

VENTURA COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	13-14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	24
Statement of Changes in Fiduciary Net Assets	K	25
Notes to Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		37
Notes to Required Supplementary Information - Budgetary Reporting		38
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	41
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	42
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	43
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 <u>Government Auditing Standards</u>		44-45
Schedule of Findings and Responses		46-48

Gary E. Horton CPA

PO Box 384

Clarion, IA 50525-0384

(515)532-6681 Phone

(515) 532-2405 Fax

BETCO@mchsi.com E-mail

Independent Auditor's Report

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2008, on our consideration of Ventura Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

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

February 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Ventura Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ending 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 \$2,993,250 in fiscal 2006 to \$3,239,069 in fiscal 2007, while General Fund expenditures increased from \$3,142,436 in fiscal 2006 to \$3,322,745 in fiscal 2007. The District's General Fund balance decreased from \$320,135 in fiscal 2006 to \$239,942 in fiscal 2007, a decrease of 25%.
- The increase in General Fund revenues was attributable to higher property tax revenues. The increase expenditures were due primarily to increase in the negotiated salary and benefits.

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 Ventura Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report Ventura Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ventura Community School District acts solely as an agent or custodian for the benefit of those outside the school.

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.

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 three 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 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 District's Internal Service Fund is another type of proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

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.

- 3) *Fiduciary funds*; The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds. This fund includes the Ventura Community School District Foundation as required by Chapter 279.62 of the Code of Iowa.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$3,651.9	\$3,178.2	\$5.7	\$7.5	\$3,657.6	\$3,185.7	14.8%
Capital Assets	\$3,155.7	\$3,231.0	\$7.6	\$10.2	\$3,163.3	\$3,241.2	-2.4%
Total Assets	\$6,807.6	\$6,409.2	\$13.3	\$17.7	\$6,820.9	\$6,426.9	6.1%
Long-term Liabilities	\$323.3	\$674.5	\$0.0	\$0.0	\$323.3	\$674.5	-52.1%
Other Liabilities	\$2,761.2	\$2,317.6	\$1.8	\$1.7	\$2,763.0	\$2,319.3	19.1%
Total Liabilities	\$3,084.5	\$2,992.1	\$1.8	\$1.7	\$3,086.3	\$2,993.8	3.1%
Net Assets:							
Invested in capital assets net of related debt	\$2,905.8	\$2,635.4	\$7.5	\$10.2	\$2,913.3	\$2,645.6	10.1%
Restricted	\$525.0	\$450.2	\$0.0	\$0.0	\$525.0	\$450.2	16.6%
Unrestricted	\$292.3	\$331.5	\$4.0	\$5.8	\$296.3	\$337.3	-12.2%
TOTAL NET ASSETS	\$3,723.1	\$3,417.1	\$11.5	\$16.0	\$3,734.6	\$3,433.1	8.8%

The District’s combined net assets increased by nearly 9% or approximately \$301,000 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 increased approximately \$75,000 or 17% over the prior year. The increase was primarily a result of sales tax revenues that are being saved to finance future capital improvements.

Unrestricted net assets – the part of the net assets that can be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$41,000 or 12%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

