

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
NEW SHARON, IOWA

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

JUNE 30, 2007

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NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2006 Election)		
Jimmah White	President	2007
Mike Boyle	Vice President	2008
Duane White	Board Member	2008
Carrie Ferguson	Board Member	2006
Mike Bair	Board Member	2007
<u>Board of Education</u>		
(After September 2006 Election)		
Mike Boyle	President	2008
Mike Bair	Vice President	2007
Jimmah White	Board Member	2007
Duane White	Board Member	2008
Jeffrey Walston	Board Member	2009
<u>School Officials</u>		
Randy Moffit	Superintendent	2007
Gloria Bartlett	District Secretary/Treasurer	2007
Sue Seitz	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2007 on our consideration of North Mahaska Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 48 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Mahaska Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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 the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
November 14, 2007

# **North Mahaska Community School District**

## **Management's Discussion and Analysis**

For the Year Ending June 30, 2007

This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2007. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The General Fund June 30, 2007, fund balance increased to \$698,078 from the June 30, 2006, fund balance of \$603,277. The increase resulted from the cash reserve levy and expenditures that were lower than anticipated.
- The District's tax levy decreased by \$0.18 from \$12.67 to \$12.49. The decrease in the tax levy was due primarily to surplus SILO funds that were used to lower the tax rate required to pay debt service requirements.
- Special education posted a positive balance for 2006-2007. This was due to a higher weighted count in the previous year and a lower number of special education students served and tuitioned out in the 2006-07 school year.
- The district experienced an enrollment decrease of 2 students from the previous year. With 4% allowable growth, the district did not need to utilize the budget guarantee.
- The capital project fund was allowed to come back to a more positive balance after being depleted by the parking lot surfacing project. There was not as much available for other projects during the year, but the auditorium was renovated with donations and a matching grant from the George Daily Foundation.

## **Overview of the Financial Statements**

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

- The statement of net assets and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

## **District-Wide Financial Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net assets includes all of 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 overall financial position. 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.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

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

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- **Business-type activities:** The District charges fees to help it cover the costs of certain services it provides. The District's food service 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the medical reimbursement fund.
- **Fiduciary funds:** The District is the trustee, of fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

### Net Assets.

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

**Figure A-3**

	2006	2006	2006	2007	2007	2007	Total
	Governmental	Business-	Total	Governmental	Business-	Total	Change
	Activities	Type		Activities	Type		2006-2007
		Activities			Activities		
Current and Other Assets	2,940,944	36,779	2,977,723	3,337,095	55,305	3,392,400	13.9%
Capital Assets	5,087,000	33,792	5,120,792	4,989,871	25,677	5,015,548	-2.1%
<b>Total Assets</b>	<b>8,027,944</b>	<b>70,571</b>	<b>8,098,515</b>	<b>8,326,966</b>	<b>80,982</b>	<b>8,407,948</b>	3.8%
Long Term Debt Outstanding	2,498,412	0	2,498,412	2,195,279	0	2,195,279	-12.1%
Other Liabilities	1,607,014	0	1,607,014	1,618,654	966	1,619,620	0.8%
<b>Total Liabilities</b>	<b>4,105,426</b>	<b>0</b>	<b>4,105,426</b>	<b>3,813,933</b>	<b>966</b>	<b>3,814,899</b>	-7.1%
<b>Net Assets</b>							
Invested In Capital Assets, Net of related debt	2,607,000	33,792	2,640,792	2,804,871	25,677	2,830,548	7.2%
Restricted	734,954	0	734,954	1,025,007	0	1,025,007	39.5%
Unrestricted	580,564	36,779	617,343	683,155	54,339	737,494	19.5%
<b>Total Net Assets</b>	<b>3,922,518</b>	<b>70,571</b>	<b>3,993,089</b>	<b>4,513,033</b>	<b>80,016</b>	<b>4,593,049</b>	15.0%

The District's total net assets increased \$599,960 or 15.02% due to the fact that the District is basically maintaining total assets (3.8% increase) while significantly decreasing its long term debt (12.1% decrease). The district has used local option sales tax collections for both capital asset

## Figure A-4

Figure A-4 shows the change in net assets for the year ended June 30, 2007, as compared to June 30, 2006.

