

TWIN CEDARS COMMUNITY SCHOOL DISTRICT
BUSSEY, IOWA

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

June 30, 2007

Peak & Gerdes, LLP
Certified Public Accountants
1051 Office Park Road
West Des Moines, Iowa 50265

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Twin Cedars Community School District

Officials

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<u>Board of Education</u> (Before September, 2006 Election)		
Abby Mockenhaupt	President	2008
Deb Haselhuhn	Vice-President	2006
Dennis Miller	Board Member	2007
Bonnie Courtney	Board Member	2007
Bob Mallory	Board Member	2008

<u>Board of Education</u> (After September, 2006 Election)		
Dennis Miller	President	2007
Deb Haselhuhn	Vice-President	2009
Bonnie Courtney	Board Member	2007
Abby Mockenhaupt	Board Member	2008
Bob Mallory	Board Member	2008

School Officials

Brian Vandersluis	Superintendent	2007
Lana Dunkin	District Secretary/ Treasurer/Business Manager	2007
Belin, Lamson, McCormick, Zumbach, Flynn Attorney's At Law	Attorney	2007

Twin Cedars Community School District

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Independent Auditor's Report

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2007 on our consideration of Twin Cedars 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 considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Cedars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

Peak & Gerdes, LLP
Certified Public Accountants

August 17, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Twin Cedars Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,890,923 in fiscal 2006 to \$4,002,699 in fiscal 2007, while General Fund expenditures increased from \$3,538,665 in fiscal 2006 to \$3,761,464 in fiscal 2007. The District's General Fund balance increased from \$877,544 in fiscal 2006 to \$1,121,053 in fiscal 2007, a 27.75% increase.
- The increase in General Fund revenues was attributable to a slight increase in the number of students in the District which resulted in an increase in income earned coupled with a slight increase in per pupil funding from the state that resulted in increased property tax income and state and federal grant revenue in fiscal 2007. The increase in expenditures was due to several factors including increases in salaries and benefits, adding some staff positions and an increase in the cost of educational materials and energy costs.
- The District continues to make significant improvements to its facilities from the use of PPEL funds and Marion and Mahaska County Local Option Sales Tax revenues. A total of \$41,000 from the Local Option Sales Tax revenue was used to provide property tax relief to the District property owners in fiscal 2007.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Twin Cedars Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Twin Cedars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The proprietary fund financial statements offer short-term and long-term financial information about activities the District operates like a business. In Twin Cedars Community School District, the school nutrition program operation is the only enterprise reported as a proprietary fund.

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

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

Other Supplementary Information provides detailed information about the non-major funds.