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

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007	
	Governmental Activities		Business-type Activities		Total School District			
	2007	2006	2007	2006	2007	2006		
	\$	\$	\$	\$	\$	\$		
Revenues								
Program Revenues:								
Charges for services	1,018,861	929,717	91,740	85,411	1,110,601	1,015,128		9%
Operating grants & contributions	382,782	361,028	46,740	50,841	429,522	411,869		4%
Capital grants & contributions	0	13,646	0	0	0	13,646		-100%
General Revenues:								
Property taxes	1,769,785	1,706,971	0	0	1,769,785	1,706,971		4%
Income Surtax	109,947	95,128	0	0	109,947	95,128		16%
Local option sales tax	324,086	293,838	0	0	324,086	293,838		10%
Unrestricted state grants	363,938	446,517	0	0	363,938	446,517		-18%
Unrestricted investment earnings	43,710	30,571	0	0	43,710	30,571		43%
Other revenue	8,556	3,129	0	0	8,556	3,129		173%
Total Revenues	4,021,665	3,880,545	138,480	136,252	4,160,145	4,016,797		4%
Expenses:								
Instruction	2,491,167	2,348,915	0	0	2,491,167	2,348,915		6%
Support services	1,004,841	945,824	0	0	1,004,841	945,824		6%
Non-instructional programs	0	0	142,919	147,642	142,919	147,642		-3%
Other expenditures	219,661	270,762	0	0	219,661	270,762		-19%
Total expenses	3,715,669	3,565,501	142,919	147,642	3,858,588	3,713,143		4%
Change in net assets before transfers	305,996	315,044	-4,439	-11,390	301,557	303,654		-1%
Transfers	-	-	-	-	-	-		0%
CHANGE IN NET ASSETS	305,996	315,044	-4,439	-11,390	301,557	303,654		-1%
Net assets beginning of year	3,417,075	3,102,031	15,981	27,371	3,433,056	3,129,402		10%
Net assets end of year	3,723,071	3,417,075	11,542	15,981	3,734,613	3,433,056		9%

Property tax and unrestricted state grants account for 51% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues from governmental activities were \$4,021,665 and expenses were \$3,715,669.

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.

Total and Net Cost of Governmental Activities

Total Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2007	Net Cost of Services 2006
\$	\$	\$	\$
2,491,167	2,348,915	1,186,632	1,145,019
1,004,841	945,824	1,002,641	944,538
0	0	0	0
219,661	270,762	124,753	171,553
<u>3,715,669</u>	<u>3,565,501</u>	<u>2,314,026</u>	<u>2,261,110</u>

- The cost financed by users of the District's programs was \$1,018,861.
- Federal and State governments subsidized certain programs with grants and contributions totaling \$382,782.
- The net cost of governmental activities was financed with \$2,203,818 in property and other taxes and \$363,938 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$138,480 and expenses were \$142,919. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ending June 30, 2007, no changes were made in meal prices, but reduced staff by 20 hours per week. The School Nutrition fund did not generate sufficient revenue to pay the expenditures in the fiscal year.

INDIVIDUAL FUND ANALYSIS

As stated previously, Ventura 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 \$795,774, slightly above last year's ending fund balances of \$782,521. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to approximately \$200,000 in revenue from the local option sales and service tax.

Governmental Fund Highlights

- The General Fund balance decreased from \$320,135 to \$239,942, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$70,813 in fiscal 2006 to \$64,398 in fiscal 2007. The balance in this fund will be used for future capital projects and equipment purchases.
- The Capital Projects Fund balance increased from \$220,726 in 2006 to \$324,916 in 2007, due to the revenue generated by the Local Option Sales and Service tax. Future plans for this fund is for major renovation at the high school and elementary buildings

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$15,981 in fiscal 2006 to \$11,542 in fiscal 2007, representing a decrease of 27%. 2007 increases in revenues were not enough to cover labor and food costs.

BUDGETARY HIGHLIGHTS

The District's revenues were \$62,351 lower than budgeted revenues, a variance of 2%. The most significant variance resulted from the District receiving less revenue from the State of Iowa than anticipated.

Total expenditures were \$6,951,041 less than budgeted. This large discrepancy occurred because a \$6.4 million construction project was included in the 2007 budget, but bond issue election failed and the project was not started.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$3,163,358, 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) This represents a net decrease of less than 3% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statement. Depreciation expense for the year was \$111,954.

During fiscal year 2007 the District spent approximately \$24,000 for blacktop and \$5,200 for gym lighting.

	Governmental		Business type		Total		Percentage Change 2006-2007
	Activities		Activities		School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	27,350	27,350	0	0	27,350	27,350	0%
Construction in progress	0	0	0	0	0	0	0%
Buildings	2,938,641	3,023,332	0	0	2,938,641	3,023,332	-3%
Improvements	127,990	110,330	0	0	127,990	110,330	16%
Equipment & Furniture	61,794	70,035	7,583	10,223	69,377	80,258	14%
TOTAL	3,155,775	3,231,047	7,583	10,223	3,163,358	3,241,270	-2%

Long-Term Debt

At June 30, 2007, the District had retired the general obligation, revenue and other long-term debt outstanding. (See Figure E) Additional information about the District's long-term debt is presented in Note 7 to the financial statement.

