

comprehensive
annual
financial report
for the fiscal year ended
June 30, 2007



Southeast Polk
Community School District

8379 NE University Ave.
Pleasant Hill, IA 50327

515-967-4294
www.sepolk.k12.ia.us

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the**

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

Runnells, Iowa

For the fiscal year ended June 30, 2007

OFFICIAL ISSUING REPORT

Robert M. Hamilton

Director of Finance

OFFICE ISSUING REPORT

Business Office

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

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SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

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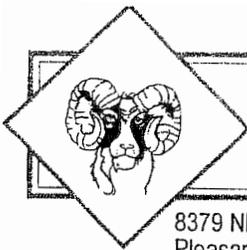
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Introductory Section



Southeast Polk

Community School District

SEP District Office
Thomas J. Downs – Superintendent

8379 NE University Ave.
Pleasant Hill, Iowa 50327

www.se-polk.k12.ia.us

Phone: 515.967.4294
Fax: 515.967.4257

December 26, 2007

Mr. Brad Skinner, President
And Members of the Board of
Education and Citizens of
Southeast Polk Community School District
Runnells, Iowa

The Comprehensive Annual Financial Report for the Southeast Polk Community School District for the fiscal year ended June 30, 2007 is submitted herewith. Responsibility for the accuracy of data presented and the completeness and fairness of the presentation, including all disclosures, rests with the district finance office. We believe the data is presented in a manner designed to fairly set forth the financial position and results of operations of the district, as measured by the financial activity of the various funds; that all disclosures necessary to enable the reader to gain the maximum understanding of the district's financial activity have been included; and are accurate in all material respects.

The financial statements and schedules presented in this comprehensive annual financial report (CAFR) include all the funds of the District in accordance with standards set by the Governmental Accounting Standards Board (GASB).

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the School Board's organizational chart, a list of the district's consultants and principal officials, a Certificate of Excellence in Financial Reporting from the Association of School Business Officials International and a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada. The financial section includes the independent auditor's report, the basic financial statements, management's discussion and analysis, required supplementary information and other supplementary information. The statistical section includes selected financial and demographic data for up to a ten-year period. The single audit section includes the schedules and various independent auditors' reports required by the Single Audit Amendment of 1996, along with comments required by the Iowa Auditor of State.

The report presents the financial information of the District accurately and concisely. It is designed to be comprehensive, yet easily readable and accessible. The current Comprehensive Annual Financial Report will be submitted to the Association of School business Officials International (ASBO) for review for the ASBO Certificate of Excellence and to the Government Finance Officers Association of the United States and Canada (GFOA) for the GFOA Certificate of Achievement.

This letter of transmittal is designed to compliment the Management's Discussion and Analysis included within the financial section of the CAFR and should be read in conjunction with it.

Basis of Accounting and Accounting System

The Southeast Polk Community School District's accounting records for individual governmental fund types are maintained on a modified accrual basis, with the revenue being accrued when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the district's nutrition and store programs and internal service fund are maintained on the full accrual basis. All the District's funds are presented in this report and have been audited by the district's independent certified public accountants, Nolte, Cornman & Johnson, P. C.

The chart of accounts used by the District is in conformance with the Iowa Department of Education's Uniform Accounting System for Iowa Schools and Area Education Agencies, which was revised and updated as of April 2004, became effective as of July 1, 2004. The chart of accounts manual is updated on an annual basis. The District is in full compliance with these requirements.

In developing and evaluating the accounting system of the school, much consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the internal accounting controls of the school district adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Profile of the Government

The Southeast Polk Community School District was organized in May of 1961. The District is supported financially by state aid, property taxes, state and federal grants for special projects and local revenue received in the form of tuition and other miscellaneous income items. The District is governed by a seven-member board of education. The elections are held annually in September. Two and three positions are up for election on alternate years. All board members are elected at large.

The District provides a full range of educational services for residents of the Southeast Polk School District appropriate to students in early childhood and grades kindergarten through twelve. These services include basic, regular and enriched academic education, special education for handicapped children, vocational education and many individualized programs such as specialized instruction for students at-risk and students whose primary language is not English.

The financial statements include all funds, agencies, boards and commissions. The District has also considered all actual and 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 criteria considered in determining financial accountability 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 Southeast Polk Community School District has no component units that meet the Governmental Accounting Standards Board criteria. In addition, the Southeast Polk Community School District is not a component unit of any other entity.

Tax* referendum by the voters of Polk County on November 23, 1999. This event created a new source of revenue for the school districts in Polk County that will enable the districts affected to move ahead with their respective long-range plans for the improvement of their facilities.

Southeast Polk immediately began to implement its ten-year facility plan with the construction of classroom additions at the Centennial and Four Mile Elementary Schools. These additions brought much needed space to these two locations to accommodate the ever increasing need for classroom space as the district struggles to keep pace with the increasing demands placed on district resources with its rapid and consistent student growth. Both additions were completed in the early fall of 2000 and were immediately put to use once construction was completed. Additionally, a new Runnells Elementary was constructed to replace the original facility during the 2001-02 school year along with a playground addition at the Willowbrook Elementary, the completion of a new warehouse and bus garage facility and the completion of a room addition at Delaware Elementary School. During the 2003-04 budget year construction was completed on an addition at Mitchellville Elementary for a new gym, media center, and new classrooms. In the 2004-05 budget year, construction was completed on the gym, kitchen, and classroom additions at the Four Mile and Centennial Elementary schools.

The district also revised its ten year plan during the 2003-04 school year to adapt to the rapid student growth the district was experiencing. In anticipation of even more rapid future growth the plan was revised again during the 2004-05 school year. The revision of the plan was the result of the efforts of the district's long range planning committee and its facility sub committee. The revised plan included an addition at Altoona Elementary School, which was completed this last spring and a bond referendum for a new high school and new elementary school which was passed on February 28, 2006. The passage of this bond issue was a tremendous show of community support for the school district. The referendum was for 60 million dollars and is the largest school bond issue passed in the State of Iowa's history at that time.

The new elementary, which was named Clay Elementary, was opened this fall for the beginning of the 2007-08 school year. In addition to the completion of Clay Elementary, construction was also completed on the second addition at Delaware Elementary and the second addition to Runnells Elementary this fall.

Economic Condition and Outlook

The over all economic condition for eastern Polk County, where the Southeast Polk Community School District is situated, looks bright.

For the city of Altoona a new railroad spur into an existing cold storage facility will allow the facility to expand another 100,000 square feet for a total of 300,000 square feet. Additional businesses that have been added are a document shredding company and a data storage center which is in the process of expanding its record storage capacity.

Three new retailing areas have recently been added in Altoona they are: Foxton Village, Altoona Crossing and Old Town South. Additionally two new banks Great Western Bank and Bankers Trust and two new drug stores Walgreens and Medicap have been added to the retailing sector of the Altoona's business community.

The most recent good news just came this month. Pro Bass Shop will open a new store in the fall of 2009 in Altoona, Ia.

*Local Option Sales Tax –Established during the 1998 legislature, this tax could be voted upon by the residents of each county in the state in order to levy an additional one-cent sales tax on specific goods and services. The revenues must then be used exclusively for infrastructure needs of the school districts within the county passing the tax to include: paying off long term debt, new construction, equipment, reconstruction and repair and remodeling.

Cash Management

The district invests in only those securities allowed by the Code of Iowa, Chapter 12C. Because of the timing of the state aid payments, a portion of the available cash must be kept in very liquid accounts.

Cash temporarily idle during the year was invested in certificates of deposit representing 1.12% of all district investments, money market checking accounts equaling 9.69% of all district investments, in the IPAS education Fund equaling 48.88% of all district investments, and in the Iowa Schools Joint Investment Trust or 40.31% of all district investments. District investments averaged \$48,503,910 monthly and had a 4.74% average return for the FY 2006-07. This rate of return is up from the 2005-06 rate of 4.41%.

The Southeast Polk Community School District invested in the Iowa Schools Joint Investment Trust and IPAS education diversified portfolio liquid accounts. The Trust and IPAS education are common law trusts established under Iowa Law pursuant to Chapter 28E and Section 279.29, Iowa Code (1985), as amended which authorized Iowa schools and other government entities to jointly invest monies pursuant to a joint investment agreement. The objective of the liquid account is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for Iowa schools under Iowa law. Money may be withdrawn at any time.

Risk Management

The district currently covers property, liability, and workers' compensation losses with traditional insurance coverage through the Insurance Management Group Agency and Employers' Mutual Insurance Company.

The group health, prescription drugs, and dental plans are partially self-funded with stop loss policies purchased for both specific and group aggregate limits. First Administrators is the third party administrator for the health and prescription drug insurances. The Iowa Association of School Boards is the third party administrator for the district's dental coverage, which is a part of the Delta Dental Plan network. Employee life insurance and long-term disability insurance are with Iowa Schools Employee Benefits Association.

Budgeting

The District's Board of Education annually adopts a budget and approves the related appropriations for the General, Special Revenue, Debt Service, Capital Projects, Enterprise, and Trust Funds in accordance with provisions outlined in the Statutes of the State of Iowa. The budgets and financial statements for the governmental fund types and the expendable trust fund are prepared on a modified accrual basis, and the budget and financial statements for the Enterprise Fund is prepared on the accrual basis. A statement comparing the original and amended budget to actual revenues and expenditures is included as required supplementary information. The notes to financial statements include a schedule on the aggregate level to demonstrate budgetary legal compliance.

For management control, the budget is reviewed on a line item basis for up to a 10% variance. However, since a budget is a plan, overages on a line item basis are allowed if sufficient funds are available on a major function basis.

Major Initiatives and Achievements

A major event occurred during the 1999-2000 school year that created a tremendous opportunity for the Southeast Polk Community School District. That event was the passage of the Local Option Sales

Pleasant Hill has a new extended stay hotel and Mercy Medical Clinic is expanding and a truck scale calibration firm is constructing a new facility in the industrial park. Also, a new bowling alley has just recently opened and a new strip mall is currently under construction. Also a new independent and assisted living facility for retirees was recently completed and is called "The Shores". Another positive event will occur during the 2008 calendar year with the proposed construction of a new Ford Dealership in Pleasant Hill.

The school district's FY 2007-08 financial condition appears to be good. Regular program basic enrollment grew by 242 students and the district's cost per pupil grew by \$205. As a result of these two positive events, the district's regular program budget has grown \$2,375,160 or an increase of 8.77% for the 2007-08 school year. Considering that a large majority of the State's districts did not grow, our circumstances are far better than most.

As in the 2006-07 school year, the School District must operate in the most efficient manner during 2007-08 budget year to help ensure adequate funding for staff, services and supplies for the 2008-09 school year.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence to the District for their comprehensive annual financial report for the fiscal year ended June 30, 2006. This is the sixth year that the District has received these prestigious awards. In order to be awarded these Certificates, the District must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. These certificates are valid for a period of one year only. We believe our current report continues to conform to these Certificates of Achievement Programs' requirements and are submitting it to GFOA and ASBO to determine its eligibility for another certificate from both organizations.

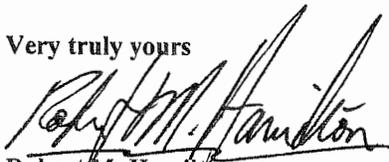
Other Matters

Also included in this report is a statistical section, which will give the reader a better understanding of the school system with background and additional financial data.

We wish to take this opportunity to thank the administrative office staff that assisted in obtaining and organizing data, the County Auditor and Treasurer offices and the city and town officials who provided much needed information. Without all of the above groups' efforts, the report could not have been completed.

In summary, we hope that this comprehensive annual financial report will give the public we serve a better understanding of our financial condition.

Very truly yours



Robert M. Hamilton
Business Manager/Board Secretary RSBO



Thomas J. Downs
Superintendent of Schools

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2006

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Southeast Polk Community
School District, Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

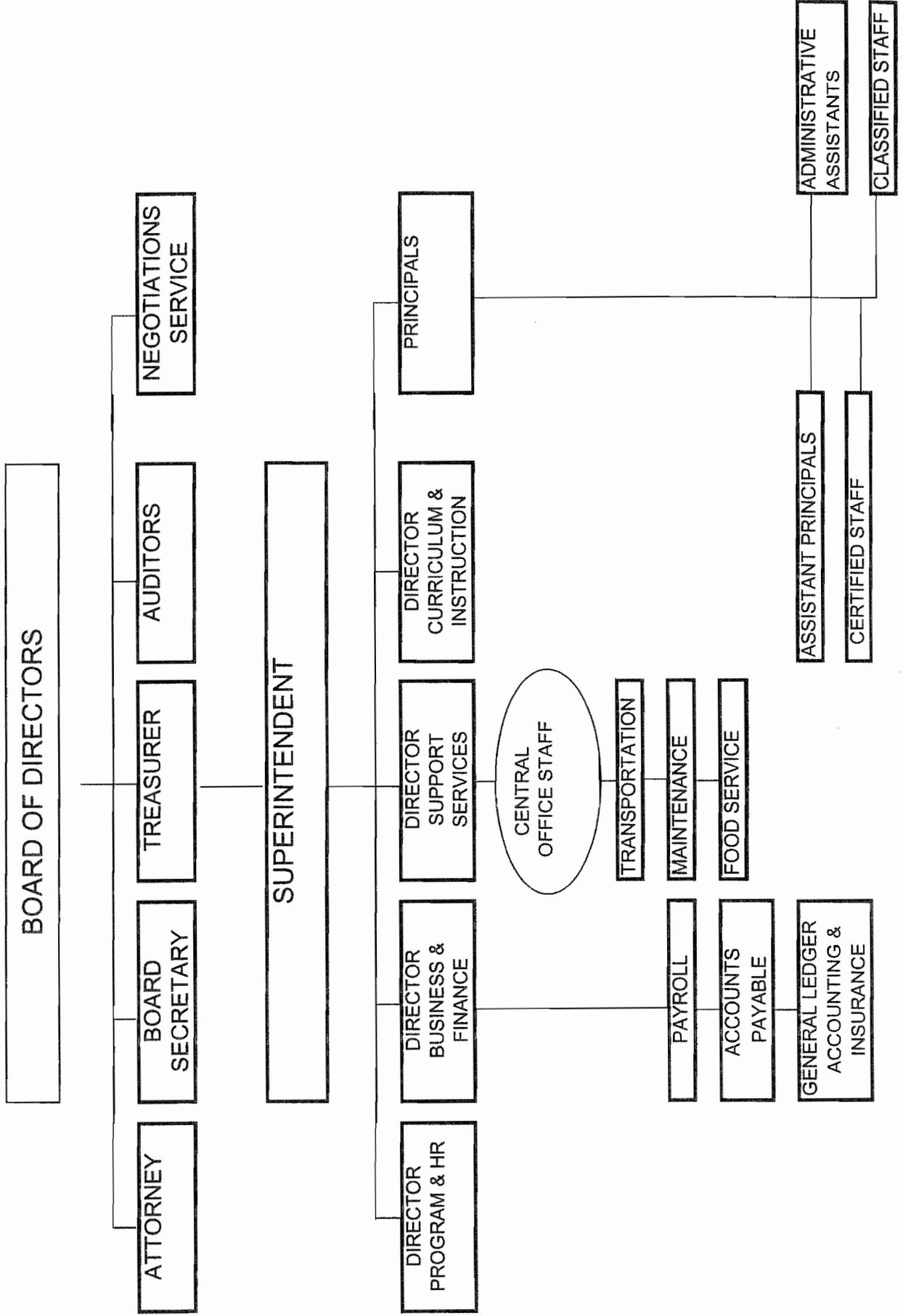


President

Executive Director

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

ADMINISTRATIVE STRUCTURE



SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**BOARD OF EDUCATION AND SCHOOL DISTRICT ADMINISTRATION
Year Ended June 30, 2007**

