

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

- Prepared By -

Larry Pump, CPA  
117 North Jackson Street  
Charles City, IA 50616-2036  
Telephone (641)257-4222

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>PAGE</u>
<u>OFFICIALS</u> . . . . .	1
<u>INDEPENDENT AUDITOR'S REPORT</u> . . . . .	2-3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u> . . . . .	4-12
 <u>BASIC FINANCIAL STATEMENTS:</u>	
	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets . . . . .	A      13
Statement of Activities . . . . .	B      14-17
Governmental Fund Financial Statements:	
Balance Sheet . . . . .	C      18-19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets . . . . .	D      20
Statement of Revenues, Expenditures and Changes in Fund Balances . . . . .	E      21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities . . . . .	F      22
Proprietary Fund Financial Statements:	
Statement of Net Assets . . . . .	G      23
Statement of Revenues, Expenses and Changes in Fund Net Assets . . . . .	H      24
Statement of Cash Flows . . . . .	I      25
Notes to Financial Statements . . . . .	26-38
 <u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	39-40
Notes to Required Supplementary Information - Budgetary Reporting	41
 <u>OTHER SUPPLEMENTARY INFORMATION:</u>	
	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet . . . . .	1      42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances . . . . .	2      43-44

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION - continued

Schedule of Changes in Special Revenue Fund, Student Activity Accounts . . . . .	3	45-46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds . . . . .	4	47

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 . . . . .

48-49

SCHEDULE OF FINDINGS. . . . .

50-51

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2006 Election)</b>		
Eugene Nuss	President	2007
Karen Michelson	Vice President	2006
Roy Guenther	Board Member	2008
Judy Heyer	Board Member	2008
Mike Snyder	Board Member	2008
Tim O'Brien	Board Member	2006
Raymond Snyder	Board Member	2007
<b>(After September 2006 Election)</b>		
Tim O'Brien	President	2009
Eugene Nuss	Vice President	2007
Roy Guenther	Board Member	2008
Judy Heyer	Board Member	2008
Mike Snyder	Board Member	2008
Karen Michelson	Board Member	2009
Raymond Snyder	Board Member	2007
<b>School Officials</b>		
Ronald O'Kones	Superintendent	June 30, 2007
Sue Thoms	District Secretary/Treasurer	June 30, 2007
Jerim White	Attorney	June 30, 2007



Larry Pump, CPA  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222  
or (641) 228-2812  
Fax (641) 228-1513

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
North Fayette Community School District:

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

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

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

In accordance with Government Auditing Standards, I have also issued my report dated September 28, 2007 on my consideration of the North Fayette Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Fayette Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Larry Pump".

September 28, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

North Fayette 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. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

General Fund revenues increased from \$7,933,210 in fiscal 2006 to \$8,374,366 in fiscal 2007, while General Fund expenditures increased from \$7,940,147 in fiscal 2006 to \$8,451,051 in fiscal 2007. The District's General Fund balance decreased from \$856,137 in fiscal 2006 to \$721,975 in fiscal 2007, a 16% decrease.

The increase in General Fund revenues was attributable to an increase in revenue from state sources in fiscal 2007. The increase in expenditures was due primarily to increased costs for instruction and operation and maintenance of plant services. The General Fund balance decreased as a result of the aforementioned increase in expenditures.

Less cash available to be invested resulted in interest earnings in the General Fund alone decreasing from \$89,648 in fiscal 2006 to \$53,789 in fiscal 2007.

### **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 North Fayette 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 North Fayette 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 North Fayette Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
**North Fayette Community School District Annual Financial Report**