We still hold \$250,000 in long-term revenue bonds paid for by revenue from the local option sales tax as of June 30, 2007

	Total School District		Change 2006-07
	2007	2006	
	\$	\$	
General Obligation Bonds	0	240,000	-100%
Local Option Sales and Services			
Tax Revenue Bonds	250,000	375,000	-33%
Capital Loan Notes	0	0	0%
Capital Leases	0	19,396	-100%
Early Retirement	71,853	38,442	87%
Compensated Absences	1,460	1,647	-11%
	323,313	674,485	16%

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 Ethanol Plant is proposed for construction on the western edge of the district in Hancock County, while there is a 10 year abatement for property taxes, the 49 jobs the Plant would generate creates opportunities for families to move to the district.

- Enrollment has declined from Sept. 2007 to Sept. 2008. This will mean reduced revenues in the future. However, the decline is less than 3% which is accounted for in the district's long-range plan.
- 59.94% of voters in a special election voted for a \$2.75 million general obligation bond to renovate the high school. The measure needed one more vote to pass.

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 Nancy Watson, District Secretary and Business Manager, Ventura Community School District, 110 South Main, Ventura, IA 50482.

BASIC FINANCIAL STATEMENTS

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	705,547	-	705,547
Other	928,004	2,712	930,716
Receivables:			
Property tax:			
Delinquent	8,734	-	8,734
Succeeding year	1,793,878	-	1,793,878
Accounts	27	-	27
Accrued interest:			
ISCAP	10,662	-	10,662
Due from other governments	203,334	-	203,334
Prepaid expenses	1,645	-	1,645
Inventories	-	3,005	3,005
Capital assets, net of accumulated depreciation	3,155,775	7,583	3,163,358
Total assets	6,807,606	13,300	6,820,906
Liabilities			
Accounts payable	29,241	-	29,241
Salaries and benefits payable	220,143	-	220,143
Accrued interest payable	833	-	833
Deferred revenue:			
Succeeding year property tax	1,793,878	-	1,793,878
Other	-	1,758	1,758
ISCAP warrants payable	707,000	-	707,000
ISCAP accrued interest payable	6,333	-	6,333
ISCAP premium	3,794	-	3,794
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	125,000	-	125,000
Termination benefits	15,532	-	15,532
Compensated absences	600	-	600
Portion due after one year:			
Revenue bonds payable	125,000	-	125,000
Termination benefits	56,321	-	56,321
Compensated absences	860	-	860
Total liabilities	3,084,535	1,758	3,086,293

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	2,905,775	7,583	2,913,358
Restricted for:			
State categorical aid	8,173	-	8,173
Physical plant and equipment levy	64,398	-	64,398
Other special revenue purposes	89,433	-	89,433
Local option sales tax capital projects	324,916	-	324,916
Debt service	38,042	-	38,042
Unrestricted	292,334	3,959	296,293
Total net assets	<u>3,723,071</u>	<u>11,542</u>	<u>3,734,613</u>