Board of Education

	<u>Title</u>	<u>Term/Contract Expires</u>
Before September, 2006 Election		
Brad Skinner	President	September, 2008
Gwen Seward Lewis	Vice President	September, 2006
Doug Workman	Member	September, 2006
Katie Temple	Member	September, 2007
Pat Staggs-VanderWert	Member	September, 2007
Steve Hanson	Member	September, 2008
Andrew McGrean	Member	September, 2008
After September, 2006 Election		
Katie Temple	President	September, 2007
Steve Hanson	Vice President	September, 2008
Pat Staggs-VanderWert	Member	September, 2007
Andrew McGrean	Member	September, 2008
Brad Skinner	Member	September, 2008
Tom Hadden	Member	September, 2009
Joanne Moeller	Member	September, 2009

School District Administration

Thomas Downs	Superintendent	July, 2007
Dan Janssen	Director of Support Services	July, 2007
Dr. Stephen N. Miller	Director of Programs/Human Resources	July, 2007
Dr. Kristine Condon	Director of Curriculum/Instruction	July, 2007
R. Michael Hamilton	Board Secretary/Business Manager	July, 2007
Earl Freel	Treasurer	July, 2007
Marti Kline	Community Relations	July, 2007
Steve Oberto	Classified Personnel	July, 2007
Steve Stotts	Principal	July, 2007
Sharon Cummings	Principal	July, 2007
Steve Bass	Principal	July, 2007
Steve Flynn	Principal	July, 2007
Joel Schutte	Principal	July, 2007
Kevin Walker	Principal	July, 2007
Dennis O'Lear	Principal	July, 2007
Robin Norris	Principal	July, 2007
Glen Dietzenbach	Principal	July, 2007
Lea Morris	Principal	July, 2007
Joseph Horton	Principal	July, 2007
Chuck Bredlow	Principal	July, 2007
Bill Henkenius	Principal	July, 2007
Stephen Pettitt	Assistant Principal	July, 2007
John Steffen	Assistant Principal	July, 2007

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

CONSULTANTS AND ADVISORS

Year Ended June 30, 2007

CERTIFIED PUBLIC ACCOUNTANTS

Nolte, Cornman & Johnson, P.C.
117 W 3rd St. N
Newton, IA 50208

BOND ATTORNEYS

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, IA 50309-2231

FINANCIAL CONSULTANTS

Ruan Securities Corporation
604 Locust Street, Suite 317
Des Moines, IA 50309-3869

GENERAL COUNSEL

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, IA 50309-2231

INSURANCE CONSULTANTS

Insurance Management Group
P.O. Box 517
Altoona, IA 50009

OFFICIAL DEPOSITORIES

US Bank
111 8th St. SE
Altoona, IA 50009

Bank Iowa
420 8th St. SE
Altoona, IA 50009

Wells Fargo Bank Iowa
1055 NE 56th St.
Pleasant Hill, IA 50327

Community State Bank
200 8th St. SE
Altoona, IA 50009

Legacy Bank
215 E Center St.
Altoona, IA 50009

Deere Community Credit Union
1601 22nd St., #400
West Des Moines, IA 50266

Financial Section

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Southeast Polk Community School District
Runnells, Iowa

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 the Southeast Polk Community School District, Runnells, 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 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 the Southeast Polk Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2007 on our consideration of the Southeast Polk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 13 through 22 and 57 through 58 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, listed in the table of contents under the single audit section, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Southeast Polk Community School District. 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.

The accompanying statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Nolte, Cornman & Johnson PC
Nolte, Cornman & Johnson, P.C.

Newton, Iowa
December 21, 2007

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

It is an honor to present to you the financial picture of Southeast Polk Community School District. We offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Southeast Polk Community School District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

FINANCIAL HIGHLIGHTS

The District showed an increase in net assets of \$6,445,422 during the year ended June 30, 2007.

Total revenues for the fiscal year ended June 30, 2007 of \$60,115,164 were comprised of General Revenues in the amount of \$49,291,399 and Program Revenues totaling \$10,823,765.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$29,603,750, a decrease of \$24,222,764 compared to the prior year.

As of June 30, 2007, unreserved undesignated fund balance for the General Fund was a negative \$1,992,925 or -4.48% of total General Fund expenditures.

The Southeast Polk Community School District's total long-term bonded debt decreased by \$4,452,866 during fiscal year ended June 30, 2007. The decrease was due to the net of scheduled debt payments and the issuance of general obligation bonds.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Southeast Polk Community School District's basic financial statements. The District's basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of Southeast Polk Community School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of Southeast Polk Community School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

Both of the government-wide financial statements reflect functions of the Southeast Polk Community School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional programs, other and interest on long-term debt. Business-type activities are those that the District charges a fee to help cover the costs, such as School Nutrition, Community Service and School Store operations.

The government-wide financial statements include only the Southeast Polk Community School District. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the District.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Southeast Polk Community School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Southeast Polk Community School District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 27 through 29 of this report.

Southeast Polk Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007**

Proprietary funds - The District maintains two types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District maintains three enterprise funds. Internal service funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The District maintains two internal service funds to account for the premium and claim payments for the self-insured health insurance plan for District employees and to account for employee contributions to their individual flex accounts under Section 125 of the Internal Revenue Code. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. Because the service provided by the District predominately benefits governmental, rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 31 through 34 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Southeast Polk Community School District's own programs. The fiduciary fund of the District is an agency fund. Agency funds are custodial in nature and do not involve measurement of results of operation.

The basic fiduciary fund financial statements can be found on page 35 through 36 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Southeast Polk Community School District's budgetary comparison. Required supplementary information can be found on pages 57 and 58 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's total net assets have increased from a year ago from \$32,247,807 to \$38,740,643.

A significant portion of the District's total assets reflects its invested in capital assets. The District uses these capital assets to provide educational services; consequently, these assets are not available for future spending. The District's net assets invested in capital assets, net of related debt, was \$40,518,654. Although the District's invested in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Southeast Polk Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Table 1
Condensed Statement of Net Assets

	Governmental		Business-Type		Total		Total Change June 30, 2006-07
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2007	2006	2007	2006	2007	2006	
Assets							
Current and other assets	\$ 61,569,549	\$ 79,821,416	\$ 518,831	\$ 673,045	\$ 62,088,380	\$ 80,494,461	-22.87%
Capital assets	68,324,631	42,504,233	803,685	672,679	69,128,316	43,176,912	60.10%
Total assets	129,894,180	122,325,649	1,322,516	1,345,724	131,216,696	123,671,373	6.10%
Liabilities							
Long-term obligations	60,614,675	65,067,541	-	-	60,614,675	65,067,541	-6.84%
Other liabilities	30,538,862	25,010,301	165,563	141,357	30,704,425	25,151,658	22.08%
Total liabilities	91,153,537	90,077,842	165,563	141,357	91,319,100	90,219,199	1.22%
Net Assets							
Invested in capital assets, net of related debt	40,518,654	30,566,073	803,685	672,679	41,322,339	31,238,752	32.28%
Restricted	610,623	772,049	-	-	610,623	772,049	-20.91%
Unrestricted	(2,388,634)	909,685	353,268	531,688	(2,035,366)	1,441,373	-241.21%
Total net assets	\$ 38,740,643	\$ 32,247,807	\$ 1,156,953	\$ 1,204,367	\$ 39,897,596	\$ 33,452,174	19.27%

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to students and creditors.

At the end of the current fiscal year, the Southeast Polk Community School District is not able to report positive balances in all three categories of net assets. The categories in the prior fiscal year were all positive balances. The unrestricted net assets decrease is due to change in General Fund balance due to increased costs for salaries, benefits, utilities and transportation.

The District's total net assets increased by \$6,445,422 during the current fiscal year. The governmental activities' net assets increased by \$6,492,836. The business-type activities, which include nutrition, community service and school store, decreased by \$47,414. The increase in governmental activities was mainly attributable to more than expected budgeted expenditures, which were offset by increased revenues and capitalization of construction in progress on the new senior high school and Clay Elementary. The decrease in business-type activities was mainly attributable to increased costs of doing business.

Table 2 highlights the District's revenues and expenses for the fiscal year ended June 30, 2007. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenue and General Revenue, including Transfers. Program Revenue is defined as charges for services and sales and operating grants, contributions and restricted interest. General Revenue includes taxes, unrestricted grants such as state foundation support, unrestricted investment earnings, sale of equipment and cost of ban issuance. Transfers include reclassification of the Governmental Fund Type Trust Fund to a Fiduciary Fund Type and the transfer of a band certificate of deposit to purchase uniforms out of the Agency Fund.

Southeast Polk Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Expenses are shown in programs including instruction, support services, non-instructional programs and other expenses.

The following table shows changes in net assets for the year ended June 30, 2007.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 1,961,133	\$ 3,380,768	\$ 1,954,727	\$ 1,864,376	\$ 3,915,860	\$ 5,245,144	-25.34%
Operating grants and contributions and restricted interest	5,082,354	4,063,657	690,549	617,393	5,772,903	4,681,050	23.32%
Capital grants and contributions and restricted interest	1,992	90,197	-	-	1,992	90,197	-97.79%
General Revenue:							
Property taxes and other taxes	25,884,683	20,601,025	-	-	25,884,683	20,601,025	25.65%
Unrestricted state grants	21,898,887	20,181,425	-	-	21,898,887	20,181,425	8.51%
Investment earnings	2,252,815	266,950	19,284	11,048	2,272,099	277,998	717.31%
Other	368,740	-	-	-	368,740	-	100.00%
Transfers	(566,505)	-	-	-	(566,505)	-	-100.00%
Total revenues and transfers	56,884,099	48,584,022	2,664,560	2,492,817	59,548,659	51,076,839	16.59%
Program expenses:							
Instruction	28,821,083	26,044,931	275,510	-	29,096,593	26,044,931	11.72%
Support services	16,071,731	16,141,741	600	-	16,072,331	16,141,741	-0.43%
Noninstructional programs	3,483	-	2,623,224	2,680,031	2,626,707	2,680,031	-1.99%
Other	5,494,966	3,253,340	-	-	5,494,966	3,253,340	68.90%
Total expenses	50,391,263	45,440,012	2,899,334	2,680,031	53,290,597	48,120,043	10.75%
Changes in net assets before capital contributions	6,492,836	3,144,010	(234,774)	(187,214)	6,258,062	2,956,796	111.65%
Capital contributions	-	-	187,360	158,498	187,360	158,498	18.21%
Changes in net assets	6,492,836	3,144,010	(47,414)	(28,716)	6,445,422	3,115,294	106.90%
Beginning net assets	32,247,807	29,103,797	1,204,367	1,233,083	33,452,174	30,336,880	10.27%
Ending net assets	\$ 38,740,643	\$ 32,247,807	\$ 1,156,953	\$ 1,204,367	\$ 39,897,596	\$ 33,452,174	19.27%

Total revenues increased primarily due to an increase in property taxes of \$3,748,919 and an increase in state aid of \$1,419,740 in the State of Iowa's Foundation Formula which is based on the cost per pupil times the number of pupils counted on the October 1st and increases in state grants for teacher quality improvement. Additionally, interest income increased by \$1,985,865 due to better rates of return on investments and the dramatic increase in available idle funds as a result of proceeds from the issuance of General Obligation Bonds for the construction of a new elementary and high school being available over a 12 month period versus just two month during the previous school year. Revenues increased in spite of decreases in tuition billings and rental fees totaling \$386,455. Total expenses increased due to additional student costs, the costs of new building construction and debt service costs.

Southeast Polk Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Table 3 below discloses cost of services for governmental and business-type activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by state aid or local taxes.

The difference in these two columns would represent restricted grants and charges for services.

Table 3
Total and Net Cost of Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$ 28,821,083	\$ 23,482,655
Support Services	16,071,731	16,010,354
Non-instructional programs	3,483	3,483
Other	5,494,966	3,849,292
Totals	\$ 50,391,263	\$ 43,345,784

Net cost of services is 86.02% of total cost of services in 2007.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Southeast Polk Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the Southeast Polk Community School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements, in particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Southeast Polk Community School District's governmental funds reported combined ending fund balances of \$29,603,750 a decrease of \$24,222,764 in comparison with the prior year. Approximately 98.73% of this total amount, \$29,228,175 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for 1) Salary Improvement Program of \$5,963; 2) Additional Teacher Contract Day of \$16,063; 3) Talented and Gifted of \$5,300; 4) Iowa Learning Technology Commission Grant of \$42,739; 5) Debt Service \$305,510.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was a deficit \$1,992,925 while total fund balance was a deficit \$1,922,860. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately -4.48% of total General Fund expenditures, while total fund balance also represents approximately -4.33% of total General Fund expenditures, respectively.

The fund balance of the District's General Fund decreased by \$1,872,467 during the current fiscal year. Key factors in this decrease are as follows:

The use of a cash reserves to cover the costs of additional students that arrived last fall. The State of Iowa allows districts to request spending authority to fund the costs of increased enrollment through a formula. The formula is the state average cost per pupil times the increased enrollment for the current school year. The formula allows you to spend for the new students but does not fund it

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

except by the district using its current reserves. The growing district is then able to recoup the costs for the new students in the following budget year by use of a cash reserve levy equal to the formula amount the district spent in the previous budget for the new students.

The fund balance of the District's Capital Projects Fund decreased by \$21,700,771 during the current fiscal year. A key factor in this decrease is due to the issuance of general obligation bonds was less than the capital construction costs during the year.

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, except its private purpose trust and agency 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. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 57.

