operating grants, contributions and restricted interest	929	598	93	85	1,022	683	49.63%
Capital grants, contributions and restricted interest	82	197	-	-	82	197	(58.38%)
General revenues:							
Property tax	2,157	1,990	-	-	2,157	1,990	8.39%
Local option sales and service tax	278	231	-	-	278	231	20.35%
Unrestricted state grants	1,817	1,848	-	-	1,817	1,848	(1.68%)
Other	27	24	-	-	27	24	12.50%
Total revenues	<u>5,663</u>	<u>5,234</u>	<u>301</u>	<u>192</u>	<u>5,964</u>	<u>5,426</u>	<u>9.92%</u>
Program expenses:							
Governmental activities:							
Instruction	3,194	3,103	-	-	3,194	3,103	2.93%
Support service	1,471	1,366	-	-	1,471	1,366	7.69%
Non-instructional programs	2	-	218	209	220	209	5.26%
Other expenses	391	361	-	-	391	361	8.31%
Total expenses	<u>5,058</u>	<u>4,830</u>	<u>218</u>	<u>209</u>	<u>5,276</u>	<u>5,039</u>	<u>4.70%</u>
Change in net assets	<u>\$ 605</u>	<u>\$ 404</u>	<u>\$ 83</u>	<u>\$ (17)</u>	<u>\$ 688</u>	<u>\$ 387</u>	<u>77.78%</u>

Property tax, local option sales and service tax, and unrestricted state grants account for 71.3 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88.4 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,662,216 and expenses were \$5,057,709. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

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

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change	2007	2006	Change
			2006-2007			2006-2007
Instruction	\$ 3,194	\$ 3,103	2.93%	\$ 2,076	\$ 2,348	(11.58%)
Support services	1,471	1,366	7.69%	1,451	1,332	8.93%
Non-instructional programs	2	-	0.00%	2	-	0.00%
Other expenses	391	361	8.31%	145	9	1511.11%
Totals	\$ 5,058	\$ 4,830	4.72%	\$ 3,674	\$ 3,689	(0.41%)

- The cost financed by users of the District's programs was \$372,745.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$928,696.
- The net cost of governmental activities was financed with \$2,435,179 in property and other taxes and \$1,817,033 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$300,553 and expenses were \$217,570. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and contributions for capital project improvements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$875,805, well below last year's ending fund balances of \$4,445,943. The primary reason for the decrease in combined fund balances in fiscal 2007 is due to the capital projects continuing during the past year.

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of many factors. The biggest factor being that increases in State Funding are not keeping up with inflation.
- The General Fund balance decreased from \$267,786 to \$102,789, due in part to the increases in expenditures in the last year.
- The Debt Service Fund balance decreased from \$199,027 in fiscal 2006 to \$169,893 in fiscal 2007. The decreased was mainly due to the first bond payments being made this year.
- The Capital Projects Fund balance decreased due to the construction projects largely completed during the year. The District ended fiscal 2006 with a \$3,863,698 balance

and ended fiscal 2007 ended with a balance of \$436,972.

Proprietary Fund Highlights

School Nutrition Fund cash balance decreased from \$4,806 at June 30, 2006 to \$673 at June 30, 2007, representing a decrease of \$4,133. This is due primarily from increases in wages and benefits.

BUDGETARY HIGHLIGHTS

The District's receipts were \$600,117 more than budgeted receipts, with a variance of 11%. The most significant variance resulted from the increases in local revenues and federal revenues.

Total expenditures were less than budgeted, due primarily to the District's budget for the Capital Project that was not completed before the end of the school year. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support service functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$6.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 156.7% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$171,462.

The original cost of the District's capital assets was \$9.4 million. Governmental funds account for \$9.2 million, with the remainder of \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred with the completion of most of the construction projects \$3,436,000 was added to buildings and \$1,967,569 remains in construction in progress at June 30, 2007. The construction activity will be completed in the fall of 2007 at both George and Little Rock schools.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 39	\$ 39	\$ -	\$ -	\$ 39	\$ 39	0.00%
Construction in progress	1,968	1,643	-	-	1,968	1,643	19.78%
Buildings	3,866	498	-	-	3,866	498	676.31%
Improvements other than buildings	91	91	-	-	91	91	0.00%
Furniture and Equipment	643	333	99	8	742	341	117.60%
Totals	\$ 6,607	\$ 2,604	\$ 99	\$ 8	\$ 6,706	\$ 2,612	156.74%

Long-Term Debt

At June 30, 2007, the District had \$4,727,714 in general obligation, revenue and other long-term debt outstanding compared to \$4,951,989 last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In March 2005, the District's voters authorized the issuance of \$4,360,000 in general obligation bonds to pay for construction of the additions to buildings in George and Little Rock. Planning for the project started in fiscal 2005 and bonds were sold during fiscal 2006. At the same time the District issued \$685,000 of local option sales and services tax revenue bonds for the same project. The District had total outstanding bonded indebtedness at June 30, 2007 of \$4,695,000.