	2006	2006	2006	2007	2007	2007
	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	Type		Activities	Type	
		Activities			Activities	
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for services	532,854	116,872	649,726	512,611	119,961	632,572
Operating grants, contributions & restricted interest	538,665	94,317	632,982	569,030	101,756	670,786
Capital grants, contributions and restricted interest	0	0	0	67,995	0	67,995
<b>General revenues:</b>						
Property Tax	1,750,326	0	1,750,326	1,770,085	0	1,770,085
Local option sales & service tax	436,758	0	436,758	520,094	0	520,094
Unrestricted state grants	1,940,329	0	1,940,329	2,079,948	0	2,079,948
Unrestricted investment earnings	53,063	1465	54,528	81,284	2090	83,374
Other	6,453	0	6,453	7,304	0	7,304
<b>Total Revenues</b>	<b>5,258,448</b>	<b>212,654</b>	<b>5,471,102</b>	<b>5,608,351</b>	<b>223,807</b>	<b>5,832,158</b>
<b>Program Expenses:</b>						
Governmental activities						
Instruction	3,074,688	0	3,074,688	3,158,328	0	3,158,328
Support Services	1,339,056	0	1,339,056	1,423,509	0	1,423,509
Non-instructional	4,000	220,481	224,481	4,500	214,362	218,862
Other expenses	452,522	0	452,522	431,499	0	431,499
<b>Total Expenses</b>	<b>4,870,266</b>	<b>220,481</b>	<b>5,090,747</b>	<b>5,017,836</b>	<b>214,362</b>	<b>5,232,198</b>
<b>Change in net assets</b>	<b>388,182</b>	<b>(7,827)</b>	<b>380,355</b>	<b>590,515</b>	<b>9,445</b>	<b>599,960</b>

For the year ending June 30, 2007, property tax and unrestricted state grants account for 66% of the total revenue. Instruction and support services account for 88% of the total expenses.

## **Governmental Activities**

Revenues for governmental activities were \$5,608,351 and expenses were \$5,017,836. The District saw an increase in total net assets of \$599,960. The increase was due to the recovery of lost funding through the cash reserve levy, maintaining capital asset levels while debt balances have decreased, a positive change in open enrollment revenues, and the collection of local option sales and service tax monies.

## **Business Type Activities**

Revenues for business type activities were \$223,807 and expenses were \$214,362. 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.

The District voted to increase meal prices for the 2006-07 school year to cover the rising expenses in the School Nutrition Fund. They were left at that level for 2007-08.

## **Individual Fund Analysis**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,734,764 which is \$382,654 more than the balance of \$1,352,110 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2007, compared with where we were on June 30, 2006. You can find these figures in the June reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Fund Highlights**

### **General Operating Fund**

In the General Fund, we had revenues and other financing sources of \$4,529,993. We had expenditures and other financing uses of \$4,435,192. Therefore, we ended the year \$94,801 in the black. We started the year with a balance of \$603,277, so we ended the year with a balance of \$698,078. The increase was due predominantly to additional allowable growth, a cash reserve levy that replaced funds and a positive change in open enrollment revenues.

### **Management Fund**

In the Management Fund, we expended \$69,568 and had revenues of \$86,154 meaning we spent \$16,586 less than we received. Because we started the year with \$50,785, we ended the year with a balance of \$67,371. Approximately \$80,000 will be added to this fund through the Management Levy passed for this year's budget. This is an increase over past years to cover the rising cost of insurance and to make up for the ag land roll back. Money from this fund is spent on insurance (other than employee health), tort liability claims, and unemployment claims. The balance in this account at the end of the 2007-08 fiscal year should cover the insurance premiums that occur early in the school year, so the fund will not go in the red after premium payments in July. The levy rate can be lowered if no unemployment or tort liability claims are incurred.

### **Physical Plant and Equipment Levy (PPEL)**

In PPEL we expended \$1,000 and received \$48,422 meaning we were \$47,422 in the black. Since we started the year with \$36,863, we finished with a balance of \$84,285. We will continue to use PPEL to purchase school buses with one planned for early in the 2007-08 fiscal year.

### **Capital Projects**

We started the year with a balance of \$399,969 in all capital projects funds. We have expended \$485,830 on various projects and on debt service. We have received \$608,758 during the past year. The balance is now \$522,897 ( an increase of \$122,928). The increase is primarily due to the replenishment of the one cent money that was used for resurfacing the north parking lot. Revenues from the SILO tax have increased as well.

## **Activity Fund**

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance last July was \$106,248. At the end of June, it was \$98,094. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black. However, the athletic fund, when taking all sports in consideration, finished in the black. There were some successful fund raisers and programs this past year that helped maintain a good balance.