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

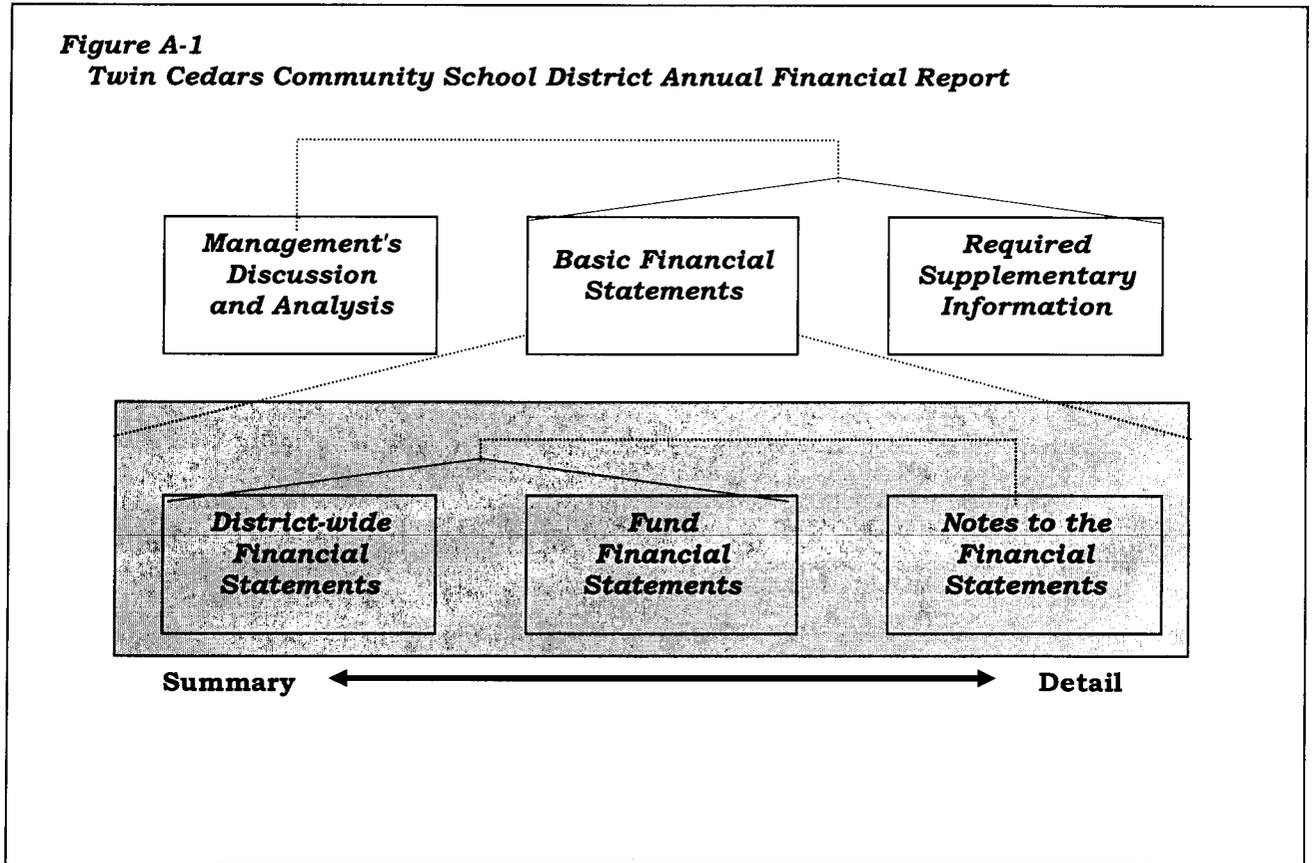


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3							
Combined Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2007-2006
Current and other assets	\$ 3,828	4,080	31	23	3,859	4,103	-5.9%
Capital assets	2,380	2,138	55	57	2,435	2,195	10.9%
Total assets	6,208	6,218	86	80	6,294	6,298	-0.1%
Long-term liabilities	920	1,017	-	-	920	1,017	-9.5%
Other liabilities	2,034	2,369	2	3	2,036	2,372	-14.2%
Total liabilities	2,954	3,386	2	3	2,956	3,389	-12.8%
Net assets							
Invested in capital assets net of related debt	1,468	1,649	55	57	1,523	1,706	-10.7%
Restricted	158	188	-	-	158	188	-16.0%
Unrestricted	1,628	995	29	20	1,657	1,015	63.3%
Total net assets	\$ 3,254	2,832	84	77	3,338	2,909	14.7%

The District's combined net assets increased by nearly 14.7%, or approximately \$429,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$30,000, or 16.0% over the prior year. The decrease was primarily a result of spending more monies than received in the Physical Plant and Equipment Levy Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$642,000, or 63.3%. This increase in unrestricted net assets was the result of an increase in revenue due to an increase in the number of students served.

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

Figure A-4								
Changes in Net Assets								
(Expressed in Thousands)								
	Governmental		Business type		Total		Total	
	Activities		Activities		District		Change	
	2007	2006	2007	2006	2007	2006	2006-2007	
Revenues:								
Program revenues:								
Charges for service	\$ 595	579	115	146	710	725		-2.1%
Operating grants, contributions and restricted interest	479	521	106	87	585	608		-3.8%
Capital grants, contributions and restricted interest	18	15	-	-	18	15		20.0%
General revenues:								
Property tax	1,128	1,093	-	-	1,128	1,093		3.2%
Income surtax	77	73	-	-	77	73		5.5%
Local option sales and service tax	273	293	-	-	273	293		-6.8%
Unrestricted state grants	1,822	1,888	-	-	1,822	1,888		-3.5%
Unrestricted investment earnings	93	42	-	-	93	42		121.4%
Other	119	50	-	-	119	50		138.0%
Total revenues	4,604	4,554	221	233	4,825	4,787		0.8%
Program expenses:								
Governmental activities:								
Instruction	2,589	2,582	-	-	2,589	2,582		0.3%
Support services	1,297	1,115	-	-	1,297	1,115		16.3%
Non-instructional programs	1	25	214	209	215	234		-8.1%
Other expenses	295	289	-	-	295	289		2.1%
Total expenses	4,182	4,011	214	209	4,396	4,220		4.2%
Change in net assets	\$ 422	543	7	24	429	567		-24.3%

In fiscal 2007, property tax and unrestricted state grants account for 64.1% of the revenue from governmental activities while charges for service and operating grants and contributions account for 100% of the revenue from the business type activities.

The Districts total revenues were approximately \$4.8 million of which \$4.6 million was for governmental activities and approximately \$221,000 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 0.8% increase in revenues and a 4.2% increase in expenses. Unrestricted state grants decreased approximately \$66,000 and property tax increased approximately \$35,000. The increase in expenses was primarily due to adding some staff positions, increased cost of educational materials and energy costs.

Governmental Activities

Revenues for governmental activities were \$4,604,793 and expenses were \$4,182,425. During the year, the District was able to increase fund balance by \$422,368. The District was able to balance the budget by closely monitoring spending.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$ 2,589	2,582	0.3%	1,657	1,618	2.4%
Support services	1,297	1,115	16.3%	1,294	1,112	16.4%
Non-instructional programs	1	25	-96.0%	1	25	-96.0%
Other expenses	295	289	2.1%	139	140	-0.7%
Totals	<u>\$ 4,182</u>	<u>4,011</u>	<u>4.3%</u>	<u>3,091</u>	<u>2,895</u>	<u>6.8%</u>

- The cost financed by users of the District’s programs was \$594,736.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$479,279.
- The net cost of governmental activities was financed with \$1,478,546 in property and other tax, including local option sales and services tax, and \$1,821,775 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$221,192 representing a 4.9% decrease under the prior year while expenses totaled \$214,874, a 2.9% increase over the prior year. The District’s business type activities include the School Nutrition Fund. Revenues for these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,735,058, well above last year's ending fund balances of \$1,654,194. The fund increase is due to an increase in the General Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. We have attempted to match revenues with expenditures in order to avoid deficit spending. The staff and Administration have worked hard to keep costs to a minimum while still offering our students the best education possible.
- The General Fund balance increased 27.75% from \$877,544 to \$1,121,053, due to close scrutiny of the district finances and in spite of existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased by \$38,370 from fiscal 2006 to fiscal 2007. While revenues decreased from the prior year, we spent more than we brought in from the PPEL Fund in order to make much needed improvements to the facilities.
- The Debt Service Fund Balance decreased \$26,153 due to the District using existing fund balance to pay the District's long term obligations rather than levying additional taxes. Debt Service Funds are categorical and can not be used for any other purpose but to pay debt service.
- The Capital Projects Fund balance decreased \$106,867 due to making payments on material and labor to upgrade the heating and cooling system in the District buildings.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$77,440 at June 30, 2006 to \$83,758 at June 30, 2007. For fiscal 2007, the District took in \$30,457 less in income from meals served but took in \$19,007 more in non-operating revenues. The District has worked hard to not stockpile supplies and to be efficient in the preparation and serving of the food. We hope through the continued use of sound purchasing practices we are able to keep the costs down.

