

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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Independent Auditor's Report

To the Board of Education of  
Schaller-Crestland 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 Schaller-Crestland Community School District, Schaller, 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 District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Schaller-Crestland 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, we have also issued our reports dated February 28, 2008, on our consideration of Schaller-Crestland Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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

February 28, 2008

# Schaller-Crestland Community School District

## Management Discussion & Analysis

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

### Financial Highlights

- The Schaller-Crestland CSD Board of Directors approved a Property Tax decrease from \$14.32395 to \$14.15543 per \$1,000 taxable valuation, creating a tax rate decrease of \$.17 per \$1000 taxable valuation. The change in rate was reflective of the ability to lower PPEL rates because of SILO income.
- The Local Option Sales Tax was beneficial to the district in that it generated about \$263,023 for capital improvement projects. (The amount is from Exhibit B.)

### Overview of the Financial Statements

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

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

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 Government-wide statements.

- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

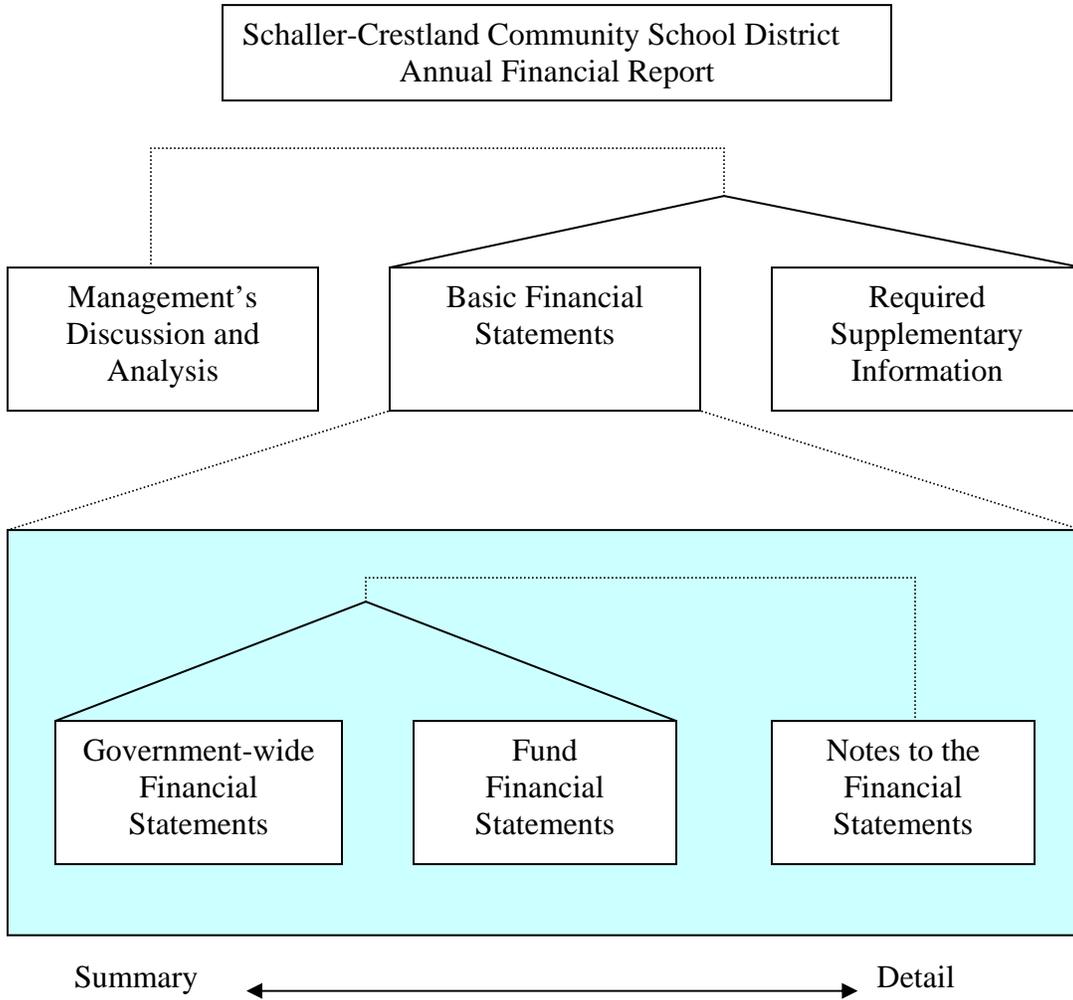


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

<i>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</i>				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private business: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
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 balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flow</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</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	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow / outflow information	All revenues and expenses during 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 and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **Government-wide Statements**

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

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

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

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

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

- *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 you 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 Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.
- *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 statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

### **Government-wide Financial Analysis**

Figure A-3 below provides a summary of the District's net assets ended June 30, 2007, 2006 and 2005.

#### **Net assets**

The District's total net assets have shown a steady increase over the past two years, increasing by \$157,207 during fiscal year 2006 and increasing by \$145,519 during fiscal year 2007.