## **Proprietary Fund Highlights**

### **Nutrition Fund**

The nutrition fund started the year with a balance of \$70,571. Revenues for the year totaled \$223,807 while expenditures totaled \$214,362 leaving a balance of \$80,016. Revenues were up and expenditures were down from last year allowing for recovery of the year-end balance from a steady decline in previous years. This account has been doing well and supporting itself. Prices were increased for the 2006-07 school year and helped in maintaining the fund balance.

## **Budgetary Highlights**

The district's local sources receipts were more than budgeted. The most significant variance resulted from the District receiving more in local option sales tax than originally anticipated and a positive change in open enrollment.

Total expenditures were less than budgeted, due primarily to the District 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.

## **Capital Assets**

At June 30, 2007, the District had invested \$5,015,548, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$210,550.

The original cost of the District's capital assets was \$7,700,202. Of this amount \$165,918 was in the Proprietary, School Lunch Fund.

## **Long-Term Debt**

At June 30, 2007, the District had \$2,185,000 in general obligation bonds. This represents a decrease of approximately 12% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

## **Factors Bearing on the District's Future**

The district remains in sound financial condition at this point. The one cent option sales tax (SILO) will continue to be a big help for many projects. The general fund status improved due to steady enrollment, a positive change in open enrollment, and 4% allowable growth for the past year. The cost of insurance was lower than expected, and state revenues have remained strong. All of these factors have given the district at least a temporary reprieve from tightening budgets, and the general fund carry over is healthy for a district of our size and budget.

## **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 Gloria Bartlett, Board Secretary, or Randy Moffit, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

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## Basic Financial Statements

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,654,941	\$ 41,544	\$ 1,696,485
Receivables:			
Property tax:			
Current year	22,482	-	22,482
Succeeding year	1,528,000	-	1,528,000
Accrued interest	2,071	-	2,071
Accounts	2,332	-	2,332
Due from other governments	127,269	9,408	136,677
Inventories	-	4,353	4,353
Capital assets, net of accumulated depreciation (note 4)	4,989,871	25,677	5,015,548
	<hr/>	<hr/>	<hr/>
Total assets	8,326,966	80,982	8,407,948
<b>Liabilities</b>			
Accounts payable	65,599	-	65,599
Salaries and benefits payable	8,732	966	9,698
Accrued interest payable	16,323	-	16,323
Deferred revenue:			
Succeeding year property tax	1,528,000	-	1,528,000
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	305,000	-	305,000
Compensated absences	10,279	-	10,279
Portion due after one year:			
Bonds payable	1,880,000	-	1,880,000
	<hr/>	<hr/>	<hr/>
Total liabilities	3,813,933	966	3,814,899

NORTH MAHASKA 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>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,804,871	\$ 25,677	\$ 2,830,548
Restricted for:			
Management levy	67,371	-	67,371
Physical plant and equipment levy	84,285	-	84,285
Other special revenue purposes	98,094	-	98,094
Debt service	247,716	-	247,716
Capital projects	522,897	-	522,897
State grants	4,644	-	4,644
Unrestricted	<u>683,155</u>	<u>54,339</u>	<u>737,494</u>
Total net assets	<u>\$ 4,513,033</u>	<u>\$ 80,016</u>	<u>\$ 4,593,049</u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 3,158,328	\$ 512,581	\$ 386,273	\$ -
Support services:				
Student services	113,123	-	-	-
Instructional staff services	190,871	-	-	-
Administration services	509,214	-	-	-
Operation and maintenance of plant services	334,587	30	-	-
Transportation services	275,714	-	6,326	-
	<u>1,423,509</u>	<u>30</u>	<u>6,326</u>	<u>-</u>
Non-instructional programs	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	13,533	-	-	67,995
Long-term debt interest and fiscal charges	105,016	-	-	-
AEA flowthrough	176,431	-	176,431	-
Depreciation (unallocated) *	136,519	-	-	-
	<u>431,499</u>	<u>-</u>	<u>176,431</u>	<u>67,995</u>
Total governmental activities	<u>5,017,836</u>	<u>512,611</u>	<u>569,030</u>	<u>67,995</u>

