

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	37
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	38-39
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	40
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 <u>Government Auditing Standards</u>		41-42
Schedule of Findings and Responses		43-46

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Independent Auditor's Report

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

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

The financial statements referred to above include only the primary government of the Glidden-Ralston Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Glidden-Ralston Community School District at June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 for the primary government of Glidden-Ralston Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2008 on our consideration of Glidden-Ralston Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 33 through 34 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 Glidden-Ralston Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of a component unit, the Elmer Smith Trust, from the financial statements. Other supplementary 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 basic financial statements taken as a whole.

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

March 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Glidden - Ralston 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.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Glidden - Ralston 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 Glidden - Ralston Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. 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-1 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2007.

Figure A-1

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	3,394,657	3,239,166	34,951	28,447	3,429,608	3,267,613	5%
Capital assets	3,682,384	3,588,857	9,957	2,504	3,692,341	3,591,361	3%
Total assets	7,077,041	6,828,023	44,908	30,951	7,121,949	6,858,974	4%
Long-term liabilities	2,149,743	2,268,000	-	-	2,149,743	2,268,000	-5%
Other liabilities	1,471,450	1,445,709	4,017	3,642	1,475,467	1,449,351	2%
Total liabilities	3,621,193	3,713,709	4,017	3,642	3,625,210	3,717,351	-2%
Net Assets:							
Invested in capital assets, net of related debt	1,562,384	1,338,857	9,957	2,504	1,572,341	1,341,361	17%
Restricted	407,694	336,765	-	-	407,694	336,765	21%
Unrestricted	1,485,770	1,438,692	30,934	24,805	1,516,704	1,463,497	4%
TOTAL NET ASSETS	3,455,848	3,114,314	40,891	27,309	3,496,739	3,141,623	11%

The District's combined net assets increased by nearly 11%, or approximately \$355,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$71,000 or 21% over the prior year. The increase was primarily a result of increased revenues from the Local Option Sales Tax.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$53,207, or 4%. This change in unrestricted net assets was a result of increased revenues from income surtax, unrestricted state grants and investment earnings.

Figure A-2 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-2

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	370,186	382,244	111,969	110,985	482,155	493,229	-2%
Operating grants & contributions	418,984	481,883	71,639	62,367	490,623	544,250	-10%
Capital grants & contributions	-	24,051	-	-	-	24,051	-100%
General Revenues:							
Property taxes	1,132,077	1,183,587	-	-	1,132,077	1,183,587	-4%
Income Surtax	97,431	112,389	-	-	97,431	112,389	-13%
Local option sales tax	236,726	107,294	-	-	236,726	107,294	121%
Unrestricted state grants	1,400,593	1,325,901	-	-	1,400,593	1,325,901	6%
Unrestricted investment earnings	45,481	15,300	776	153	46,257	15,453	199%
Other revenue	57,871	-	-	-	57,871	-	0%
Total Revenues	3,759,349	3,632,649	184,384	173,505	3,943,733	3,806,154	4%
Expenses:							
Instruction	2,055,666	1,757,663	-	-	2,055,666	1,757,663	17%
Support services	1,056,193	1,044,492	-	-	1,056,193	1,044,492	1%
Non-instructional programs	-	-	170,802	157,986	170,802	157,986	8%
Other expenditures	305,956	395,867	-	-	305,956	395,867	-23%
Total expenses	3,417,815	3,198,022	170,802	157,986	3,588,617	3,356,008	7%
CHANGE IN NET ASSETS	341,534	434,627	13,582	15,519	355,116	450,146	-21%
Net assets beginning of year	3,114,314	2,679,687	27,309	11,790	3,141,623	2,691,477	17%
Net assets end of year	3,455,848	3,114,314	40,891	27,309	3,496,739	3,141,623	11%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,759,349 and expenses were \$3,417,815.