Figure A-3	Condensed Statement of Net Assets									
	Governmental Activities			Business Type Activities			Total School District			Total % Change 2006-2007
	2005	2006	2007	2005	2006	2007	2005	2006	2007	
Current and other assets	\$3,124,763	\$3,703,906	\$3,953,009	\$52,075	\$34,861	\$7,754	\$3,176,838	\$3,738,767	\$3,960,763	5.9%
Capital assets	2,753,070	2,683,703	2,660,470	34,005	28,398	31,194	2,787,075	2,712,101	2,691,664	(.75%)
<b>Total Assets</b>	<b>5,877,833</b>	<b>6,387,609</b>	<b>6,613,479</b>	<b>86,080</b>	<b>63,259</b>	<b>38,948</b>	<b>\$5,963,913</b>	<b>\$6,450,868</b>	<b>\$6,652,427</b>	<b>3.1%</b>
Long-term liabilities	15,663	0	26,913	0	0	0	15,663	0	26,913	
Other liabilities	2,480,477	2,827,227	2,856,319	2,254	915	950	2,482,731	2,828,142	2,857,269	1.02%
<b>Total liabilities</b>	<b>2,496,140</b>	<b>2,827,227</b>	<b>2,883,232</b>	<b>2,254</b>	<b>915</b>	<b>950</b>	<b>2,498,394</b>	<b>2,828,142</b>	<b>2,884,182</b>	<b>1.98%</b>
Net Assets:										
Invested in capital assets, net of related debt	2,753,070	2,683,703	2,660,470	34,005	28,398	31,194	2,787,075	2,712,101	2,691,664	(.75%)
Restricted	157,840	411,832	551,552	0	0	0	157,840	411,832	551,552	33.92%
Unrestricted	470,783	464,847	518,225	49,821	33,946	6,804	520,604	498,793	525,029	5.25%
<b>TOTAL NET ASSETS</b>	<b>\$3,381,693</b>	<b>\$3,560,382</b>	<b>\$3,730,247</b>	<b>\$83,826</b>	<b>\$62,344</b>	<b>\$37,998</b>	<b>\$3,465,519</b>	<b>\$3,622,726</b>	<b>\$3,768,245</b>	<b>4.01%</b>

The District issues anticipatory warrants through the Iowa Schools Cash Anticipation Program, to ease cash flow problems that may occur periodically throughout the year. The District's participation was minimal by June 30, 2007 compared to June 30, 2006. This had little effect on increasing the District's current assets and other liabilities.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$139,620 or 33.92% over the prior year. The increase was primarily a result of sales tax revenues collected, but not spent during the year. These monies will be used for future capital projects.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints, established by debt covenants, enabling legislation or other legal requirements – increased by approximately \$26,236 or 5.25%.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

<b>Changes in Net Assets</b>						
Figure A-4	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total School District</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
<b>Revenues</b>						
Program Revenues						
Charges for services	\$228,491	\$271,849	82,503	76,430	\$310,994	\$348,279
Operating Grants & Contributions	491,396	537,579	95,185	85,930	\$586,581	623,509
Capital Grants & Contributions	0	0	0	0	0	0
General Revenues						
Property taxes & other taxes	1,952,537	2,044,573	0	0	1,952,537	2,044,573
Unrestricted State Grants	1,637,074	1,689,890	0	0	1,637,074	1,689,890
Unrestricted Investment Earnings	51,142	55,499	419	199	51,561	55,698
Other Revenue	233	16,218	5,393	0	5,626	16,218
<b>Total Revenues</b>	<b>\$4,360,873</b>	<b>\$4,615,608</b>	<b>\$183,500</b>	<b>\$162,559</b>	<b>\$4,544,373</b>	<b>\$4,778,167</b>
<b>Expenses</b>						
Instruction	2,533,370	2,776,936	0	0	2,533,370	2,776,936
Support Services	1,229,598	1,212,035	0	0	1,229,598	1,212,035
Non-Instructional Programs	0	0	204,982	195,520	204,982	195,520
Other Expenses	419,216	448,157	0	0	419,216	448,157
<b>Total Expenses</b>	<b>\$4,182,184</b>	<b>\$4,437,128</b>	<b>\$204,982</b>	<b>\$195,520</b>	<b>\$4,387,166</b>	<b>\$4,632,648</b>
Transfers	0	(8,615)	0	8,615	0	0
Change in Net Assets	<b>\$178,689</b>	<b>\$169,865</b>	<b>(\$21,482)</b>	<b>(\$24,346)</b>	<b>\$157,207</b>	<b>\$145,519</b>

Total District revenues increased approximately \$234,000 between 2006 and 2007 while total expenses increased in 2007 by approx. \$245,000. This created \$145,519 in total school district net assets. Total property tax revenues increased approximately \$50,000.

*Governmental Activities -*

Referring to *Figure A-4*, revenues for the District's governmental activities were \$4,615,608 for fiscal year 2007. Total governmental expenditures were \$4,437,128. This is a difference of \$178,480.