BUDGETARY HIGHLIGHTS

The District's revenues were \$98,105 greater than budgeted revenues, a variance of 2.08%. The most significant variance resulted from the District receiving more money in miscellaneous income 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 actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$2.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 10.9% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$137,624 for both governmental and business type activities.

The original cost of the District's capital assets was \$5.0 million. Governmental funds account for \$4.9 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

During the year, the major increases in assets were the costs incurred to perform building repairs, renovations and facility improvements, and new vehicles.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 22	22	-	-	22	22	0.0%
Construction in progress	5	227	-	-	5	227	-97.8%
Buildings	1,417	1,484	-	-	1,417	1,484	-4.5%
Improvements other than buildings	671	219	-	-	671	219	206.4%
Furniture and equipment	265	186	55	57	320	243	31.7%
Totals	\$ 2,380	2,138	55	57	2,435	2,195	10.9%

Long-Term Debt

At June 30, 2007, the District had \$919,883 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 9.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General obligation bonds	\$ 470	525	-10.5%
Revenue bonds	395	435	-9.2%
Contract payable	46	49	-6.1%
Compensated absenses	9	8	12.5%
Totals	\$ 920	1,017	-9.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District experienced a decrease in enrollment in the fall of 2007. The district went from serving 502 students in 2006 to 481 in 2007.
- The District has taken measures to maintain the current facilities. Improvements to the gym, outdoor athletic facilities, exterior and interior doors, some flooring and work done on the driveway and parking lot were completed. Proceeds for these improvements have come from Local Option Sales Tax and PPEL Funds. Several projects remain to be completed in the upcoming year to get the District's facilities to a level of acceptance.
- Fiscal 2007 negotiations with the Twin Cedars Education Association for the 2007-08 school year took more money than the new monies received by the Twin Cedars Community School District. The District will negotiate a new agreement during fiscal 2008 for the 2008-2009 school year. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Because of the District's decline in enrollment, this could significantly impact General Fund balances.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian VanderSluis, Superintendent, Twin Cedars Community School District, 2204 HWY G71, Bussey, Iowa, 50044.

Basic Financial Statements

Twin Cedars Community School District

Exhibit A

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 522,174	-	522,174
Other	1,907,128	13,705	1,920,833
Receivables:			
Property tax:			
Delinquent	24,433	-	24,433
Succeeding year	1,113,434	-	1,113,434
Accounts	55	1,642	1,697
Accrued interest:			
ISCAP	5,579	-	5,579
Due from other funds	1,806	-	1,806
Due from other governments	253,601	-	253,601
Inventories	-	15,103	15,103
Prepaid expenses	-	1,290	1,290
Capital assets, net of accumulated depreciation	2,379,728	54,397	2,434,125
Total assets	6,207,938	86,137	6,294,075
Liabilities			
Accounts payable	22,428	573	23,001
Salaries and benefits payable	353,396	-	353,396
Other liabilities	12,408	-	12,408
Due to other funds	-	1,806	1,806
Accrued interest payable	8,594	-	8,594
Deferred revenue:			
Succeeding year property tax	1,113,434	-	1,113,434
ISCAP warrants payable	523,000	-	523,000
ISCAP accrued interest payable	129	-	129
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	60,000	-	60,000
Revenue bonds payable	45,000	-	45,000
Contract payable	2,365	-	2,365
Compensated absences payable	8,528	-	8,528
Portion due after one year:			
General obligation bonds payable	410,000	-	410,000
Revenue bonds payable	350,000	-	350,000
Contract payable	43,990	-	43,990
Total liabilities	2,953,272	2,379	2,955,651
Net assets			
Invested in capital assets, net of related debt	1,468,373	54,397	1,522,770
Restricted for:			
Management levy	27,766	-	27,766
Physical plant and equipment levy	92,928	-	92,928
Other special revenue purposes	37,736	-	37,736
Unrestricted	1,627,863	29,361	1,657,224
Total net assets	\$ 3,254,666	83,758	3,338,424

See notes to financial statements.