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

Figure A-3

Total and Net Cost of Governmental Activities

	Total Cost of Services 2007 \$	Total Cost Of Services 2006 \$	Net Cost of Services 2007 \$	Net Cost of Services 2006 \$
Instruction	2,055,666	1,757,663	1,404,209	1,128,071
Support Services	1,056,193	1,044,492	1,032,934	969,818
Non-instructional Programs	-	-	-	-
Other Expenses	305,956	395,867	191,502	211,955
TOTAL	3,417,815	3,198,022	2,628,645	2,309,844

- The cost financed by users of the District's programs was \$370,186.
- Federal and state governments and others subsidized certain programs with grants and contributions totaling \$418,984.
- The net cost of governmental activities was financed with \$1,466,234 in property and other taxes and \$1,400,593 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$184,384 and expenses were \$170,802. 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 and investment income.

Beginning in the fall of 2004, the District increased meal prices and lowered labor costs. The district also entered into a contract with a statewide food supply consortium to lower food costs. These changes resulted in an increase in revenue and net assets. The district has obligated the resulting revenues for replacement of commercial steamer and refrigerator/cooler.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,813,959.

Governmental Fund Highlights

- The General Fund balance increased from \$1,390,636 to \$1,493,625. The increase was due primarily to implemented budget reductions, a decrease in the special education deficit, additional revenues from open enrollment tuition and state sources.
- The Debt Service Fund has a deficit fund balance of \$(104,192).
- The Management Fund started the year with a \$(3,401) deficit fund balance and ended the year with a \$16,832 balance.
- The Physical Plant and Equipment Levy (PPEL) Fund balance started the year with \$23,436 and ended the year with a fund balance of \$22,445. Revenues decreased by \$44,603 and expenditures increased by \$107,425.
- The Capital Projects Fund balance increased by \$78,342 from \$296,273 to \$374,615.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$27,309 at June 30, 2006 to \$40,891 at June 30, 2007, representing an increase of approximately 33%. The District also lowered labor costs and entered into a contract with a statewide food supply consortium to lower food costs. These changes resulted in an increase in revenue and net assets. The district will use these funds to purchase a new steamer unit and a commercial refrigerator/cooler.

BUDGETARY HIGHLIGHTS

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

In spite of the district budgetary practice, the certified budget was exceeded in the other functional area 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 \$3,692,341 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-4) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$126,600.

Figure A-4

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2006-2007
	Activities		Activities		School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	10,000	10,000	-	-	10,000	10,000	0%
Buildings	3,397,505	3,487,511	-	-	3,397,505	3,487,511	-3%
Equipment & Furniture	274,879	91,346	9,957	2,504	284,836	93,850	204%
TOTAL	3,682,384	3,588,857	9,957	2,504	3,692,341	3,591,361	3%

Long-Term Debt

At June 30, 2007, the District had \$2,149,743 in general obligation and other long-term debt outstanding. (See Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-5
Outstanding Long-Term Obligations**

	Total School District		Percentage Change 2006-2007
	2007	2006	
	\$	\$	
General Obligation Bonds	2,120,000	2,250,000	-6%
Early Retirement	29,743	18,000	65%
	2,149,743	2,268,000	-5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- All bargaining unit contracts are one-year contracts, and open for renegotiation for next year. Salary and benefits represent 82% of general fund expenditures. Salary and benefit settlements, with any employee group, exceeding rate of growth of state funding will have an adverse impact upon the District's General Fund budget.
- School financing is highly dependent upon student enrollment. The District's September 2007 enrollment decreased by 23 students. Future enrollment stability is a critical element in maintaining a sound financial foundation.

- Forecasts for higher utility and fuel costs will require constant monitoring.
- As additional staff reach retirement age, increased revenues will be required to fund voluntary retirement benefits.
- Increased opportunities for sharing (between neighboring districts and DMACC-Carroll Campus) may increase costs or decrease costs depending on annual negotiated agreements.

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 Denise Best, District Secretary/Treasurer and Business Manager, Glidden-Ralston Community School District, 602 Idaho, Glidden, Iowa 51443.