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	1,710,710	676,276	246,341	-
Special	350,967	193,135	14,789	-
Other	429,490	148,025	25,969	-
	<u>2,491,167</u>	<u>1,017,436</u>	<u>287,099</u>	<u>-</u>
Support services:				
Student	45,432	-	-	-
Instructional staff	59,804	-	-	-
Administration	499,098	-	-	-
Operation and maintenance of plant	273,051	-	-	-
Transportation	127,456	1,425	775	-
	<u>1,004,841</u>	<u>1,425</u>	<u>775</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	13,004	-	-	-
Long-term debt interest	19,449	-	3,873	-
AEA flowthrough	91,035	-	91,035	-
Depreciation (unallocated)*	96,173	-	-	-
	<u>219,661</u>	<u>-</u>	<u>94,908</u>	<u>-</u>
Total governmental activities	3,715,669	1,018,861	382,782	-
Business type activities:				
Non-instructional programs:				
Food service operations	142,919	91,740	46,740	-
Total	<u>3,858,588</u>	<u>1,110,601</u>	<u>429,522</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(788,093)	-	(788,093)
(143,043)	-	(143,043)
(255,496)	-	(255,496)
<u>(1,186,632)</u>	<u>-</u>	<u>(1,186,632)</u>
(45,432)	-	(45,432)
(59,804)	-	(59,804)
(499,098)	-	(499,098)
(273,051)	-	(273,051)
(125,256)	-	(125,256)
<u>(1,002,641)</u>	<u>-</u>	<u>(1,002,641)</u>
(13,004)	-	(13,004)
(15,576)	-	(15,576)
-	-	-
<u>(96,173)</u>	<u>-</u>	<u>(96,173)</u>
<u>(124,753)</u>	<u>-</u>	<u>(124,753)</u>
(2,314,026)	-	(2,314,026)
-	(4,439)	(4,439)
<u>(2,314,026)</u>	<u>(4,439)</u>	<u>(2,318,465)</u>
1,568,302	-	1,568,302
145,317	-	145,317
56,166	-	56,166
109,947	-	109,947
324,086	-	324,086
363,938	-	363,938
43,710	-	43,710
8,556	-	8,556
<u>2,620,022</u>	<u>-</u>	<u>2,620,022</u>
305,996	(4,439)	301,557
<u>3,417,075</u>	<u>15,981</u>	<u>3,433,056</u>
<u>3,723,071</u>	<u>11,542</u>	<u>3,734,613</u>

VENTURA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	705,547	-	-	705,547
Other	428,385	38,158	458,013	924,556
Receivables:				
Property tax:				
Delinquent	7,393	717	624	8,734
Succeeding year	1,585,680	-	208,198	1,793,878
Accounts	27	-	-	27
Accrued interest - ISCAP	10,662	-	-	10,662
Prepaid expenses	-	-	1,645	1,645
Interfund receivable	2,100	-	948	3,048
Due from other governments	144,434	-	58,900	203,334
	<u>2,884,228</u>	<u>38,875</u>	<u>728,328</u>	<u>3,651,431</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	26,068	-	3,173	29,241
Salaries and benefits payable	220,143	-	-	220,143
Interfund payable	948	-	-	948
ISCAP warrants payable	707,000	-	-	707,000
ISCAP accrued interest payable	6,333	-	-	6,333
ISCAP premium	3,794	-	-	3,794
Deferred revenue:				
Succeeding year property tax	1,585,680	-	208,198	1,793,878
Other	94,320	-	-	94,320
Total liabilities	<u>2,644,286</u>	<u>-</u>	<u>211,371</u>	<u>2,855,657</u>
Fund balances:				
Reserved for:				
State categorical aid	8,173	-	-	8,173
Debt service	-	38,875	-	38,875
Unreserved reported in:				
General Fund	231,769	-	-	231,769
Special Revenue Funds	-	-	192,041	192,041
Capital Projects Fund	-	-	324,916	324,916
Total fund balances	<u>239,942</u>	<u>38,875</u>	<u>516,957</u>	<u>795,774</u>
Total liabilities and fund balances	<u>2,884,228</u>	<u>38,875</u>	<u>728,328</u>	<u>3,651,431</u>

See notes to financial statements.