Twin Cedars Community School District

Exhibit B

Statement of Activities

Year ended June 30, 2007

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,559,467	422,132	247,304	-	(890,031)	-	(890,031)
Special instruction	452,342	14,793	81,376	-	(356,173)	-	(356,173)
Other instruction	577,345	157,811	9,498	-	(410,036)	-	(410,036)
	<u>2,589,154</u>	<u>594,736</u>	<u>338,178</u>	<u>-</u>	<u>(1,656,240)</u>	<u>-</u>	<u>(1,656,240)</u>
Support services:							
Student services	110,566	-	-	-	(110,566)	-	(110,566)
Instructional staff services	74,889	-	-	-	(74,889)	-	(74,889)
Administration services	417,830	-	-	-	(417,830)	-	(417,830)
Operation and maintenance of plant	408,403	-	-	-	(408,403)	-	(408,403)
Transportation services	285,468	-	2,536	-	(282,932)	-	(282,932)
	<u>1,297,156</u>	<u>-</u>	<u>2,536</u>	<u>-</u>	<u>(1,294,620)</u>	<u>-</u>	<u>(1,294,620)</u>
Non-instructional programs	892	-	-	-	(892)	-	(892)
Other expenditures:							
Facilities acquisition	53,195	-	-	17,950	(35,245)	-	(35,245)
Long-term debt interest	37,264	-	1,299	-	(35,965)	-	(35,965)
AEA flowthrough	137,266	-	137,266	-	-	-	-
Depreciation (unallocated)*	67,498	-	-	-	(67,498)	-	(67,498)
	<u>295,223</u>	<u>-</u>	<u>138,565</u>	<u>17,950</u>	<u>(138,708)</u>	<u>-</u>	<u>(138,708)</u>
Total governmental activities	4,182,425	594,736	479,279	17,950	(3,090,460)	-	(3,090,460)
Business type activities:							
Non-instructional programs:							
Food service operations	214,874	114,953	105,967	-	-	6,046	6,046
Total	<u>\$ 4,397,299</u>	<u>709,689</u>	<u>585,246</u>	<u>17,950</u>	<u>(3,090,460)</u>	<u>6,046</u>	<u>(3,084,414)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,071,408	-	1,071,408
Debt service					5,728	-	5,728
Capital outlay					50,790	-	50,790
Local option sales and services tax					272,925	-	272,925
Income surtax					77,695	-	77,695
Unrestricted state grants					1,821,775	-	1,821,775
Unrestricted investment earnings					93,224	272	93,496
Other					119,283	-	119,283
Total general revenues					<u>3,512,828</u>	<u>272</u>	<u>3,513,100</u>
Change in net assets					422,368	6,318	428,686
Net assets beginning of year					<u>2,832,298</u>	<u>77,440</u>	<u>2,909,738</u>
Net assets end of year					<u>\$ 3,254,666</u>	<u>83,758</u>	<u>3,338,424</u>

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

See notes to financial statements.

Twin Cedars Community School District

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2007

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 522,174	-	-	522,174
Other	1,335,822	358,401	212,905	1,907,128
Receivables:				
Property tax:				
Delinquent	22,042	-	2,391	24,433
Succeeding year	971,637	-	141,797	1,113,434
Accounts	55	-	-	55
Accrued interest:				
ISCAP	5,579	-	-	5,579
Due from other funds	1,806	-	-	1,806
Due from other governments	175,913	54,902	22,786	253,601
Total assets	\$ 3,035,028	413,303	379,879	3,828,210
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,834	-	14,594	22,428
Salaries and benefits payable	353,396	-	-	353,396
Other liabilities	12,408	-	-	12,408
ISCAP warrants payable	523,000	-	-	523,000
ISCAP accrued interest payable	129	-	-	129
Deferred revenue:				
Succeeding year property tax	971,637	-	141,797	1,113,434
Other	45,571	-	22,786	68,357
Total liabilities	1,913,975	-	179,177	2,093,152
Fund balances:				
Reserved for debt service	-	-	65,058	65,058
Unreserved	1,121,053	413,303	135,644	1,670,000
Total fund balances	1,121,053	413,303	200,702	1,735,058
Total liabilities and fund balances	\$ 3,035,028	413,303	379,879	3,828,210

See notes to financial statements.

Twin Cedars Community School District

Exhibit D

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

June 30, 2007

Total fund balances of governmental funds (page 20)	\$ 1,735,058
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,379,728
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	68,357
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.	(8,594)
Long-term liabilities, including bonds payable, contract payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(919,883)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 3,254,666</u></u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit E

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

Year ended June 30, 2007

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,069,043	272,925	136,578	1,478,546
Tuition	424,002	-	-	424,002
Other	208,787	15,643	169,933	394,363
Intermediate sources	4,000	-	-	4,000
State sources	2,182,638	-	57	2,182,695
Federal sources	114,229	-	-	114,229
Total revenues	4,002,699	288,568	306,568	4,597,835
Expenditures:				
Current:				
Instruction:				
Regular instruction	1,545,995	-	13,472	1,559,467
Special instruction	449,564	-	2,778	452,342
Other instruction	423,313	-	151,440	574,753
	2,418,872	-	167,690	2,586,562
Support services:				
Student services	109,867	-	699	110,566
Instructional staff services	74,479	-	410	74,889
Administration services	401,357	-	15,250	416,607
Operation and maintenance of plant services	364,110	-	25,294	389,404
Transportation services	255,513	-	90,556	346,069
	1,205,326	-	132,209	1,337,535
Non-instructional programs	-	-	892	892
Other expenditures:				
Facilities acquisition	-	296,043	28,369	324,412
Long-term debt:				
Principal	-	-	97,253	97,253
Interest and fiscal charges	-	-	40,008	40,008
AEA flowthrough	137,266	-	-	137,266
	137,266	296,043	165,630	598,939
Total expenditures	3,761,464	296,043	466,421	4,523,928
Excess (deficiency) of revenues over (under) expenditures	241,235	(7,475)	(159,853)	73,907
Other financing sources (uses):				
Sale of capital assets	6,957	-	-	6,957
Operating transfers in	-	-	104,075	104,075
Operating transfers out	(4,683)	(99,392)	-	(104,075)
Total other financing sources (uses)	2,274	(99,392)	104,075	6,957
Net change in fund balances	243,509	(106,867)	(55,778)	80,864
Fund balances beginning of year	877,544	520,170	256,480	1,654,194
Fund balances end of year	\$ 1,121,053	413,303	200,702	1,735,058

See notes to financial statements.