BASIC FINANCIAL STATEMENTS

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities \$	Business Type Activities \$	Total \$
Assets			
Cash and cash equivalents:			
Other	2,023,901	34,694	2,058,595
Receivables:			
Property tax:			
Delinquent	9,061	-	9,061
Succeeding year	1,104,933	-	1,104,933
Accounts	60	96	156
Due from other governments	238,344	-	238,344
Inventories	-	161	161
Bond discount	18,358	-	18,358
Capital assets, net of accumulated depreciation	3,682,384	9,957	3,692,341
Total assets	7,077,041	44,908	7,121,949
Liabilities			
Accounts payable	97,851	324	98,175
Salaries and benefits payable	262,125	1,192	263,317
Accrued interest payable	6,541	-	6,541
Deferred revenue:			
Succeeding year property tax	1,104,933	-	1,104,933
Other	-	2,501	2,501
Portion due within one year:			
General obligation bonds payable	135,000	-	135,000
Termination benefits	29,743	-	29,743
Portion due after one year:			
General obligation bonds payable	1,985,000	-	1,985,000
Total liabilities	3,621,193	4,017	3,625,210
Net assets			
Invested in capital assets, net of related debt	1,562,384	9,957	1,572,341
Restricted for:			
Capital outlay	397,060	-	397,060
Other special revenue purposes	10,634	-	10,634
Unrestricted	1,485,770	30,934	1,516,704
Total net assets	3,455,848	40,891	3,496,739

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating	Capital Grants,
			Grants, Contributions and Restricted Interest	Contributions and Restricted Interest
\$	\$	\$	\$	
Governmental activities:				
Instruction:				
Regular	1,363,502	226,737	185,353	-
Special	258,081	3,453	29,691	-
Other	434,083	132,796	73,427	-
	<u>2,055,666</u>	<u>362,986</u>	<u>288,471</u>	<u>-</u>
Support services:				
Student	127,748	-	-	-
Instructional staff	162,873	-	15,186	-
Administration	278,051	-	-	-
Operation and maintenance of plant	293,260	-	-	-
Transportation services	194,261	7,200	873	-
	<u>1,056,193</u>	<u>7,200</u>	<u>16,059</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	14,315	-	-	-
Long-term debt interest	83,614	-	-	-
AEA flowthrough	114,464	-	114,454	-
Depreciation (unallocated)*	93,563	-	-	-
	<u>305,956</u>	<u>-</u>	<u>114,454</u>	<u>-</u>
Total governmental activities	3,417,815	370,186	418,984	-
Business type activities:				
Non-instructional programs:				
Food service operations	170,802	111,969	71,639	-
Total	3,588,617	482,155	490,623	-
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(951,412)	-	(951,412)
(224,937)	-	(224,937)
(227,860)	-	(227,860)
<u>(1,404,209)</u>	<u>-</u>	<u>(1,404,209)</u>
(127,748)	-	(127,748)
(147,687)	-	(147,687)
(278,051)	-	(278,051)
(293,260)	-	(293,260)
(186,188)	-	(186,188)
<u>(1,032,934)</u>	<u>-</u>	<u>(1,032,934)</u>
(14,315)	-	(14,315)
(83,614)	-	(83,614)
(10)	-	(10)
(93,563)	-	(93,563)
<u>(191,502)</u>	<u>-</u>	<u>(191,502)</u>
(2,628,645)	-	(2,628,645)
-	12,806	12,806
<u>(2,628,645)</u>	<u>12,806</u>	<u>(2,615,839)</u>
992,549	-	992,549
110,020	-	110,020
29,508	-	29,508
97,431	-	97,431
236,726	-	236,726
1,400,593	-	1,400,593
45,481	776	46,257
57,871	-	57,871
<u>2,970,179</u>	<u>776</u>	<u>2,970,955</u>
341,534	13,582	355,116
<u>3,114,314</u>	<u>27,309</u>	<u>3,141,623</u>
<u>3,455,848</u>	<u>40,891</u>	<u>3,496,739</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,754,615	-	218,680	50,606	2,023,901
Receivables:					
Property tax:					
Delinquent	7,314	894	-	853	9,061
Succeeding year	915,811	84,490	-	104,632	1,104,933
Accounts	60	-	-	-	60
Interfund receivable	-	-	105,086	-	105,086
Due from other governments	187,495	-	50,849	-	238,344
	<u>2,865,295</u>	<u>85,384</u>	<u>374,615</u>	<u>156,091</u>	<u>3,481,385</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	96,725	-	-	1,126	97,851
Salaries and benefits payable	261,703	-	-	422	262,125
Interfund payable	-	105,086	-	-	105,086
Deferred revenue:					
Succeeding year property tax	915,811	84,490	-	104,632	1,104,933
Other	97,431	-	-	-	97,431
Total liabilities	<u>1,371,670</u>	<u>189,576</u>	<u>-</u>	<u>106,180</u>	<u>1,667,426</u>
Fund balances:					
Unreserved reported in:					
General fund	1,493,625	-	-	-	1,493,625
Debt service	-	(104,192)	-	-	(104,192)
Special revenue funds	-	-	-	49,911	49,911
Capital projects funds	-	-	374,615	-	374,615
Total fund balances	<u>1,493,625</u>	<u>(104,192)</u>	<u>374,615</u>	<u>49,911</u>	<u>1,813,959</u>
	<u>2,865,295</u>	<u>85,384</u>	<u>374,615</u>	<u>156,091</u>	<u>3,481,385</u>
Total liabilities and fund balances					