LEGAL BUDGETARY HIGHLIGHTS

The District's total actual revenues were \$869,795 more than the total budgeted revenues, a variance of 1.47%. The most significant change resulted in the District receiving more in various components of local and intermediate sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional programs functions due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

Southeast Polk Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

CAPITAL ASSETS ADMINISTRATION

The District's invested in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$69,128,316 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Table 4
Capital Assets as of June 30, 2007 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 1,655,006	\$ 1,511,860	\$ -	\$ -	\$ 1,655,006	\$ 1,511,860	9.47%
Construction in progress	22,208,652	2,261,498	-	-	22,208,652	2,261,498	882.03%
Land improvements	1,814,197	1,815,754	-	-	1,814,197	1,815,754	-0.09%
Buildings and improvements	39,170,162	33,827,742	-	-	39,170,162	33,827,742	15.79%
Machinery and equipment	3,476,614	3,087,379	803,685	672,679	4,280,299	3,760,058	13.84%
Totals	\$ 68,324,631	\$ 42,504,233	\$ 803,685	\$ 672,679	\$ 69,128,316	\$ 43,176,912	60.10%

During the year the District used bond financing received in the current and prior year to construct the New Senior High School and for a capital construction addition and improvements to Clay Elementary, increasing the construction in progress balance. In addition, the buildings and building improvements increased due to renovations made to Altoona Elementary, Delaware Elementary and Runnells Elementary which were completed and capitalized during the year. The District also purchased land nearby the Altoona Elementary increasing the land value. The District purchased new kitchen equipment as part of the renovations which are included in the business-type activities shown as capital contributions mainly funded by local option sales and services tax.

Detailed information regarding capital assets activity can be found in Note 5 of the notes to the basic financial statements.

LONG-TERM DEBT ADMINISTRATION

At the end of June 30, 2007, the District had total long-term debt of \$60,614,675, a decrease of \$4,452,866 from the prior fiscal year. Of this amount, \$5,201,304 is due within one year. Detailed information regarding the District's long-term debt can be found in Note 7 of the notes to the basic financial statements.

During the fiscal year ended June 30, 2007, the District issued general obligation bonds of \$5,500,000 for the construction of capital facilities.

Southeast Polk Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007

Table 5
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
G.O. bonds	\$ 52,555,000	\$ 49,430,000	6.32%
Revenue bans	-	6,075,000	-100.00%
Revenue bonds	6,950,000	8,250,000	-15.76%
Capital loan notes	305,000	405,000	-24.69%
Early retirement	683,808	769,826	-11.17%
Compensated absences	120,867	137,715	-12.23%
Totals	\$ 60,614,675	\$ 65,067,541	-6.84%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is located in the central part of the state, within the larger Des Moines metropolitan area and ranks as one of the top growth areas of the country.

The State of Iowa had faced an economic downturn that had severely hampered its ability to fund schools at the same level in prior years. However this situation was exacerbated when the Iowa legislature consistently and persistently gave tax breaks to special interest groups. These breaks also include an income tax break that actually came out of state reserves in FY 1996 and is now an ongoing tax break for the citizens of Iowa.

As popular as these breaks may be with the legislators, the wisdom of simply giving breaks to particular industries or special interest groups in hopes of improving economic development in this state are dubious at best. A federal study has already concluded that tax breaks simply do not sustain themselves in terms of increased economic activity that is supposed to increase tax revenue to the government that granted the break in the first place!

The State of Iowa had faced an economic downturn that had severely hampered its ability to fund schools at the same level in prior years however this last year has seen a modest upturn in economic activity. The district received a 4% increase in the state's cost per pupil for its General Fund formula. This increase made it much easier to fund school district activities however the budget is still going to be stretched in order to execute all programs in the budget for the FY 2007-08 school year.

The result of Iowa Legislature's tax breaks has been two fold. First, it has had the effect of artificially reducing the rate of growth in state revenues. The second effect has been the State's inability to properly fund education over the past 10 years.

Iowa's K-12 schools have suffered with the lowest increases in the State's recent history as evidenced by the following increases in state aid for the following years:

- FY 2002-03 - 1%*
- FY 2003-04 - 2%
- FY 2004-05 - 2%
- FY 2005-06 - 4%
- FY 2006-07 - 4%
- FY 2007-08 - 4%

* State aid mid year budget cut resulted in a net increase of 1%.

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007

The above increases have caused growing districts like ours to operate in basically a deficit mode. Settlements with our labor unions have averaged over 4.7%. The increases of the years FY 2002-03 to FY 2004-05 have been devastating to General Fund reserves and budget carryover**. Our budget carryover dropped from \$1.83 million at the end of FY 2002 to \$800,000 at end of FY 2006.

Our budget carryover increased to \$4,014,538 due to the fact we have received allowable growth (spending authority) from the State of Iowa as a result of our student growth. However, there is no actual funding or cash behind the spending authority. Our unreserved fund balance has taken a downward turn due to the need to use reserves to fund this spending authority. The district is now making a concerted effort to raise our unreserved fund balance through the use of a cash reserve levy designed to backfill the allowable growth dollars and develop reserves to increase our ability to cash flow the General Fund during the summer months when there are no property tax or state aid payments.

An additional fact needs to be emphasized in order to fully understand the situation that school districts have had to deal with these past ten years. The average state aid increase for the years listed above was 2.6%. The six year average percent increase for tax cuts given from FY 96 to FY 02 was 42.7% and totaled 3.7 billion dollars. These excessive cuts occurred just before the economy took a bad turn during the FY 2002-03 budget year. By giving away these massive amounts of dollars to special interests, the State of Iowa essentially left itself totally unprepared for the economic downturn that followed and thus forced school districts to unnecessarily endure a financial crisis of the Iowa State Legislature's own making.

REQUESTS FOR INFORMATION

These financial Statements and discussions are designed to provide our students, citizens, taxpayers, investors and creditors with a complete disclosure of the District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Mr. Robert M. Hamilton, Board Secretary/Business Manager, Southeast Polk Community School District, 8379 N.E. University, Runnells, Iowa, 50265-5556.

** Budget Carryover or remaining amount of Spending Authority equals Spending Authority minus Actual Expenditures. Spending Authority is the total amount a school district can legally spend during a fiscal or school year.

BASIC FINANCIAL STATEMENTS

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SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 36,939,199	462,622	37,401,821
Receivables:			
Property tax:			
Delinquent	220,213	0	220,213
Succeeding year	21,430,423	0	21,430,423
Income surtax	1,085,791	0	1,085,791
Interfund	88,883	0	88,883
Accounts	5,375	0	5,375
Due from other governments	1,698,273	0	1,698,273
Inventories	101,392	56,209	157,601
Capital assets, net of accumulated depreciation(note 5):			
Land	1,655,006	0	1,655,006
Construction in progress	22,208,652	0	22,208,652
Land improvements	1,814,197	0	1,814,197
Buildings and building improvements	39,170,162	0	39,170,162
Machinery and equipment	3,476,614	803,685	4,280,299
TOTAL ASSETS	129,894,180	1,322,516	131,216,696
LIABILITIES			
Interfund payable	0	88,883	88,883
Accounts payable	3,835,913	4,875	3,840,788
Salaries and benefits payable	4,140,172	51,880	4,192,052
Incurred but not reported claims	663,047	0	663,047
Accrued interest payable	441,793	0	441,793
Deferred revenue:			
Succeeding year property tax	21,430,423	0	21,430,423
Other	27,514	0	27,514
Unearned revenue	0	19,925	19,925
Long-term liabilities(note 7):			
Portion due within one year:			
G.O. bonds payable	2,150,000	0	2,150,000
Revenue bonds payable	2,575,000	0	2,575,000
Capital loan note payable	100,000	0	100,000
Compensated absences payable	120,867	0	120,867
Early retirement payable	255,437	0	255,437
Portion due after one year:			
G.O. bonds payable	50,405,000	0	50,405,000
Revenue bonds payable	4,375,000	0	4,375,000
Capital loan note payable	205,000	0	205,000
Early retirement payable	428,371	0	428,371
TOTAL LIABILITIES	91,153,537	165,563	91,319,100
NET ASSETS			
Invested in capital assets, net of related debt	40,518,654	803,685	41,322,339
Restricted for:			
Salary improvement program	5,963	0	5,963
Additional teacher contract day	16,063	0	16,063
Talented and gifted	5,300	0	5,300
Iowa learning technology commission	42,739	0	42,739
Debt service	305,510	0	305,510
Physical plant and equipment levy	104,058	0	104,058
Other special revenue purposes	130,990	0	130,990
Unrestricted	(2,388,634)	353,268	(2,035,366)
TOTAL NET ASSETS	\$ 38,740,643	1,156,953	39,897,596

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 18,558,616	650,996	3,078,809	0	(14,828,811)	0	(14,828,811)
Special instruction	6,564,404	542,622	262,786	0	(5,758,996)	0	(5,758,996)
Other instruction	3,698,063	761,489	41,726	0	(2,894,848)	0	(2,894,848)
	<u>28,821,083</u>	<u>1,955,107</u>	<u>3,383,321</u>	<u>0</u>	<u>(23,482,655)</u>	<u>0</u>	<u>(23,482,655)</u>
Support services:							
Student services	2,045,021	0	0	0	(2,045,021)	0	(2,045,021)
Instructional staff services	1,406,014	0	0	0	(1,406,014)	0	(1,406,014)
Administration services	6,112,651	0	0	0	(6,112,651)	0	(6,112,651)
Operation and maintenance of plant services	4,228,482	0	0	1,992	(4,226,490)	0	(4,226,490)
Transportation services	2,279,563	6,026	53,359	0	(2,220,178)	0	(2,220,178)
	<u>16,071,731</u>	<u>6,026</u>	<u>53,359</u>	<u>1,992</u>	<u>(16,010,354)</u>	<u>0</u>	<u>(16,010,354)</u>
Non-instructional programs:							
Food service operations	859	0	0	0	(859)	0	(859)
Community service operations	2,624	0	0	0	(2,624)	0	(2,624)
	<u>3,483</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,483)</u>	<u>0</u>	<u>(3,483)</u>
Other expenses:							
Long-term debt interest	2,622,942	0	0	0	(2,622,942)	0	(2,622,942)
AEA flowthrough	1,645,674	0	1,645,674	0	0	0	0
Depreciation(unallocated)*	1,226,350	0	0	0	(1,226,350)	0	(1,226,350)
	<u>5,494,966</u>	<u>0</u>	<u>1,645,674</u>	<u>0</u>	<u>(3,849,292)</u>	<u>0</u>	<u>(3,849,292)</u>
Total governmental activities	50,391,263	1,961,133	5,082,354	1,992	(43,345,784)	0	(43,345,784)
Business-Type activities:							
Instruction:							
Regular instruction:							
School store services	\$ 5,123	5,123	0	0	0	0	0
Other instruction:							
Community service services	15,571	15,176	0	0	0	(395)	(395)
School store services	254,816	291,590	0	0	0	36,774	36,774
	<u>275,510</u>	<u>311,889</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,379</u>	<u>36,379</u>
Support services:							
Administration services:							
Nutrition services	300	0	0	0	0	(300)	(300)
Operation and maintenance of plant services:							
School store services	300	300	0	0	0	0	0
	<u>600</u>	<u>300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(300)</u>	<u>(300)</u>
Non-instructional programs:							
Food service operations							
Nutrition services	2,623,124	1,642,438	690,549	0	0	(290,137)	(290,137)
Community service operations:							
School store services	100	100	0	0	0	0	0
Total business-type activities	2,623,224	1,642,538	690,549	0	0	(290,137)	(290,137)
Total business-type activities	2,899,334	1,954,727	690,549	0	0	(254,058)	(254,058)
Total	\$ 53,290,597	3,915,860	5,772,903	1,992	(43,345,784)	(254,058)	(43,599,842)
General Revenues and Transfers:							
General Revenues							
Property tax levied for:							
General purposes				\$ 13,962,967	0		13,962,967
Debt service				4,489,975	0		4,489,975
Capital outlay				1,118,317	0		1,118,317
Income surtax				1,409,760	0		1,409,760
Local option sales and service tax				4,903,664	0		4,903,664
Unrestricted state grants				21,898,887	0		21,898,887
Unrestricted investment earnings				2,252,815	19,284		2,272,099
Other general revenues				368,740	0		368,740
Transfers				(566,505)	0		(566,505)
Total general revenues and transfers				49,838,620	19,284		49,857,904
Changes in net assets before capital contributions				6,492,836	(234,774)		6,258,062
Capital contributions				0	187,360		187,360
Changes in net assets				6,492,836	(47,414)		6,445,422
Net assets beginning of year				32,247,807	1,204,367		33,452,174
Net assets end of year				\$ 38,740,643	1,156,953		39,897,596

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 2,195,698	32,012,557	561,404	717,929	35,487,588
Receivables:					
Property tax					
Delinquent	147,969	0	50,150	22,094	220,213
Succeeding year	14,965,200	0	4,434,451	2,030,772	21,430,423
Income surtax	1,085,791	0	0	0	1,085,791
Interfund	481,560	1,697,319	39,594	102,918	2,321,391
Accounts	3,814	0	0	1,561	5,375
Due from other governments	1,011,242	687,031	0	0	1,698,273
Inventories	101,392	0	0	0	101,392
TOTAL ASSETS	\$ 19,992,666	34,396,907	5,085,599	2,875,274	62,350,446
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund payable	\$ 1,202,918	372,677	597,319	59,594	2,232,508
Accounts payable	541,675	3,254,219	0	34,394	3,830,288
Salaries and benefits payable	4,119,942	15,055	0	5,175	4,140,172
Deferred revenue:					
Succeeding year property tax	14,965,200	0	4,434,451	2,030,772	21,430,423
Income surtax	1,085,791	0	0	0	1,085,791
Other	0	0	0	27,514	27,514
Total liabilities	21,915,526	3,641,951	5,031,770	2,157,449	32,746,696
Fund balances:					
Reserved for:					
Salary improvement program	5,963	0	0	0	5,963
Additional teacher contract day	16,063	0	0	0	16,063
Talented and gifted	5,300	0	0	0	5,300
Iowa learning technology commission	42,739	0	0	0	42,739
Debt service	0	251,681	53,829	0	305,510
Unreserved:					
Undesignated:					
General	(1,992,925)	0	0	0	(1,992,925)
Capital projects	0	30,503,275	0	0	30,503,275
Nonmajor special revenue funds	0	0	0	717,825	717,825
Total fund balances	(1,922,860)	30,754,956	53,829	717,825	29,603,750
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,992,666	34,396,907	5,085,599	2,875,274	62,350,446