VENTURA COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	795,774
<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.	3,155,775
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	94,320
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.	(833)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	1,348
Long-term liabilities, including bonds payable, compensated absences and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(323,313)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,723,071</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General Fund	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,593,310	145,317	448,499	2,187,126
Tuition	810,612	-	-	810,612
Other	92,300	3,873	164,732	260,905
State sources	652,874	-	2,003	654,877
Federal sources	89,973	-	-	89,973
Total revenues	<u>3,239,069</u>	<u>149,190</u>	<u>615,234</u>	<u>4,003,493</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,647,552	-	29,747	1,677,299
Special	350,967	-	-	350,967
Other	272,319	-	157,171	429,490
	<u>2,270,838</u>	<u>-</u>	<u>186,918</u>	<u>2,457,756</u>
Support services:				
Student	44,778	-	654	45,432
Instructional staff	58,714	-	1,090	59,804
Administration	496,701	-	2,397	499,098
Operation and maintenance of plant	246,812	-	53,670	300,482
Transportation	113,867	-	7,858	121,725
	<u>960,872</u>	<u>-</u>	<u>65,669</u>	<u>1,026,541</u>
Other expenditures:				
Facilities acquisition	-	-	13,004	13,004
Long-term debt:				
Principal	-	384,396	-	384,396
Interest and fiscal charges	-	20,991	-	20,991
AEA flowthrough	91,035	-	-	91,035
	<u>91,035</u>	<u>405,387</u>	<u>13,004</u>	<u>509,426</u>
Total expenditures	<u>3,322,745</u>	<u>405,387</u>	<u>265,591</u>	<u>3,993,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(83,676)</u>	<u>(256,197)</u>	<u>349,643</u>	<u>9,770</u>
Other financing sources (uses):				
Proceeds from long-term loans	3,483	-	-	3,483
Operating transfers in	-	249,406	-	249,406
Operating transfers out	-	-	(249,406)	(249,406)
Total other financing sources (uses)	<u>3,483</u>	<u>249,406</u>	<u>(249,406)</u>	<u>3,483</u>
Net change in fund balances	(80,193)	(6,791)	100,237	13,253
Fund balances beginning of year	<u>320,135</u>	<u>45,666</u>	<u>416,720</u>	<u>782,521</u>
Fund balances end of year	<u>239,942</u>	<u>38,875</u>	<u>516,957</u>	<u>795,774</u>

See notes to financial statements.

VENTURA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		13,253
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	34,042	
Depreciation expense	<u>(109,314)</u>	(75,272)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		14,689
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		384,396
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.		1,542
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(33,411)	
Compensated absences	<u>187</u>	(33,224)
An internal service fund is used by the District's management to charge the costs of the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>612</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>305,996</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Enterprise Fund	Governmental Activities - Internal Service Fund
	<u>Nonmajor School Nutrition</u>	<u>Service Fund</u>
	\$	\$
Assets		
Cash and cash equivalents	2,712	3,448
Inventories	3,005	-
Capital assets, net of accumulated depreciation	<u>7,583</u>	<u>-</u>
Total assets	<u>13,300</u>	<u>3,448</u>
Liabilities		
Interfund payable	-	2,100
Deferred revenue	<u>1,758</u>	<u>-</u>
Total liabilities	<u>1,758</u>	<u>2,100</u>
Net assets		
Invested in capital assets, net of related debt	7,583	-
Unrestricted	<u>3,959</u>	<u>1,348</u>
Total net assets	<u><u>11,542</u></u>	<u><u>1,348</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Enterprise Fund Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Operating revenues:		
Local sources:		
Charges for service	91,740	30,155
Operating expenses:		
Non-instructional programs:		
Salaries	57,860	-
Benefits	8,748	29,543
Purchased services	2,252	-
Supplies	71,419	-
Depreciation	2,640	-
	<u>142,919</u>	<u>29,543</u>
Operating gain (loss)	<u>(51,179)</u>	<u>612</u>
Non-operating revenues:		
State sources	1,696	-
Federal sources	45,044	-
Total non-operating revenues	<u>46,740</u>	<u>-</u>
Change in net assets	(4,439)	612
Net assets beginning of year	<u>15,981</u>	<u>736</u>
Net assets end of year	<u><u>11,542</u></u>	<u><u>1,348</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Enterprise Fund Nonmajor School Nutrition \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	91,898	-
Cash received from services provided to other funds	-	30,155
Cash payments to employees for services	(66,608)	(29,543)
Cash payments to suppliers for goods or services	(62,553)	-
Net cash used by operating activities	<u>(37,263)</u>	<u>612</u>
Cash flows from non-capital financing activities:		
State grants received	1,696	-
Federal grants received	34,037	-
Net cash provided by non-capital financing activities	<u>35,733</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,530)	612
Cash and cash equivalents at beginning of year	<u>4,242</u>	<u>2,836</u>
Cash and cash equivalents at end of year	<u><u>2,712</u></u>	<u><u>3,448</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(51,179)	612
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	11,007	-
Depreciation	2,640	-
Decrease (increase) in inventories	111	-
Decrease (increase) in accounts receivable	106	-
(Decrease) increase in deferred revenue	52	-
Net cash used in operating activities	<u><u>(37,263)</u></u>	<u><u>612</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$11,007 of federal commodities.