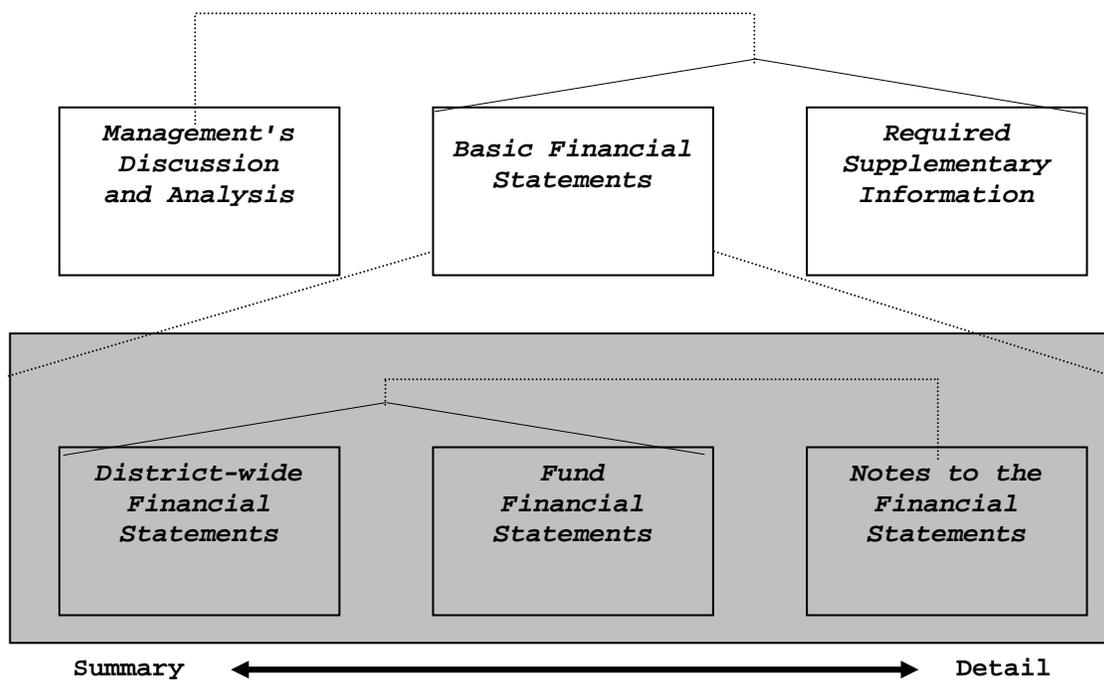


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

*Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

*Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

The table below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

	Condensed Statement of Net Assets							
	(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
2007	2006	2007	2006	2007	2006	2007 - 2006		
Current and other assets	\$ 8,776	\$ 7,650	\$ 37	\$ 35	\$ 8,813	\$ 7,685	15%	
Capital assets	5,434	3,581	35	44	5,469	3,625	51	
Total assets	<u>\$14,210</u>	<u>\$11,231</u>	<u>\$ 72</u>	<u>\$ 79</u>	<u>\$14,282</u>	<u>\$11,310</u>	<u>26%</u>	
Long-term liabilities	\$ 2,130	\$ 1,420	\$ -	\$ -	\$ 2,130	\$ 1,420	50%	
Other liabilities	6,288	4,864	10	10	6,298	4,874	29	
Total liabilities	<u>\$ 8,418</u>	<u>\$ 6,284</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 8,428</u>	<u>\$ 6,294</u>	<u>34%</u>	
Net assets:								
Invested in capital assets, net of related debt	\$ 5,091	\$ 2,959	\$ 35	\$ 44	\$ 5,126	\$ 3,003	71%	
Restricted	420	594	-	-	420	594	(29)	
Unrestricted	281	1,394	27	25	308	1,419	(78)	
Total net Assets	<u>\$ 5,792</u>	<u>\$ 4,947</u>	<u>\$ 62</u>	<u>\$ 69</u>	<u>\$ 5,854</u>	<u>\$ 5,016</u>	<u>17%</u>	

The District's combined net assets increased by over 17%, or approximately \$838,000, over the prior year. The largest portion of the District's net assets is 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 resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$174,000, or 29% over the prior year. The decrease was primarily a result of decreased PPEL Fund balance.

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 - decreased approximately \$1,111,000, or 78%.

The table below shows the change in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

<b>Changes in Net Assets</b>								
(Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2007	2006	2007	2006	2007	2006	2006-2007	
Revenues:								
Program revenue:								
Charges for service	\$ 787	\$1,203	\$ 261	\$ 259	\$ 1,048	\$1,462	(28)%	
Operating grants, contributions and restricted interest	1,046	1,019	178	189	1,224	1,208	1%	
General Revenues:								
Property tax	3,408	2,836	-	-	3,408	2,836	20%	
Local option sales and service tax	565	439	-	-	565	439	29%	
Unrestricted state grants	4,118	3,789	-	-	4,118	3,789	9%	
Unrestricted investment earnings	137	89	1	1	138	90	53%	
Other	345	10	-	-	345	10	3,350%	
Total revenues	<u>\$10,406</u>	<u>\$9,385</u>	<u>\$ 440</u>	<u>\$ 449</u>	<u>\$10,846</u>	<u>\$9,834</u>	<u>10%</u>	
Program expenses:								
Governmental activities:								
Instruction	\$ 6,007	\$5,317	\$ -	\$ -	\$ 6,007	\$5,317	13%	
Support services	2,757	2,306	-	-	2,757	2,306	20%	
Non-instructional programs	-	-	447	446	447	446	-	
Other expenses	797	1,549	-	-	797	1,549	(49)%	
Total expenses	<u>\$ 9,561</u>	<u>\$9,172</u>	<u>\$ 447</u>	<u>\$ 446</u>	<u>\$10,008</u>	<u>\$9,618</u>	<u>4%</u>	
Change in net assets	<u>\$ 845</u>	<u>\$ 213</u>	<u>\$ (7)</u>	<u>\$ 3</u>	<u>\$ 838</u>	<u>\$ 216</u>	<u>288%</u>	

Property tax and unrestricted state grants account for 48% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$10,339,761 and expenses were \$9,561,316.

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.

<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$6,007	\$5,317	13%	\$4,526	\$3,427	32%
Support services	2,757	2,306	20%	2,745	2,290	20%
Other expenses	797	1,549	(49)%	457	1,232	(63)%
<b>Total</b>	<b>\$9,561</b>	<b>\$9,172</b>	<b>4%</b>	<b>\$7,728</b>	<b>\$6,949</b>	<b>11%</b>

- The cost financed by users of the District's programs was \$787,104.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,046,448.
- The net cost of governmental activities was financed with \$3,973,000 in property and other taxes and \$4,118,000 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$439,966 and expenses were \$447,346. The District's business type activities include the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, North Fayette 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 combined fund balances of \$2,870,289, below last year's ending fund balances of \$3,163,237. However, the primary reason for the decrease in combined fund balances in fiscal 2007 is due to increased instructional expenses.

**Governmental Fund Highlights**

The District's deteriorating General Fund financial position is the result of many factors. General fund revenues increased while at the same time, general fund expenditures increased more. The District will carryover fund balances to meet its financial obligations in the future year.

The General Fund balance decreased from \$856,137 to \$721,975, due in part to increased expenditures for instruction and support services.

The Capital Projects Fund balance decreased due to facilities expenditures during fiscal 2007. Fiscal 2007 ended with a balance of \$1,561,410, a decrease of \$792 from fiscal year 2006.

**Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$69,705 at June 30, 2006 to \$62,325 at June 30, 2007, representing a decrease of approximately 11%. Revenue from Federal sources decreased during the year. Operating expenses increased slightly compared to the prior year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, North Fayette Community School District amended its annual budget once. The amendment was approved on April 9, 2007.

The District's receipts were \$390,550 less than budgeted receipts, a variance of 3%.