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	1,813,959
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,682,384
Unamortized bond discount.	18,358
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	97,431
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.	(6,541)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,149,743)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,455,848</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,003,237	110,020	236,726	105,258	1,455,241
Tuition	210,555	-	-	-	210,555
Other	63,170	27,276	4,974	141,078	236,498
State sources	1,693,210	924	-	292	1,694,426
Federal sources	125,152	-	-	-	125,152
Total revenues	<u>3,095,324</u>	<u>138,220</u>	<u>241,700</u>	<u>246,628</u>	<u>3,721,872</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,344,125	-	-	19,377	1,363,502
Special	258,081	-	-	-	258,081
Other	294,185	-	-	139,898	434,083
	<u>1,896,391</u>	<u>-</u>	<u>-</u>	<u>159,275</u>	<u>2,055,666</u>
Support services:					
Student	127,748	-	-	-	127,748
Instructional staff	162,873	-	-	-	162,873
Administration	265,158	-	-	-	265,158
Operation and maintenance of plant	261,053	-	-	40,295	301,348
Transportation	164,648	-	-	-	164,648
	<u>981,480</u>	<u>-</u>	<u>-</u>	<u>40,295</u>	<u>1,021,775</u>
Other expenditures:					
Facilities acquisition	-	-	-	197,596	197,596
Long-term debt:					
Principal	-	130,000	-	-	130,000
Interest and fiscal charges	-	82,465	-	-	82,465
AEA flowthrough	114,464	-	-	-	114,464
	<u>114,464</u>	<u>212,465</u>	<u>-</u>	<u>197,596</u>	<u>524,525</u>
Total expenditures	<u>2,992,335</u>	<u>212,465</u>	<u>-</u>	<u>397,166</u>	<u>3,601,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>102,989</u>	<u>(74,245)</u>	<u>241,700</u>	<u>(150,538)</u>	<u>119,906</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	163,358	163,358
Operating transfers out	-	-	(163,358)	-	(163,358)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(163,358)</u>	<u>163,358</u>	<u>-</u>
Net change in fund balances	102,989	(74,245)	78,342	12,820	119,906
Fund balances beginning of year	<u>1,390,636</u>	<u>(29,947)</u>	<u>296,273</u>	<u>37,091</u>	<u>1,694,053</u>
Fund balances end of year	<u>1,493,625</u>	<u>(104,192)</u>	<u>374,615</u>	<u>49,911</u>	<u>1,813,959</u>