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Total fund balances of governmental funds(page 27)	\$ 29,603,750
<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 in the governmental funds.	68,324,631
Blending of the Internal Service Funds to be reflected at an entity-wide basis.	782,939
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.	(441,793)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	1,085,791
Long-term liabilities, including bonds payable, compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(60,614,675)</u>
Net assets of governmental activites(page 25)	<u>\$ 38,740,643</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 14,261,509	4,903,664	4,489,975	1,973,355	25,628,503
Tuition	1,179,299	0	0	0	1,179,299
Other	325,102	2,217,636	45,783	981,538	3,570,059
Intermediate sources	157,410	0	0	0	157,410
State appropriations	25,659,075	0	1,910	841	25,661,826
Federal appropriations	995,335	0	0	1,992	997,327
Total revenues	42,577,730	7,121,300	4,537,668	2,957,726	57,194,424
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	18,604,836	308	0	3,188	18,608,332
Special instruction	6,521,918	0	0	164	6,522,082
Other instruction	2,968,831	0	0	806,482	3,775,313
	28,095,585	308	0	809,834	28,905,727
Support services:					
Student services	2,081,303	0	0	8,175	2,089,478
Instructional staff services	1,408,525	4,519	0	73,457	1,486,501
Administration services	5,204,383	287,247	0	820,656	6,312,286
Operation and maintenance of plant services	4,005,632	8,980	0	256,845	4,271,457
Transportation services	2,009,095	0	0	552,621	2,561,716
	14,708,938	300,746	0	1,711,754	16,721,438
Non-instructional programs:					
Food service operations	0	0	0	859	859
Community service operations	0	0	0	2,624	2,624
	0	0	0	3,483	3,483
Other expenditures:					
Capital outlay	0	26,141,214	0	437,651	26,578,865
Debt service:					
Principal	0	0	9,850,000	0	9,850,000
Interest and fiscal charges	0	51,653	2,593,843	0	2,645,496
AEA flowthrough	1,645,674	0	0	0	1,645,674
	1,645,674	26,192,867	12,443,843	437,651	40,720,035
Total expenditures	44,450,197	26,493,921	12,443,843	2,962,722	86,350,683
Deficiency of revenues under expenditures	(1,872,467)	(19,372,621)	(7,906,175)	(4,996)	(29,156,259)
OTHER FINANCING SOURCES(USES):					
Issuance of general obligation bonds	0	5,500,000	0	0	5,500,000
Transfers in	0	0	7,940,360	0	7,940,360
Transfers out	0	(7,828,150)	0	(678,715)	(8,506,865)
Total other financing source(uses)	0	(2,328,150)	7,940,360	(678,715)	4,933,495
Net change in fund balances	(1,872,467)	(21,700,771)	34,185	(683,711)	(24,222,764)
FUND BALANCES BEGINNING OF YEAR	(50,393)	52,455,727	19,644	1,401,536	53,826,514
FUND BALANCES END OF YEAR	\$ (1,922,860)	30,754,956	53,829	717,825	29,603,750

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK 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(page 29) \$ (24,222,764)

*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:

Capital outlay	\$ 28,019,703	
Depreciation expense	(2,023,437)	
Loss on disposal of assets	<u>(175,868)</u>	25,820,398

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 163,602

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

Issued	(5,500,000)	
Repaid	<u>9,850,000</u>	4,350,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 22,554

Income surtax account receivable is not available to finance expenditures of the current period in the governmental funds. 256,180

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.

Early retirement	86,018	
Compensated absences	<u>16,848</u>	102,866

Changes in net assets of governmental activities(page 26) \$ 6,492,836

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2007

	Business-Type Activities: Enterprise Funds				Governmental Activities: Internal Service Fund
	School Nutrition	Community Service	School Store	Total	
ASSETS					
Current assets:					
Cash and pooled investments	\$ 76,959	2,210	383,453	462,622	1,451,611
Accounts receivable	0	0	0	0	0
Interfund receivable	0	0	363	363	0
Inventories	56,209	0	0	56,209	0
Total current assets	<u>133,168</u>	<u>2,210</u>	<u>383,816</u>	<u>519,194</u>	<u>1,451,611</u>
Non-current assets:					
Capital assets:					
Machinery and equipment, net of accumulated depreciation	803,685	0	0	803,685	0
Total non-current assets	<u>803,685</u>	<u>0</u>	<u>0</u>	<u>803,685</u>	<u>0</u>
TOTAL ASSETS	<u>936,853</u>	<u>2,210</u>	<u>383,816</u>	<u>1,322,879</u>	<u>1,451,611</u>
LIABILITIES					
Current liabilities:					
Interfund payable	88,883	363	0	89,246	0
Accounts payable	360	0	4,515	4,875	5,625
Salaries and benefits payable	49,663	2,217	0	51,880	0
Incurred but not reported claims	0	0	0	0	663,047
Unearned revenues	19,925	0	0	19,925	0
Total current liabilities	<u>158,831</u>	<u>2,580</u>	<u>4,515</u>	<u>165,926</u>	<u>668,672</u>
TOTAL LIABILITIES	<u>158,831</u>	<u>2,580</u>	<u>4,515</u>	<u>165,926</u>	<u>668,672</u>
NET ASSETS					
Invested in capital assets	803,685	0	0	803,685	0
Unrestricted	(25,663)	(370)	379,301	353,268	782,939
Total net assets	<u>\$ 778,022</u>	<u>(370)</u>	<u>379,301</u>	<u>1,156,953</u>	<u>782,939</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2007

	Business-Type Activities: Enterprise Funds				Governmental Activities:
	School Nutrition	Community Service	School Store	Total	Internal Service Fund
OPERATING REVENUE:					
Local sources:					
Charges for service	\$ 1,642,438	15,176	297,113	1,954,727	4,411,545
OPERATING EXPENSES:					
Instruction:					
Regular instruction:					
Supplies	0	0	5,123	5,123	0
Other instruction:					
Salaries	0	12,052	5,709	17,761	0
Benefits	0	1,737	765	2,502	0
Services	0	1,732	41,299	43,031	0
Supplies	0	50	194,812	194,862	0
Other	0	0	12,231	12,231	0
Support services:					
Administrative services:					
Benefits	0	0	0	0	4,006,504
Services	300	0	0	300	310,032
Supplies	0	0	0	0	7,034
Other	0	0	0	0	100
Operation and maintenance of plant services:					
Services	0	0	300	300	0
Non-instructional programs:					
Food service operations:					
Salaries	832,184	0	0	832,184	0
Benefits	260,358	0	0	260,358	0
Services	108,226	0	0	108,226	0
Supplies	1,321,511	0	0	1,321,511	0
Depreciation	100,845	0	0	100,845	0
Community service operations:					
Services	0	0	100	100	0
TOTAL OPERATING EXPENSES	2,623,424	15,571	260,339	2,899,334	4,323,670
OPERATING INCOME(LOSS)	(980,986)	(395)	36,774	(944,607)	87,875
NON-OPERATING REVENUES:					
State sources	24,428	0	0	24,428	0
Federal sources	666,121	0	0	666,121	0
Interest income	7,640	25	11,619	19,284	75,727
TOTAL NON-OPERATING REVENUES	698,189	25	11,619	709,833	75,727
Changes in net assets before capital contributions	(282,797)	(370)	48,393	(234,774)	163,602
Capital contributions	187,360	0	0	187,360	0
Changes in net assets	(95,437)	(370)	48,393	(47,414)	163,602
Net assets beginning of year	873,459	0	330,908	1,204,367	619,337
Net assets end of year	\$ 778,022	(370)	379,301	1,156,953	782,939

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

	Business-Type Activities:				Governmental Activities: Internal Service Fund
	Enterprise Funds				
	School Nutrition	Community Service	School Store	Total	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 1,624,013	0	0	1,624,013	0
Cash received from miscellaneous operating activities	13,328	15,176	297,113	325,617	4,447,924
Cash payments to employees for services	(1,063,241)	(11,572)	(7,853)	(1,082,666)	(4,006,504)
Cash payments to suppliers for goods or services	(1,339,611)	(1,782)	(257,282)	(1,598,675)	(201,156)
Net cash provided by(used in) operating activities	(765,511)	1,822	31,978	(731,711)	240,264
Cash flows from non-capital financing activities:					
State grants received	24,428	0	0	24,428	0
Federal grants received	559,376	0	0	559,376	0
Interfund loan received(repaid)	3,419	363	(363)	3,419	(759,387)
Net cash provided by(used in) non-capital financing activities	587,223	363	(363)	587,223	(759,387)
Cash flows from capital financing activities:					
Acquisition of capital assets	(44,491)	0	0	(44,491)	0
Net cash used in capital financing activities	(44,491)	0	0	(44,491)	0
Cash flows from investing activities:					
Interest on investment	7,640	25	11,619	19,284	75,727
Net cash provided by investing activities	7,640	25	11,619	19,284	75,727
Net increase(decrease) in cash and cash equivalents	(215,139)	2,210	43,234	(169,695)	(443,396)
Cash and cash equivalents at beginning of year	292,098	0	340,219	632,317	1,895,007
Cash and cash equivalents at end of year	\$ 76,959	2,210	383,453	462,622	1,451,611

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2007

	Business-Type Activities:				Governmental Activities: Internal Service Fund
	Enterprise Funds				
	School Nutrition	Community Service	School Store	Total	
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (980,986)	(395)	36,774	(944,607)	87,875
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	106,745	0	0	106,745	0
Depreciation	100,845	0	0	100,845	0
Increase in inventories	(15,481)	0	0	(15,481)	0
Decrease in accounts receivable	0	0	0	0	36,379
Increase in incurred but not reported claims	0	0	0	0	110,385
Increase(Decrease) in accounts payable	(838)	0	(3,417)	(4,255)	5,625
Increase(Decrease) in salaries and benefits payable	29,301	2,217	(1,379)	30,139	0
Decrease in unearned revenue	(5,097)	0	0	(5,097)	0
Net cash provided by(used in) operating activities	<u>\$ (765,511)</u>	<u>1,822</u>	<u>31,978</u>	<u>(731,711)</u>	<u>240,264</u>

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:

Current assets:					
Cash and investments	\$ 76,959	2,210	383,453	462,622	1,451,611

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$106,745.

During the year ended June 30, 2007, the District received capital contributions valued at \$181,662 from the Capital Projects Fund.

During the year ended June 30, 2007, the District received capital contributions valued at \$5,698 from the Special Revenue, Physical Plant and Equipment Levy Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

JUNE 30, 2007

	<u>Private Purpose</u>	
	<u>Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 539,106	225,179
Total assets	<u>539,106</u>	<u>225,179</u>
LIABILITIES		
Accounts payable	0	495
Due to other groups	0	224,684
Total liabilities	<u>0</u>	<u>225,179</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 539,106</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 61,283
Interest income	20,794
Total additions	82,077
Deductions:	
Instruction:	
Regular instruction:	
Scholarships awarded	21,650
Purchased services	2,402
	24,052
Support services:	
Administration services:	
Purchased services	1,300
Operation and maintenance of plant services:	
Purchased services	1,320
	2,620
Total deductions	26,672
Change in net assets before other financing sources	55,405
Other financing sources:	
Transfers in	483,701
	483,701
Change in net assets	539,106
Net assets beginning of year	0
Net assets end of year	\$ 539,106

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies

The Southeast Polk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Altoona, Mitchellville and Runnells, Iowa, and the predominate agricultural territory in Polk, Jasper and Marion 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, Southeast Polk 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 Southeast Polk 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 Polk, Jasper and Marion Counties Assessors' 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. Interfund services provided and used are not eliminated in the process of consolidation. 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 support.

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 plus the unspent bond proceeds 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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 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 that are 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 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 receipts 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 expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for local option sales and services tax and capital improvements.

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

The District reports the following major and nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund, School Store Fund, Community Service Fund, and the Internal Service Fund. The School Nutrition Fund is a major fund used to account for the food service operations of the District. The School Store Fund is a nonmajor fund used to account for the resale service operations of the District. The Community Service Fund is a nonmajor fund used to account for the community service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and Statement of Activities. This chargeback is based by a percentage of total employees by the participants' various functional areas.

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 which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary and fiduciary (Private Purpose Trust Fund) fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The other fiduciary fund, Agency Fund, has no measurement focus. 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.

The proprietary funds that are enterprise funds 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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. CASH, POOLED INVESTMENTS AND CASH EQUIVALENTS

The cash balance 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 purpose 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, they have a maturity date no longer than three months.

E. PROPERTY TAXES

Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied. The lien date is the day after the due date.

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

F. 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.

G. INVENTORIES

General Fund inventories are valued at cost using the first-in and first-out method. The inventories consist of supplies, and are recorded as expenditures when consumed rather than when purchased.

The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

H. CAPITAL ASSETS

Capital assets, which include property, machinery, 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 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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Land and construction in progress are not depreciated. Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

I. SALARIES AND BENEFITS PAYABLE

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2007, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2007.

J. DEFERRED REVENUE

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 revenues consist of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

K. UNEARNED REVENUE

Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

L. COMPENSATED ABSENCES

Certain District employees accumulate vacation hours for subsequent use or for payment upon termination, death, or retirement. Governmental fund types record vested vacation pay as a salary expenditure in the current year to the extent it is paid during the year. The remaining vested portion is recorded as a liability in the Statement of Net Assets as Long-Term Debt. In proprietary fund types, the full amount of the vacation costs are accounted for as liabilities of those funds. These liabilities have been computed based on current rates of pay including cost of employee benefits. The General Fund will be the governmental fund primarily used to liquidate the liability for compensated absences.

Note 4. Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 7,828,150
Debt Service	Physical Plant and Equipment Levy	112,210
Private Purpose Trust	Trust	483,701
Agency	Student Activity	<u>82,804</u>
Total		<u>\$ 8,506,865</u>

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

Capital Projects Fund transferred to the Debt Service Fund to pay revenue bonds and bans.

Physical Plant and Equipment Fund transferred to the Debt Service Fund to pay the capital loan note.

The Trust Fund was transferred to the Private Purpose Trust Fund to remove the Trust from the governmental financial statements and shown now as fiduciary.

The Student Activity Fund transferred the balance of a certificate of deposit to purchase band uniforms that were partially funded by the Agency Fund.