Total expenditures were less than budgeted, due primarily to the District's budget for the Capital Project Fund.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2007, the District had invested \$5,469,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. Of this total, \$2,243,000 represents construction in progress on the Fine Arts and Education Center. (See Figure A-3) This represents a net increase of 51% 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 \$259,434.

The original cost of the District's capital assets was \$11,985,671. Governmental funds account for \$11,884,137, with the remainder of \$101,534 accounted for in the Proprietary, School Nutrition Fund.

Figure A-3  
Capital Assets, net of Depreciation  
(expressed in thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006 - 2007
Land	\$ 88	\$ 88	\$ -	\$ -	\$ 88	\$ 88	-%
Construction in progress	2,243	459	-	-	2,243	459	389
Buildings	2,381	2,465	-	-	2,381	2,465	(3)
Improvements other than buildings	109	127	-	-	109	127	(14)
Furniture and equipment	613	442	35	44	648	486	33
<b>Total</b>	<b>\$5,434</b>	<b>\$ 3,581</b>	<b>\$ 35</b>	<b>\$ 44</b>	<b>\$ 5,469</b>	<b>\$3,625</b>	<b>51%</b>

**Long-Term Debt**

At June 30, 2007, the District had \$2,512,000 in general obligation and revenue debt outstanding. This represents an increase of approximately 44% from last year. (See Figure A-4) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-4  
Outstanding Long-Term Obligations  
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General obligation bonds	\$ 170	\$ 335	(49)%
Revenue Bonds	2,170	1,175	85
Capital Lease	172	230	(25)
Totals	<u>\$ 2,512</u>	<u>\$ 1,740</u>	<u>44%</u>

**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:

1. Enrollment continued to decrease in fiscal 2007, as is expected.
2. At Risk monies will be utilized better.
3. Further staff reductions will assist with keeping District costs down.

**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 Sue Thoms, District Secretary, North Fayette Community School District, West Union, Iowa, 52175.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and investments	\$ 3,772,881	\$ 30,965	\$ 3,803,846
Receivables:			
Property tax:			
Delinquent	62,723	-	62,723
Succeeding year	3,321,937	-	3,321,937
Accounts	807	1,996	2,803
Income surtaxes	228,711	-	228,711
Accrued interest-ISCAP	390	-	390
Due from other governments	51,635	-	51,635
Inventories	-	3,696	3,696
Restricted ISCAP investments (Note 3)	1,336,791	-	1,336,791
Capital assets, net of accumulated depreciation	<u>5,433,765</u>	<u>35,297</u>	<u>5,469,062</u>
<b>Total assets</b>	<b><u>\$14,209,640</u></b>	<b><u>\$ 71,954</u></b>	<b><u>\$14,281,594</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 149,777	\$ -	\$ 149,777
Salaries and benefits payable	827,996	4,517	832,513
Early retirement payable	69,165	-	69,165
ISCAP warrants payable	1,308,000	-	1,308,000
Deferred revenue:			
Succeeding year property tax	3,321,937	-	3,321,937
Other	228,711	5,112	233,823
Long term liabilities:			
Portion due within one year:			
Revenue bonds payable	170,000	-	170,000
Notes payable	155,000	-	155,000
Portion due after one year:			
General obligation bonds payable	57,478	-	57,478
Revenue bonds payable	2,015,000	-	2,015,000
Notes payable	114,956	-	114,956
<b>Total liabilities</b>	<b><u>\$ 8,418,020</u></b>	<b><u>\$ 9,629</u></b>	<b><u>\$ 8,427,649</u></b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 5,091,331	\$ 35,297	\$ 5,126,628
Restricted for:			
Management levy	206,972	-	206,972
Physical plant and equipment levy	213,461	-	213,461
Unrestricted	<u>279,856</u>	<u>27,028</u>	<u>306,884</u>
<b>Total net assets</b>	<b><u>\$ 5,791,620</u></b>	<b><u>\$ 62,325</u></b>	<b><u>\$ 5,853,945</u></b>

*See Notes to Financial Statements.*

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
Year ended June 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Functions/Programs</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,923,888	\$ 311,047	\$ 653,886	\$ -
Special instruction	1,108,027	37,665	52,972	-
Other instruction	975,240	425,785	-	-
	<u>\$ 6,007,155</u>	<u>\$ 774,497</u>	<u>\$ 706,858</u>	<u>\$ -</u>
Support services:				
Student services	\$ 279,887	\$ -	\$ -	\$ -
Instructional staff Services	182,007	-	-	-
Administration Services	815,604	-	-	-
Operation and maintenance of plant services	1,015,021	-	-	-
Transportation services	464,843	12,607	-	-
	<u>\$ 2,757,362</u>	<u>\$ 12,607</u>	<u>\$ -</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 132,026	\$ -	-	\$ -
Long-term debt interest	75,253	-	-	-
AEA flowthrough	339,590	-	339,590	-
Depreciation(unallocated)*	249,930	-	-	-
	<u>\$ 796,799</u>	<u>\$ -</u>	<u>\$ 339,590</u>	<u>\$ -</u>
Total governmental Activities	\$ 9,561,316	\$ 787,104	\$1,046,448	\$ -
Business type activities:				
Non-instructional programs:				
Food service operations	<u>447,346</u>	<u>261,471</u>	<u>177,895</u>	<u>-</u>
Total	<u>\$10,008,662</u>	<u>\$1,048,575</u>	<u>\$1,224,343</u>	<u>\$ -</u>

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

(Continued)