In a semi-difficult budget year, the District had to trim expenses to match available revenues, however the board of directors was able to lower the overall district rate from \$14.32395 to \$14.15543 per thousand dollars of taxable valuation.

<b>Net Cost of Governmental Activities</b>				
Figure A-5	Total Cost of Services 2006	Total Cost of Services 2007	Net Cost Of Services 2006	Net Cost Of Services 2007
Instruction	\$2,533,370	\$2,776,936	\$1,961,383	\$2,119,230
Support Services	1,229,598	1,212,035	1,224,439	1,208,045
Non-Instructional Programs	0	0	0	0
Other Expenses	419,216	448,157	276,475	300,425
<b>TOTAL</b>	<b>\$4,182,184</b>	<b>\$4,437,128</b>	<b>\$3,462,297</b>	<b>\$3,627,700</b>

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$4,437,128.
- Most of the District's costs (\$3,627,700) were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,044,573 in property and other local taxes, and \$1,689,890 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

#### *Business-Type Activities -*

The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District's business-type activities show a decrease in net assets with expenses exceeding revenues of (\$21,482) in '06, (\$32,961) in '07 for a two year total of decreased revenue of \$54,443 (refer to *Figure A-4*). Total revenues decreased during the year because of declining enrollment. The increase in the change of net assets was due to the increased costs for salaries, employee benefits and food. The Board of Education did not increase school meal prices for fiscal year 2006, but did increase meal prices for fiscal year 2007.

### **Financial Analysis of the District's Funds**

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 combined fund balances of \$929,028.

#### Governmental Fund Highlights

The General Fund balance decreased from \$482,754 in '03 to \$404,987 in '04 to \$378,251 in '05, to \$370,264 in 2006, and increased to \$422,418 in 2007. This is due in part to a concerted effort in the reduction in staff, even though student enrollment declined, and negotiated salary and benefit settlements increased. The Board chose to use carryover fund balance to maintain obligations and student programming. Expenditures over revenues were held close to the previous year.

The Non-major governmental funds include Management, Student Activity, Physical Plant and Equipment Levy and Capital Projects. The Management fund balance increased \$49,085 during the year. The increase was due in large to our tax asking in the Management Fund in anticipation of a possible early retirement.

The capital projects fund balance increased slightly \$4,902.

The Physical Plant and Equipment Fund began fiscal year 2007 with a deficit fund balance of \$26,886 and ended the year with a positive fund balance of \$82,067. In a previous year, the PPEL fund borrowed money from the General Fund to finance capital improvements. (elementary wing renovations) The PPEL Fund deficit was reduced as the loan from the General Fund was repaid. The district made the last payment with interest of \$78,500 to the General Fund on June 26, 2007.

#### Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$97,704 on June 30, 2003 to \$97,260 on June 30, 2004, on June 30, 2005 \$83,826, \$62,344 on June 30, 2006 and on June 30, 2007 \$37,998, representing a decrease of 39% from the previous year. The higher cost of food and an increase in salaries along with extra hours put in by the head cook to comply with more federal and state regulations and mandates added to our overall costs. Fuel surcharges also began to enter into our increased costs for deliveries.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

During FY07, total revenues stabilized comparatively to the year before when the FY07 budget was assembled in February, 2005. Ultimately, budgeted amounts exceeded actual revenue by \$4,522. This was due to a variety of factors, however, it represented a huge decrease from the \$290,603 amount we saw in FY 06. On the expense side, the District began adjusting to multiple factors, and succeeded in keeping total disbursements closer to total receipts. When a preliminary budget is set, the District always requests the ability to expend its full budget if necessary, but has the goal of keeping disbursements in line with revenues as actual revenue accumulates. As a result, the District's certified budget would hopefully exceed the actual expenditures during the coming year. It is apparent that even in such a difficult fiscal year in which to accurately predict revenues, the District was succeeded in meeting its goal in keeping total disbursements \$4,580,467 below total receipts \$4,753,552.

In spite of the District's budgeting practice, the certified budget was amended in Total Other Expenditures due to the purchase of a security system and a new phone system in the elementary/middle school facility.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2007, the District had invested \$2,691,664 net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net decrease of \$20,437 or a .75% decrease from last year. The District was able to stay within its means and not accumulate any debt in FY07.

The 2006-2007 school year was one of the districts most productive in the way of capital improvements to the district. Through the Physical Plant and Equipment fund and Capital Projects fund better known as the one cent local option sales tax, we were able to make many repairs and improvements. The list includes, but not limited to, painting of classrooms and hallways, the purchase of a seven passenger mini-van and a four-wheel drive pick-up, major heating repairs to individual heat pump units at the high school, and a multitude of grounds maintenance repair items to numerous to mention because of actual minimal costs.

Major highlights that were purchased from Capital Projects fund was the installation of the pre-school playground and the rubber surface tiles that went with it and a new phone system in the Schaller facility.