See notes to financial statements.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		119,906
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	219,201	
Depreciation expense	<u>(125,674)</u>	93,527
Unamortized bond discount.		(1,412)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		10,993
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		130,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		263
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>(11,743)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>341,534</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	34,694
Accounts receivable	96
Inventories	161
Capital assets, net of accumulated depreciation	<u>9,957</u>
Total assets	<u>44,908</u>
Liabilities	
Accounts payable	324
Salaries and benefits payable	1,192
Deferred revenue	<u>2,501</u>
Total liabilities	<u>4,017</u>
Net assets	
Invested in capital assets, net of related debt	9,957
Unrestricted	<u>30,934</u>
Total net assets	<u><u>40,891</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>111,969</u>
Operating expenses:	
Non-instructional programs:	
Salaries	51,820
Benefits	12,170
Supplies	105,886
Depreciation	926
	<u>170,802</u>
Operating gain (loss)	<u>(58,833)</u>
Non-operating revenues:	
State sources	2,473
Federal sources	69,166
Interest income	776
Total non-operating revenues	<u>72,415</u>
Change in net assets	13,582
Net assets beginning of year	<u>27,309</u>
Net assets end of year	<u><u>40,891</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	111,553
Cash payments to employees for services	(63,567)
Cash payments to suppliers for goods or services	(96,946)
Net cash used by operating activities	<u>(48,960)</u>
Cash flows from non-capital financing activities:	
State grants received	2,473
Federal grants received	60,494
Net cash provided by non-capital financing activities	<u>62,967</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,379)</u>
Cash flows from investing activities:	
Interest on investments	<u>776</u>
Net increase (decrease) in cash and cash equivalents	6,404
Cash and cash equivalents at beginning of year	<u>28,290</u>
Cash and cash equivalents at end of year	<u><u>34,694</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(58,833)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	8,672
Depreciation	926
Decrease (increase) in inventories	(56)
Decrease (increase) in accounts receivable	(44)
(Decrease) increase in accounts payable	324
(Decrease) increase in salaries and benefits payable	423
(Decrease) increase in deferred revenue	(372)
Net cash used in operating activities	<u><u>(48,960)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$8,672 of federal commodities.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

Glidden-Ralston Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Glidden and Ralston, Iowa and the predominately agricultural territory in a portion of Carroll and Greene 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, Glidden-Ralston Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Elmer Smith Scholarship School Trust meets the criteria for a component unit.

The board of directors of the Glidden-Ralston Community School District are also the trustees of the Elmer Smith Scholarship School Trust. Up to 60% of the Trust's income may benefit the Glidden-Ralston Community School District, \$1,000 annually benefits other local charities and the rest of the income provides college scholarships to graduates of the Glidden-Ralston Community School District. Under U.S. generally accepted governmental accounting standards the Trust should be included the District's financial statements. The Trust has not been included in these financial statements upon the advice of the Trust's legal counsel.

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

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

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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgeting and Budgetary Control

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

2. **Cash and Pooled Investments**

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

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

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

3. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Capital Projects Fund	Debt Service Fund	105,086

The Capital Projects Fund loaned money to the Debt Service Fund to make bond payments. The loan was necessary because a budgeted \$100,000 transfer from the Capital Projects Fund to the Debt Service Fund was not made during the year.

4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental: Physical Plant and Equipment Levy Fund	Capital Projects	163,358

This transfer moved revenues from the fund statutorily required to collect the resources to the fund that spent the resources.

5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Buildings	4,749,696	-	-	4,749,696
Furniture and equipment	358,085	192,717	43,527	507,275
Total capital assets being deprec.	<u>5,107,781</u>	<u>192,717</u>	<u>43,527</u>	<u>5,256,971</u>
Less accumulated depreciation for:				
Buildings	1,262,185	90,490	484	1,352,191
Furniture and equipment	266,739	35,184	69,527	232,396
Total accumulated depreciation	<u>1,528,924</u>	<u>125,674</u>	<u>70,011</u>	<u>1,584,587</u>
Total capital assets being depreciated, net	<u>3,578,857</u>	<u>67,043</u>	<u>(26,484)</u>	<u>3,672,384</u>
Governmental activities capital assets, net	<u>3,588,857</u>	<u>67,043</u>	<u>(26,484)</u>	<u>3,682,384</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	106,885	8,379	(20,490)	135,754
Less accumulated depreciation	104,381	926	(20,490)	125,797
Business type activities capital assets, net	2,504	7,453	-	9,957