**Net (Expense) Revenue  
And Changes in Net Assets**

---

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (2,958,955)	\$ -	\$ (2,958,955)
(1,017,390)	-	(1,017,390)
(549,455)	-	(549,455)
\$ (4,525,800)	\$ -	\$ (4,525,800)
\$ (279,887)	\$ -	\$ (279,887)
(182,007)	-	(182,007)
(815,604)	-	(815,604)
(1,015,021)	-	(1,015,021)
(452,236)	-	(452,236)
\$ (2,744,755)	\$ -	\$ (2,744,755)
\$ (132,026)	\$ -	\$ (132,026)
(75,253)	-	(75,253)
-	-	-
(249,930)	-	(249,930)
\$ (457,209)	\$ -	\$ (457,209)
\$ (7,727,764)	\$ -	\$ (7,727,764)
-	(7,980)	(7,980)
\$ (7,727,764)	\$ (7,980)	\$ (7,735,744)

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
Year ended June 30, 2007

**General Revenues:**

Property tax levied for:  
    General purposes  
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.*

**Net (Expense) Revenue  
And Changes in Net Assets**

---

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 3,407,711	\$ -	\$ 3,407,711
564,879	-	564,879
4,118,086	-	4,118,086
136,549	600	137,149
345,354	-	345,354
<b>\$ 8,572,579</b>	<b>\$ 600</b>	<b>\$ 8,573,179</b>
\$ 844,815	\$ (7,380)	\$ 837,435
4,946,805	69,705	5,016,510
<b>\$ 5,791,620</b>	<b>\$ 62,325</b>	<b>\$ 5,853,945</b>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

	<u>General</u>	<u>Capital Projects</u>
<b>ASSETS:</b>		
Cash and investments	\$1,497,129	\$1,595,231
Receivables:		
Property taxes:		
Current year delinquent	51,796	-
Succeeding year	2,787,289	-
Income surtaxes	228,711	-
Accounts receivable	807	-
Accrued interest-ISCAP	390	-
Due from other governments	51,635	-
Restricted ISCAP investments (Note 3)	<u>1,305,934</u>	<u>30,857</u>
<b>Total assets</b>	<b><u>\$5,923,691</u></b>	<b><u>\$1,626,088</u></b>
 <b>LIABILITIES AND FUND BALANCES:</b>		
Liabilities:		
Accounts payable	\$ 49,720	\$ 64,678
ISCAP warrants payable (Note 3)	1,308,000	
Salaries and benefits payable	827,996	-
Early retirement payable	-	-
Deferred revenue:		
Succeeding year property tax	2,787,289	-
Income surtaxes	228,711	-
Total liabilities	<u>\$5,201,716</u>	<u>\$ 64,678</u>
Fund balances:		
Unreserved:		
Undesignated	<u>721,975</u>	<u>1,561,410</u>
<b>Total liabilities and fund balances</b>	<b><u>\$5,923,691</u></b>	<b><u>\$1,626,088</u></b>

*See Notes to Financial Statements.*

<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 680,521	\$3,772,881
10,927	62,723
534,648	3,321,937
-	228,711
-	807
-	390
-	51,635
-	<u>1,336,791</u>
<b><u>\$1,226,096</u></b>	<b><u>\$8,775,875</u></b>
\$ 35,379	\$ 149,777
-	1,308,000
-	827,996
69,165	69,165
534,648	3,321,937
-	228,711
<u>\$ 639,192</u>	<u>\$5,905,586</u>
<u>586,904</u>	<u>2,870,289</u>
<b><u>\$1,226,096</u></b>	<b><u>\$8,775,875</u></b>

NORTH FAYETTE 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 (page 19) \$ 2,870,289

*Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:*

Capital assets used in governmental activities are not  
 financial resources and, therefore, are not reported as  
 assets in the governmental funds. 5,433,765

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. (2,512,434)

Net assets of governmental activities (page 13) \$ 5,791,620

*See Notes to Financial Statements.*

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended June 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$2,850,140	\$ 564,879	\$ 557,571	\$ 3,972,590
Tuition	179,932	-	-	179,932
Other	177,661	376,248	466,252	1,020,161
State sources	4,926,395	-	445	4,926,840
Federal sources	240,238	-	-	240,238
Total revenues	<u>\$8,374,366</u>	<u>\$ 941,127</u>	<u>\$1,024,268</u>	<u>\$10,339,761</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$3,768,016	\$ -	\$ 155,872	\$ 3,923,888
Special instruction	1,108,027	-	-	1,108,027
Other instruction	568,452	-	406,788	975,240
	<u>\$5,444,495</u>	<u>\$ -</u>	<u>\$ 562,660</u>	<u>\$ 6,007,155</u>
Support services:				
Student services	\$ 279,887	\$ -	\$ -	\$ 279,887
Instructional staff services	182,007	-	-	182,007
Administration services	815,604	-	-	815,604
Operation and maintenance of plan services	940,647	-	74,374	1,015,021
Transportation services	448,821	-	16,022	464,843
	<u>\$2,666,966</u>	<u>\$ -</u>	<u>\$ 90,396</u>	<u>\$ 2,757,362</u>
Other expenditures:				
Facilities acquisition	\$ -	\$1,885,213	\$ 349,548	\$ 2,234,761
Long-term debt:				
Principal	-	-	368,588	368,588
Interest and fiscal charges	-	5,888	69,365	75,253
AEA flowthrough	339,590	-	-	339,590
	<u>\$ 339,590</u>	<u>\$1,891,101</u>	<u>\$ 787,501</u>	<u>\$ 3,018,192</u>
Total expenditures	<u>\$8,451,051</u>	<u>\$1,891,101</u>	<u>\$1,440,557</u>	<u>\$11,782,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (76,685)</u>	<u>\$ (949,974)</u>	<u>\$ (416,289)</u>	<u>\$ (1,442,948)</u>
Other financing sources (uses):				
Operating transfers in	\$ -	\$ -	\$ 437,953	\$ 437,953
Operating transfers out	(57,477)	(200,818)	(179,658)	(437,953)
Revenue bonds issued	-	1,150,000	-	1,150,000
Total other financing sources (uses)	<u>\$ (57,477)</u>	<u>\$ 949,182</u>	<u>\$ 258,295</u>	<u>\$ 1,150,000</u>
Net change in fund balances	\$ (134,162)	\$ (792)	\$ (157,994)	\$ (292,948)
Fund balances beginning of year	<u>856,137</u>	<u>1,562,202</u>	<u>744,898</u>	<u>3,163,237</u>
Fund balances end of year	<u>\$ 721,975</u>	<u>\$1,561,410</u>	<u>\$ 586,904</u>	<u>\$ 2,870,289</u>