Note 5. Capital Assets

Capital assets 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>
Business-type activities:				
Machinery and equipment	\$ 1,160,017	231,851	0	1,391,868
Less accumulated depreciation	487,338	100,845	0	588,183
Business-type activities capital assets, net	<u>\$ 672,679</u>	<u>131,006</u>	<u>0</u>	<u>803,685</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,511,860	143,146	0	1,655,006
Construction in progress	2,261,498	20,040,688	93,534	22,208,652
Total capital assets not being depreciated	3,773,358	20,183,834	93,534	23,863,658
Capital assets being depreciated:				
Buildings	47,840,362	6,367,706	0	54,208,068
Land improvements	4,160,323	199,508	0	4,359,831
Machinery and equipment	9,406,291	1,362,189	297,376	10,471,104
Total capital assets being depreciated	61,406,976	7,929,403	297,376	69,039,003
Less accumulated depreciation for:				
Buildings	14,012,620	1,025,286	0	15,037,906
Land improvements	2,344,569	201,065	0	2,545,634
Machinery and equipment	6,318,912	797,086	121,508	6,994,490
Total accumulated depreciation	22,676,101	2,023,437	121,508	24,578,030
Total capital assets being depreciated, net	38,730,875	5,905,966	175,868	44,460,973
Governmental activities capital assets, net	\$ 42,504,233	26,089,800	269,402	68,324,631

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 150,916
Special	3,499
Other	40,087
Support services:	
Student	10,497
Instructional staff	99,501
Administration	13,996
Operation and maintenance of plant	20,647
Transportation	457,944
	<u>797,087</u>
Unallocated depreciation	<u>1,226,350</u>
Total governmental activities depreciation expense	\$ 2,023,437
Business-type activities:	
Food services	<u>\$ 100,845</u>

Note 6. Related Business Transactions

Business transactions between the District and District employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Karen Haines, Superintendent Secretary, Daughter of Robert Gulling	Miscellaneous maintenance	\$1,325
Jeri Sanborn, Counselor Mother of David Sanborn	Services	\$26,102
Chris English, Bus Driver Spouse is contractor with Air Con	Services	\$160,785
Phil Cronin, Teacher Owns Power Clean of Central	Equipment Repair	\$5,890

Note 7. Long-Term Debt

A summary of changes in general long-term debt for the year ended June 30, 2007 during the year:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 49,430,000	5,500,000	2,375,000	52,555,000	2,150,000
Revenue bans	6,075,000	0	6,075,000	0	0
Revenue bonds	8,250,000	0	1,300,000	6,950,000	2,575,000
Capital loan note	405,000	0	100,000	305,000	100,000
Early retirement	769,826	261,024	347,042	683,808	255,437
Compensated absences	137,715	120,867	137,715	120,867	120,867
Total	\$ 65,067,541	5,881,891	10,334,757	60,614,675	5,201,304

Bonded Debt

During the year ended June 30, 2005 the District issued refunding General Obligation Bonds of \$2,845,000 for General Obligation Bonds issued September 1, 1993 and March 1, 1996 of \$2,810,000 for capital facility additions. During the year ended June 30, 2006 the District issued General Obligation Bonds of \$47,500,000 for capital facility additions. During the year ended June 30, 2007 the District issued General Obligation Bonds of \$5,500,000 for capital facility additions. Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated May 1, 2007			Issue dated May 1, 2006		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2008	4.25 %	\$ 20,000	224,755	4.00 %	\$ 1,150,000	2,016,312
2009	4.25	100,000	223,905	4.00	1,685,000	1,970,313
2010	4.25	115,000	219,655	4.00	1,775,000	1,902,912
2011	4.25	100,000	214,767	4.00	1,845,000	1,831,912
2012	4.25	100,000	210,518	4.00	1,920,000	1,758,113
2013-17	4.25-3.85	860,000	967,375	4.00-4.50	10,885,000	7,524,550
2018-22	3.88-4.00	1,145,000	766,498	4.50	13,535,000	4,868,775
2023-27	4.00-4.10	3,060,000	513,880	4.50	13,280,000	1,533,375
Total		\$ 5,500,000	3,341,353		\$ 46,075,000	21,389,950

Year Ending June 30,	Issue dated March 15, 2005			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2008	2.90 %	\$ 980,000	28,420	\$ 2,150,000	2,269,487
2009		0	0	1,785,000	2,194,218
2010		0	0	1,890,000	2,122,567
2011		0	0	1,945,000	2,046,679
2012		0	0	2,020,000	1,968,631
2013-17		0	0	11,745,000	8,491,925
2018-22		0	0	14,680,000	5,635,273
2023-27		0	0	16,340,000	2,047,255
Total		\$ 980,000	28,420	\$ 52,555,000	26,776,035

Revenue Bonds

On December 15, 2005 the District issued \$9,000,000 in revenue bonds for capital facility additions. The revenue bonds will be repaid using Local Option Sales and Services Tax collected in the Capital Project Fund. Details of the District's June 30, 2007 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated December 15, 2005		
	Interest Rates	Principal	Interest
2008	3.65-3.70 %	\$ 2,575,000	237,281
2009	3.75-3.80	3,625,000	132,162
2010	3.85-3.90	750,000	21,844
Total		\$ 6,950,000	391,287

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

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

- a) \$405,356 of the proceeds from the issuance of the revenue bonds shall be deposited into a Capitalized Interest During Constriction Account in the Project Fund for the payment of interest on the Bonds during Construction. \$1,550,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Project Fund for payment of Project costs that you will incur after April 1st, 2006.
- b) The District is required to establish a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. In each month, at least \$30,000 shall be deposited in the Reserve Fund until \$900,000 is on deposit.
- c) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- d) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- e) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Loan Notes

Capital loan notes were issued in anticipation of future revenues and were issued for capital equipment purchases. The capital loan notes will be repaid using property taxes collected in the Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2007 capital loan notes bonded indebtedness are as follows:

Year Ending June 30,	Issue dated February 1, 2005		
	Interest Rates	Principal	Interest
2008	2.90 %	\$ 100,000	9,310
2009	3.05	100,000	6,410
2010	3.20	105,000	3,360
Total		\$ 305,000	19,080

The June 30, 2007 debt issued by the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 2,053,554,863</u>
Debt limit, 5% of total assessed valuation	\$ 102,677,743
Amount of debt applicable to debt limit, total general obligation bonded debt	<u>59,810,000</u>
Excess of debt limit over bonded debt outstanding, legal debt margin	<u>\$ 42,867,743</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The District had previously adopted an early retirement policy during the year ended June 30, 1989. Employees aged 59 to 64 who have served the District at least fifteen years with the last ten years on a continuous basis, are eligible to elect early retirement. Qualified individuals may select either of the policies at the present time.

The retirement benefit is based on current rates of pay (with negotiated increases for academic employees), and is payable in either a lump sum or three equal installments. The election must be made by June 30 to receive payment the following fiscal year.

The early retirement policy provides health insurance coverage until the retired employee reaches age 65. The District pays the same portion of the health insurance as was being paid the last year of employment under the new policy. Under the previous policy, the District paid premium increases until age 65. The District's payments for the benefits for the year ended June 30, 2007 was \$347,042 for retirement benefits and health insurance premiums. The early retirement program is funded through a property tax assessment. Early retirement incentives are paid out of the Special Revenue, Management Fund. The cost of early retirement payments expected to be liquidated currently are recorded as a liability in the Statement of Net Assets. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Note 8. Bond Defeasement

On March 15, 2005, the District issued \$2,845,000 in general obligation bonds to advance refund \$2,810,000 of outstanding general obligation bonds dated September 1, 1993 and March 1, 1996. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2007, \$1,445,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$700,000 and \$110,265.

Note 9. Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$85,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three calendar plan years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The balance in the fund was \$782,939 at June 30, 2007, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$663,047 reported in the plan at June 30, 2007, are reported as a liability of the fund. There were no significant reductions in insurance coverage from the prior year.

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2007 is as follows:

	2007	2006
Balance beginning of year	\$ 552,662	\$ 486,183
Incurred claims and claim adjustments	4,130,611	3,527,747
Payment of claims	4,020,226	3,461,268
Balance end of year	<u>\$ 663,047</u>	<u>\$ 552,662</u>

In addition the 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 10. Interfund Receivable and Payable

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

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General	Capital Projects	\$ 342,677
General	Physical Plant and Equipment Levy	50,000
General	Enterprise, School Nutrition	88,883
Capital Projects	Debt Service	597,319
Debt Service	Capital Projects	30,000
Debt Service	Physical Plant and Equipment Levy	9,594
Enterprise, School Store	Enterprise, Community Service	363
Physical Plant and Equipment Levy	General	102,918
Capital Projects	General	<u>1,100,000</u>
Total		<u>\$ 2,321,754</u>

Capital Projects Fund is repaying the General Fund for deficit at end of year. The balance will be repaid by June 30, 2008.

Physical Plant and Equipment Fund is reimbursing the General Fund for technology equipment purchases. The balance will be repaid by June 30, 2008.

Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid in fiscal 2007. The balance will be repaid by June 30, 2008.

Debt Service Fund is repaying the Capital Project Fund for covering the deficit cash position at June 30, 2007. The balance will be repaid by June 30, 2008.

Capital Projects Fund is transferring to the Debt Service Fund to fulfill debt reserve requirements per revenue bond issue. The balance will be repaid by June 30, 2008.

The Physical Plant and Equipment Fund is repaying the Debt Service Fund for a previous year capital loan note interest payment inadvertently not transferred. The balance will be repaid by June 30, 2008.

The Enterprise, Community Service Fund is repaying the Enterprise, School Store Fund for covering the deficit cash position at June 30, 2007. The balance will be repaid by June 30, 2008.

The General Fund is repaying the Physical Plant and Equipment Fund for special education bus purchases. The balance will be repaid by June 30, 2008.

The General Fund is repaying the Capital Projects Fund for covering the deficit cash position at June 30, 2007. The balance will be repaid by June 30, 2008.

Note 11. Pension and Retirement Benefits

Southeast Polk Community School 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 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 contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$1,653,332, \$1,519,772 and \$1,395,117 respectively, equal to the required contributions for each year. The District is a participating employer in the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer public employees retirement system designed as a supplement to Social Security.

Note 12. Construction Commitments

The District has active construction projects as of June 30, 2007. The projects include additions and improvements at Clay Elementary and New Senior High School. At the end of the year, the District paid \$22,208,652 with \$25,681,811 of outstanding contract agreements to be paid upon completion of the capital projects.

Note 13. Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in the support services and non-instructional programs functions exceeded the amount budgeted.

Note 14. Contingencies

As of June 30, 2006, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time; however, management does not believe they will be material to the basic financial statements.

Note 15. Modular Classroom Lease

The District entered into an agreement on May 2, 2006 to lease six additional classroom modular buildings. This agreement requires the District to pay \$4,490 a month for 24 months and the District to pay \$17,100 for take-down and removal. The lease is being paid out of the Capital Projects, Local Option Sales and Services Tax Fund.

Note 16. 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 \$1,645,674 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.

Note 17. Due from Other Governments

Amount due from other governments by Fund as of June 30, 2007 are as follows:

	<u>General Fund</u>
Local appropriations:	
Tuition	\$ 789,808
Other Reimbursements	<u>618</u>
Total local appropriations	<u>790,426</u>
Intermediate appropriations:	
AEA Reimbursments	<u>54,634</u>
Total intermediate appropriations	<u>54,634</u>
State appropriations:	
Foster claim	14,292
Nonpublic transportation	28,849
Vocational aid	<u>23,667</u>
Total state appropriations	<u>66,808</u>
Federal appropriations:	
Title 1	65,263
Advance Placement	636
Drug Free	5,977
Perkins	9,295
Title VIA	<u>18,203</u>
Total federal appropriations	<u>99,374</u>
Total general fund due from other governments	<u><u>\$ 1,011,242</u></u>
	Capital
	Projects Fund
Local appropriations:	
Local option sales and services tax	<u>\$ 687,031</u>
Total capital projects fund due from other governments	<u><u>\$ 687,031</u></u>
Grand total due from other governments	<u><u>\$ 1,698,273</u></u>

Note 18. GASB 45 Implementation

In 2008, the District will implement GASB Statement No. 45. The District had an actuarial conducted to determine unfunded post-retirement benefit plan as of October 1, 2006. The unfunded actuarial accrued liability (UALL) is \$4,947,000. The annual required contribution (ARC) is the annual expense recognition of the post-retirement benefit plan cost for the year. The District will report \$463,000, the ARC amount, as contributions toward future post-retirement benefit plan costs in the next fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

SOUTHEAST POLK 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 Government 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides 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 \$5,488,537.

During the year ended June 30, 2007, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

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Southeast Polk Community School District

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Management Fund

This fund accounts for property taxes collected to pay property and boiler insurance, fidelity bonds, worker's compensation, liability insurance premiums, unemployment insurance claims and early retirement incentives.

Student Activity Fund

This fund accounts for funds raised by student groups. Under State Law, the Board retains responsibility for Student Activity Fund's ultimate disposition.

Physical Plant and Equipment Levy Fund

This fund accounts for property taxes collected to pay for purchase and improvement of grounds, purchase of buildings, major repairs, remodeling, reconstruction, improving or expanding the schoolhouses or buildings, expenditures for energy conservation and for equipment purchases. The purchase of transportation vehicles also qualify under the law.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2007

	Special Revenue Funds			
	Management Fund	Student Activity	Physical Plant and Equipment Fund	Total Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 499,078	150,509	68,342	717,929
Receivables:				
Property taxes:				
Current year delinquent	9,652	0	12,442	22,094
Succeeding year	855,000	0	1,175,772	2,030,772
Interfund	0	0	102,918	102,918
Accounts	1,561	0	0	1,561
TOTAL ASSETS	\$ 1,365,291	150,509	1,359,474	2,875,274
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	59,594	59,594
Accounts payable	0	14,344	20,050	34,394
Salaries and benefits payable	0	5,175	0	5,175
Deferred revenue:				
Succeeding year property tax	855,000	0	1,175,772	2,030,772
Other	27,514	0	0	27,514
Total liabilities	882,514	19,519	1,255,416	2,157,449
Fund balances:				
Unreserved:				
Undesignated	482,777	130,990	104,058	717,825
Total fund balances	482,777	130,990	104,058	717,825
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,365,291	150,509	1,359,474	2,875,274

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2007

	Special Revenue Funds				Total Special Revenue Funds
	Management Fund	Student Activity	Physical Plant and Equipment Fund	Trust	
REVENUES:					
Local sources:					
Local tax	\$ 855,038	0	1,118,317	0	1,973,355
Other	144,079	819,163	18,296	0	981,538
State sources	392	0	449	0	841
Federal sources	0	0	1,992	0	1,992
TOTAL REVENUES	999,509	819,163	1,139,054	0	2,957,726
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	3,188	0	0	0	3,188
Special instruction	164	0	0	0	164
Other instruction	0	806,482	0	0	806,482
Support services:					
Support services	0	8,175	0	0	8,175
Instructional staff support services	0	0	73,457	0	73,457
Administration services	733,483	983	86,190	0	820,656
Operation and maintenance of plant services	228,961	0	27,884	0	256,845
Transportation services	38,870	5,331	508,420	0	552,621
Non-instructional programs:					
Food service operations	859	0	0	0	859
Community service operations	0	2,624	0	0	2,624
Other expenditures:					
Capital outlay	0	0	437,651	0	437,651
TOTAL EXPENDITURES	1,005,525	823,595	1,133,602	0	2,962,722
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(6,016)	(4,432)	5,452	0	(4,996)
OTHER FINANCING USES:					
Transfers out	0	(82,804)	(112,210)	(483,701)	(678,715)
NET CHANGE IN FUND BALANCES	(6,016)	(87,236)	(106,758)	(483,701)	(683,711)
FUND BALANCES BEGINNING OF YEAR	488,793	218,226	210,816	483,701	1,401,536
FUND BALANCES END OF YEAR	\$ 482,777	130,990	104,058	0	717,825

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND**

YEAR ENDED JUNE 30, 2007

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>July 1, 2006</u>			<u>June 30, 2007</u>
STUDENT AGENCY				
ASSETS				
Cash and pooled investments	\$ 128,588	447,176	350,585	225,179
Total Assets	<u>\$ 128,588</u>	<u>447,176</u>	<u>350,585</u>	<u>225,179</u>
LIABILITIES				
Accounts payable	\$ 119	495	119	495
Due to other groups	128,469	446,681	350,466	224,684
Total Liabilities	<u>\$ 128,588</u>	<u>447,176</u>	<u>350,585</u>	<u>225,179</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Statistical Section