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,259,474)	\$ -	\$ (2,259,474)
(113,123)	-	(113,123)
(190,871)	-	(190,871)
(509,214)	-	(509,214)
(334,557)	-	(334,557)
(269,388)	-	(269,388)
(1,417,153)	-	(1,417,153)
(4,500)	-	(4,500)
54,462	-	54,462
(105,016)	-	(105,016)
-	-	-
(136,519)	-	(136,519)
(187,073)	-	(187,073)
(3,868,200)	-	(3,868,200)

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Non-instructional programs:				
Food service operations	\$ 214,362	\$ 119,961	\$ 101,756	\$ -
Total	\$ 5,232,198	\$ 632,572	\$ 670,786	\$ 67,995

General Revenues:

Property tax levied for:

  General purposes

  Debt service

  Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 7,355	\$ 7,355
(3,868,200)	7,355	(3,860,845)
\$ 1,621,100	\$ -	\$ 1,621,100
102,249	-	102,249
46,736	-	46,736
520,094	-	520,094
2,079,948	-	2,079,948
81,284	2,090	83,374
7,304	-	7,304
4,458,715	2,090	4,460,805
590,515	9,445	599,960
3,922,518	70,571	3,993,089
\$ 4,513,033	\$ 80,016	\$ 4,593,049

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 701,809	\$ 262,739	\$ 442,254	\$ 248,139	\$ 1,654,941
Receivables:					
Property tax:					
Current year	19,571	1,300	-	1,611	22,482
Succeeding year	1,331,000	87,000	-	110,000	1,528,000
Accrued interest	2,071	-	-	-	2,071
Accounts	2,332	-	-	-	2,332
Due from other governments	45,009	-	82,260	-	127,269
<b>Total assets</b>	<b><u>\$ 2,101,792</u></b>	<b><u>\$ 351,039</u></b>	<b><u>\$ 524,514</u></b>	<b><u>\$ 359,750</u></b>	<b><u>\$ 3,337,095</u></b>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 63,982	\$ -	\$ 1,617	\$ -	\$ 65,599
Salaries and benefits payable	8,732	-	-	-	8,732
Deferred revenue:					
Succeeding year property tax	1,331,000	87,000	-	110,000	1,528,000
<b>Total liabilities</b>	<b><u>1,403,714</u></b>	<b><u>87,000</u></b>	<b><u>1,617</u></b>	<b><u>110,000</u></b>	<b><u>1,602,331</u></b>
Fund balance:					
Reserved for:					
State grants	4,644	-	-	-	4,644
Debt service	-	264,039	-	-	264,039
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	249,750	249,750
Designated for cash flow	180,000	-	-	-	180,000
Undesignated	513,434	-	522,897	-	1,036,331
<b>Total fund balances</b>	<b><u>698,078</u></b>	<b><u>264,039</u></b>	<b><u>522,897</u></b>	<b><u>249,750</u></b>	<b><u>1,734,764</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,101,792</u></b>	<b><u>\$ 351,039</u></b>	<b><u>\$ 524,514</u></b>	<b><u>\$ 359,750</u></b>	<b><u>\$ 3,337,095</u></b>

See notes to financial statements.

NORTH MAHASKA 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	\$	1,734,764
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.		4,989,871
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.		(16,323)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,195,279)</u>
Net assets of governmental activities	\$	<u><u>4,513,033</u></u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

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

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,540,163	\$ 102,249	\$ 520,094	\$ 126,684	\$ 2,289,190
Tuition	250,820	-	-	-	250,820
Other	93,697	6,822	88,664	233,814	422,997
State sources	2,487,308	-	-	31	2,487,339
Federal sources	157,417	-	-	-	157,417
Total revenues	<u>4,529,405</u>	<u>109,071</u>	<u>608,758</u>	<u>360,529</u>	<u>5,607,763</u>
Expenditures:					
Current:					
Instruction	2,906,604	-	-	239,107	3,145,711
Support services:					
Student services	112,923	-	-	200	113,123
Instructional staff services	190,671	-	-	200	190,871
Administration services	501,798	-	-	13,515	515,313
Operation and maintenance of plant services	301,865	-	-	31,972	333,837
Transportation services	244,900	-	-	14,181	259,081
	<u>1,352,157</u>	<u>-</u>	<u>-</u>	<u>60,068</u>	<u>1,412,225</u>
Non-instructional programs	-	-	-	4,500	4,500
Other expenditures:					
Facilities acquisition	-	-	83,957	1,000	84,957
Long term debt:					
Principal	-	295,000	-	-	295,000
Interest and fiscal charges	-	106,873	-	-	106,873
AEA flowthrough	176,431	-	-	-	176,431
	<u>176,431</u>	<u>401,873</u>	<u>83,957</u>	<u>1,000</u>	<u>663,261</u>
Total expenditures	<u>4,435,192</u>	<u>401,873</u>	<u>83,957</u>	<u>304,675</u>	<u>5,225,697</u>
Excess (deficiency) of revenues over (under) expenditures	<u>94,213</u>	<u>(292,802)</u>	<u>524,801</u>	<u>55,854</u>	<u>382,066</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 588	\$ -	\$ -	\$ -	\$ 588
Interfund transfers in	-	401,873	-	-	401,873
Interfund transfers out	-	-	(401,873)	-	(401,873)
Total other financing sources (uses)	<u>588</u>	<u>401,873</u>	<u>(401,873)</u>	<u>-</u>	<u>588</u>
Net change in fund balances	94,801	109,071	122,928	55,854	382,654
Fund balances beginning of year	<u>603,277</u>	<u>154,968</u>	<u>399,969</u>	<u>193,896</u>	<u>1,352,110</u>
Fund balances end of year	<u>\$ 698,078</u>	<u>\$ 264,039</u>	<u>\$ 522,897</u>	<u>\$ 249,750</u>	<u>\$ 1,734,764</u>