*See Notes to Financial Statements.*

NORTH FAYETTE 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 \$ (292,948)  
 (page 21)

*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	\$2,102,735	
Depreciation expense	<u>(249,930)</u>	1,852,805

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

66,370

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 issues exceeded repayments, as follows:

Issued	(1,150,000)	
Repaid	<u>368,588</u>	<u>(781,412)</u>

Change in net assets of governmental activities (page 17) \$ 844,815

*See Notes to Financial Statements.*

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2007

	<u>Enterprise Fund School Nutrition</u>	<u>Internal Service Fund Employee Health</u>
<b>ASSETS:</b>		
Cash and investments	\$ 30,965	\$ 8,751
Accounts receivable	1,996	-
Inventories	3,696	-
Capital assets, net of accumulated depreciation	35,297	-
<b>Total assets</b>	<b><u>\$ 71,954</u></b>	<b><u>\$ 8,751</u></b>
<b>LIABILITIES:</b>		
Salaries and benefits payable	\$ 4,517	-
Deferred revenue:		
Other	5,112	-
<b>Total liabilities</b>	<b><u>\$ 9,629</u></b>	<b><u>\$ -</u></b>
<b>NET ASSETS:</b>		
Invested in capital assets	\$ 35,297	\$ -
Unrestricted	27,028	8,751
<b>Total net assets</b>	<b><u>\$ 62,325</u></b>	<b><u>\$ 8,751</u></b>

*See Notes to Financial Statements.*

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year ended June 30, 2007

	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>School Nutrition</b>	<b>Employee Health</b>
Operating revenue:		
Local sources	<u>\$ 261,471</u>	<u>\$ 62,730</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	\$ 225,678	\$ -
Supplies	211,057	-
Depreciation	9,504	-
Other	1,107	62,479
Total operating expenses	<u>\$ 447,346</u>	<u>\$ 62,479</u>
Operating income (loss)	<u>\$(185,875)</u>	<u>\$ 251</u>
Non-operating revenues:		
State sources	\$ 8,355	\$ -
Federal sources	169,540	-
Interest income	600	11
Total non-operating revenues	<u>\$ 178,495</u>	<u>\$ 11</u>
Net income (loss)	\$ (7,380)	\$ 262
Net assets beginning of year	<u>69,705</u>	<u>8,489</u>
<b>Net assets end of year</b>	<b><u>\$ 62,325</u></b>	<b><u>\$ 8,751</u></b>

*See Notes to Financial Statements.*

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2007

	Enterprise Fund <u>School Nutrition</u>	Internal Service Fund <u>Employee Health</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 260,933	\$ -
Cash paid to employees for services	(226,239)	-
Cash paid to suppliers for goods or services	(192,606)	-
Cash reimbursed by operating fund	-	62,730
Cash payments for medical expenses	-	(62,479)
Net cash used by operating activities	<u>\$(157,912)</u>	<u>\$ 251</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 8,355	\$ -
Federal grants received	<u>150,775</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>\$ 159,130</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>\$(530)</u>	<u>\$ -</u>
Cash flows from investing activities:		
Interest on investments	<u>\$ 600</u>	<u>\$ 11</u>
Net increase in cash and cash equivalents	\$ 1,288	\$ 262
Cash and cash equivalents beginning of year	<u>29,677</u>	<u>8,489</u>
Cash and cash equivalents end of year	<u><u>\$ 30,965</u></u>	<u><u>\$ 8,751</u></u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$(185,875)	\$ 251
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	19,299	-
Depreciation	9,504	-
Increase in inventories	257	-
Decrease in accounts receivable	(1,004)	-
Decrease in salaries and benefits payable	(561)	-
Decrease in deferred revenues	<u>468</u>	<u>-</u>
Net cash used by operating activities	<u>\$(157,912)</u>	<u>\$ 251</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$18,765 of federal commodities.

*See Notes to Financial Statements.*

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(1) Summary of Significant Accounting Policies

The North Fayette 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 West Union, Fayette and Hawkeye, Iowa and the predominate agricultural territory in Fayette County. 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, the North Fayette 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 North Fayette Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(1) Summary of Significant Accounting Policies - continued

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 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 instructional, support and other costs.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(1) Summary of Significant Accounting Policies - continued

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, 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.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(1) Summary of Significant Accounting Policies - continued

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.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(1) Summary of Significant Accounting Policies - continued

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 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.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(1) Summary of Significant Accounting Policies - continued

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 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.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(1) Summary of Significant Accounting Policies - continued

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 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.

(2) Cash and 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.