We completed our second installment of the high school parking lot paving project, purchased a new tractor loader for our outdoor facility maintenance, and keeping up with our goal for good nutrition for our students and the general public was the purchase of two milk vending machines for both the high school and K-8 building.

And probably the most significant improvement to our school district was the purchase of security cameras and an interactive front door latch locking main entrance for student and public security.

<b>Capital Assets (net of depreciation)</b>										
Figure A-6	<b>Governmental Activities</b>			<b>Business-type Activities</b>			<b>Total School District</b>			<b>Total % Change</b>
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2006-2007</b>
Land	18,889	18,889	18,889	0	0	0	18,889	18,889	18,889	<b>0%</b>
Construction In progress	62,525	0	0	0	0	0	62,525	0	0	
Buildings. & Improvements	2,567,956	2,517,039	2,466,622	0	0	0	2,567,956	2,517,039	2,466,622	<b>(2.00%)</b>
Equip. & Furniture	103,700	147,775	174,959	34,005	28,398	31,194	137,705	176,173	206,153	<b>17.02%</b>
<b>TOTAL</b>	<b>2,753,070</b>	<b>2,683,703</b>	<b>2,660,470</b>	<b>34,005</b>	<b>28,398</b>	<b>31,194</b>	<b>2,787,075</b>	<b>2,712,101</b>	<b>2,691,664</b>	<b>(.75%)</b>

## Long-Term Debt

At June 30, 2007 the District's only long-term debt was for its early retirement program.

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

The District is projected to remain in reasonable financial health into the immediate future. Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years like FY06 and FY07 when the budget guarantee decreases in percentage, combined with a stable foundation of cash balance and moderate unspent balances, allows the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. In FY '08, the District will have received two years of allowable growth money, and FY '09 looks a little brighter for additional new money with the projected 4% allowable growth. We still experience declining enrollment and therefore it can offset the 4% allowable growth money. As stated last year in the MD&A, in FY '09, the District will receive its third year of added property value as the Wind Farm matures. Increased property value is projected to generate over \$65,000.00 the first year compounded each year for 6 years to about \$400,000. There are now 76 wind turbines located in the Sac County portion of the school district and 2 in the Buena Vista portion of the district for a total of 78. They are valued at about 1.5 million dollars each. However, costs outside of the Board's control such as continual increases in health insurance and higher than normal utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability. Funds from PPEL and the SILO tax will help when making large capital improvements to the district.

For the upcoming fiscal year, the final pavement project for the high school should be completed.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dave Kwikkel, Superintendent, Schaller-Crestland Community School District, 300 S. Berwick Street, Schaller, Iowa 51053.

## BASIC FINANCIAL STATEMENTS

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	789,486	-	789,486
Other	1,097,637	2,894	1,100,531
Receivables:			
Property tax:			
Delinquent	35,612	-	35,612
Succeeding year	1,708,096	-	1,708,096
Accounts	17,588	62	17,650
Accrued interest:			
ISCAP	9,895	-	9,895
Other	86	-	86
Due from other governments	294,609	-	294,609
Inventories	-	4,798	4,798
Capital assets, net of accumulated depreciation	2,660,470	31,194	2,691,664
<b>Total assets</b>	<b>6,613,479</b>	<b>38,948</b>	<b>6,652,427</b>
<b>Liabilities</b>			
Accounts payable	39,225	-	39,225
Salaries and benefits payable	308,220	-	308,220
Deferred revenue:			
Succeeding year property tax	1,708,096	-	1,708,096
Other	-	950	950
ISCAP warrants payable	791,000	-	791,000
ISCAP accrued interest payable	5,054	-	5,054
ISCAP premium	4,724	-	4,724
Long-term liabilities			
Portion due within one year:			
Termination benefits	8,971	-	8,971
Portion due after one year:			
Termination benefits	17,942	-	17,942
<b>Total liabilities</b>	<b>2,883,232</b>	<b>950</b>	<b>2,884,182</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,660,470	31,194	2,691,664
Restricted for:			
Management levy	96,042	-	96,042
Physical plant and equipment levy	153,922	-	153,922
Other special revenue purposes	36,045	-	36,045
Local option sales tax capital projects	265,543	-	265,543
Unrestricted	518,225	6,804	525,029
<b>Total net assets</b>	<b>3,730,247</b>	<b>37,998</b>	<b>3,768,245</b>