The District also had a note payable for musical instruments of \$2,091 and early retirement obligations of \$37,807 at June 30, 2007 with \$7,184 due on July 1, 2007 and \$30,623 long term.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General Obligation Bonds	4,085,000	4,225,000	(3.314%)
Revenue Bonds	610,000	685,000	(10.949%)
Note Payable	2,091	4,182	(50.000%)
Early Retirement	30,623	37,807	(19.001%)
Totals	\$ 4,727,714	\$ 4,951,989	(4.529%)

Economic Factors Bearing on the District's Future

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

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the District will continue to grow and it is hoped that allowable growth would match the

needs of public K-12 education.

- District enrollment decreased in fiscal year 2006-2007 by 13 students to a budget enrollment of 502. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2006-2007 school year, George - Little Rock students who open enroll out to other districts decreased by 2 students, from 33 to 31. Because George - Little Rock is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Fiscal 2007 will be the last year of a three-year contract with George-Little Rock Education Association. The District will negotiate a new agreement during fiscal 2007. 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.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Delinda Kruger, Board Secretary/Business Manager at the George - Little Rock Community School District, 500 E. Indiana Ave., George, IA 51237 or 712-475-3311.

BASIC FINANCIAL STATEMENTS

George - Little Rock Community School District
Statement of Net Assets
June 30, 2007

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash equivalents:			
ISCAP	\$ 823,530	\$ -	\$ 823,530
Other	1,309,953	673	1,310,626
Receivables:			
Property tax:			
Delinquent	28,194	-	28,194
Succeeding year	1,965,412	-	1,965,412
Local option sales taxes	17,062	-	17,062
Accounts	94,841	-	94,841
Accrued interest:			
ISCAP	4,067	-	4,067
Other	610	-	610
Due from other governments	3,753	-	3,753
Inventories	-	4,086	4,086
Capital assets, net of accumulated depreciation	6,606,752	98,946	6,705,698
Total assets	10,854,174	103,705	10,957,879
Liabilities			
Accounts payable	64,371	-	64,371
Salaries and benefits payable	389,916	10,193	400,109
Due to other governments	-	3,000	3,000
Accrued interest payable	25,070	-	25,070
Deferred revenue - other	123,461	1,837	125,298
Deferred revenue - succeeding year property tax	1,965,412	-	1,965,412
ISCAP warrants payable	825,000	-	825,000
ISCAP accrued interest payable	3,457	-	3,457
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Revenue bonds payable	80,000	-	80,000
Note payable	2,091	-	2,091
Early retirement	7,184	-	7,184
Portion due after one year:			
General obligation bonds payable	3,935,000	-	3,935,000
Revenue bonds payable	530,000	-	530,000
Early retirement	30,623	-	30,623
Total liabilities	8,131,585	15,030	8,146,615
Net assets			
Invested in capital assets, net of related debt	2,016,677	98,945	2,115,622
Restricted for:			
Management levy	6,243	-	6,243
Physical plant and equipment levy	113,983	-	113,983
Other special revenue purposes	45,925	-	45,925
Capital projects	436,972	-	436,972
Other	2,145	-	2,145
Unrestricted	100,644	(10,270)	90,374
Total net assets	\$ 2,722,589	\$ 88,675	\$ 2,811,264

See notes to financial statements

George - Little Rock Community School District
Statement of Activities
June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,319,143	\$ 61,801	\$ 609,981	\$ -
Special instruction	497,948	43,011	128,258	-
Other instruction	376,508	265,959	8,251	-
	<u>3,193,599</u>	<u>370,771</u>	<u>746,490</u>	<u>-</u>
Support services:				
Student services	90,720	-	15,933	-
Instructional staff services	74,605	-	-	-
Administration services	523,374	-	-	-
Operation and maintenance of plant services	500,111	1,975	-	-
Transportation services	281,939	-	1,452	-
	<u>1,470,749</u>	<u>1,975</u>	<u>17,386</u>	<u>-</u>
Non-instructional programs				
Other expenditures:	2,033	-	-	-
Facilities acquisition	-	-	-	81,772
Long-term debt interest	226,508	-	-	-
AEA flow-through	164,820	-	164,820	-
	<u>391,328</u>	<u>-</u>	<u>164,820</u>	<u>81,772</u>
Total governmental activities	<u>5,057,709</u>	<u>372,745</u>	<u>928,696</u>	<u>81,772</u>
Business type activities:				
Non-instructional programs:				
Food service operations	217,570	207,528	93,025	-
Total	<u>\$ 5,275,279</u>	<u>\$ 580,273</u>	<u>\$ 1,021,721</u>	<u>\$ 81,772</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements