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Foundation
	<u>\$</u>
Assets	
Cash and pooled investments	73,028
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	48,376
Unreserved	<u>24,652</u>
Total net assets	<u><u>73,028</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Foundation
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,500
Investment revenue	<u>8,495</u>
Total additions	10,995
Deductions:	
Support services:	
Scholarships awarded	<u>3,150</u>
Change in net assets	7,845
Net assets beginning of year	<u>65,183</u>
Net assets end of year	<u><u>73,028</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

Ventura Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Ventura, Iowa and the predominately agricultural territory in a portion of Cerro Gordo and Hancock 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, Ventura Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Ventura Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee flexible benefit plan.

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

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals. This fund consists of the Ventura Community School District Foundation which was established by the school in 1996 and is included as part of the District's financial statements as required by Chapter 279.62 of the Code of Iowa. This code section was effective July 1, 2005, but was to be applied retroactively. The Foundation has provided scholarships to Ventura Community School District alumni.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the 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 not available for appropriation or legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

2. **Cash and Pooled Investments**

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

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

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

3. Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Internal Service Fund	2,100
Nonmajor Physical Plant and Equipment Levy Fund	General Fund	948

The General Fund loaned the Internal Service Fund money for cash flow purposes.

4. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Debt Service Fund	Nonmajor: Capital Projects Fund	229,219
Debt Service Fund	Nonmajor: Physical Plant and Equipment Levy Fund	20,187

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

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2006-07A	06/28/06	06/28/07	-	2,765	-	-
2006-07B	01/26/07	01/25/08	345,118	7,789	346,000	6,244
2007-08A	06/27/07	06/27/08	360,429	108	361,000	89
			<u>705,547</u>	<u>10,662</u>	<u>707,000</u>	<u>6,333</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. ISCAP advance activity in the General Fund for the year ended June 30, 2007, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	100,000	100,000	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2006-07A	4.500	5.676
2006-07B	4.250	5.315
2007-08A	4.500	5.455

6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	27,350	-	-	27,350
Capital assets being depreciated:				
Buildings	4,066,073	5,183	-	4,071,256
Improvements other than buildings	303,349	23,959	-	327,308
Furniture and equipment	595,503	4,900	-	600,403
Total capital assets being deprec.	<u>4,964,925</u>	<u>34,042</u>	-	<u>4,998,967</u>

Less accumulated depreciation for:				
Buildings	1,042,741	89,874	-	1,132,615
Improvements other than buildings	193,019	6,299	-	199,318
Furniture and equipment	<u>525,468</u>	<u>13,141</u>	-	<u>538,609</u>
Total accumulated depreciation	<u>1,761,228</u>	<u>109,314</u>	-	<u>1,870,542</u>
Total capital assets being depreciated, net	<u>3,203,697</u>	<u>(75,272)</u>	-	<u>3,128,425</u>
Governmental activities capital assets, net	<u>3,231,047</u>	<u>(75,272)</u>	-	<u>3,155,775</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Business type activities:				
Furniture and equipment	89,064	-	-	89,064
Less accumulated depreciation	<u>78,841</u>	<u>2,640</u>	-	<u>81,481</u>
Business type activities capital assets, net	<u>10,223</u>	<u>2,640</u>	-	<u>7,583</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	799
Support services:	
Operation and maintenance of plant services	1,711
Transportation	<u>10,631</u>
	13,141
Unallocated depreciation	<u>96,173</u>
Total depreciation expense – governmental activities	<u>109,314</u>
Business type activities:	
Food services	<u>2,640</u>