Twin Cedars Community School District

Exhibit F

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 22) **\$ 80,864**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 372,985	
Depreciation expense	<u>(131,114)</u>	241,871

Proceeds from 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 reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	-	
Repaid	<u>97,253</u>	97,253

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.

2,744

Compensated absences expenses reposted 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.

(364)

Change in net assets of governmental activities (page 19) **\$ 422,368**

See notes to financial statements.

Twin Cedars Community School District

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2007

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 13,705
Accounts receivable	1,642
Inventories	15,103
Prepaid expenses	1,290
Capital assets, net of accumulated depreciation	<u>54,397</u>
Total assets	<u><u>86,137</u></u>
Liabilities	
Accounts payable	573
Due to other funds	<u>1,806</u>
Total liabilities	<u><u>2,379</u></u>
Net Assets	
Invested in capital assets, net of related debt	54,397
Unrestricted	<u>29,361</u>
Total net assets	<u><u>\$ 83,758</u></u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit H

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

Year ended June 30, 2007

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 114,953
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	106,198
Benefits	16,153
Purchased services	4,871
Supplies	81,142
Depreciation	6,510
Total operating expenses	<u>214,874</u>
Operating loss	<u>(99,921)</u>
Non-operating revenues:	
State sources	2,866
Federal sources	103,101
Interest income	272
Total non-operating revenues	<u>106,239</u>
Net income	6,318
Net assets beginning of year	<u>77,440</u>
Net assets end of year	<u>\$ 83,758</u>

See notes to financial statements.

Twin Cedars Community School District

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 115,247
Cash paid to employees for services	(123,489)
Cash paid to suppliers for goods and services	(80,510)
Net cash used by operating activities	<u>(88,752)</u>
Cash flows from non-capital financing activities:	
State grants received	2,866
Federal grants received	88,324
Net cash provided by non-capital financing activities	<u>91,190</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,513)
Net cash used by capital and related financing activities	<u>(3,513)</u>
Cash flows from investing activities:	
Interest on investments	<u>272</u>
Net (decrease) in cash and cash equivalents	(803)
Cash and cash equivalents beginning of year	14,508
Cash and cash equivalents end of year	<u>\$ 13,705</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (99,921)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,777
Depreciation	6,510
(Increase) in inventories	(9,797)
Decrease in accounts receivable	294
(Increase) in prepaid expenses	(50)
Increase in accounts payable	573
(Decrease) in due to other funds	(1,138)
Net cash used by operating activities	<u>\$ (88,752)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$14,777 of federal commodities.

See notes to financial statements.

Twin Cedars Community School District

Notes to Financial Statements

June 30, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Twin Cedars 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 predominate agricultural territory of Marion and Mahaska 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, Twin Cedars 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. Twin Cedars 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 do 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 Marion County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is

deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

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

to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable, and other receivables not collected within sixty days after year end.

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

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

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

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

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

E. Budgets and Budgetary Accounting

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

(2) **CASH AND POOLED INVESTMENTS**

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

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

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,571,379</u>

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

Credit risk. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) DUE FROM AND DUE TO OTHER FUNDS

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

Receivable Fund	Payable Fund	Amount
General:	Proprietary:	
	School Nutrition	<u>\$ 1,806</u>

The above represents Nutrition Fund payroll which was accrued as a liability in the General Fund.

(4) INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
Debt Service	General	\$ 4,683
	Capital Projects	<u>99,392</u>
Total		<u>\$ 104,075</u>

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

(5) IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/2006	6/28/2007	\$ -	5,423	-	-
2007-08A	6/27/2007	6/27/2008	522,174	156	523,000	129
Total			<u>\$ 522,174</u>	<u>5,579</u>	<u>523,000</u>	<u>129</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity during the year ended June 30, 2007.

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

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

(6) CAPITAL ASSETS

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

	Balance Beginning of Year, as restated (Note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,375	-	-	22,375
Construction in progress	227,018	5,142	227,018	5,142
Total capital assets not being depreciated	249,393	5,142	227,018	27,517
Capital assets being depreciated:				
Buildings	3,374,877	-	-	3,374,877
Improvements other than buildings	329,988	476,001	-	805,989
Furniture and equipment	638,877	118,860	69,676	688,061
Total capital assets being depreciated	4,343,742	594,861	69,676	4,868,927
Less accumulated depreciation for:				
Buildings	1,890,789	67,498	-	1,958,287
Improvements other than buildings	111,247	23,958	-	135,205
Furniture and equipment	453,242	39,658	69,676	423,224
Total accumulated depreciation	2,455,278	131,114	69,676	2,516,716
Total capital assets being depreciated, net	1,888,464	463,747	-	2,352,211
Governmental activities capital assets, net	\$ 2,137,857	468,889	227,018	2,379,728

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 75,166	3,513	-	78,679
Less accumulated depreciation	17,772	6,510	-	24,282
Business type activities capital assets, net	\$ 57,394	(2,997)	-	54,397

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Other \$ 2,592

Support services:

Administration 864

Operation and maintenance of plant 25,935

Transportation 34,225

63,616

Unallocated

67,498

Total depreciation expense - governmental activities

\$ 131,114

Business type activities:

Food service operations \$ 6,510

(7) LONG-TERM LIABILITIES

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 525,000	-	55,000	470,000	60,000
Contract payable	48,608	-	2,253	46,355	2,365
Revenue bonds	435,000	-	40,000	395,000	45,000
Compensated absences	8,164	8,528	8,164	8,528	8,528
Total	\$ 1,016,772	8,528	105,417	919,883	115,893

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of November 1, 1998			
	Interest Rates	Principal	Interest	Total
2008	4.20%	\$ 60,000	20,453	80,453
2009	4.25%	60,000	17,932	77,932
2010	4.30%	65,000	15,382	80,382
2011	4.30%	65,000	12,588	77,588
2012	4.40%	70,000	9,792	79,792
2013	4.45%	75,000	6,712	81,712
2014	4.50%	75,000	3,375	78,375
Total		\$ 470,000	86,234	556,234

Contract Payable

The District has entered into a contract to repay the City of Bussey for the cost of the construction of water mains for the School District. The annual payments are in the amount of \$4,683, which includes interest computed at 5%, and are payable on June 1. Details of the District's June 30, 2007 contract payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 2,365	2,318	4,683
2009	2,483	2,200	4,683
2010	2,608	2,075	4,683
2011	2,738	1,945	4,683
2012	2,874	1,809	4,683
2013	3,019	1,664	4,683
2014	3,170	1,513	4,683
2015	3,328	1,355	4,683
2016	3,495	1,188	4,683
2017	3,669	1,014	4,683
2018	3,853	830	4,683
2019	4,045	638	4,683
2020	4,248	435	4,683
2021	4,460	223	4,683
Total	\$ 46,355	19,207	65,562

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2005			
	Interest Rates	Principal	Interest	Total
2008	3.25%	\$ 45,000	12,661	57,661
2009	3.25%	45,000	11,199	56,199
2010	3.25%	45,000	9,736	54,736
2011	3.40%	50,000	8,155	58,155
2012	3.40%	50,000	6,455	56,455
2013	3.40%	50,000	4,755	54,755
2014	3.50%	55,000	2,943	57,943
2015	3.60%	55,000	990	55,990
Total		\$ 395,000	56,894	451,894

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) All proceeds from the local option sales and service tax shall be placed in a Revenue Account.
- b) 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.
- c) 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.

(8) OPERATING LEASES

The District has entered into operating leases for copy machines at \$1,605 per month. Future minimum lease payments in relation to these leases are as follows:

Year Ended June 30,	Amount
2008	\$ 19,260
2009	19,260
2010	18,905
2011	11,250
	<u>\$ 68,675</u>

During the fiscal year, payments made under these lease agreements were \$19,260.

(9) PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$128,805, \$124,722 and \$120,709, respectively, equal to the required contributions for each year.

(10) RISK MANAGEMENT

Twin Cedars Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) 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 \$137,266 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.

(12) COMMITMENTS

The District has entered into contracts for building and grounds concrete repair and for the purchase of new gym bleachers. The total commitment to the District for these projects is approximately \$155,000. The commitment amounts will be paid as work on the projects progress, or when the merchandise is received.

(13) RESTATEMENTS

The beginning balances in Note (6) have been restated to accurately reflect the July 1, 2006, balances by category. However, the net balance of \$2,137,857 at July 1, 2006, did not change from the prior year.

Required Supplementary Information

Twin Cedars Community School District

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budget to Actual Variance
Revenues:					
Local sources	\$ 2,296,911	115,225	2,412,136	2,193,075	219,061
Intermediate sources	4,000	-	4,000	3,470	530
State sources	2,182,695	2,866	2,185,561	2,252,377	(66,816)
Federal sources	114,229	103,101	217,330	272,000	(54,670)
Total revenues	4,597,835	221,192	4,819,027	4,720,922	98,105
Expenditures:					
Instruction	2,586,562	-	2,586,562	3,480,524	893,962
Support services	1,337,535	-	1,337,535	1,431,500	93,965
Non-instructional programs	892	214,874	215,766	299,540	83,774
Other expenditures	598,939	-	598,939	692,832	93,893
Total expenditures	4,523,928	214,874	4,738,802	5,904,396	1,165,594
Excess (deficiency) of revenues over (under) expenditures	73,907	6,318	80,225	(1,183,474)	1,263,699
Other financing sources, net	6,957	-	6,957	420	6,537
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	80,864	6,318	87,182	(1,183,054)	1,270,236
Balances beginning of year	1,654,194	77,440	1,731,634	1,218,548	513,086
Balances end of year	\$ 1,735,058	83,758	1,818,816	35,494	1,783,322

See accompanying independent auditor's report.