Exhibit B

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (1,647,361)	\$ -	\$ (1,647,361)
(326,679)	-	(326,679)
(102,299)	-	(102,299)
<u>(2,076,338)</u>	<u>-</u>	<u>(2,076,338)</u>
(74,787)	-	(74,787)
(74,605)	-	(74,605)
(523,374)	-	(523,374)
(498,137)	-	(498,137)
(280,487)	-	(280,487)
<u>(1,451,389)</u>	<u>-</u>	<u>(1,451,389)</u>
<u>(2,033)</u>	<u>-</u>	<u>(2,033)</u>
81,772	-	81,772
(226,508)	-	(226,508)
-	-	-
<u>(144,736)</u>	<u>-</u>	<u>(144,736)</u>
<u>(3,674,496)</u>	<u>-</u>	<u>(3,674,496)</u>
-	82,983	82,983
<u>(3,674,496)</u>	<u>82,983</u>	<u>(3,591,513)</u>
1,881,984	-	1,881,984
275,330	-	275,330
277,865	-	277,865
1,817,033	-	1,817,033
14,539	86	14,625
12,252	-	12,252
<u>4,279,003</u>	<u>86</u>	<u>4,279,089</u>
604,507	83,069	687,576
2,118,082	5,606	2,123,688
<u>\$ 2,722,589</u>	<u>\$ 88,675</u>	<u>\$ 2,811,264</u>

See notes to financial statements.

George - Little Rock Community School District
Balance Sheet
Governmental Funds
June 30, 2007

Exhibit C

Assets	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Cash and pooled investments:					
ISCAP	\$ 823,530	\$ -	\$ -	\$ -	\$ 823,530
Other	428,229	168,132	542,849	170,743	1,309,953
Receivables:					
Property tax:					
Delinquent	21,920	3,261	-	3,013	28,194
Local option sales taxes	-	-	17,062	-	17,062
Accounts	94,841	-	-	-	94,841
Accrued interest:					
ISCAP	4,067	-	-	-	4,067
Other	-	-	522	88	610
Due from other funds	3,000	-	-	-	3,000
Due from other governments	753	-	-	-	753
Total assets	<u>1,376,340</u>	<u>171,393</u>	<u>560,433</u>	<u>173,844</u>	<u>2,282,010</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	57,789	1,500	-	5,082	64,371
Salaries and benefits payable	387,305	-	-	2,611	389,916
ISCAP warrants payable	825,000	-	-	-	825,000
ISCAP accrued interest payable	3,457	-	-	-	3,457
Deferred revenue:					
Other	-	-	123,461	-	123,461
Total liabilities	<u>1,273,551</u>	<u>1,500</u>	<u>123,461</u>	<u>7,693</u>	<u>1,406,205</u>
Fund balances:					
Reserved for debt service	-	169,893	-	-	169,893
Reserved for capital projects	-	-	436,972	-	436,972
Reserved for management levy	-	-	-	6,243	6,243
Reserved for physical plant and equipment levy	-	-	-	113,983	113,983
Reserve other	2,145	-	-	45,925	48,070
Unreserved	100,644	-	-	-	100,644
Total fund balances	<u>102,789</u>	<u>169,893</u>	<u>436,972</u>	<u>166,151</u>	<u>875,805</u>
Total liabilities and fund balances	<u>\$ 1,376,340</u>	<u>\$ 171,393</u>	<u>\$ 560,433</u>	<u>\$ 173,844</u>	<u>\$ 2,282,010</u>

See notes to financial statements.

George - Little Rock Community School District
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2007

Exhibit D

Total fund balances of governmental funds (page 20)	\$ 875,805
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,606,752
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	(25,070)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(4,734,898)</u>
Net assets of governmental activities (page 19)	<u><u>\$ 2,722,589</u></u>

See notes to financial statements.