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
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
General obligation bonds	240,000	-	240,000	-	-
Revenue bonds	375,000	-	125,000	250,000	125,000
Capital leases	19,396	-	19,396	-	-
Termination benefits	38,442	40,081	6,670	71,853	15,532
Compensated absences	<u>1,647</u>	<u>413</u>	<u>600</u>	<u>1,460</u>	<u>600</u>
Total	<u>674,485</u>	<u>40,494</u>	<u>391,666</u>	<u>323,313</u>	<u>141,132</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least five years of service to the District and must be eligible for IPERS benefits and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits consist of single health insurance coverage until age 65 or until the retiree is eligible for Medicare, whichever is sooner.

At June 30, 2007, the District has an obligation to three participants with a total liability of \$71,853. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$6,670.

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 August 2004			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.00	125,000	10,000	135,000
2009	4.00	125,000	5,000	130,000
		<u>250,000</u>	<u>15,000</u>	<u>265,000</u>

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. The debt, however, is subject to the constitutional debt limitation of the District.

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

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- Bonds may be called for redemption by the issuer and paid before maturity on any date, in whole or in part. A 30-day notice of redemption is required.
- Proceeds from the local option sales and services tax shall be placed in a revenue fund. The trustee will make monthly transfers from the revenue account to the sinking fund. The monthly deposit to the sinking fund shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date plus the equal monthly amount necessary to pay in full the installment of principal coming due on the next succeeding principal payment date. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a month may be used for any lawful purpose for which the local option sales tax may be used or may be used to redeem the bonds in accordance with their terms. The revenue fund is part of the Capital Projects Fund and the sinking fund is part of the Debt Service Fund.

8. 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 \$102,418, \$101,808, and \$101,848 respectively, equal to the required contributions for each year.

9. Risk Management

Ventura 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.

10. 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 \$91,035 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VENTURA COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,258,643	91,740	3,350,383	3,281,369	3,281,369	69,014
State sources	654,877	1,696	656,573	775,955	775,955	(119,382)
Federal sources	89,973	45,044	135,017	147,000	147,000	(11,983)
Total revenues	<u>4,003,493</u>	<u>138,480</u>	<u>4,141,973</u>	<u>4,204,324</u>	<u>4,204,324</u>	<u>(62,351)</u>
Expenditures:						
Instruction	2,457,756	-	2,457,756	2,535,000	2,535,000	77,244
Support services	1,026,541	-	1,026,541	1,122,500	1,122,500	95,959
Non-instructional programs	-	142,919	142,919	180,000	180,000	37,081
Other expenditures	509,426	-	509,426	7,250,183	7,250,183	6,740,757
Total expenditures	<u>3,993,723</u>	<u>142,919</u>	<u>4,136,642</u>	<u>11,087,683</u>	<u>11,087,683</u>	<u>6,951,041</u>
Excess (deficiency) of revenues over (under) expenditures	9,770	(4,439)	5,331	(6,883,359)	(6,883,359)	6,888,690
Other financing sources (uses) net	<u>3,483</u>	<u>-</u>	<u>3,483</u>	<u>-</u>	<u>-</u>	<u>3,483</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	13,253	(4,439)	8,814	(6,883,359)	(6,883,359)	6,892,173
Balance beginning of year	<u>782,521</u>	<u>15,981</u>	<u>798,502</u>	<u>7,281,225</u>	<u>7,281,225</u>	<u>(6,482,723)</u>
Balance end of year	<u><u>795,774</u></u>	<u><u>11,542</u></u>	<u><u>807,316</u></u>	<u><u>397,866</u></u>	<u><u>397,866</u></u>	<u><u>409,450</u></u>

VENTURA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend it's budget during the year.