See notes to financial statements.

## NORTH MAHASKA 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 \$ 382,654

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

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

Expenditures for capital assets	\$ 105,306	
Depreciation expense	<u>(202,435)</u>	(97,129)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 295,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,857

Some expenses reported in the Statement of Activities, including compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 8,133

Change in net assets of governmental activities \$ 590,515

See notes to financial statements.

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2007

	Enterprise - School Nutrition	Internal Service - Cafeteria Benefits
Assets		
Cash and cash equivalents	\$ 41,544	\$ 2,155
Due from other governments	9,408	-
Inventories	4,353	-
Capital assets, net of accumulated depreciation	<u>25,677</u>	<u>-</u>
Total assets	<u>80,982</u>	<u>2,155</u>
Liabilities		
Salaries and benefits payable	<u>966</u>	<u>-</u>
Net Assets		
Invested in capital assets	25,677	-
Unrestricted	<u>54,339</u>	<u>2,155</u>
Total net assets	<u>\$ 80,016</u>	<u>\$ 2,155</u>

See notes to financial statements.

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

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

	Enterprise - School Nutrition	Internal Service - Cafeteria Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 119,961	\$ 30,618
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	77,811	-
Benefits	35,643	-
Purchased services	1,045	-
Supplies	91,748	-
Depreciation	8,115	-
Other	-	32,115
	<u>214,362</u>	<u>32,115</u>
Operating loss	<u>(94,401)</u>	<u>(1,497)</u>
Non-operating revenues:		
Interest on investments	2,090	-
State sources	3,323	-
Federal sources	98,433	-
Total non-operating revenues	<u>103,846</u>	<u>-</u>
Change in net assets	9,445	(1,497)
Net assets beginning of year	<u>70,571</u>	<u>3,652</u>
Net assets end of year	<u>\$ 80,016</u>	<u>\$ 2,155</u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

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

	Enterprise - School Nutrition	Internal Service - Cafeteria Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 116,687	\$ -
Cash received from miscellaneous operating activities	3,274	30,618
Cash payments to employees for services	(112,488)	-
Cash payments to suppliers for goods or services	<u>(79,812)</u>	<u>(32,115)</u>
Net cash used by operating activities	<u>(72,339)</u>	<u>(1,497)</u>
Cash flows from non-capital financing activities:		
State grants received	3,323	-
Federal grants received	<u>82,531</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>85,854</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>2,090</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	15,605	(1,497)
Cash and cash equivalents beginning of year	<u>25,939</u>	<u>3,652</u>
Cash and cash equivalents end of year	<u>\$ 41,544</u>	<u>\$ 2,155</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

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

	Enterprise - School Nutrition	Internal Service - Cafeteria Benefits
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (94,401)	\$ (1,497)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	8,115	-
Commodities used	14,882	-
(Increase) in inventories	(1,901)	-
Increase in salaries and benefits payable	<u>966</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (72,339)</u>	<u>\$ (1,497)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$14,882 of federal commodities.