Southeast Polk Community School District

Statistical Section

(Unaudited)

This part of the Southeast Polk Community School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	66-78
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the District's ability to generate its property taxes.	79-82
Debt Capacity These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	83-88
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within the District's financial activities take place and to help make comparisons over time and with other governments.	89-93
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	94-100

Schedule 1
Southeast Polk Community School District

Net Assets by Component
Last Five Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities:					
Invested in capital assets, net of related debt	\$ 15,738,448	\$ 14,120,320	\$ 22,984,041	\$ 30,566,073	\$ 40,518,654
Restricted	5,419,850	7,944,765	4,436,950	772,049	610,623
Unrestricted	1,422,786	2,730,484	1,682,806	909,685	(2,388,634)
Total governmental activities					
net assets	\$ 22,581,084	\$ 24,795,569	\$ 29,103,797	\$ 32,247,807	\$ 38,740,643
Business-type activities:					
Invested in capital assets, net of related debt	\$ 246,994	\$ 339,530	\$ 540,834	\$ 672,679	\$ 803,685
Restricted	-	-	-	-	-
Unrestricted	553,650	593,346	692,249	531,688	353,268
Total business-type activities					
net assets	\$ 800,644	\$ 932,876	\$ 1,233,083	\$ 1,204,367	\$ 1,156,953
Primary government:					
Invested in capital assets, net of related debt	\$ 15,985,442	\$ 14,459,850	\$ 23,524,875	\$ 31,238,752	\$ 41,322,339
Restricted	5,419,850	7,944,765	4,436,950	772,049	610,623
Unrestricted	1,976,436	3,323,830	2,375,055	1,441,373	(2,035,366)
Total primary government					
net assets	\$ 23,381,728	\$ 25,728,445	\$ 30,336,880	\$ 33,452,174	\$ 39,897,596

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Schedule 2
Southeast Polk Community School District

Expenses, Program Revenues and Net (Expense) Revenue
Last Five Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
Instruction	\$ 21,266,961	\$ 23,761,239	\$ 25,683,516	\$ 26,044,931	\$ 28,821,083
Student services	1,748,623	1,755,783	1,913,787	1,919,677	2,045,021
Instructional staff services	1,531,067	1,607,844	1,585,381	1,631,508	1,406,014
Administration services	5,025,283	5,277,883	4,750,953	6,200,028	6,112,651
Operation and maintenance of plant	3,094,721	3,038,417	3,434,212	4,271,418	4,228,482
Pupil transportation services	1,667,934	1,603,892	1,855,049	2,119,110	2,279,563
Other support services	212,536	264,534	69,641	-	-
Non-instructional programs	-	-	-	-	3,483
Interest on long-term debt	538,403	441,509	439,621	803,749	2,622,942
AEA flowthrough	1,262,623	1,272,602	1,344,421	1,471,264	1,645,674
Depreciation (unallocated)	939,144	147,998	767,459	978,327	1,226,350
Total governmental activities expenses	37,287,295	39,171,701	41,844,040	45,440,012	50,391,263
Business-type activities:					
Nutrition services	1,711,844	1,774,896	2,065,506	2,364,017	2,623,424
Community service services	-	-	-	-	15,571
School store services	250,750	260,308	294,138	316,014	260,339
Total business-type activities expenses	1,962,594	2,035,204	2,359,644	2,680,031	2,899,334
Total primary government expenses	\$ 39,249,889	\$ 41,206,905	\$ 44,203,684	\$ 48,120,043	\$ 53,290,597
Program revenues:					
Governmental activities:					
Charges for services:					
Instruction	\$ 2,651,988	\$ 2,613,661	\$ 2,746,904	\$ 3,361,758	\$ 1,955,107
Support services	12,761	30,032	11,538	19,010	6,026
Operating grants and contributions	3,197,867	3,676,491	3,654,335	4,063,657	5,082,354
Capital grants and contributions	-	937,875	202,595	90,197	1,992
Total governmental activities program revenues	5,862,616	7,258,059	6,615,372	7,534,622	7,045,479

(Continued on the following page.)

Schedule 2
Southeast Polk Community School District

Expenses, Program Revenues and Net (Expense) Revenue (Continued)
Last Five Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Business-type activities:					
Charges for services:					
Nutrition	1,269,223	1,368,148	1,455,729	1,507,534	1,642,738
Community service services	-	-	-	-	15,176
School store	267,700	270,554	339,971	356,842	296,813
Operating grants and contributions	461,326	525,005	587,435	617,393	690,549
Capital grants and contributions	-	-	-	-	-
Total business-type program revenues	1,998,249	2,163,707	2,383,135	2,481,769	2,645,276
Total primary government program revenues	\$ 7,860,865	\$ 9,421,766	\$ 8,998,507	\$ 10,016,391	\$ 9,690,755
Net (expense) revenue:					
Governmental activities	\$ (31,424,679)	\$ (31,913,642)	\$ (35,228,668)	\$ (37,905,390)	\$ (43,345,784)
Business-type activities	35,655	128,503	23,491	(198,262)	(254,058)
Total primary government net expense	\$ (31,389,024)	\$ (31,785,139)	\$ (35,205,177)	\$ (38,103,652)	\$ (43,599,842)

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Schedule 3
Southeast Polk Community School District

General Revenues and Total Change in Net Assets
Last Five Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (expense) revenue:					
Governmental activities	\$ (31,424,679)	\$ (31,913,642)	\$ (35,228,668)	\$ (37,905,390)	\$ (43,345,784)
Business-type activities	35,655	128,503	23,491	(198,262)	(254,058)
Total primary government net expense	(31,389,024)	(31,785,139)	(35,205,177)	(38,103,652)	(43,599,842)
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes levied for general purposes	11,930,594	13,587,154	13,582,633	13,828,654	13,962,967
Property taxes levied for debt service	-	-	-	1,010,136	4,489,975
Property taxes levied for capital outlay	-	869,519	345,828	983,550	1,118,317
Income surtax	-	-	-	-	1,409,760
Sales tax	4,109,803	4,249,399	4,478,035	4,778,685	4,903,664
Unrestricted grants and contributions	16,095,076	17,050,531	18,427,583	20,181,425	21,898,887
Miscellaneous	10,693	-	14,490	-	368,740
Investment earnings	79,964	43,584	136,707	266,950	2,252,815
Transfers	-	-	-	-	(566,505)
Total governmental activities	32,226,130	35,800,187	36,985,276	41,049,400	49,838,620
Business-type activities:					
Miscellaneous	-	-	269,985	158,498	187,360
Investment earnings	4,654	3,729	6,731	11,048	19,284
Transfers	-	-	-	-	-
Total business-type activities	4,654	3,729	276,716	169,546	206,644
Total primary government	32,230,784	35,803,916	37,261,992	41,218,946	50,045,264
Change in net assets:					
Governmental activities	801,451	3,886,545	1,756,608	3,144,010	6,492,836
Business-type activities	40,309	132,232	300,207	(28,716)	(47,414)
Total primary government	\$ 841,760	\$ 4,018,777	\$ 2,056,815	\$ 3,115,294	\$ 6,445,422

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Schedule 4
Southeast Polk Community School District

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund:					
Reserved	\$ 27,720	\$ 439,146	\$ 329,097	\$ 502,879	\$ 476,750
Unreserved	1,946,945	1,595,047	2,259,175	1,765,073	1,118,846
Total General Fund	\$ 1,974,665	\$ 2,034,193	\$ 2,588,272	\$ 2,267,952	\$ 1,595,596
All other governmental funds:					
Reserved					
Debt service funds	\$ 86,440	\$ 93,815	\$ 114,498	\$ (122)	\$ -
Unreserved, reported in:					
Capital projects funds	-	-	1,057,252	7,320,666	1,109,473
Special revenue funds	1,090,016	1,099,075	837,091	714,283	995,098
Total all other governmental funds	\$ 1,176,456	\$ 1,192,890	\$ 2,008,841	\$ 8,034,827	\$ 2,104,571

Source: School District financial records.

					Fiscal Year				
2003		2004		2005		2006		2007	
\$	55,605	\$	16,904	\$	5,128	\$	70,122	\$	70,065
	38,313		452,578		145,956		(120,515)		(1,992,925)
\$	93,918	\$	469,482	\$	151,084	\$	(50,393)	\$	(1,922,860)
\$	-	\$	-	\$	16,423	\$	19,644	\$	305,510
	4,185,574		7,131,458		3,792,328		52,455,727		30,503,275
	1,689,629		1,133,716		1,248,406		1,401,536		717,825
\$	5,875,203	\$	8,265,174	\$	5,057,157	\$	53,876,907	\$	31,526,610

Schedule 5
Southeast Polk Community School District

Governmental Funds Revenues
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	1998	1999	2000	2001	2002
Federal sources:					
Federal sources	\$ 290,713	\$ 254,825	\$ 379,578	\$ 662,317	\$ 1,314,478
Total federal sources	290,713	254,825	379,578	662,317	1,314,478
State sources:					
State sources	\$ 14,076,213	\$ 14,493,941	\$ 16,175,184	\$ 17,194,930	\$ 17,938,464
Total state sources	14,076,213	14,493,941	16,175,184	17,194,930	17,938,464
Intermediate sources:					
Intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
Total intermediate sources	-	-	-	-	-
Local sources:					
Local taxes	\$ 9,765,436	\$ 9,918,197	\$ 10,496,931	\$ 13,647,904	\$ 14,888,466
Tuition	1,080,609	1,258,402	1,130,142	1,166,895	1,330,092
Other revenues	1,797,984	1,157,636	1,030,232	1,139,808	1,073,193
Total local sources	12,644,029	12,334,235	12,657,305	15,954,607	17,291,751
Total revenues	\$ 27,010,955	\$ 27,083,001	\$ 29,212,067	\$ 33,811,854	\$ 36,544,693

Source: School District financial records.

		Fiscal Year							
		2003	2004	2005	2006	2007			
\$	803,840	\$	2,226,435	\$	1,151,223	\$	1,106,270	\$	997,327
	803,840		2,226,435		1,151,223		1,106,270		997,327
\$	18,488,105	\$	19,438,462	\$	21,133,290	\$	23,229,009	\$	25,661,826
	18,488,105		19,438,462		21,133,290		23,229,009		25,661,826
\$	998	\$	-	\$	-	\$	50,000	\$	157,410
	998		-		-		50,000		157,410
\$	15,293,526	\$	18,100,184	\$	18,929,643	\$	20,601,025	\$	25,628,503
	1,438,145		1,646,046		1,620,381		1,505,013		1,179,299
	1,306,568		1,041,232		1,274,768		2,092,705		3,570,059
	18,038,239		20,787,462		21,824,792		24,198,743		30,377,861
\$	37,331,182	\$	42,452,359	\$	44,109,305	\$	48,584,022	\$	57,194,424

Schedule 6
Southeast Polk Community School District

Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	1998	1999	2000	2001	2002
Instruction	\$ 14,739,434	\$ 16,256,502	\$ 17,138,364	\$ 18,743,051	\$ 20,848,195
Student services	1,042,221	1,032,530	1,150,791	1,282,573	1,204,707
Instructional staff services	1,017,332	739,296	806,986	1,376,572	1,202,330
Administration services	2,408,187	2,460,427	2,658,750	2,891,601	3,198,463
Operation and maintenance of plant services	2,579,499	3,036,922	3,153,691	3,197,440	2,588,392
Pupil transportation services	989,498	985,183	977,705	1,350,821	1,465,053
Other support services	220,544	161,033	165,842	109,123	220,135
Non-instructional programs	-	-	-	-	-
AEA Flowthrough	998,157	1,063,321	1,133,349	1,216,484	1,241,684
Capital outlay:					
Facilities acquisition/construction	699,680	423,239	1,663,884	3,511,738	7,986,299
Debt service:					
Principal	375,000	405,000	430,000	525,000	2,550,000
Interest	465,551	435,089	402,079	387,086	632,052
Total expenditures	\$ 25,535,103	\$ 26,998,542	\$ 29,681,441	\$ 34,591,489	\$ 43,137,310
Debt service as a percentage of noncapital expenditures	3.40%	3.21%	2.88%	2.71%	7.96%

Source: School District financial records.

	Fiscal Year				
	2003	2004	2005	2006	2007
\$	21,297,513	\$ 23,214,429	\$ 25,365,585	\$ 25,957,083	\$ 28,905,727
	1,769,412	1,781,313	1,817,992	1,956,064	2,089,478
	1,136,804	1,261,556	1,432,133	1,431,116	1,486,501
	3,568,412	3,975,116	4,034,632	6,416,277	6,312,286
	3,079,753	3,080,660	3,401,604	4,240,148	4,271,457
	1,469,880	1,541,136	2,174,884	2,096,779	2,561,716
	218,863	269,730	62,514	-	-
	-	-	-	-	3,483
	1,262,623	1,272,602	1,344,421	1,471,264	1,645,674
	1,122,598	4,087,665	7,492,246	7,916,892	26,578,865
	575,000	4,850,000	630,000	4,560,000	9,850,000
	533,355	427,617	419,899	420,126	2,645,496
\$	\$ 36,034,213	\$ 45,761,824	\$ 48,175,910	\$ 56,465,749	\$ 86,350,683
	3.17%	13.04%	2.23%	9.67%	27.26%

Schedule 7
Southeast Polk Community School District

Other Financing Sources and Uses and Net Change in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	1998	1999	2000	2001	2002
Excess of revenues over (under) expenditures	\$ 1,475,852	\$ 84,459	\$ (469,374)	\$ (779,635)	\$ (6,592,617)
Other financing sources (uses):					
Issuance of general obligation bonds	-	-	-	-	-
Issuance of revenue bonds	-	-	2,000,000	6,500,000	-
Issuance of bond anticipation notes	-	-	-	-	-
Refunding debt issued	-	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-
Premium on bonds	-	-	-	-	-
Sale of capital assets	-	-	587	376	7,176
Proceeds on loans	-	-	-	-	-
Compensation for loss of capital assets	1,320	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(140,273)	-	-	-	-
Total other financing sources					
(uses)	(138,953)	-	2,000,587	6,500,376	7,176
Net change in fund balances	\$ 1,336,899	\$ 84,459	\$ 1,531,213	\$ 5,720,741	\$ (6,585,441)

Source: School District financial records.