Depreciation expense was charged to the following functions:

	\$
Support services:	
Transportation	29,613
Administration	1,150
Operation and maintenance	1,348
Unallocated depreciation	93,563
Total depreciation expense – governmental activities	125,674
Business type activities:	
Food services	926

6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,250,000	-	130,000	2,120,000	135,000
Termination benefits	18,000	29,743	18,000	29,743	29,743
Total	2,268,000	29,743	148,000	2,149,743	164,743

Termination Benefits

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

Early retirement benefits will be paid in the next year.

At June 30, 2007, the District has an obligation to two participants with a total liability of \$29,743. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$18,000.

General Obligation Bonds Payable

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

Bond Issue of November 2005				
Year Ended June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	3.25	50,000	71,540	121,540
2009	3.30	55,000	69,915	124,915
2010	3.40	55,000	68,100	123,100
2011	3.50	150,000	66,230	216,230
2012	3.55	160,000	60,980	220,980
2013-2017	3.60-4.0	860,000	215,020	1,075,020
2018-2020	4.00-4.10	555,000	43,675	598,675
		<u>1,885,000</u>	<u>595,460</u>	<u>2,480,460</u>
Bond Issue April 1, 2003				
Year Ended June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	2.50	85,000	6,950	91,950
2009	3.00	85,000	4,825	89,825
2010	3.50	65,000	2,275	67,275
		<u>235,000</u>	<u>14,050</u>	<u>249,050</u>
Total		<u>2,120,000</u>	<u>609,510</u>	<u>2,729,510</u>

On November 1, 2005, the District issued \$2,020,000 of general obligation refunding bonds with interest rates ranging between 3.15% to 4.10%. The District issued the bonds to advance refund \$1,885,000 of the outstanding April 2001 general obligation bonds with interest rates of 4.70% to 5.0%. The District used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2001 bonds. As a result, that portion of the 2001 bonds is considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$1,780,000 at June 30, 2007.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$101,483, \$94,884 and \$96,978 respectively, equal to the required contributions for each year.

8. Risk Management

Glidden - Ralston 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.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$114,464 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Financial Condition

The Debt Service Fund has a deficit fund balance of \$104,192 at June 30, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,902,294	112,745	2,015,039	2,008,507	2,008,507	6,532
State sources	1,694,426	2,473	1,696,899	1,779,283	1,779,283	(82,384)
Federal sources	125,152	69,166	194,318	211,000	211,000	(16,682)
Total revenues	<u>3,721,872</u>	<u>184,384</u>	<u>3,906,256</u>	<u>3,998,790</u>	<u>3,998,790</u>	<u>(92,534)</u>
Expenditures:						
Instruction	2,055,666	-	2,055,666	2,948,034	2,948,034	892,368
Support services	1,021,775	-	1,021,775	1,478,330	1,478,330	456,555
Non-instructional programs	-	170,802	170,802	260,000	260,000	89,198
Other expenditures	524,525	-	524,525	332,117	332,117	(192,408)
Total expenditures	<u>3,601,966</u>	<u>170,802</u>	<u>3,772,768</u>	<u>5,018,481</u>	<u>5,018,481</u>	<u>1,245,713</u>
Excess (deficiency) of revenues over (under) expenditures	119,906	13,582	133,488	(1,019,691)	(1,019,691)	1,153,179
Other financing sources (uses) net	-	-	-	1,800	1,800	(1,800)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	119,906	13,582	133,488	(1,017,891)	(1,017,891)	1,151,379
Balance beginning of year	<u>1,694,053</u>	<u>27,309</u>	<u>-</u>	<u>1,193,171</u>	<u>1,193,171</u>	<u>(1,193,171)</u>
Balance end of year	<u><u>1,813,959</u></u>	<u><u>40,891</u></u>	<u><u>133,488</u></u>	<u><u>175,280</u></u>	<u><u>175,280</u></u>	<u><u>(41,792)</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