See notes to financial statements.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	1,979,742	145,182	288,379	-
Special	345,346	-	30,525	-
Other	451,848	125,966	67,654	-
	<u>2,776,936</u>	<u>271,148</u>	<u>386,558</u>	<u>-</u>
<b>Support services:</b>				
Student	76,667	-	-	-
Instructional staff	104,547	-	-	-
Administration	442,835	-	-	-
Operation and maintenance of plant	338,997	78	-	-
Transportation	248,989	623	3,289	-
	<u>1,212,035</u>	<u>701</u>	<u>3,289</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	169,703	-	650	-
Long-term debt interest	-	-	-	-
AEA flowthrough	147,082	-	147,082	-
Depreciation (unallocated)*	131,372	-	-	-
	<u>448,157</u>	<u>-</u>	<u>147,732</u>	<u>-</u>
Total governmental activities	4,437,128	271,849	537,579	-
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	195,520	76,430	85,930	-
Total	<u>4,632,648</u>	<u>348,279</u>	<u>623,509</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,546,181)	-	(1,546,181)
(314,821)	-	(314,821)
(258,228)	-	(258,228)
<u>(2,119,230)</u>	<u>-</u>	<u>(2,119,230)</u>
(76,667)	-	(76,667)
(104,547)	-	(104,547)
(442,835)	-	(442,835)
(338,919)	-	(338,919)
(245,077)	-	(245,077)
<u>(1,208,045)</u>	<u>-</u>	<u>(1,208,045)</u>
(169,053)	-	(169,053)
-	-	-
-	-	-
(131,372)	-	(131,372)
<u>(300,425)</u>	<u>-</u>	<u>(300,425)</u>
(3,627,700)	-	(3,627,700)
-	(33,160)	(33,160)
<u>(3,627,700)</u>	<u>(33,160)</u>	<u>(3,660,860)</u>
1,477,919	-	1,477,919
116,587	-	116,587
187,044	-	187,044
263,023	-	263,023
1,689,890	-	1,689,890
55,499	199	55,698
16,218	-	16,218
3,806,180	199	3,806,379
(8,615)	8,615	-
<u>3,797,565</u>	<u>8,814</u>	<u>3,806,379</u>
169,865	(24,346)	145,519
<u>3,560,382</u>	<u>62,344</u>	<u>3,622,726</u>
<u>3,730,247</u>	<u>37,998</u>	<u>3,768,245</u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	789,486	-	789,486
Other	636,543	461,094	1,097,637
Receivables:			
Property tax:			
Delinquent	30,785	4,827	35,612
Succeeding year	1,542,648	165,448	1,708,096
Accounts	17,495	93	17,588
Accrued interest - ISCAP	9,895	-	9,895
Accrued interest - other	-	86	86
Interfund receivable	6,922	-	6,922
Due from other governments	164,752	129,857	294,609
<b>Total assets</b>	<b>3,198,526</b>	<b>761,405</b>	<b>3,959,931</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	30,864	8,361	39,225
Salaries and benefits payable	306,011	2,209	308,220
Interfund payable	-	6,922	6,922
ISCAP warrants payable	791,000	-	791,000
ISCAP accrued interest payable	5,054	-	5,054
ISCAP premium	4,724	-	4,724
Deferred revenue:			
Succeeding year property tax	1,542,648	165,448	1,708,096
Other	95,807	71,855	167,662
<b>Total liabilities</b>	<b>2,776,108</b>	<b>254,795</b>	<b>3,030,903</b>
Fund balances:			
Unreserved reported in:			
General fund	422,418	-	422,418
Special revenue funds	-	241,067	241,067
Capital projects funds	-	265,543	265,543
<b>Total fund balance</b>	<b>422,418</b>	<b>506,610</b>	<b>929,028</b>
<b>Total liabilities and fund balances</b>	<b>3,198,526</b>	<b>761,405</b>	<b>3,959,931</b>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	929,028
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,660,470
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	167,662
Long-term liabilities, including termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(26,913)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>3,730,247</u></u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,485,088	518,351	2,003,439
Tuition	115,352	-	115,352
Other	80,422	137,793	218,215
State sources	2,076,487	27,169	2,103,656
Federal sources	150,331	-	150,331
Total revenues	<u>3,907,680</u>	<u>683,313</u>	<u>4,590,993</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,945,886	6,943	1,952,829
Special	345,346	-	345,346
Other	301,486	148,267	449,753
	<u>2,592,718</u>	<u>155,210</u>	<u>2,747,928</u>
Support services:			
Student	76,667	-	76,667
Instructional staff	95,000	9,547	104,547
Administration	441,708	400	442,108
Operation and maintenance of plant	289,995	40,415	330,410
Transportation	212,356	28,260	240,616
	<u>1,115,726</u>	<u>78,622</u>	<u>1,194,348</u>
Other expenditures:			
Facilities acquisition	-	295,589	295,589
AEA flowthrough	147,082	-	147,082
	<u>147,082</u>	<u>295,589</u>	<u>442,671</u>
Total expenditures	<u>3,855,526</u>	<u>529,421</u>	<u>4,384,947</u>
Net change in fund balances	52,154	153,892	206,046
Fund balances beginning of year	370,264	352,718	722,982
Fund balances end of year	<u>422,418</u>	<u>506,610</u>	<u>929,028</u>