**NORTH FAYETTE COMMUNITY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2007**

**(2) Cash and Investments - continued**

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

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 3,526,434

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

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

**(3) 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:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08A	6/27/07	6/28/08	<u>\$ 1,305,934</u>	<u>\$ 390</u>	<u>\$ 1,308,000</u>	<u>\$ 322</u>

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

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2006-07A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(3) Iowa School Cash Anticipation Program (ISCAP) - continued

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

(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>
Debt Service	General	\$ 57,477
	Special Revenue:	
	Physical Plant and equipment levy	179,658
	Capital Projects	<u>200,818</u>
Total		<u>\$ 437,953</u>

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

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(5) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 88,450	\$ -	\$ -	\$ 88,450
Construction in progress	458,567	1,784,660	-	2,243,227
Total capital assets not being depreciated	<u>\$ 547,017</u>	<u>1,784,660</u>	<u>-</u>	<u>\$ 2,331,677</u>
Capital assets being depreciated:				
Buildings	\$ 448,905	\$ -	\$ -	\$ 448,905
Improvements other than buildings	4,524,772	-	-	4,524,772
Furniture and equipment	4,260,708	318,075	-	4,578,783
Total capital assets being depreciated	<u>\$ 9,234,385</u>	<u>\$ 318,075</u>	<u>\$ -</u>	<u>\$ 9,552,460</u>
Less accumulated depreciation for:				
Buildings	\$ 322,138	\$ 18,093	\$ -	\$ 340,231
Improvements other than buildings	2,059,318	84,077	-	2,143,395
Furniture and equipment	3,818,986	147,760	-	3,966,746
Total accumulated depreciation	<u>\$ 6,200,442</u>	<u>\$ 249,930</u>	<u>\$ -</u>	<u>\$ 6,450,372</u>
Total capital assets being depreciated, net	<u>\$ 3,033,943</u>	<u>\$ 68,145</u>	<u>\$ -</u>	<u>\$ 3,102,088</u>
Governmental activities capital assets, net	<u>\$ 3,580,960</u>	<u>\$ 1,852,805</u>	<u>\$ -</u>	<u>\$ 5,433,765</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 101,004	\$ 530	\$ -	\$ 101,534
Less accumulated depreciation	56,733	9,504	-	66,237
Business type activities capital assets, net	<u>\$ 44,271</u>	<u>\$ (8,974)</u>	<u>\$ -</u>	<u>\$ 35,297</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 249,930</u>
Business type activities:				
Food service operations				<u>\$ 9,504</u>

**NORTH FAYETTE COMMUNITY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2007**

**(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	\$ 335,000	\$ -	\$ 165,000	\$ 170,000	\$ 170,000
Revenue bonds	<u>1,175,000</u>	<u>1,150,000</u>	<u>155,000</u>	<u>2,170,000</u>	<u>155,000</u>
Total	<u>\$1,510,000</u>	<u>\$1,150,000</u>	<u>\$ 320,000</u>	<u>\$2,340,000</u>	<u>\$ 325,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits of \$84,524 were paid during the year ended June 30, 2007.

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of July 1, 1998		
	Interest Rate	Principal	Interest
2008	4.40%	<u>\$ 170,000</u>	<u>\$ 7,480</u>

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,	Bond Issue of July 1, 2004			Bond Issue of June 1, 2007			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	3.40%	\$ 155,000	\$ 41,013	4.50%	\$ -	\$ 47,458	\$ 155,000	\$ 88,471	\$ 243,471
2009	3.75	160,000	35,743	4.50	-	51,772	160,000	87,515	247,515
2010	4.00	165,000	29,743	4.50	-	51,773	165,000	81,516	246,516
2011	4.15	175,000	23,143	4.50	-	51,773	175,000	74,916	249,916
2012	4.30	180,000	15,880	4.50	-	51,772	180,000	67,652	247,652
2013-2017	4.40	185,000	8,140	4.35-4.50	460,000	229,443	645,000	237,583	882,583
2018-2022		-	-	4.45-4.70	690,000	98,803	690,000	98,803	788,803
		<u>\$1,020,000</u>	<u>\$ 153,662</u>		<u>\$1,150,000</u>	<u>\$582,794</u>	<u>\$2,170,000</u>	<u>\$736,456</u>	<u>\$2,906,456</u>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(6) Long-Term Liabilities - Continued

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 services tax revenue bonds includes the following provisions:

- a) \$16,639 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Lease

The District leases school buses under capital leases. Future minimum payments for the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 57,478
2009	57,478
2010	57,478
	<u>\$172,434</u>
Less: Current Maturities	<u>57,478</u>
Long-Term Debt	<u>\$114,956</u>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
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 \$287,929, \$284,218 and \$277,956 respectively, equal to the required contributions for each year.

(8) **Risk Management**

North Fayette 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 \$339,590 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) **Related Party Transactions**

The District had business transactions between the District and District officials or employees, totaling \$3,666 during the year ended June 30, 2007.

(11) **Construction Commitment**

The District has entered into contracts totaling \$3,210,310 for the construction of a fine arts and education center. As of June 30, 2007, costs of \$2,829,473 had been incurred against the contracts. The balance of \$380,837 remaining at June 30, 2007 will be paid as work on the project progresses.

**Required Supplementary Information**

**NORTH FAYETTE COMMUNITY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2007**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>
<b>REVENUES:</b>		
Local sources	\$ 5,172,683	\$ 262,071
State sources	4,926,840	8,355
Intermediary sources	-	-
Federal sources	240,238	169,540
Total revenues	<u>\$10,339,761</u>	<u>\$ 439,966</u>
<b>EXPENDITURES:</b>		
Instruction	\$ 6,007,155	\$ -
Support services	2,757,362	-
Non-instructional programs	-	447,346
Other expenditures	3,018,192	-
Total expenditures	<u>\$11,782,709</u>	<u>\$ 447,346</u>
Excess (deficiency) of revenues over (under) expenditures	\$(1,442,948)	\$ (7,380)
Other financing sources	<u>1,150,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ (292,948)	\$ (7,380)
Balances beginning of year	<u>3,163,237</u>	<u>69,705</u>
<b>Balances end of year</b>	<b><u><u>\$ 2,870,289</u></u></b>	<b><u><u>\$ 62,325</u></u></b>