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

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

OTHER SUPPLEMENTARY INFORMATION

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	16,220	12,182	22,204	50,606
Receivables:				
Property tax:				
Delinquent	612	-	241	853
Succeeding year	75,000	-	29,632	104,632
Total assets	91,832	12,182	52,077	156,091
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	1,126	-	1,126
Salaries and benefits payable	-	422	-	422
Deferred revenue:				
Succeeding year property tax	75,000	-	29,632	104,632
Total liabilities	75,000	1,548	29,632	106,180
Fund balances:				
Unreserved reported in:				
Special revenue funds	16,832	10,634	22,445	49,911
Total liabilities and fund balances	91,832	12,182	52,077	156,091

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
		Fund	Equipment	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	75,750	-	29,508	105,258
Other	4,111	133,476	3,491	141,078
State sources	44	-	248	292
Total revenues	<u>79,905</u>	<u>133,476</u>	<u>33,247</u>	<u>246,628</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,377	-	-	19,377
Other	-	139,898	-	139,898
Support services:				
Operation and maintenance of plant	40,295	-	-	40,295
Other expenditures:				
Facilities acquisition	-	-	197,596	197,596
Total expenditures	<u>59,672</u>	<u>139,898</u>	<u>197,596</u>	<u>397,166</u>
Excess (deficiency) of revenues over (under) expenditures	20,233	(6,422)	(164,349)	(150,538)
Other financing sources (uses):				
Operating transfers in	-	-	163,358	163,358
Net change in fund balance	20,233	(6,422)	(991)	12,820
Fund balances beginning of year	<u>(3,401)</u>	<u>17,056</u>	<u>23,436</u>	<u>37,091</u>
Fund balances end of year	<u><u>16,832</u></u>	<u><u>10,634</u></u>	<u><u>22,445</u></u>	<u><u>49,911</u></u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Drama	(2,846)	327	530	-	(3,049)
Activity officials	(735)	-	-	735	-
Vocal	(477)	50	594	46	(975)
Instrumental	1,315	6,494	5,018	(271)	2,520
Instrument repair and resale	(271)	-	-	271	-
Boys high school basketball	(1,306)	3,652	2,395	-	(49)
Junior high basketball	(4,707)	-	600	1,837	(3,470)
High school football	8,015	27,091	28,526	-	6,580
Junior high football	(4,026)	-	529	-	(4,555)
Baseball	(11,033)	2,361	4,329	-	(13,001)
Boys high school track	(3,220)	480	846	-	(3,586)
Girls high school basketball	689	4,403	2,726	-	2,366
Basketball cheerleaders	2,092	220	1,319	12	1,005
Volleyball	1,709	3,854	1,971	-	3,592
Junior high volleyball	(2,006)	-	200	-	(2,206)
Softball	(4,712)	1,485	3,905	-	(7,132)
Girls high school track	(2,625)	455	655	-	(2,825)
Junior high track	(1,421)	-	554	-	(1,975)
Student service fees	3,590	1,247	711	2,836	6,962
Text	128	-	-	(128)	-
Change (net)	(450)	-	-	450	-
Petty cash	175	-	-	(175)	-
Towels & padlocks	2,709	950	490	(2,708)	461
Resale (fundraiser)	(5,587)	642	641	(1,169)	(6,755)
Resale	67	7,821	9,058	(285)	(1,455)
Activity tickets	25,802	6,205	-	-	32,007
Football cheerleaders	11	-	-	(11)	-
Class of 2003	(313)	-	-	313	-
Class of 2005	(199)	-	-	101	(98)
Class of 2006	269	-	30	(1)	238
Class of 2007	1,402	357	1,806	74	27
Class of 2008	3,446	3,493	5,973	-	966
Class of 2009	449	2,527	212	-	2,764
Class of 2010	333	163	-	-	496
Class of 2011	295	25	-	(101)	219
Class of 2012	(30)	50	-	-	20
FFA	11,466	32,545	33,977	189	10,223
FHA	31	1,848	1,467	-	412
Golf	(3,298)	78	2,023	(1)	(5,244)
Interest	(12,661)	2,813	3,703	3	(13,548)
Science club	757	5,495	3,989	(157)	2,106