Fiscal Year				
2003	2004	2005	2006	2007
\$ 1,296,969	\$ (3,309,465)	\$ (4,066,605)	\$ (7,881,727)	\$ (29,156,259)
-	-	-	47,500,000	5,500,000
-	-	-	9,000,000	-
2,800,000	6,075,000	-	-	-
-	-	2,845,000	-	-
(2,250,000)	-	(2,810,000)	-	-
-	-	4,140	-	-
10,693	-	1,050	-	-
-	-	500,000	-	-
-	-	-	-	-
558,355	5,282,294	1,014,146	3,971,586	7,940,360
(558,355)	(5,282,294)	(1,014,146)	(3,971,586)	(8,506,865)
560,693	6,075,000	540,190	56,500,000	4,933,495
\$ 1,857,662	\$ 2,765,535	\$ (3,526,415)	\$ 48,618,273	\$ (24,222,764)

Schedule 8
Southeast Polk Community School District

Financial Solvency Ratio
Last Ten Fiscal Years
(Unaudited)

School Year	Unreserved Undesignated General Fund Balance	Actual Revenues	Financial Solvency Ratio*
2006-2007	(\$1,992,925)	\$42,577,730	-4.68%
2005-2006	(120,515)	39,403,732	-0.31%
2004-2005	145,956	36,555,316	0.40%
2003-2004	452,578	34,890,438	1.30%
2002-2003	38,313	30,736,636	0.12%
2001-2002	1,118,846	29,790,528	3.76%
2000-2001	1,765,073	28,672,532	6.16%
1999-2000	2,259,175	26,633,772	8.48%
1998-1999	1,974,665	24,647,343	8.01%
1997-1998	1,946,945	23,622,446	8.24%

Source: School District financial records.

Notes: * = (Unreserved Undesignated General Fund Balance) / (Actual Revenues)

Target Solvency Position = Between 5.0 and 10 Percent
 Acceptable Solvency Position = Between 0.0 and 4.99 Percent
 Solvency Alert = Between -3.0 and 0.0 Percent
 Solvency Concern = Below -3.0 Percent

Schedule 9
Southeast Polk Community School District

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Actual Value			Less Exemptions	Total Taxable Value	Total Direct Rate (a)
	Residential Property	Commercial Property	Other Property			
1998	\$ 282,837,060	\$ 152,868,050	\$ 150,293,356	\$ 2,263,144	\$ 583,735,322	\$18.00821
1999	311,199,740	164,015,321	95,156,926	2,304,814	568,067,173	17.35279
2000	339,207,240	167,526,590	99,665,875	2,323,538	604,076,167	16.54398
2001	353,836,272	166,970,038	94,834,052	2,344,328	613,296,034	15.31041
2002	370,133,260	175,510,560	95,488,029	2,414,388	638,717,461	15.12681
2003	412,483,550	182,365,600	81,931,535	2,442,282	674,338,403	15.41627
2004	434,907,020	183,937,460	83,885,111	2,510,242	700,219,349	17.36978
2005	484,422,690	198,711,420	89,665,202	2,608,572	770,190,740	17.28014
2006	516,586,720	216,397,080	85,978,830	2,745,930	816,216,700	18.12266
2007	555,836,938	367,592,450	96,772,448	2,617,832	1,017,584,004	20.98804

Source: Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Notes: Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. Assessed value equals estimated actual value.

(a) Per \$1,000 of assessed value.

Schedule 10
Southeast Polk Community School District

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)
(Unaudited)

Fiscal Year Ended June 30	District Direct Rates				Total	Overlapping Rates							
	General Purposes	Capital Purposes	Debt Service	Management		Polk County	Jasper County	Marion County	Community College	Altoona	City of Mitchellville	City of Pleasant Hill	City of Runnells
1998	\$14,42856	\$1,00000	\$1,71107	\$0,86858	\$18,00821	\$9,29190	\$9,89595	\$9,83566	\$0,50551	\$8,93000	\$13,60052	\$12,05876	\$8,10000
1999	14,18262	1,00000	1,32114	0,84903	17,35279	9,28374	10,84579	10,06840	0,52451	8,90665	13,41784	11,66573	8,10000
2000	13,37381	1,00000	1,32114	0,84903	16,54398	9,25871	7,43983	10,58994	0,54506	8,90000	14,19207	11,60937	8,10000
2001	13,67127	1,00000	0,00000	0,63914	15,31041	9,33502	7,34244	10,39771	0,54454	8,89729	13,15140	11,78489	8,10000
2002	13,26956	1,00000	0,00000	0,85725	15,12681	9,64388	9,05654	10,51039	0,54454	8,89369	13,61875	11,60171	8,10000
2003	13,50415	1,00000	0,00000	0,91212	15,41627	9,76626	9,07370	10,55243	0,58184	8,89369	13,86759	11,48189	8,10000
2004	15,46653	1,00000	0,00000	0,90325	17,36978	9,96860	8,06036	11,09079	0,59856	8,89369	13,33972	11,48228	8,82955
2005	15,16501	1,00000	0,00000	1,11513	17,28014	9,94718	9,66429	11,21732	0,68408	8,79369	13,47156	11,48189	9,02241
2006	15,09091	1,00000	1,02764	1,00411	18,12266	10,17911	9,80745	11,21732	0,68688	8,64369	12,45074	11,48197	9,07850
2007	14,98018	1,00000	4,03065	0,97721	20,98804	10,16568	9,70787	11,15458	0,60276	8,64369	12,81766	11,48209	9,05656

Source: Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Notes: Assessed value equals estimated actual value.

Schedule 11
Southeast Polk Community School District

Principal Property Taxpayers
Current Year and Eight Years Ago
(Unaudited)

Taxpayer	2007			1999		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Prairie Meadows	\$ 106,200,170	1	10.44%	\$ 63,073,600	1	11.10%
Adventureland/America	21,071,000	2	2.07%	14,521,320	2	2.56%
Forget Properties	20,640,370	3	2.03%	-	-	-
Ziegler Realty LLC	14,123,100	4	1.39%	-	-	-
Wal-Mart	13,556,770	5	1.33%	-	-	-
Menards, Inc.	11,790,300	6	1.16%	-	-	-
Iowa Cold Storage	9,993,570	7	0.98%	-	-	-
Lowe's Home Centers, Inc.	8,876,070	8	0.87%	-	-	-
Target Corp.	8,554,440	9	0.84%	-	-	-
Bosselmann Inc	6,791,400	10	0.67%	5,114,480	4	0.90%
US West	-	-	-	8,669,398	3	1.53%
Warren Family Farms	-	-	-	4,408,950	5	0.78%
ARC IV LLC	-	-	-	3,256,550	6	0.57%
Altoona Meadows	-	-	-	3,121,310	7	0.55%
Venbury Inc.	-	-	-	2,816,520	8	0.50%
Centennial Place	-	-	-	2,693,520	9	0.47%
Spruce Partnership	-	-	-	2,680,700	10	0.47%
Total	\$ 221,597,190		21.78%	\$ 110,356,348		19.43%

Source: Polk County Auditor

Note: Data prior to 1999 was not available.

Schedule 12
Southeast Polk Community School District

Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 8,533,805	\$ 8,941,594	104.78%	\$ -	\$ 8,941,594	104.78%
1999	9,279,916	9,270,718	99.90%	82	9,270,800	99.90%
2000	9,797,293	9,831,966	100.35%	476	9,832,442	100.36%
2001	9,689,490	9,686,394	99.97%	733	9,687,127	99.98%
2002	10,138,700	9,948,901	98.13%	29,712	9,978,613	98.42%
2003	10,502,637	10,419,511	99.21%	56,684	10,476,195	99.75%
2004	12,969,952	13,020,151	100.39%	13,181	13,033,332	100.49%
2005	13,558,071	13,426,525	99.03%	3,079	13,429,604	99.05%
2006	13,548,838	14,746,175	108.84%	2,139	14,748,314	108.85%
2007	19,573,640	19,582,007	100.04%	2,436	19,584,443	100.06%

Source: School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Schedule 13
Southeast Polk Community School District

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	General Obligation Bonds	Revenue Bans/Bonds	Capital Loan Note	Total General Bonded Debt	Percent of Actual Taxable Value of Property (a)	Per Capita (b)
1998	\$ 6,525,000	\$ -	\$ -	\$ 6,525,000	1.12%	\$377
1999	6,120,000	-	-	6,120,000	1.08%	353
2000	5,690,000	2,000,000	-	7,690,000	1.27%	444
2001	5,165,000	8,500,000	-	13,665,000	2.23%	663
2002	4,615,000	6,500,000	-	11,115,000	1.74%	539
2003	4,040,000	7,050,000	-	11,090,000	1.64%	538
2004	3,440,000	8,875,000	-	12,315,000	1.76%	469
2005	2,845,000	8,875,000	500,000	12,220,000	1.59%	456
2006	49,430,000	14,325,000	405,000	64,160,000	7.86%	2,316
2007	52,555,000	6,950,000	305,000	59,810,000	5.88%	2,159

Source: School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Notes:

- (a) Actual taxable value of property includes Tax Increment Financing valuation. Assessed value equals estimated actual value. See Schedule 9 for actual taxable value of property.
- (b) See Schedule 18 for population data.

Schedule 14
Southeast Polk Community School District

Outstanding Debt by Type
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Early Retirement	Compensated Absences	Revenue Bans/Bonds	Capital Loan Note			
1998	\$ 6,525,000	\$ 349,243	\$ 114,234	\$ -	\$ -	\$ 6,988,477	2.23%	\$ 404
1999	6,120,000	371,973	114,234	-	-	6,606,207	1.89%	382
2000	5,690,000	277,436	58,571	2,000,000	-	8,026,007	2.09%	464
2001	5,165,000	299,030	332,005	8,500,000	-	14,296,035	3.47%	693
2002	4,615,000	315,964	66,894	6,500,000	-	11,497,858	2.67%	558
2003	4,040,000	654,673	68,066	7,050,000	-	11,812,739	2.63%	573
2004	3,440,000	572,160	68,401	8,875,000	-	12,955,561	2.65%	493
2005	2,845,000	534,298	129,599	8,875,000	500,000	12,883,897	2.31%	481
2006	49,430,000	769,826	137,715	14,325,000	405,000	65,067,541	11.02%	2,349
2007	52,555,000	683,808	120,867	6,950,000	305,000	60,614,675	N/A	2,188

Source: School District financial records.

Notes: N/A = not available. Details of the District's outstanding debt can be found in Note 7 in the notes to the financial statements.

(a) See Schedule 18 for personal income and population data. These ratios are calculated using personal income and population for the prior year calendar year.

Schedule 15
Southeast Polk Community School District

Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Direct and Overlapping Debt
Polk County	\$ 251,860,000	5.79%	\$ 14,593,020
Jasper County	13,470,000	0.33%	44,222
Marion County	5,165,000	0.27%	13,703
City of Mitchellville	400,000	100.00%	400,000
City of Runnells	-	-	-
City of Altoona	37,125,000	68.89%	25,576,563
City of Pleasant Hill	11,705,000	62.92%	7,364,786
			47,992,294
Subtotal, overlapping debt			47,992,294
District direct debt			60,614,675
Total direct and overlapping debt			\$ 108,606,969

Source: Taxable value data used to estimate applicable percentages provided by the County Auditor. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

Schedule 16
Southeast Polk Community School District

Legal Debt Margin Information
Last Ten Fiscal Years

(Unaudited)

	1998	1999	2000	2001	2002
Debt limit	\$ 32,494,202	\$ 39,669,929	\$ 40,909,667	\$ 45,271,347	\$ 47,239,601
Total net debt applicable to limit	6,525,000	6,120,000	7,690,000	13,665,000	11,115,000
Legal debt margin	\$ 25,969,202	\$ 33,549,929	\$ 33,219,667	\$ 31,606,347	\$ 36,124,601
Total net debt applicable to the limit as a percentage of debt limit	20.08%	15.43%	18.80%	30.18%	23.53%

Source: School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Notes:

- (a) Actual assessed value includes Tax Increment Financing
- (b) Code of Iowa Section 296.1

Legal Debt Margin Calculation for Fiscal Year 2007

Actual assessed value (a)	<u>\$ 2,053,554,863</u>
Debt limit (5% of assessed value) (b)	\$ 102,677,743
Debt applicable to limit	<u>59,810,000</u>
Legal debt margin	<u>\$ 42,867,743</u>

	2003	2004	2005	2006	2007
\$	51,596,396	\$ 55,669,020	\$ 79,934,600	\$ 86,569,626	\$ 102,677,743
	11,090,000	12,315,000	12,220,000	64,160,000	59,810,000
\$	40,506,396	\$ 43,354,020	\$ 67,714,600	\$ 22,409,626	\$ 42,867,743
	21.49%	22.12%	15.29%	74.11%	58.25%

Schedule 17
Southeast Polk Community School District

Pledged-Revenue Coverage
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Sales Tax Revenue Bans/Bonds			Coverage
	Revenue	Debt Service		
		Principal	Interest	
1998	\$ -	\$ -	\$ -	-
1999	-	-	-	-
2000	-	-	-	-
2001	3,249,004	-	110,500	29.40
2002	4,092,294	2,000,000	378,250	1.72
2003	4,109,803	-	276,250	14.88
2004	4,249,399	4,250,000	242,575	0.95
2005	4,478,035	-	197,460	22.68
2006	4,778,685	3,550,000	208,800	1.27
2007	4,903,664	7,375,000	453,150	0.63

Source: School District financial records.

Notes: Details regarding the District's outstanding debt can be found in Note 7 of the notes to the financial statements.

Schedule 18
Southeast Polk Community School District

Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Calendar Year	Population (a)	Personal Income (b)	Adjusted Gross Income Per Tax Return (b)	Per Capita Personal Income	Unemployment Rate (c)
1997	17,313	\$313,679,559	\$28,346	\$18,118	2.7%
1998	17,313	\$349,074,020	\$29,920	\$20,163	2.0%
1999	17,313	\$383,410,972	\$31,389	\$22,146	1.6%
2000	20,620	\$411,969,160	\$32,569	\$19,979	1.8%
2001	20,620	\$430,107,415	\$32,986	\$20,859	2.1%
2002	20,620	\$449,750,847	\$33,740	\$21,811	3.6%
2003	26,259	\$487,999,377	\$34,892	\$18,584	3.7%
2004	26,770	\$557,024,979	\$37,586	\$20,808	3.7%
2005	27,700	\$590,592,164	\$37,725	\$21,321	4.3%
2006	27,700	N/A	N/A	N/A	3.4%

Notes:

N/A = not available.

- (a) U.S. Department of Commerce, Bureau of Census
- (b) Iowa Department of Revenue
- (c) Iowa Workforce Development

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Schedule 19
Southeast Polk Community School District

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2007			1998		
	Employees	Rank	Percentage of Total Employment	Employees*	Rank	Percentage of Total Employment
Principal Life Insurance Company		1			1	
Iowa Health - Des Moines		2			2	
Mercy Hospital Medical Center		3			3	
Hy-Vee Food Stores		4			4	
Nationwide Mutual Insurance Company		5			10	
Wells Fargo Bank NA		6			-	
Wal-Mart		7			-	
Pioneer Hi-Bred		8			6	
BFS LLC North America		9			-	
Wellmark		10			7	
Bridgestone/Firestone		-			5	
United Parcel Service		-			8	
Younkers		-			9	
Total			11.59%			13.31%

Source: Iowa Workforce Development

Notes:

*Each of the Top 10 employers has over 1000 employees. Due to confidentiality restraints, IWD is not able to release exact employment figures for each company.