George - Little Rock Community School District
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
June 30, 2007

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 1,546,497	\$ 275,330	\$ 277,865	\$ 335,487	\$ 2,435,179
Tuition	64,239	-	-	-	64,239
Other	61,219	5,790	76,428	273,632	417,069
Intermediate sources	500	-	-	-	500
State sources	2,246,269	162	-	149	2,246,580
Federal sources	172,110	-	326,539	-	498,649
Total Revenues	4,090,834	281,282	680,832	609,268	5,662,216
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,018,968	-	-	272,305	2,291,273
Special instruction	497,948	-	-	-	497,948
Other instruction	376,508	-	-	-	376,508
	<u>2,893,424</u>	<u>-</u>	<u>-</u>	<u>272,305</u>	<u>3,165,729</u>
Support services:					
Student services	90,720	-	-	-	90,720
Instructional staff services	72,786	-	-	-	72,786
Administration services	468,937	-	-	88,440	557,377
Operation and maintenance of plant services	322,543	-	-	89,088	411,631
Transportation services	238,476	-	-	70,746	309,222
	<u>1,193,462</u>	<u>-</u>	<u>-</u>	<u>248,274</u>	<u>1,441,736</u>
Non-instructional programs	2,033	-	-	-	2,033
Other expenditures:					
Facilities acquisition	-	-	4,001,536	37,971	4,039,507
Long-term debt principal	-	217,091	-	-	217,091
Long-term debt interest	-	201,438	-	-	201,438
AEA flow-through	164,820	-	-	-	164,820
	<u>164,820</u>	<u>418,529</u>	<u>4,001,536</u>	<u>37,971</u>	<u>4,622,856</u>
Total expenditures	4,253,739	418,529	4,001,536	558,550	9,232,354
Excess (deficiency) of revenues over (under) expenditures	<u>(162,905)</u>	<u>(137,247)</u>	<u>(3,320,704)</u>	<u>50,718</u>	<u>(3,570,138)</u>
Other financing sources (uses):					
Operating transfers in (out)	(2,091)	108,113	(106,022)	-	-
Total other financing sources (uses)	<u>(2,091)</u>	<u>108,113</u>	<u>(106,022)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(164,996)	(29,134)	(3,426,726)	50,718	(3,570,138)
Fund balances beginning of year	267,785	199,027	3,863,698	115,433	4,445,943
Fund balances end of year	\$ 102,789	\$ 169,893	\$ 436,972	\$ 166,151	\$ 875,805

See notes to financial statements

George - Little Rock Community School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 - Governmental Funds to the Statement of Activities
 Year ended June 30, 2007

Exhibit F

Net change in fund balance - total governmental funds (page 22) **\$ (3,570,138)**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	4,138,026	
Depreciation expense	<u>(162,586)</u>	3,975,440

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	<u>224,275</u>	224,275
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(25,070)

Change in net assets of governmental activities (page 19)

\$ 604,507

See notes to financial statements

George - Little Rock Community School District
Statement of Net Assets
Proprietary Fund
June 30, 2007

Exhibit G

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 673
Inventories	4,086
Capital assets, net of accumulated depreciation	<u>98,946</u>
Total assets	<u>103,705</u>
Liabilities	
Due to other funds	3,000
Deferred revenue	1,837
Salaries and benefits payable	<u>10,193</u>
Total Liabilities	<u>15,030</u>
Net Assets	
Invested in capital assets, net of related debt	98,945
Unrestricted	<u>(10,270)</u>
Total net assets	<u>\$ 88,675</u>

See notes to financial statements

George - Little Rock Community School District
Statement of Revenues, Expenses and Changes in
Fund Net Assets - Proprietary Fund
June 30, 2007

Exhibit H

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 207,528
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	96,026
Benefits	12,742
Purchased services	1,236
Supplies	98,690
Depreciation	8,876
Total operating expenses	217,570
Operating loss	(10,042)
Non-operating revenues:	
State sources	2,809
Federal sources	90,216
Interest income	86
Total non-operating revenues	93,111
Change in net assets	83,069
Net assets beginning of year	5,606
Net assets end of year	\$ 88,675

See notes to financial statements

George - Little Rock Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2007

EXHIBIT I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 209,364
Cash paid to employees for services	(108,318)
Cash paid to suppliers for goods or services	(83,680)
Net cash used by operating activities	17,366
Cash flows from non-capital financing activities:	
State grants received	2,809
Federal grants received	75,605
Net cash provided by non-capital financing activities	78,414
Cash flows from capital and related financing activities:	
Sale of capital assets	-
Acquisition of capital assets	(100,000)
Net cash used by capital and related financing activities	(100,000)
Cash flows from investing activities:	
Interest on investments	87
Net increase (decrease) in cash and cash equivalents	(4,133)
Cash and cash equivalents beginning of year	4,806
Cash and cash equivalents end of year	\$ 673
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (10,042)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Commodities used	15,913
Depreciation	8,876
(Increase) decrease in inventories	333
Increase (decrease) in salaries and benefits payable	(2,550)
Increase (decrease) in deferred revenues	1,836
Increase (decrease) in due to other governments	3,000
Net cash provided by operating activities	\$ 17,366

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$14,611 of federal commodities

See notes to financial statements.

GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2007

(1) Summary of Significant Accounting Policies

The George - Little Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of George and Little Rock, Iowa and the predominately agricultural territory in Lyon, Sioux and Osceola Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, George - Little Rock 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. The George - Little Rock Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable

with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are

incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. All investments are non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased

items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

Asset Class	Estimated Useful Lives (in Years)
Buildings	100 years
Improvements other than buildings	15 - 50 years
Furniture and equipment:	3 - 15 years

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

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

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

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

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by

creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction and support services functional areas exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

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

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

Credit risk for the District is limited as all investments are in certificates of deposits which are covered by federal depository insurance or by the State Sinking Fund.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	School Lunch	\$ 3,000

The School Lunch Fund will be repaying the General Fund for an advance to pay expenditures when the cash flow improves

(4) Interfund Transfers

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

Transfer to	Transfer from:	Amount
Capital Projects	Local Option Sales Tax	568,750
Debt Service	Local Option Sales Tax	58,983
Debt Service	Capital Projects	47,039
Debt Service	General Fund	2,091
		<u>\$ 676,863</u>

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

(5) Iowa School Cash Anticipation Program (ISCAP)

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
2006-07A	6/28/06	6/28/07	\$ -	\$ -	\$ -	\$ -
2006-07B	1/26/07	1/25/08	171,561	3,872	172,000	3,291
2007-08A	6/27/07	6/27/08	651,968	195	653,000	166
Total			\$ 823,529	\$ 4,067	\$ 825,000	\$ 3,457

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 the warrant proceeds may be used in an amount equal to 25% of the warrant amount. No advances from ISCAP were made during the current year.

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
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	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	\$ 39,270	\$ -	\$ -	\$ 39,270
Construction in progress	1,643,043	324,526	-	1,967,569
Total capital assets not being depreciated	1,682,313	324,526	-	2,006,839
Capital assets being depreciated:				
Buildings	1,830,228	3,436,800	-	5,267,028
Improvements other than buildings	438,840	-	-	438,840
Furniture and equipment	1,115,773	383,885	70,139	1,429,519
Total capital assets being depreciated	3,384,841	3,820,685	70,139	7,135,387
Less accumulated depreciation for:				
Buildings	1,332,520	99,356	30,877	1,400,999
Improvements other than buildings	347,663	13,782	13,782	347,663
Furniture and equipment	782,490	49,448	45,126	786,812
Total accumulated depreciation	2,462,673	162,586	89,785	2,535,474
Total capital assets being depreciated, net	922,168	3,658,099	(19,646)	4,599,913
Governmental activities capital assets, net	\$ 2,604,481	\$ 3,982,625	\$ (19,646)	\$ 6,606,752
Business type activities:				
Furniture and equipment	\$ 113,186	\$ 100,000	\$ -	\$ 213,186
Less accumulated depreciation	(105,364)	(8,876)	-	(114,240)
Business type activities capital assets, net	\$ 7,822	\$ 91,124	\$ -	\$ 98,946

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

27,870

Support services:

Instructional staff

1,818

Operation and maintenance of plant

100,212

Transportation

32,686

162,586

Unallocated

-

Total depreciation expense - governmental activities

\$ 162,586

Business type activities:

Food service operations

\$ 8,876

7) **Long-Term Debt**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 685,000	\$ -	\$ 75,000	\$ 610,000	\$ 80,000
General Obligation	4,225,000	-	140,000	4,085,000	150,000
Loan Payable	4,182	-	2,091	2,091	2,091
Early Retirement	37,807	-	7,184	30,623	7,184
Total	\$ 4,951,989	\$ -	\$ 224,275	\$ 4,727,714	\$ 239,275

General Obligation Bonds Payable

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

Year Ending June, 30	Interest Rates	Bond Issue July 1, 2005 Series 2005A		
		Principal	Interest	Total
2008	4%	\$ 150,000	\$ 170,600	\$ 320,600
2009	4%	155,000	164,600	319,600
2010	4%	165,000	158,400	323,400
2011	4%	170,000	151,800	321,800
2012	4%	180,000	145,000	325,000
2013-2017	4 - 4.25%	1,030,000	608,638	1,638,638
2018-2022	4.25%	1,300,000	369,538	1,669,538
2023-2025	4.25%	935,000	80,538	1,015,538
		\$ 4,085,000	\$ 1,849,113	\$ 5,934,113