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2007

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>265,117</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>265,117</u></u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2007

		Private Purpose Trust
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	2,500
Interest		<u>11,892</u>
Total additions		<u>14,392</u>
Deductions:		
Support services:		
Scholarships awarded		6,050
Loss on value of investments		<u>317</u>
Total deductions		<u>6,367</u>
Change in net assets		8,025
Net assets beginning of year		<u>257,092</u>
Net assets end of year	\$	<u><u>265,117</u></u>

See notes to financial statements.

# NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### Note 1. Summary of Significant Accounting Policies

North Mahaska 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 City of New Sharon, Iowa, and agricultural territory in Mahaska and Poweshiek 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, North Mahaska 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. North Mahaska 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 Mahaska County Assessor's Conference Board.

#### B. Basis of Presentation

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

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

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

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary funds:

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

The Internal Service, Cafeteria Benefits Fund is used to account for the cafeteria benefits program offered by the District.

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

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

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

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.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for hourly employees, which are payable in July, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable.

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 MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-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 District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

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

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

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

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the District had investments as follows:

	<u>Amortized Cost/ Fair Value</u>
Iowa Schools Joint Investment Trust - Diversified Portfolio	\$ 796,098
Money Market Mutual Fund	24,969
Government Securities Mutual Funds	<u>237,448</u>
	<u>\$ 1,058,515</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The money market mutual fund and government securities mutual funds are stated at fair value.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust, money market mutual fund, and government securities mutual funds were rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>401,873</u>

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

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets

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

	<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	\$ 95,250	\$ -	\$ -	\$ 95,250
Capital assets being depreciated:				
Buildings	5,655,725	62,640	-	5,718,365
Improvements other than buildings	793,828	8,784	-	802,612
Furniture and equipment	884,175	33,882	-	918,057
Total capital assets being depreciated	<u>7,333,728</u>	<u>105,306</u>	-	<u>7,439,034</u>
Less accumulated depreciation for:				
Buildings	1,296,580	119,506	-	1,416,086
Improvements other than buildings	428,141	28,924	-	457,065
Furniture and equipment	617,257	54,005	-	671,262
Total accumulated depreciation	<u>2,341,978</u>	<u>202,435</u>	-	<u>2,544,413</u>
Total capital assets being depreciated, net	<u>4,991,750</u>	<u>(97,129)</u>	-	<u>4,894,621</u>
Governmental activities capital assets, net	<u>\$ 5,087,000</u>	<u>\$ (97,129)</u>	<u>\$ -</u>	<u>\$ 4,989,871</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 165,918	\$ -	\$ -	\$ 165,918
Less accumulated depreciation	132,126	8,115	-	140,241
Business-type activities capital assets, net	<u>\$ 33,792</u>	<u>\$ (8,115)</u>	<u>\$ -</u>	<u>\$ 25,677</u>

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

Governmental activities:	
Instruction	\$ 21,465
Support services:	
Operation and maintenance of plant services	2,837
Transportation	41,614
	<u>65,916</u>
Unallocated depreciation	<u>136,519</u>
Total governmental activities depreciation expense	<u>\$ 202,435</u>
Business-type activities:	
Food service operations	<u>\$ 8,115</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Long-Term Liabilities

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

	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 2,480,000	\$ 18,412	\$ 2,498,412
Additions	-	10,279	10,279
Reductions	295,000	18,412	313,412
Balance end of year	<u>\$ 2,185,000</u>	<u>\$ 10,279</u>	<u>\$ 2,195,279</u>
Due within one year	<u>\$ 305,000</u>	<u>\$ 10,279</u>	<u>\$ 315,279</u>

Bonds Payable

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 305,000	\$ 94,975	\$ 399,975
2009	320,000	82,364	402,364
2010	330,000	68,381	398,381
2011	345,000	53,667	398,667
2012	355,000	37,941	392,941
2013	100,000	24,530	124,530
2014	100,000	19,855	119,855
2015	110,000	14,960	124,960
2016	110,000	9,598	119,598
2017	110,000	4,125	114,125
	<u>\$ 2,185,000</u>	<u>\$ 410,396</u>	<u>\$ 2,595,396</u>

During the year ended June 30, 2007, the District retired \$295,000 of bonds.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 6. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly payments of \$1,281 during the term of the lease.

The total annual lease payments under the lease agreement are as follows:

Year Ending June 30,	Copiers
2008	\$ 15,372
2009	15,372
2010	15,372
2011	15,372
2012	6,405
	\$ 67,893

Total payments under the lease agreement for the year ended June 30, 2007 were \$17,037.