This is a representative list of the larger employers in the Des Moines Metropolitan Area.

Schedule 20
Southeast Polk Community School District

Full-Time Equivalent District Employees By Type
Last Ten Fiscal Years
(Unaudited)

	Full-Time Equivalent Employees as of June 30				
	1998	1999	2000	2001	2002
Supervisory:					
Superintendent	1.0	1.0	1.0	1.0	1.0
Assistant superintendent	-	-	-	-	-
Principals	9.0	11.0	10.0	10.0	10.0
Assistant principals	-	1.0	1.0	1.0	1.0
All other administrators	7.5	10.0	10.0	12.0	12.0
Total supervisory	17.5	23.0	22.0	24.0	24.0
Instruction:					
Regular program teachers	265.0	276.5	281.0	287.5	294.4
Special Education teachers	30.0	35.5	38.0	40.0	77.0
Total instruction	295.0	312.0	319.0	327.5	371.4
Student services:					
Guidance counselors	11.0	16.0	16.0	16.0	13.4
Nurses	4.0	5.0	5.0	5.0	5.0
Media Specialists	4.0	4.0	4.0	4.0	7.0
Total student services	19.0	25.0	25.0	25.0	25.4
Support and administration:					
Clerical/secretarial	39.0	50.0	54.0	55.0	55.0
Custodial and Maintenance	52.0	62.0	53.0	52.0	47.1
Food Service	34.0	18.0	18.0	18.0	27.9
Bus Drivers	35.5	18.0	18.0	18.0	18.0
Total support and administration	160.5	148.0	143.0	143.0	148.0
Total	492.0	508.0	509.0	519.5	568.8

Source: District records.

Full-Time Equivalent Employees as of June 30					Percentage Change 1998-2007
2003	2004	2005	2006	2007	
1.0	1.0	1.0	1.0	1.0	0.0%
1.0	1.0	1.0	1.1	1.0	100.0%
12.0	12.0	12.0	13.0	16.3	81.1%
1.0	1.0	2.0	2.0	2.0	100.0%
9.0	9.0	11.0	6.5	6.0	-20.0%
24.0	24.0	27.0	23.6	26.3	50.3%
315.2	312.1	346.9	305.2	319.0	20.4%
62.5	54.5	68.5	130.5	168.0	460.0%
377.7	366.6	415.4	435.7	487.0	65.1%
22.0	20.0	19.0	23.0	23.0	109.1%
5.0	7.0	8.5	8.0	9.5	137.5%
4.0	4.0	4.0	4.0	13.0	225.0%
31.0	31.0	31.5	35.0	45.5	139.5%
38.3	38.9	32.3	39.6	40.0	2.6%
45.3	54.4	52.5	50.7	67.0	28.8%
28.9	27.9	21.0	26.4	42.0	23.5%
16.3	16.2	19.6	29.0	44.0	23.9%
128.9	137.4	125.5	145.6	193.0	20.2%
561.5	559.0	599.4	639.9	751.8	52.8%

Schedule 21
Southeast Polk Community School District

Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment (1)	Operating Expenditures (2)	Cost Per Pupil	Percentage Change
1998	4,002	\$ 24,674,329	\$ 6,165	6.24%
1999	4,002	26,136,282	6,531	5.92%
2000	4,186	27,933,573	6,673	2.18%
2001	4,149	30,876,058	7,442	11.52%
2002	4,266	32,164,986	7,540	1.32%
2003	4,402	34,263,443	7,784	3.23%
2004	4,562	37,422,226	8,203	5.39%
2005	4,780	40,031,699	8,375	2.09%
2006	4,990	42,122,223	8,441	0.79%
2007	5,692	45,835,484	8,053	(4.60)%

Source: School District financial records and Iowa Department of Education.

Notes: N/A = not available.

(1) Average daily membership

(2) Operating expenditures are total governmental expenditures less debt service and capital outlays.

Expenses	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals
N/A	N/A	N/A	295.00	13.57	N/A
N/A	N/A	N/A	312.00	12.83	N/A
N/A	N/A	N/A	319.00	13.12	15.70%
N/A	N/A	N/A	327.50	12.67	15.10%
N/A	N/A	N/A	371.40	11.49	15.40%
\$ 39,249,889	\$ 8,916	N/A	377.65	11.66	17.30%
41,206,905	9,033	1.30%	366.55	12.45	18.10%
44,203,684	9,248	2.38%	415.43	11.51	18.60%
48,120,043	9,643	4.28%	435.65	11.45	19.80%
53,290,597	9,362	(2.91)%	487.00	11.34	21.10%

Schedule 22
Southeast Polk Community School District

School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	1998	1999	2000	2001	2002
Elementary:					
Altoona (1939)					
Square feet	44,425	44,425	44,425	44,425	44,425
Capacity*	424	424	424	424	424
Enrollment	365	389	388	389	388
Centennial (1968)					
Square feet	36,560	36,560	44,135	44,135	44,135
Capacity	370	370	446	446	446
Enrollment	391	393	426	446	490
Clay (2006)					
Square feet	N/A	N/A	N/A	N/A	N/A
Capacity	N/A	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A	N/A
Delaware (1951)					
Square feet	29,200	29,200	29,200	43,418	43,418
Capacity	269	269	269	399	399
Enrollment	303	336	309	347	390
Four Mile (1966)					
Square feet	31,050	31,050	41,700	41,700	41,700
Capacity	340	340	456	456	456
Enrollment	332	352	424	440	457
Mitchellville (1925)					
Square feet	21,805	21,805	21,805	21,805	21,805
Capacity	256	256	256	256	256
Enrollment	208	206	188	172	180
Runnells (2002)					
Square feet**	16,400	16,400	16,400	16,400	31,949
Capacity	N/A	N/A	N/A	N/A	210
Enrollment	165	163	162	158	168
Willowbrook (1991)					
Square feet	56,588	56,588	56,588	56,588	56,588
Capacity	630	630	630	630	630
Enrollment	503	511	514	497	511
Harbor (1997)					
Square feet	4,538	4,538	4,538	4,538	4,538
Capacity	454	454	454	454	454
Enrollment	52	47	46	56	59
Junior High:					
Southeast Polk Junior High (1992)					
Square feet	89,791	89,791	89,791	89,791	89,791
Capacity	950	950	950	950	950
Enrollment	682	668	679	661	690

Fiscal Year				
2003	2004	2005	2006	2007
44,425	44,425	66,059	66,059	66,059
424	424	630	630	630
392	385	377	435	384
44,135	62,278	62,278	62,278	62,278
446	630	630	630	630
513	516	542	547	481
N/A	N/A	N/A	66,138	66,138
N/A	N/A	N/A	840	840
N/A	N/A	N/A	N/A	322
43,418	43,418	43,418	68,509	68,509
399	399	399	630	630
404	436	462	472	503
41,700	57,617	57,617	57,617	57,617
456	630	630	630	630
487	518	558	577	588
21,805	35,774	35,774	35,774	35,774
256	420	420	420	420
187	215	208	211	170
31,949	31,949	31,949	42,989	42,989
210	210	210	210	450
177	179	196	195	214
56,588	56,588	56,588	56,588	56,588
630	630	630	630	630
493	500	493	527	477
4,538	4,538	4,538	4,538	4,538
454	454	454	454	454
64	69	42	39	39
89,791	89,791	89,791	89,791	89,791
950	950	950	950	950
803	820	823	862	840

Schedule 22
Southeast Polk Community School District

School Building Information(Continued)
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	1998	1999	2000	2001	2002
Senior High:					
Southeast Polk Senior High School (1963)					
Square feet	217,350	217,350	217,350	217,350	217,350
Capacity	1,800	1,800	1,800	1,800	1,800
Enrollment	1,364	1,381	1,385	1,317	1,326
Other District Facilities:					
Bus Garage (2002)					
Square feet***	5,000	5,000	5,000	16,300	16,300
District Office (1977)					
Square Feet	8,220	8,220	8,220	8,220	8,220

Source: District records

Notes:

* Capacity figures are based on 30 pupils per classroom

** Runnells Elementary was replaced in 2001; open for 2002 school year

***Bus Garage was replaced in 2001

Fiscal Year				
2003	2004	2005	2006	2007
217,350	217,350	217,350	217,350	217,350
1,800	1,800	1,800	1,800	1,800
1,299	1,350	1,495	1,572	1,660
16,300	16,300	16,300	16,300	16,300
8,220	8,220	8,220	8,220	8,220

Schedule 23
Southeast Polk Community School District

Certified Staff Salaries
Last Ten Fiscal Years
(Unaudited)

School Year	Minimum	Maximum	Average
2006-2007	\$35,180	\$58,634	\$46,907
2005-2006	32,752	54,587	43,670
2004-2005	31,612	52,687	42,150
2003-2004	30,837	51,395	41,116
2002-2003	30,068	50,112	40,090
2001-2002	29,161	48,602	38,882
2000-2001	24,950	47,405	36,178
1999-2000	24,250	46,075	35,163
1998-1999	23,600	44,840	34,220
1997-1998	22,875	43,462	33,169

Source: School District financial records.

- Notes:**
- The above table does not include extra duty pay.
 - Average salary includes supplemental Phase payments

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

GRANTOR/PROGRAM	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 07	\$ <u>106,745</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	69,551
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	<u>489,825</u>
			<u>559,376</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6101-G	8,283
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6101-G	<u>261,051</u>
			<u>269,334</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 07	<u>6,101</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 07	<u>96,233</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES	84.369	FY 07	<u>36,407</u>
ADVANCE PLACEMENT PROGRAM	84.330	FY 07	<u>636</u>
SAFE AND DRUG-FREE SCHOOLS - COMMUNITIES - STATES GRANTS	84.186	FY 07	<u>12,237</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES			
	84.048	FY 07	<u>37,167</u>
SPECIAL EDUCATION - GRANTS TO STATES(PART B)			
	84.027	FY 07	<u>262,786</u>
DEPARTMENT OF LABOR:			
IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT			
LEARN AND SERVE AMERICA - SCHOOLS AND COMMUNITY BASED PROGRAMS (COMSERV)	94.004	FY 06	219
LEARN AND SERVE AMERICA - SCHOOLS AND COMMUNITY BASED PROGRAMS (COMSERV)	94.004	FY 07	<u>6,750</u>
			<u>6,969</u>

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

GRANTOR/PROGRAM	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM EXPENDITURES
INDIRECT(CONTINUED):			
DEPARTMENT OF DEFENSE:			
FLOOD CONTROL	12.107	FY 07	1,992
			\$ 1,395,983

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Southeast Polk Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
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Telephone (641) 792-1910

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

To the Board of Education of the
Southeast Polk 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 Southeast Polk Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeast Polk 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 Southeast Polk Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Polk 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 Southeast Polk 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 Southeast Polk Community School District's financial statements that is more than inconsequential will not be prevented or detected by Southeast Polk Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Southeast Polk 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Polk 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Southeast Polk Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Southeast Polk 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 Southeast Polk Community School District and other parties to whom Southeast Polk 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 Southeast Polk 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.



NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2007

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**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of
Southeast Polk Community School District

Compliance

We have audited the compliance of Southeast Polk Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Southeast Polk Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Southeast Polk Community School District's management. Our responsibility is to express an opinion on Southeast Polk Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast Polk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southeast Polk Community School District's compliance with those requirements.

In our opinion, Southeast Polk Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

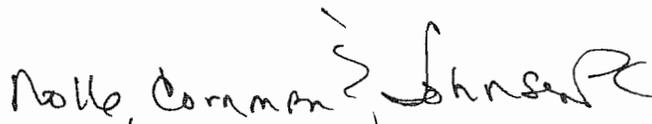
The management of Southeast Polk Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Southeast Polk Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Polk Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Polk Community School District and other parties to whom Southeast Polk 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.

Handwritten signature in cursive script, appearing to read "Nolte, Cornman & Johnson".

NOLTE, CORNMAN & JOHNSON, P.C.

December 21, 2007

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Cluster Programs:
 - CFDA Number 84.553 - School Breakfast Program
 - CFDA Number 84.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Southeast Polk Community School District qualified as a low-risk auditee.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 **Student Activity Fund** - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. A more specific example of these instances is as follows:

Donations from Box Tops for Education recorded in an elementary fund. These donations do not specify the purpose other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

We also noted during our audit that the Student Activity Fund received interest income from a certificate of deposit during the year. The interest was not however allocated to the various student activity accounts that earned the interest.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. The District also should allocate the interest earned in the Student Activity Fund to the various student accounts that earned the interest income.

Response - We will review the specific funds involved and make the appropriate adjustments in our accounting procedures.

Conclusion - Response accepted.

II-B-07 **Checks Outstanding** - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - We will comply.

Conclusion - Response accepted.

II-C-07 Photo Image Checks - We noted during our audit that District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter 544D.114 of the Code of Iowa, the District is required to have retained both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - We will contact the bank involved and have them produce copies of the front and back of checks.

Conclusion - Response accepted.

II-D-07 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - We will notify building administrators and department supervisors of the requirement to include documentation with all credit card purchases in order to have the bill paid with district funds.

Conclusion - Response accepted.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 exceeded the amount budgeted in the support services and non-instructional programs functions.

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

Response - We will amend the budget to the correct functional areas in the future to ensure the District does not exceed the amounts budgeted.

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Karen Haines, Superintendent Secretary, Daughter of Robert Gulling	Miscellaneous maintenance	\$1,325
Jeri Sanborn, Counselor Mother of David Sanborn	Services	\$26,102
Chris English, Bus Driver Spouse is contractor with Air Con	Services	\$160,785
Phil Cronin, Teacher Owns Power Clean of Central Iowa	Equipment Repair	\$5,890

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the father, spouse and son of the employees do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1992, the above transactions with the teacher do not appear to represent a conflict of interest.

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

IV-F-07 **Board Minutes** - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period.

Conclusion - Response accepted.

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

IV-H-07 **Deposits and Investments** - We noted 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.

IV-I-07 **Certified Annual Report** - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-07 **Financial Condition** - We noted during our audit that the District had a deficit undesignated unreserved fund balance of \$1,992,860 in the General Fund. We noted during our audit that the District had deficit net assets of \$370 in the Enterprise, Community Service Fund. We also noted during our audit that the District had several deficit Special Revenue, Student Activity Fund account balances at the end of the year.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will monitor these funds and investigate any available options to eliminate the deficits.

Conclusion - Response accepted.

IV-K-07 **Physical Plant and Equipment Levy Expenditures** - According to Chapter 298.3 of the Code of Iowa, the Physical Plant and Equipment Levy monies may be used for a purchase of a single unit of technology equipment exceeding \$500 per unit. We noted during our audit that the District purchased a variety of equipment less than the \$500 per single unit threshold from the Physical Plant and Equipment Levy Fund for \$16,572.56.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District should make a corrective transfer to the Physical Plant and Equipment Levy Fund from the General Fund.

Response - We will make the corrective transfer and review Chapter 298.3 of the Code of Iowa.

Conclusion - Response accepted.