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June, 30	Interest Rates	Bond Issue July 1, 2005 Series 2005B		
		Principal	Interest	Total
2008	3 00%	\$ 80,000	\$ 19,860	\$ 99,860
2009	3 10%	80,000	17,340	97,340
2010	3 20%	85,000	14,658	99,658
2011	3 30%	85,000	11,810	96,810
2012	3 40%	90,000	8,745	98,745
2013-2017	3 60%	190,000	7,173	197,173
		\$ 610,000	\$ 79,585	\$ 689,585

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and service tax revenue bonds includes the following provisions:

1. A sinking fund to be established for all proceeds of the Local Option Sales and Services tax revenue must be deposited.
2. The amounts to be deposited into the sinking fund shall be equal to the amount of principal and interest coming due on the bonds and any other obligations payable from the Local Option Tax Revenues
3. A reserve fund is required to be maintained on deposit an amount equal to the lesser of 10% of the proceeds of the Series 2006B or 125% of the average annual debt service on Series 2006B

The District did comply with all of the provisions during the year ended June 30, 2007. The required reserve account was established by the District with a balance of \$68,500 and the sinking fund had \$99,632.

Note Payable

During the prior year the District entered into a purchase contract for musical instruments for \$6,273 and the initial payment of \$2,091. The note does not bear any interest and has the right to return the instruments and cancel the contract. The District has one remaining annual installments of \$2,091 due on September 1, 2007.

During the year ended June 30, 2007, the District made interest payments totaling \$201,438 under the agreements.

(7) Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of continuous service in the district and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Directors by February 1 of the applicable year.

Early retirement benefits are a flat \$2,000 per year for 5 years and health insurance payments based on the retirement year rate until the retiree reaches 65 years of age. If health insurance rates go up the retiree will need to pay the difference.

At June 30, 2007, the District has obligations to one participant with a total liability of \$37,807. Details of the early retirement obligations at June 30, 2007 are as follows:

Year Ending	Compensation	Health Insurance	Total
2008	\$ 2,000	\$ 5,184	\$ 7,184
2009	2,000	5,184	7,184
2010	2,000	5,184	7,184
2011	2,000	5,184	7,184
2012	-	5,184	5,184
Thereafter	-	3,887	3,887
	\$ 8,000	\$ 29,807	\$ 37,807

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements

and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$154,612, \$150,038 and \$126,172 respectively, equal to the required contributions for each year.

(9) Risk Management

George - Little Rock 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

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 \$164,820 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) Construction in Progress

The District has started a capital project to make improvements to the schools in George and Little Rock. Hoogendoorn Construction, Inc. of Canton, SD was awarded the contract for \$4,980,750 on November 14, 2005. Additions to the original contract increased the total contract to \$5,170,894. As of June 30, 2007, costs of \$5,075,258 had been incurred against the contract. The balance of \$95,636 remaining at June 30, 2007 will be paid when the project has been completed.

George – Little Rock Community School District

Required Supplementary Information

George - Little Rock Community School District
 Budgetary Comparison Schedule of Revenues, Expenditure and Changes in Balances -
 Budget and Actual - All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Revenues:		
Local Sources	\$ 2,916,487	\$ 207,614
Intermediate sources	500	-
State sources	2,246,580	2,809
Federal sources	498,649	90,216
Total revenues	<u>5,662,216</u>	<u>300,639</u>
Expenditures		
Instruction	3,165,729	-
Support services	1,441,736	-
Non-instructional programs	2,033	217,570
Other expenditures	4,622,856	-
Total expenditures	<u>9,232,354</u>	<u>217,570</u>
Excess (deficiency) of revenues over (under) expenditures	(3,570,138)	83,069
Other financing sources, net	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,570,138)	83,069
Balances beginning of year	<u>4,445,943</u>	<u>5,606</u>
Balances end of year	<u>\$ 875,805</u>	<u>\$ 88,675</u>

See accompanying independent auditor's report

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	3,124,101	\$ 2,833,003	\$ 2,833,003	\$ 291,098
	500	1,400	1,400	(900)
	2,249,389	2,269,335	2,269,335	(19,946)
	588,865	259,000	259,000	329,865
	<u>5,962,855</u>	<u>5,362,738</u>	<u>5,362,738</u>	<u>600,117</u>
	3,165,729	3,103,000	3,103,000	62,729
	1,441,736	1,409,000	1,409,000	32,736
	219,603	222,700	222,700	(3,097)
	4,622,856	2,140,607	4,863,307	(240,451)
	<u>9,449,924</u>	<u>6,875,307</u>	<u>9,598,007</u>	<u>(148,083)</u>
	(3,487,069)	(1,512,569)	(4,235,269)	748,200
	-	-	-	-
	(3,487,069)	(1,512,569)	(4,235,269)	748,200
	4,451,549	2,049,963	4,451,549	-
\$	<u>964,480</u>	<u>\$ 537,394</u>	<u>\$ 216,280</u>	<u>\$ 748,200</u>