Note 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 \$156,555, \$146,107, and \$141,059, respectively, equal to the required contributions for each year.

Note 8. Risk Management

North Mahaska 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.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 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 \$176,431 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.

Required Supplementary Information

NORTH MAHASKA 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 Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 2,963,007	\$ 122,051	\$ 3,085,058	\$ 2,973,078	\$ 2,973,078	\$ 111,980
Intermediate sources	-	-	-	33,000	33,000	(33,000)
State sources	2,487,339	3,323	2,490,662	2,628,168	2,628,168	(137,506)
Federal sources	157,417	98,433	255,850	282,000	282,000	(26,150)
<b>Total revenues</b>	<b>5,607,763</b>	<b>223,807</b>	<b>5,831,570</b>	<b>5,916,246</b>	<b>5,916,246</b>	<b>(84,676)</b>
<b>EXPENDITURES:</b>						
Instruction	3,145,711	-	3,145,711	3,518,575	3,518,575	372,864
Support services	1,412,225	-	1,412,225	1,305,185	1,511,122	98,897
Non-instructional programs	4,500	214,362	218,862	358,998	358,998	140,136
Other expenditures	663,261	-	663,261	1,337,698	1,337,698	674,437
<b>Total expenditures</b>	<b>5,225,697</b>	<b>214,362</b>	<b>5,440,059</b>	<b>6,520,456</b>	<b>6,726,393</b>	<b>1,286,334</b>
Excess (deficiency) of revenues over (under) expenditures	382,066	9,445	391,511	(604,210)	(810,147)	1,201,658
Other financing sources, net	588	-	588	-	-	588
Excess (deficiency) of revenues and other financing sources over (under) expenditures	382,654	9,445	392,099	(604,210)	(810,147)	1,202,246
Balance beginning of year	1,352,110	70,571	1,422,681	1,994,517	1,994,517	(571,836)
Balance end of year	\$ <u>1,734,764</u>	\$ <u>80,016</u>	\$ <u>1,814,780</u>	\$ <u>1,390,307</u>	\$ <u>1,184,370</u>	\$ <u>630,410</u>

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service and private-purpose trust funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$205,937.

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Other Supplementary Information

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 66,354	\$ 98,094	\$ 83,691	\$ 248,139
Receivables:				
Property tax:				
Current year	1,017	-	594	1,611
Succeeding year	70,000	-	40,000	110,000
Total assets	\$ 137,371	\$ 98,094	\$ 124,285	\$ 359,750
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 70,000	\$ -	\$ 40,000	\$ 110,000
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	67,371	98,094	84,285	249,750
Total liabilities and fund equity	\$ 137,371	\$ 98,094	\$ 124,285	\$ 359,750

See accompanying independent auditor's report.

## NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

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

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 79,977	\$ -	\$ 46,707	\$ 126,684
Other	6,175	225,953	1,686	233,814
State sources	2	-	29	31
Total revenues	86,154	225,953	48,422	360,529
Expenditures:				
Current:				
Instruction	5,000	234,107	-	239,107
Support services:				
Student services	200	-	-	200
Instructional staff services	200	-	-	200
Administration services	13,515	-	-	13,515
Operation and maintenance of plant services	31,972	-	-	31,972
Transportation services	14,181	-	-	14,181
Non instructional programs	4,500	-	-	4,500
Other expenditures:				
Facilities acquisition	-	-	1,000	1,000
Total expenditures	69,568	234,107	1,000	304,675
Excess (deficiency) of revenues over (under) expenditures	16,586	(8,154)	47,422	55,854
Fund balances beginning of year	50,785	106,248	36,863	193,896
Fund balances end of year	\$ 67,371	\$ 98,094	\$ 84,285	\$ 249,750