*See Accompanying Independent Auditor's Report.*

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 5,434,754	\$ 5,431,079	\$ 5,431,079	\$ 3,675
4,935,195	5,239,198	5,239,198	(304,003)
-	55,000	55,000	(55,000)
409,778	445,000	445,000	(35,222)
<u>\$10,779,727</u>	<u>\$11,170,277</u>	<u>\$11,170,277</u>	<u>\$ (390,550)</u>
\$ 6,007,155	\$ 6,030,135	\$ 6,030,135	\$ 22,980
2,757,362	2,986,000	3,084,000	326,638
447,346	460,000	475,000	27,654
3,018,192	2,746,118	3,157,343	139,151
<u>\$12,230,055</u>	<u>\$12,222,253</u>	<u>\$12,746,478</u>	<u>\$ 516,423</u>
\$(1,450,328)	\$(1,051,976)	\$(1,576,201)	\$ 125,873
<u>1,150,000</u>	<u>-</u>	<u>-</u>	<u>1,150,000</u>
\$ (300,328)	\$(1,051,976)	\$(1,576,201)	\$1,275,873
<u>3,232,942</u>	<u>2,949,130</u>	<u>2,949,130</u>	<u>283,812</u>
<b><u>\$ 2,932,614</u></b>	<b><u>\$ 1,897,154</u></b>	<b><u>\$ 1,372,929</u></b>	<b><u>\$1,559,685</u></b>

**NORTH FAYETTE 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 the Capital Projects Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 adopted one budget amendment increasing budgeted expenditures by \$524,225.

Other Supplementary Information

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

	Special Revenue			
	Management	Student Activity	Physical Plant and Equipment Levy	
<b>ASSETS:</b>				
Cash and investments	\$ 270,745	\$166,471	\$243,305	\$ 680,521
Receivables:				
Property tax:				
Delinquent	5,392	-	5,535	10,927
Succeeding year	250,000	-	284,648	534,648
<b>Total assets</b>	<b>\$ 526,137</b>	<b>\$166,471</b>	<b>\$533,488</b>	<b>\$1,226,096</b>
 <b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 35,379	\$ 35,379
Early retirement payable	69,165	-	-	69,165
Deferred revenue:				
Succeeding year				
property tax	250,000	-	284,648	534,648
Total liabilities	\$ 319,165	\$ -	\$320,027	\$ 639,192
Unreserved fund balances	206,972	166,471	213,461	586,904
<b>Total liabilities and fund balances</b>	<b>\$ 526,137</b>	<b>\$166,471</b>	<b>\$533,488</b>	<b>\$1,226,096</b>

*See Accompanying Independent Auditor's Report.*

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended June 30, 2007

	<b>Special Revenue</b>	
	<b>Management</b>	<b>Student Activity</b>
<b>REVENUES:</b>		
Local sources:		
Local tax	\$ 273,478	\$ -
Other	22,016	422,603
State sources	219	-
Total revenues	\$ 295,713	\$422,603
<b>EXPENDITURES:</b>		
Current:		
Instruction:		
Regular instruction	\$ 155,872	\$ -
Other instruction	-	406,788
Support services:		
Operation and maintenance of plant service	74,374	-
Transportation services	16,022	-
Long term debt:		
Principal	-	-
Interest and fiscal charges	-	-
Other expenditures:		
Facilities acquisition	-	-
Total expenditures	\$ 246,268	\$406,788
Excess (deficiency) of revenues over (under) expenditures	\$ 49,445	\$ 15,815
Other financing sources (uses):		
Operating transfers in	\$ -	\$ -
Operating transfers out	-	-
Total other financing sources (uses)	\$ -	\$ -
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 49,445	\$ 15,815
Fund balances beginning of year	157,527	150,656
<b>Fund balances end of year</b>	<b>\$ 206,972</b>	<b>\$166,471</b>

*See Accompanying Independent Auditor's Report.*

<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Total</u>
\$ 284,093	\$ -	\$ 557,571
21,633	-	466,252
226	-	445
<u>\$ 305,952</u>	<u>\$ -</u>	<u>\$1,024,268</u>
\$ -	\$ -	\$ 155,872
-	-	406,788
-	-	74,374
-	-	16,022
-	368,588	368,588
-	69,365	69,365
<u>349,548</u>	<u>-</u>	<u>349,548</u>
<u>\$ 349,548</u>	<u>\$ 437,953</u>	<u>\$1,440,557</u>
<u>\$ (43,596)</u>	<u>\$(437,953)</u>	<u>\$ (416,289)</u>
\$ -	\$ 437,953	\$ 437,953
<u>(179,658)</u>	<u>-</u>	<u>(179,658)</u>
<u>\$ (179,658)</u>	<u>\$ 437,953</u>	<u>\$ 258,295</u>
\$ (223,254)	\$ -	\$ (157,994)
<u>436,715</u>	<u>-</u>	<u>744,898</u>
<u><u>\$ 213,461</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 586,904</u></u>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year ended June 30, 2007

<u>Account</u>	<u>Balance</u> <u>Beginning of year</u>	<u>Revenues</u>
Elementary School Activities:		
Playground	\$ 6,284	\$ 14,008
Fayette attendance	2,079	977
Hawkeye attendance	1,431	1,376
West Union attendance	1,396	1,574
Interest	342	250
Middle School Activities:		
Athletics	1,273	5,074
Steering Committee	787	76
Micro Society	5,013	2,032
Science Club	175	-
Pop Machine	5,425	11,426
School Store	1,145	2,429
FRCYSE -at RISK	1,422	-
Mentoring	320	-
High School Activities:		
Athletics	67,600	115,631
Interest	1,452	2,443
Speech	4,486	219
Speech contest	-	4,023
Speech fall play	1,234	2,111
Vocal music	1,159	4,616
Musical	1,207	-
Band	3,943	1,439
Art club	313	1,275
Yearbook	7,050	15,947
BPA	437	15,156
FFA	7,943	46,441
FHA	227	929
Honor society	118	150
Student council	2,185	3,498
Shop & I tech	406	-
Math/science	789	7,250
Technology club	419	949
German	3,591	6,572
German bound	53	17,709
British	1,259	973
Spanish	1,475	876
Spanish bound	885	6,894
Cheerleading	279	6,128
Dance line	1,428	21,820
Class of:		
2005	104	-
2006	1,248	-
2007	1,820	960
2008	590	7,628
2009	286	486
2010	-	471
Activity ticket	5,602	5,861
Graduation fees	718	4,095
STW - Enterprise	2,096	77,529
Mini Arts Festival	45	-
Post prom	1,117	3,302
	<u>        </u>	<u>        </u>
<b>Total</b>	<b><u>\$ 150,656</u></b>	<b><u>\$422,603</u></b>