See accompanying independent auditor's report

George -- Little Rock Community School District
Notes to Required Supplementary Information – Budgetary Reporting
Year ended June 30, 2007

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

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

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

During the year ended June 30, 2007, disbursements in the instruction function and non-instructional programs exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

George – Little Rock Community School District
Other Supplementary Information

George - Little Rock Community School District
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

Schedule I

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Public Education Recreation Levy	
Assets					
Cash and cash equivalents:					
Cash	\$ 5,330	\$ 40,837	\$ 98,028	\$ 21,548	\$ 165,743
Investments	-	5,000	-	-	5,000
Receivables:					
Property tax:					
Delinquent	913	-	1,879	221	3,013
Accrued interest	-	88	-	-	88
Total assets	6,243	45,925	99,907	21,769	173,844
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	5,082	-	5,082
Salaries and benefits payable	-	-	-	2,611	2,611
Total liabilities	-	-	5,082	2,611	7,693
Fund equity:					
Unreserved fund balances	6,243	45,925	94,825	19,158	166,151
Total liabilities and fund balances	\$ 6,243	\$ 45,925	\$ 99,907	\$ 21,769	\$ 173,844

See accompanying independent auditor's report

George - Little Rock Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2007

Schedule 2

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Public Education Recreation Levy	
Revenues:					
Local sources:					
Local tax	\$ 77,076	\$ -	\$ 239,697	\$ 18,714	\$ 335,487
Other	6,450	266,962	-	220	273,632
State sources	45	-	93	11	149
Total revenues	<u>83,571</u>	<u>266,962</u>	<u>239,790</u>	<u>18,945</u>	<u>609,268</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	9,132	263,173	-	-	272,305
Support services:					
Administration Services	-	-	88,440	-	88,440
Operation and maintenance of plant services	73,856	-	11,732	3,500	89,088
Student Transportation	-	-	59,969	10,777	70,746
Other expenditures:					
Facilities acquisition	-	-	37,971	-	37,971
Total expenditures	<u>82,988</u>	<u>263,173</u>	<u>198,112</u>	<u>14,277</u>	<u>558,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>583</u>	<u>3,789</u>	<u>41,678</u>	<u>4,668</u>	<u>50,718</u>
Other financing sources (uses):					
Operating transfers	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	583	3,789	41,678	4,668	50,718
Fund balances beginning of year	<u>5,660</u>	<u>42,136</u>	<u>53,147</u>	<u>14,490</u>	<u>115,433</u>
Fund balances end of year	<u>\$ 6,243</u>	<u>\$ 45,925</u>	<u>\$ 94,825</u>	<u>\$ 19,158</u>	<u>\$ 166,151</u>

See accompanying independent auditor's report.

George - Little Rock Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2007

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Annual	3,162	7,993	9,423	-	1,732
Resale	-	26,901	25,688	-	1,213
General	-	32,474	33,226	752	-
Athletics	-	20,101	12,854	(7,247)	-
Baseball	-	543	2,491	1,948	-
Basketball:					
Boys	-	7,302	3,229	(2,073)	2,000
Boys Fundraiser	-	5,201	3,117	-	2,084
Girls	-	15,589	10,797	(2,792)	2,000
Track:					
Boys	-	451	2,066	1,615	-
Girls	-	309	1,992	1,683	-
Softball	-	2,733	3,971	1,238	-
Wrestling	-	8,359	10,276	1,917	-
Football	-	-	317	317	-
Golf:					
Boys	-	7	368	361	-
Girls	-	-	364	364	-
Volleyball	-	2,875	3,923	1,048	-
Cross Country	-	1,827	2,611	784	-
Cheerleaders	-	1,292	1,884	592	-
Music - Vocal	415	1,946	297	(2,064)	-
Music - Instrumental	296	1,711	1,745	-	262
Music Boosters	343	-	-	-	343
Recreation Club	309	-	52	-	257
Faculty	840	3,828	3,759	-	909
Future Farmers of America	370	18,916	20,133	847	-
Future Farmers /Savings	3,748	43	-	-	3,791
National Honor Society	48	178	127	-	99
MS Student Council	370	-	-	-	370
HS Student Council	1,937	2,378	2,395	-	1,920
Broadway Bound	236	54,645	54,487	-	394
Investor Group	1,584	3,190	3,195	-	1,579
Drama Club	-	1,669	4,557	2,888	-
Summer Recreation	-	3,625	2,513	-	1,112
Interest on Investments	89	653	-	(742)	-
Athletics Resale	-	11,406	10,606	-	800

See accompanying independent auditor's report.