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Spanish club	1,696	3,572	3,615	(45)	1,608
Art club	53	-	-	-	53
Student council	4,331	2,470	2,552	(43)	4,206
Yearbook	8,696	7,521	12,792	(653)	2,772
Glidden school newspaper	1,190	1,518	1,292	2	1,418
Undesignated	<u>(1,737)</u>	<u>1,264</u>	<u>870</u>	<u>(1,121)</u>	<u>(2,464)</u>
Totals	<u>17,056</u>	<u>133,476</u>	<u>139,898</u>	<u>-</u>	<u>10,634</u>

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,455,241	1,293,991	1,322,892	1,492,713
Tuition	210,555	190,555	167,328	120,103
Other	236,498	300,778	192,146	213,455
State sources	1,694,426	1,576,713	1,589,601	1,385,722
Federal sources	125,152	309,604	146,316	186,944
Total revenues	<u>3,721,872</u>	<u>3,671,641</u>	<u>3,418,283</u>	<u>3,398,937</u>
Expenditures:				
Instruction:				
Regular	1,363,502	1,080,908	1,354,536	1,318,801
Special	258,081	225,238	250,374	249,298
Other	434,083	433,517	346,666	393,174
Support services:				
Student	127,748	163,758	140,147	142,473
Instructional staff	162,873	222,871	65,348	62,310
Administration	265,158	268,196	293,552	258,168
Operation and maintenance of plant	301,348	271,928	191,399	194,765
Transportation	164,648	110,003	96,621	79,725
Other expenditures:				
Facilities acquisition	197,596	97,977	41,733	24,576
Long-term debt:				
Principal	130,000	195,000	110,000	105,000
Interest and other charges	82,465	145,680	104,665	108,812
AEA flowthrough	114,464	106,775	107,439	107,798
Total expenditures	<u>3,601,966</u>	<u>3,321,851</u>	<u>3,102,480</u>	<u>3,044,900</u>

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

To the Board of Education of
Glidden-Ralston 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 Glidden-Ralston Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 24, 2008. Because the financial statement referred to above include only the primary government of the Glidden-Ralston Community School District, they do not purport to, and do not present fairly, the financial position and changes in financial position of the Glidden-Ralston Community School District in conformity with accounting principles generally accepted in the United States of America. 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 Glidden-Ralston 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 Glidden-Ralston Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Glidden-Ralston 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 Glidden-Ralston 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 Glidden-

Ralston Community School District's financial statements that is more than inconsequential will not be prevented or detected by Glidden-Ralston Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

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

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

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

March 24, 2008

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-I-C Signature Stamp: We noted that a stamp bearing the signatures of the Board President and Board Secretary is used to sign checks. The Board Secretary prints the checks and uses the stamp to sign the checks.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The board secretary should not have access to or use a stamp with the Board President's signature.

District Response: We will discuss methods to limit access to the stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

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

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

District Response: We will amend future budgets before expenditures exceed the budget.

Conclusion: Response accepted.

07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
◆ Sue Freml, Board Member, Vice President at First Bank and Trust		-

The Board member is an officer of the bank that handles the majority of the bank transactions for the District. The Board should be mindful of the potential for a conflict when the bank may indirectly benefit from Board action.

Recommendation: The District should consult legal counsel to determine the disposition of these matters.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

07-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

GLIDDEN-RALSTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

07-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education by the due date.

07-II-J Financial Condition: The District has a deficit fund balance in the Debt Service Fund of \$104,192. The Activity Fund has several accounts with deficit balances at June 30, 2007.

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

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.

07-II-K Reclassification of Student Activity Fund Accounts: There are some accounts in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.