## SCHALLER-CRESTLAND 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

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		206,046
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital expenditures exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	155,621	
Depreciation expense	<u>(178,854)</u>	(23,233)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		13,965
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>(26,913)</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>169,865</u></u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
<b>Assets</b>	
Cash and cash equivalents	2,894
Accounts receivable	62
Inventories	4,798
Capital assets, net of accumulated depreciation	<u>31,194</u>
<b>Total assets</b>	<u>38,948</u>
<b>Liabilities</b>	
Deferred revenue	<u>950</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	31,194
Unrestricted	<u>6,804</u>
<b>Total net assets</b>	<u><u>37,998</u></u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>76,430</u>
Operating expenses:	
Non-instructional programs:	
Salaries	79,337
Benefits	12,830
Purchased services	2,169
Supplies	95,365
Depreciation	<u>5,540</u>
	<u>195,241</u>
Operating gain (loss)	<u>(118,811)</u>
Non-operating revenues (expenses):	
State sources	2,418
Federal sources	83,512
Loss on disposal of capital assets	(279)
Interest income	199
Total non-operating revenues	<u>85,850</u>
Gain (loss) before contributions	(32,961)
Capital contributions	<u>8,615</u>
Change in net assets	(24,346)
Net assets beginning of year	<u>62,344</u>
Net assets end of year	<u><u>37,998</u></u>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	76,611
Cash payments to employees for services	(92,167)
Cash payments to suppliers for goods or services	<u>(83,971)</u>
Net cash used by operating activities	<u>(99,527)</u>
Cash flows from non-capital financing activities:	
State grants received	2,418
Federal grants received	<u>70,198</u>
Net cash provided by non-capital financing activities	<u>72,616</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>199</u>
Net increase (decrease) in cash and cash equivalents	(26,712)
Cash and cash equivalents at beginning of year	<u>29,606</u>
Cash and cash equivalents at end of year	<u><u>2,894</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(118,811)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	13,314
Depreciation	5,540
Decrease (increase) in inventories	420
Decrease (increase) in accounts receivable	(25)
(Decrease) increase in accounts payable	(171)
(Decrease) increase in deferred revenue	<u>206</u>
Net cash used in operating activities	<u><u>(99,527)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$13,314 of federal commodities.

During the year ended June 30, 2007, the School Nutrition Fund received \$8,615 of equipment that was purchased by other funds.

# SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 1. Summary of Significant Accounting Policies

Schaller-Crestland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Schaller, Iowa and the predominately agricultural territory in a portion of Sac and Ida 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, Schaller-Crestland 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 Schaller-Crestland Community School District has no component units that 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 County Assessor's Conference Board.

#### B. Basis of Presentation

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

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

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

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

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

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

The District reports the following major governmental fund:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

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

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

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

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

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

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

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

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

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amounts budgeted.

**2. Cash and Pooled Investments**

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

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

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

**3. Interfund Receivables and Payables**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor – Physical Plant and Equipment Levy Fund	6,922

In a previous year the General Fund loaned the Physical Plant and Equipment Levy Fund money to finance a construction project. The loan will be repaid during the next year.

#### 4. 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. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2006-07A	6/28/06	6/28/07	-	3,595	-	-
2006-07B	1/26/07	1/25/08	272,304	6,146	273,000	4,927
2007-08A	6/27/07	6/27/08	517,182	154	518,000	127
Total			789,486	9,895	791,000	5,054

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

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2006-07A	4.500	5.676
2006-07B	4.250	5.315
2007-08A	4.500	4.455

## 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	18,889	-	-	18,889
Capital assets being depreciated:				
Buildings	5,111,290	-	-	5,111,290
Improvements other than buildings	387,248	80,955	-	468,203
Furniture and equipment	640,927	74,666	-	715,593
Total capital assets being deprec.	<u>6,139,465</u>	<u>155,621</u>	<u>-</u>	<u>6,295,086</u>
Less accumulated depreciation for:				
Buildings	2,739,926	118,032	-	2,857,958
Improvements other than buildings	241,573	13,340	-	254,913
Furniture and equipment	493,152	47,482	-	540,634
Total accumulated depreciation	<u>3,474,651</u>	<u>178,854</u>	<u>-</u>	<u>3,653,505</u>
Total capital assets being depreciated, net	<u>2,664,814</u>	<u>(23,233)</u>	<u>-</u>	<u>2,641,581</u>
Governmental activities capital assets, net	<u>2,683,703</u>	<u>(23,233)</u>	<u>-</u>	<u>2,660,470</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	90,988	8,615	5,761	93,842
Less accumulated depreciation	<u>62,590</u>	<u>5,540</u>	<u>5,482</u>	<u>62,648</u>
Business type activities capital assets, net	<u>28,398</u>	<u>3,075</u>	<u>279</u>	<u>31,194</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Other instruction				2,095
Support services:				
Administration				727
Operation and maintenance of plant services				8,587
Transportation				<u>36,073</u>
				47,482
Unallocated depreciation				<u>131,372</u>
Total depreciation expense – governmental activities				<u>178,854</u>
Business type activities:				
Food services				<u>5,540</u>

## 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
	\$	\$	\$	\$	\$
Termination Benefits	-	26,913	-	26,913	8,971

### Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2007. Eligible employees must have completed at least fifteen years of full-time service to the District and must be at least age 55 on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal the lower of \$25,000 or 2/3 of the employee's fiscal year 2007 base salary. Annual payments will be made over three years.