George - Little Rock Community School District
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts
 Year ended June 30, 2007

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Class of:					
2006	1,528	-	1,153	(375)	-
2007	2,204	344	696	-	1,852
2008	394	7,628	7,264	-	758
2009	962	25	394	-	593
2010	268	15	-	-	283
2011	252	114	29	-	337
2012	212	180	-	-	392
2013	-	106	29	-	77
Insurance	-	1,245	1,245	-	-
NOW Interest	-	351	-	(351)	-
Magazines	-	-	63	63	-
MS Magazines	2,583	5,268	3,025	(2,739)	2,087
MS Yearbook	-	1,544	1,974	430	-
Pictures	-	53	-	(53)	-
MS Reading Program	69	1,826	1,925	30	-
Steve Groenwold Memorial	40	-	-	-	40
Jim Schaar Memorial	42	-	-	-	42
Washington Trip	-	-	3,048	3,048	-
Virgil Krull Memorial	200	10	-	-	210
Band Fundraiser	16,471	-	1,190	-	15,281
Workkeys	601	-	-	-	601
Vending Machine	1,179	7,651	6,807	(516)	1,507
Promotions	1,384	2,292	1,636	(1,040)	1,000
Foods Club	-	165	232	67	-
	<u>\$ 42,136</u>	<u>\$ 266,962</u>	<u>\$ 263,173</u>	<u>\$ -</u>	<u>\$ 45,925</u>

See accompanying independent auditor's report

George - Little Rock Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 4

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,435,179	\$ 2,220,837	\$ 1,843,801	\$ 1,686,118
Tuition	64,239	108,869	95,412	78,793
Other	417,069	454,405	240,651	285,002
Bonds	-	5,045,000	43,591	-
Intermediate sources	500	1,697	1,344	-
State sources	2,246,580	2,238,731	2,134,833	1,941,302
Federal sources	498,649	209,369	283,336	179,640
Total	5,662,216	10,278,908	4,642,968	4,170,855
Expenditures:				
Instruction:				
Regular instruction	2,291,273	2,177,635	1,981,506	1,838,852
Special instruction	497,948	483,495	557,850	571,727
Other instruction	376,508	378,093	394,355	292,522
Support services:				
Student services	90,720	96,344	72,976	48,851
Instructional staff services	72,786	75,428	80,801	75,841
Administration services	557,377	534,224	464,367	628,640
Operation and maintenance of plant services	411,631	355,349	321,735	250,703
Transportation services	309,222	238,468	223,469	193,493
Non-instructional programs	2,033	-	672	-
Other expenditures:				
Facilities acquisition	4,039,507	1,493,337	579,680	287,585
Long-term debt				
Principal	217,091	135,000	-	-
Interest and other charges	201,438	180,602	18,360	17,000
AEA flow-through	164,820	155,076	149,090	146,587
Total	\$ 9,232,354	\$ 6,303,051	\$ 4,844,861	\$ 4,351,801

See accompanying independent auditor's report

George – Little Rock Community School District

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

To the Board of Education of
George - Little Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George - Little Rock Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the George - Little Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion of the effectiveness of George - Little Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of George - Little Rock 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 George - Little Rock Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of George - Little Rock Community School District's financial statements that is more than inconsequential will not be prevented or detected by George - Little Rock Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the George - Little Rock 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 object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is 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.

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

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

East, VanderWoude, Grant + Co, PC

East, Vander Woude, Grant & Co., P.C.

December 7, 2007

George - Little Rock Community School District
Schedule of Findings
Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-07-A Segregation of Duties -- The District's staff is not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, expenditures, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize that the District is not large enough to permit a segregation of duties for effective internal controls, we believe that it is important that the Board be aware that this condition does exist.

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

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-07-B Financial Report Preparation - Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - We recommend that the staff responsible for the accounting and reporting function obtain additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Response - We are cognizant of this limitation

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

George - Little Rock Community School District
Schedule of Findings
Year ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-07-A Certified Budget - Disbursements for the year ended June 30, 2007, exceeded the amount budgeted in the instruction and non-instructional program areas
Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
Response – We will amend our budget before disbursements exceed the budget.
Conclusion – Response accepted
- II-07-B Questionable Expenditures - No disbursements were noted that might not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-07-C Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-07-D Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-07-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations
- II-07-F Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-07-G Deposits and Investments - 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.
- II-07-H Certified Annual Report - The Certified Annual Report was certified to the Iowa Department of Education timely.
- II-07-I Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