Twin Cedars Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend the budget during the year.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Assets					
Cash and pooled investments	\$ 27,287	40,058	80,626	64,934	212,905
Receivables:					
Property tax:					
Delinquent	1,191	-	1,076	124	2,391
Succeeding year	69,000	-	52,344	20,453	141,797
Due from other governments	-	-	22,786	-	22,786
Total assets	\$ 97,478	40,058	156,832	85,511	379,879
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 712	2,322	11,560	-	14,594
Deferred revenue:					
Succeeding year property tax	69,000	-	52,344	20,453	141,797
Other	-	-	22,786	-	22,786
Total liabilities	69,712	2,322	86,690	20,453	179,177
Fund balances:					
Reserved for debt service	-	-	-	65,058	65,058
Unreserved fund balances	27,766	37,736	70,142	-	135,644
Total fund balances	27,766	37,736	70,142	65,058	200,702
Total liabilities and fund balances	\$ 97,478	40,058	156,832	85,511	379,879

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 2

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

Year ended June 30, 2007

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 54,936	-	75,914	5,728	136,578
Other	6,117	158,387	4,130	1,299	169,933
State sources	-	-	51	6	57
Total revenues	61,053	158,387	80,095	7,033	306,568
Expenditures					
Current:					
Instruction:					
Regular instruction	8,644	-	4,828	-	13,472
Special instruction	2,778	-	-	-	2,778
Other instruction	2,536	148,904	-	-	151,440
Support services:					
Student services	699	-	-	-	699
Instructional staff services	410	-	-	-	410
Administration services	15,250	-	-	-	15,250
Operation and maintenance of plant services	18,352	-	6,942	-	25,294
Transportation services	12,230	-	78,326	-	90,556
Non-instructional programs	892	-	-	-	892
Other expenditures:					
Facilities acquisition	-	-	28,369	-	28,369
Long-term debt:					
Principal	-	-	-	97,253	97,253
Interest and fiscal charges	-	-	-	40,008	40,008
Total expenditures	61,791	148,904	118,465	137,261	466,421
Excess (deficiency) of revenues over (under) expenditures	(738)	9,483	(38,370)	(130,228)	(159,853)
Other financing sources (uses):					
Operating transfers in	-	-	-	104,075	104,075
Total other financing sources (uses)	-	-	-	104,075	104,075
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(738)	9,483	(38,370)	(26,153)	(55,778)
Fund balances beginning of year	28,504	28,253	108,512	91,211	256,480
Fund balances end of year	\$ 27,766	37,736	70,142	65,058	200,702

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
H.S. Tag	\$ 820	876	965	-	731
Biology	81	1,380	1,325	-	136
Honor Society	273	747	641	-	379
Co-Ed Athletics	1,484	25,258	23,189	-	3,553
Boys Athletics	7,895	27,641	25,052	-	10,484
Football	870	1,518	2,175	-	213
Baseball	667	1,523	494	-	1,696
Girls Athletics	1,120	14,873	15,681	-	312
Softball	127	3,025	3,305	-	(153)
Activity Tickets	1,285	255	-	-	1,540
Boys Track	-	420	279	-	141
Girls Basketball	-	490	-	-	490
Volleyball	-	1,640	1,100	-	540
Pep Club	759	549	494	-	814
Yearbook	(424)	5,638	2,356	-	2,858
FFA	232	32,120	32,523	-	(171)
H.S. Student Council	169	418	519	-	68
Elem. Student Council	3,924	12,595	12,161	-	4,358
Class of 2006	357	-	-	(357)	-
Class of 2007	2,315	11,265	13,252	357	685
Class of 2008	2,036	7,194	6,123	-	3,107
Class of 2009	888	1,298	1,550	-	636
Class of 2010	907	-	-	-	907
Class of 2011	100	761	474	-	387
Class of 2012	-	1,045	474	-	571
Art Club	257	-	7	-	250
Cheerleaders	612	2,938	2,618	-	932
Drill Team	1,499	2,920	2,147	-	2,272
Total	\$ 28,253	158,387	148,904	-	37,736

See accompanying independent auditor's report.

Twin Cedars Community School District

Schedule 4

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

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$ 1,478,546	1,458,722	1,397,579	1,205,560	1,162,609
Tuition	424,002	408,503	419,604	363,672	381,148
Other	394,363	277,689	180,712	166,176	213,114
Intermediate sources	4,000	-	259	3,677	1,004
State sources	2,182,695	2,241,092	2,033,027	1,899,892	2,179,957
Federal sources	114,229	168,480	187,471	180,871	153,798
Total	<u>\$ 4,597,835</u>	<u>4,554,486</u>	<u>4,218,652</u>	<u>3,819,848</u>	<u>4,091,630</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 1,559,467	1,461,801	1,666,724	1,535,124	1,620,721
Special instruction	452,342	497,621	438,539	406,274	327,543
Other instruction	574,753	620,710	540,050	416,960	442,437
Support services:					
Student services	110,566	47,096	75,559	99,427	84,590
Instructional staff services	74,889	144,663	56,041	70,516	85,222
Administration services	416,607	372,084	310,662	405,059	414,319
Operation and maintenance of plant services	389,404	276,500	231,380	252,735	227,428
Transportation services	346,069	228,280	292,898	277,058	204,664
Central support services	-	-	-	-	2,949
Non-instructional programs	892	25,383	19,896	782	514
Other expenditures:					
Facilities acquisition	324,412	389,650	160,561	29,941	89,689
Long-term debt:					
Principal	97,253	57,145	52,043	46,946	46,854
Interest and other charges	40,008	39,148	30,080	31,063	33,746
AEA flowthrough	137,266	134,159	130,759	131,635	142,525
Total	<u>\$ 4,523,928</u>	<u>4,294,240</u>	<u>4,005,192</u>	<u>3,703,520</u>	<u>3,723,201</u>

See accompanying independent auditor's report.

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

To the Board of Education of
Twin Cedars 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 Twin Cedars 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 August 17, 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 Twin Cedars 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 Twin Cedars Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Twin Cedars Community School District's internal control over financial reporting.

Our consideration of the 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 a design in the 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 Twin Cedars 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 Twin Cedars Community School District's financial statements that is more than inconsequential will not be prevented or detected by Twin Cedars Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in the 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 Twin Cedars Community School District's internal control.