At June 30, 2007, the District has an obligation to one participant. There were no early retirement expenditures for the year ended 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 \$131,357, \$110,273, and \$118,171 respectively, equal to the required contributions for each year.

## 8. Risk Management

Schaller-Crestland 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 \$147,082 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. Construction Commitment

The District has entered into a contract of \$39,520 for asphalt. Work on the project had not started at June 30, 2007.

## 11. Lease Commitments

The District has leased copy machines and an auto using operating leases. The following minimum lease payments will be made over the lives of the leases:

Year Ending June 30,	Lease Payments
	\$
2008	15,588
2009	10,080
2010	4,572
2011	381
	<u>30,621</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	2,337,006	76,629	2,413,635	2,345,938	2,345,938	67,697
Intermediate sources		-	-	7,800	7,800	(7,800)
State sources	2,103,656	2,418	2,106,074	2,149,336	2,149,336	(43,262)
Federal sources	150,331	83,512	233,843	255,000	255,000	(21,157)
Total revenues	<u>4,590,993</u>	<u>162,559</u>	<u>4,753,552</u>	<u>4,758,074</u>	<u>4,758,074</u>	<u>(4,522)</u>
Expenditures:						
Instruction	2,747,928	-	2,747,928	3,546,309	3,546,309	798,381
Support services	1,194,348	-	1,194,348	1,472,400	1,472,400	278,052
Non-instructional programs	-	195,520	195,520	257,826	257,826	62,306
Other expenditures	442,671	-	442,671	464,854	489,854	47,183
Total expenditures	<u>4,384,947</u>	<u>195,520</u>	<u>4,580,467</u>	<u>5,741,389</u>	<u>5,766,389</u>	<u>1,185,922</u>
Excess (deficiency) of revenues over (under) expenditures	206,046	(32,961)	173,085	(983,315)	(1,008,315)	1,181,400
Other financing sources (uses) net	<u>-</u>	<u>8,615</u>	<u>8,615</u>	<u>4,000</u>	<u>4,000</u>	<u>4,615</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	206,046	(24,346)	181,700	(979,315)	(1,004,315)	1,186,015
Balance beginning of year	<u>722,982</u>	<u>62,344</u>	<u>785,326</u>	<u>979,315</u>	<u>979,315</u>	<u>(193,989)</u>
Balance end of year	<u>929,028</u>	<u>37,998</u>	<u>967,026</u>	<u>-</u>	<u>(25,000)</u>	<u>992,026</u>

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides 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 \$25,000.

OTHER SUPPLEMENTARY INFORMATION

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Sales Tax	
	\$	\$	\$	\$	
Cash and pooled investments	120,732	37,930	90,909	211,523	461,094
Receivables:					
Property tax:					
Delinquent	2,223	-	2,604	-	4,827
Succeeding year	75,000	-	90,448	-	165,448
Accounts	-	93	-	-	93
Accrued interest	-	11	75	-	86
Due from other governments	-	-	71,855	58,002	129,857
<b>Total assets</b>	<b>197,955</b>	<b>38,034</b>	<b>255,891</b>	<b>269,525</b>	<b>761,405</b>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	1,989	4,599	1,773	8,361
Salaries and benefits payable	-	-	-	2,209	2,209
Interfund payables	-	-	6,922	-	6,922
Deferred revenue:					
Succeeding year property tax	75,000	-	90,448	-	165,448
Other	-	-	71,855	-	71,855
Total liabilities	<b>75,000</b>	<b>1,989</b>	<b>173,824</b>	<b>3,982</b>	<b>254,795</b>
Fund balances:					
Unreserved reported in:					
Special revenue funds	122,955	36,045	82,067	-	241,067
Capital projects funds	-	-	-	265,543	265,543
Total fund balances	<b>122,955</b>	<b>36,045</b>	<b>82,067</b>	<b>265,543</b>	<b>506,610</b>
<b>Total liabilities and fund balances</b>	<b>197,955</b>	<b>38,034</b>	<b>255,891</b>	<b>269,525</b>	<b>761,405</b>

## SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds			Capital Projects Fund	Total
	Management	Student	Physical	Sales Tax	
	Levy	Activity Fund	Plant and Equipment Levy		
\$	\$	\$	\$	\$	
Revenues:					
Local sources:					
Local tax	99,543	-	182,954	235,854	518,351
Other	6,847	125,986	1,722	3,238	137,793
State sources	-	-	-	27,169	27,169
Total revenues	<u>106,390</u>	<u>125,986</u>	<u>184,676</u>	<u>266,261</u>	<u>683,313</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,943	-	-	-	6,943
Other	-	135,037	-	13,230	148,267
Support services:					
Instructional staff	9,547	-	-	-	9,547
Administration	400	-	-	-	400
Operation and maintenance of plant	40,415	-	-	-	40,415
Transportation	-	-	28,260	-	28,260
Other expenditures:					
Facilities acquisition	-	-	47,460	248,129	295,589
Total expenditures	<u>57,305</u>	<u>135,037</u>	<u>75,720</u>	<u>261,359</u>	<u>529,421</u>
Excess (deficiency) of revenues over (under) expenditures	49,085	(9,051)	108,956	4,902	153,892
Fund balances beginning of year	<u>73,870</u>	<u>45,096</u>	<u>(26,889)</u>	<u>260,641</u>	<u>352,718</u>
Fund balances end of year	<u><u>122,955</u></u>	<u><u>36,045</u></u>	<u><u>82,067</u></u>	<u><u>265,543</u></u>	<u><u>506,610</u></u>

## SCHALLER-CRETLAND COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
Cross country	(87)	618	190	341
SCCS students	2,596	1,665	2,314	1,947
Activity tickets	1,130	6,671	7,687	114
Tournaments	1,017	1,980	1,023	1,974
Activity resale	687	6,203	6,094	796
Concession stand	(153)	4,683	5,447	(917)
Speech	1,516	1,385	1,217	1,684
Band resale	(354)	628	660	(386)
Basketball boys	2,497	10,287	12,270	514
Football	(2,974)	6,566	5,620	(2,028)
Baseball	(877)	3,915	3,693	(655)
Boys track	251	4,647	4,857	41
Boys golf	(48)	102	51	3
Wrestling	(557)	2,390	1,831	2
Girls basketball	2,349	4,456	6,306	499
Volleyball	816	5,965	6,048	733
Softball	(1,189)	3,826	3,292	(655)
Girls track	598	4,321	4,909	10
Girls golf	(194)	195	-	1
Athletics fund	-	-	1,690	(1,690)
Class of 2003	962	-	-	962
Class of 2004	338	-	-	338
Class of 2005	440	-	-	440
Class of 2006	170	-	17	153
Class of 2007	2,197	3,528	5,341	384
Class of 2008	3,379	2,302	4,079	1,602
Class of 2009	1,017	1,346	70	2,293
Class of 2010	-	564	181	383
FFA club	7,357	13,072	12,619	7,810
Cheerleaders	1,992	452	1,140	1,304
Student council	2,416	4,302	6,573	145
Middle school student council	779	5,415	3,842	2,352
Peerhelpers	193	-	-	193
Teacher soda club school improvement	212	68	43	237
Industrial arts club	4	-	-	4
Annual	10,476	11,221	12,715	8,982
NHS	451	1,289	1,591	149
Tatu	29	-	-	29
Dance squad	1,768	2,929	2,687	2,010
K-8 activity	3,892	5,995	6,160	3,727
Oliver tractor project	-	3,000	2,780	220
Total	45,096	125,986	135,037	36,045

See accompanying independent auditor's report.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,003,439	1,894,671	1,909,613	1,846,569
Tuition	115,352	76,040	63,905	116,029
Other	218,215	205,049	185,614	158,845
Intermediate sources	-	-	7,243	-
State sources	2,103,656	2,013,357	1,853,769	1,687,932
Federal sources	150,331	161,885	172,295	177,364
Total revenues	<u>4,590,993</u>	<u>4,351,002</u>	<u>4,192,439</u>	<u>3,986,739</u>
Expenditures:				
Instruction:				
Regular	1,952,829	1,775,981	1,712,439	1,754,881
Special	345,346	346,354	342,119	446,301
Other	449,753	424,603	443,700	341,820
Support services:				
Student	76,667	92,231	89,577	77,294
Instructional staff	104,547	114,593	84,785	36,097
Administration	442,108	429,347	404,567	509,014
Operation and maintenance of plant	330,410	328,591	343,063	350,241
Transportation	240,616	299,100	203,743	145,031
Other expenditures:				
Facilities acquisition	295,589	175,334	262,146	194,971
AEA flowthrough	147,082	142,346	140,942	144,357
Total expenditures	<u>4,384,947</u>	<u>4,128,480</u>	<u>4,027,081</u>	<u>4,000,007</u>

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

To the Board of Education of  
Schaller-Crestland 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 Schaller-Crestland 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 February 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

#### Compliance and Other Matters

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

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

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

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

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

February 28, 2008

SCHALLER-CRETLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

07-I-B Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the Administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

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

Conclusion: Response accepted.

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

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

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

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
Gary Ronfeldt, Board Member, owner of Ron's Carpet Laying	Carpet laying	3,371

The transaction appears to represent a conflict of interest since the dollar amount was more than \$2,500.

Recommendation: Business with district officials is not a conflict of interest if bids are taken or total amount is less than \$2,500. The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

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

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

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

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

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

07-II-J Financial Condition: The Student Activity Fund had several accounts with deficit balances at the end of the year.

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

District Response: We will continue to work on eliminating account deficits in the Student Activity Fund.

Conclusion: Response accepted.

07-II-K Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$931 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

District Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.