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Change	\$ -	\$ 300	\$ 300	\$ -
Speech	990	116	78	1,028
Vocal	3,977	1,808	5,289	496
Instrumental	652	3,162	4,104	(290)
Flags	111	429	174	366
Music Resale - Elem.	118	639	816	(59)
Cleaning	3,719	676	10	4,385
Annual	(4,474)	21,588	17,842	(728)
FFA	8,890	26,453	20,123	15,220
Student Council	2,153	553	800	1,906
Interest	5,814	5,654	5,815	5,653
Pictures	850	1,434	2,254	30
Prom Party	1,503	11,982	11,647	1,838
Miscellaneous	886	654	471	1,069
School Fund/Concessions	7	18,751	18,750	8
National Honor Society	453	487	552	388
Volleyball/Coach	1,420	1,567	1,183	1,804
Football/Coach	1,014	558	1,021	551
Wrestling/Coach	1,423	1,800	2,274	949
Girls Basketball/Coach	1,190	412	789	813
Boys Basketball/Coach	354	232	75	511
B/G Golf/Coach	849	-	209	640
Girls Track/Coach	724	-	352	372
Boys Track/Coach	349	332	75	606
Graduates	271	-	271	-
Seniors	5,897	18,942	24,821	18
Juniors	1,362	10,686	8,074	3,974
Sophomores	560	175	-	735
Freshmen	383	206	6	583
8th Grade	160	170	-	330
7th Grade	-	170	-	170
Elem. Miscellaneous	16,977	21,229	31,583	6,623
Outdoor Classroom	477	-	-	477
Elem. Science Club	1,610	-	-	1,610
Elem. Pop	(93)	1,597	1,546	(42)
Elem. Basketball	664	-	-	664
Pop	-	-	-	-
Miscellaneous Athletics	28,717	68,038	65,883	30,872
Cheerleaders	1,751	2,185	3,613	323
Lock	70	-	-	70
Softball Concessions	5,065	5,495	6,233	4,327

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Baseball Concessions	\$ 9,387	\$ 7,821	\$ 8,129	\$ 9,079
Student Trainers	18	1,902	1,195	725
Intrafund Transfers	-	(12,250)	(12,250)	-
 Total	 \$ 106,248	 \$ 225,953	 \$ 234,107	 \$ 98,094

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2007	2006	2005	2004
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,289,190	\$ 2,185,988	\$ 2,246,991	\$ 2,230,456
Tuition	250,820	236,039	152,012	165,222
Other	422,997	360,951	334,615	306,186
State sources	2,487,339	2,306,029	2,136,469	1,986,351
Federal sources	157,417	169,241	182,276	158,670
<b>Total revenues</b>	<b>\$ 5,607,763</b>	<b>\$ 5,258,248</b>	<b>\$ 5,052,363</b>	<b>\$ 4,846,885</b>
<b>Expenditures:</b>				
Instruction	\$ 3,145,711	\$ 3,066,755	\$ 3,017,607	\$ 2,921,663
Support services:				
Student services	113,123	106,464	105,674	103,027
Instructional staff services	190,871	144,781	45,525	45,545
Administration services	515,313	476,634	435,102	445,836
Operation and maintenance of plant services	333,837	382,664	313,864	315,983
Transportation services	259,081	245,324	254,032	355,296
Non-instructional programs	4,500	4,000	6,575	5,000
Other expenditures:				
Facilities acquisition	84,957	350,575	104,947	122,873
Long-term debt:				
Principal	295,000	285,000	285,000	265,000
Interest and fiscal charges	106,873	117,012	126,498	134,523
AEA flowthrough	176,431	162,157	153,340	155,455
<b>Total expenditures</b>	<b>\$ 5,225,697</b>	<b>\$ 5,341,366</b>	<b>\$ 4,848,164</b>	<b>\$ 4,870,201</b>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Mahaska 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 November 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Mahaska Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of North Mahaska Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

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

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

Oskaloosa, Iowa  
November 14, 2007

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, posting of the cash receipts to the cash receipts journal, signing of checks, recording of disbursements, and preparing the bank reconciliations were all done by the same person.

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

Response – We have assessed this finding and concluded that any further changes would not be cost effective at this time.

Conclusion – Response accepted.

I-B-07 Bank Reconciliations – We noted that bank reconciliations for the Special Revenue, Student Activity Fund were not reconciled to the general ledger. We noted a \$1,250 check that had cleared the bank but was still on the outstanding check list and \$5,099 of incorrect journal entries to cash. Adjusting journal entries have been made to the general ledger to correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger as soon as possible after receiving the bank statement. Any differences should be resolved as soon as possible. This allows the District to timely detect and correct errors or omissions and more accurately monitor inflows and outflows.

Response – Bank reconciliations for all accounts will be done monthly and tied to the general ledger in the future.

Conclusion – Response accepted.

I-C-07 Athletic Gate Admissions – The athletic gate admissions and change box are not always reconciled with prenumbered tickets. We noted one game where the reconciliation was not completed and another game where the reconciliation was filled out later to match the money counted.

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

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

Conclusion – Response accepted.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

- II-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.
- II-B-07 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.