*See Accompanying Independent Auditor's Report.*

<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of year</u>
\$ 4,948	\$ -	\$ 15,344
863	-	2,193
277	-	2,530
1,349	-	1,621
-	-	592
7,575	1,995	767
588	-	275
3,427	-	3,618
-	(175)	-
11,937	(1,500)	3,414
2,649	-	925
227	-	1,195
-	(320)	-
109,281	(3,885)	70,065
457	(15)	3,423
3,745	2,095	3,055
2,928	-	1,095
1,618	-	1,727
6,799	2,950	1,926
78	-	1,129
2,885	2,750	5,247
963	-	625
14,742	105	8,360
14,869	-	724
44,634	6	9,756
1,063	-	93
269	400	399
3,286	-	2,397
13	-	393
7,598	(50)	391
963	3	408
6,401	(1,840)	1,922
19,494	1,732	-
124	-	2,108
691	(510)	1,150
8,260	481	-
6,702	850	555
22,295	481	1,434
108	4	-
-	718	1,966
868	-	1,912
5,038	(19)	3,161
775	11	8
132	-	339
2,242	(5,298)	3,923
2,535	(1,373)	905
77,645	4	1,984
-	400	445
3,447	-	972
<u>\$ 406,788</u>	<u>\$ -</u>	<u>\$ 166,471</u>

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Funds  
 For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$ 3,972,590	\$3,828,672	\$3,871,344	\$3,509,239	\$3,017,254
Tuition	179,932	178,189	168,181	211,671	218,357
Other	1,020,161	573,398	528,874	386,880	400,483
Intermediate sources	-	750	51,640	34,507	31,837
State sources	4,926,840	4,488,172	4,231,743	4,226,749	4,380,646
Federal sources	240,238	315,821	279,263	242,120	224,013
<b>Total</b>	<b><u>\$10,339,761</u></b>	<b><u>\$9,385,002</u></b>	<b><u>\$9,131,045</u></b>	<b><u>\$8,611,166</u></b>	<b><u>\$8,272,590</u></b>
Expenditures:					
Instruction:					
Regular	\$ 3,923,888	\$3,737,695	\$3,786,343	\$4,041,208	\$3,866,487
Special	1,108,027	1,020,967	869,707	849,384	839,138
Other	975,240	1,114,113	933,325	826,454	786,979
Support services:					
Student	279,887	272,124	224,712	213,058	205,997
Instructional staff	182,007	230,290	256,867	270,129	249,890
Administration	815,604	774,339	677,941	679,503	640,251
Operation and maintenance of plant	1,015,021	715,398	776,970	694,658	742,441
Transportation	464,843	396,250	401,072	319,469	381,888
Central support	-	-	-	-	4,445
Other expenditures:					
Facilities acquisition	2,234,761	532,183	105,727	353,368	28,340
Long term debt:					
Principal	368,588	362,478	295,000	191,401	183,816
Interest and other charges	75,253	71,740	134,404	39,425	47,820
AEA flowthrough	339,590	316,945	313,183	319,528	343,191
<b>Total</b>	<b><u>\$11,782,709</u></b>	<b><u>\$9,544,522</u></b>	<b><u>\$8,775,251</u></b>	<b><u>\$8,797,585</u></b>	<b><u>\$8,320,683</u></b>

*See Accompanying Independent Auditor's Report.*



Larry Pump, CPA  
117 North Jackson Street  
Charles City, IA 50616

E-mail: rlp@fiai.net

(641) 257-4222  
or (641) 228-2812  
Fax (641) 228-1513

**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 the  
North Fayette Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the North Fayette Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 28, 2007. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

#### Compliance and Other Matters

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

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

The District's response to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit the District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the North Fayette Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



September 28, 2007

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
Year Ended June 30, 2007

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash revenues listing, bank deposits, posting of the cash revenues and expenditures and preparation of the bank reconciliation are all done by the same individual.

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

Response - We will continue to review procedures and make changes to improve internal control where possible.

Conclusion - Response accepted.

II-B-07 Bank Reconciliations - Reconciliations of book balances to the bank accounts by fund were not prepared by the District.

Recommendation - To improve financial accountability and control, a monthly reconciliation by fund of the book and bank balances should be prepared by the District. Any differences should be investigated and resolved in a timely manner.

Response - We will begin implementing a reconciliation of book to bank balances including all cash and investment accounts.

Conclusion - Response accepted.

II-C-07 Countersignature of Checks - I noted several checks signed by only one individual.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will do this.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

NORTH FAYETTE COMMUNITY SCHOOL DISTRICT  
 Schedule of Findings  
 Year Ended June 30, 2007

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable.

**Part IV: Other Findings Related to Required Statutory Reporting:**

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

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

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

IV-D-07 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>
Ray Snyder, board member/owner Alpha Building	Supplies	\$3,416
Ray Snyder, board member	Labor	250

These transactions may represent a conflict of interest.

Recommendation - The District should consult legal counsel to determine the disposition of this matter.

Response - We will consult our attorney.

Conclusion - Response accepted.

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

IV-F-07 Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.

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

IV-H-07 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.

IV-I-07 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.