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

Compliance and Other Matters

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

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.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Twin Cedars 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.

Peak & Gerdes, LLP
Certified Public Accountants

August 17, 2007

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are sometimes all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-07 Accounting Records – The June 30, 2007, payroll bank account reconciliation was out of balance by approximately \$1,832. District personnel were unable to determine why this difference existed.

Recommendation – The District perform accurate bank reconciliations for all bank accounts, and implement procedures to ensure the accounting records are accurate.

Response – We will implement this recommendation.

Conclusion – Response accepted.

I-C-07 Fixed Assets – Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. Also, a perpetual record of fixed assets is not kept. Generally accepted accounting principles require an accurate fixed asset listing be maintained.

Recommendation – To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. Also, a perpetual fixed asset listing should be kept.

Response – We will review this situation.

Conclusion – Response accepted.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2007

- I-D-07 Financial Reporting – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements
- Recommendation – The district should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District’s financial statements
- Response – We will double check these in the future to avoid missing any receivables, payables, and capital asset transactions.
- Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the certified budget amounts.
- II-B-07 Questionable Disbursements – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-07 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-07 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes – Instances were noted where invoices were not published in the newspaper, as required by Chapters 279.29, 279.30, 279.35, and 279.36 of the Code of Iowa. Some board minutes were not signed by the Board Secretary.
- Recommendation – The District implement procedures to ensure all invoices are published in the newspaper as required by the Code of Iowa. Also, all board minutes should be signed by the Board Secretary.
- Response – The above recommendations will be implemented in the future.
- Conclusion – Response accepted.
- II-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-07 Deposits and Investments – Except as noted at II-O-07, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and District’s investment policy were noted.
- II-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2007

II-J-07 Disbursements – The Elementary Secretary stamps the Board President’s signature on the checks, in addition to signing her own name on the Nutrition Fund checks. Some invoices were not cancelled, and for other invoices, there was no indication of receipt of the merchandise prior to the payment of the claim. While the Board approved the list of bills, the Board President does not sign the list of bills approved. Without this, there is less assurance that the actual bills paid by the District were approved by the Board.

Recommendation – Someone other than a check signer should stamp the Board President’s signature on the Nutrition Fund checks. The District should also ensure that all invoices are cancelled after payment, and that there is documented receipt of the merchandise prior to the payment of the claim. In addition, the Board President should sign the list of approved bills, with a list retained by the District.

Response – We will review this area and take action as necessary.

Conclusion – Response accepted.

II-K-07 Construction Project – The District entered into a concrete construction project during the fiscal year. It is unclear if the contractor obtained the materials used on this project sales tax free or if the District should apply for a sales tax refund on this project. In addition, on another construction project, formal change orders were not always used when there were changes to the scope of the project.

Recommendation – In the future, the District should ensure materials used on construction projects are purchased sales tax free by the contractors. In addition, formal change orders should be used and approved when there are changes to the scope of the project.

Response – We were unaware of this requirement until the auditor brought it to our attention. We will implement this recommendation in the future.

Conclusion – Response accepted.

II-L-07 Payroll – In one instance there was not documented support for an employee payroll deduction. An instance was noted where an employee timesheet was not signed by a supervisor.

Recommendation – The District implement procedures to ensure there is adequate support for employee payroll withholdings. In addition, all timesheets should be signed by the employees supervisor.

Response – We will implement these recommendations.

Conclusion – Response accepted.

Twin Cedars Community School District

Schedule of Findings

Year ended June 30, 2007

- II-M-07 Interest – At June 30, 2007, the District had a book balance in its Schoolhouse bank account in excess of \$261,000. The District could be earning interest at a rate of 3-4% more if these funds were invested in certificates of deposit or in the Iowa School’s Joint Investment Trust. If the Schoolhouse bank account monies were invested in these higher yielding investments, this would amount to an increase of approximately \$750 in additional bank interest, per month.
- Recommendation – The District should be more aggressive in investing its excess funds.
- Response – We will review this and take action as necessary.
- Conclusion – Response accepted.
- II-N-07 Deficit Balance - The Student Activity Accounts, Softball and FFA, had deficit balances at June 30, 2007.
- Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial position.
- Response – The District will continue to investigate alternatives in order to eliminate deficits in the student activity account by the end of the fiscal year.
- Conclusion – Response accepted.
- II-O-07 Depository – Until August, 2006, the Board minutes did not document the bank depositories approved and the maximum amount which may be kept on deposit in each depository as required by Chapter 12C.2 of the Code of Iowa.
- Recommendation – The District implement procedures to ensure compliance with the Code of Iowa in regards to bank depositories.
- Response – This has been implemented, effective August, 2006
- Conclusion – Response accepted.
- II-P-07 Miscellaneous – It appears the District did not issue an IRS 1099-Misc. form as required. There appears to be a minimal control over school activity fundraisers. For example, for one fundraiser, the District paid \$1,500 to a vendor, but only collected \$1,048 from the subsequent resale of this merchandise. It appears the District has the funds available to pay off the contract payable to the City of Bussey.
- Recommendation – The District issue a 1099-Misc. forms as required. The District should enforce more stringent fundraiser controls, including requiring the completion of a profit/loss summary and a profit analysis for each fundraiser. This documentation should then be reviewed by the Principal or Superintendent, with appropriate follow-up action taken on anything unusual. The District should also consider paying off the contract payable to the City of Bussey.
- Response – We will implement the above to the best of our ability.
- Conclusion – Response accepted.