OTHER SUPPLEMENTARY INFORMATION

VENTURA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Capital Projects	
	\$	\$	\$	\$	
Cash and pooled investments	32,332	90,718	65,061	269,902	458,013
Receivables:					
Property tax:					
Delinquent	347	-	277	-	624
Succeeding year	90,000	-	118,198	-	208,198
Prepaid expenses	1,645	-	-	-	1,645
Interfund receivable	-	-	948	-	948
Due from other governments	3,886	-	-	55,014	58,900
Total assets	128,210	90,718	184,484	324,916	728,328
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	1,285	1,888	-	3,173
Deferred revenue:					
Succeeding year property tax	90,000	-	118,198	-	208,198
Total liabilities	90,000	1,285	120,086	-	211,371
Fund balances:					
Unreserved fund balance reported in:					
Special Revenue Funds	38,210	89,433	64,398	-	192,041
Capital Projects Fund	-	-	-	324,916	324,916
Total fund balances	38,210	89,433	64,398	324,916	516,957
Total liabilities and fund balances	128,210	90,718	184,484	324,916	728,328

VENTURA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue Funds				Total
	Management	Student	Physical	Capital	
	Levy	Activity	Plant and	Projects	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	70,250	-	56,166	322,083	448,499
Other	5,176	146,960	2,495	10,101	164,732
State sources	-	-	-	2,003	2,003
Total revenues	<u>75,426</u>	<u>146,960</u>	<u>58,661</u>	<u>334,187</u>	<u>615,234</u>
Expenditures:					
Current:					
Instruction:					
Regular	29,747	-	-	-	29,747
Other	-	157,171	-	-	157,171
Support services:					
Student	654	-	-	-	654
Instructional staff	1,090	-	-	-	1,090
Administration	2,397	-	-	-	2,397
Operation and maintenance of plant	21,007	-	32,663	-	53,670
Transportation	7,858	-	-	-	7,858
Other expenditures:					
Facilities acquisition	-	-	12,226	778	13,004
Total expenditures	<u>62,753</u>	<u>157,171</u>	<u>44,889</u>	<u>778</u>	<u>265,591</u>
Excess (deficiency) of revenues over (under) expenditures	12,673	(10,211)	13,772	333,409	349,643
Other financing sources (uses):					
Operating transfers out	-	-	(20,187)	(229,219)	(249,406)
Net change in fund balances	12,673	(10,211)	(6,415)	104,190	100,237
Fund balances beginning of year	<u>25,537</u>	<u>99,644</u>	<u>70,813</u>	<u>220,726</u>	<u>416,720</u>
Fund balances end of year	<u>38,210</u>	<u>89,433</u>	<u>64,398</u>	<u>324,916</u>	<u>516,957</u>

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Annual	2,634	9,830	8,727	3,737
Art club	725	412	513	624
Athletic fund	29,376	41,935	46,760	24,551
Athletic resale	5,582	21,048	21,767	4,863
Band	9,055	13,310	16,787	5,578
Band resale	(750)	1,286	1,179	(643)
Band/Vocal trip	9,255	14,010	7,969	15,296
Vocal club	218	-	-	218
Candy sales	6,623	2,882	5,005	4,500
Coaches supper	3,626	690	1,587	2,729
Class of 2007	3,107	400	3,507	-
Class of 2008	400	13,384	9,596	4,188
Class of 2009	101	-	-	101
Elementary donations	9,222	755	9,977	-
High school donations	1,955	664	500	2,119
Drill team	277	-	277	-
Dunk tank	106	-	106	-
FFA	2,731	18,553	17,507	3,777
Honor society	801	-	150	651
JEL	-	100	-	100
Little League	581	200	781	-
New Horizons	15	-	-	15
Pep club	(401)	2,803	1,532	870
Science club	1,563	-	-	1,563
SES	445	138	36	547
Spanish club	746	-	-	746
Speech club	115	380	312	183
Stage fund-drama	638	1,552	1,778	412
Student senate	1,378	1,110	1,028	1,460
Technology club	588	-	-	588
Interest	10,427	1,518	-	11,945
Beginning accruals	(1,495)	-	(1,495)	-
Ending accruals	-	-	1,285	(1,285)
Total	99,644	146,960	157,171	89,433

VENTURA COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,187,126	2,094,066	2,084,703	2,206,522
Tuition	810,612	722,845	744,315	728,356
Other	260,905	261,508	267,276	262,933
State sources	654,877	713,414	698,106	572,729
Federal sources	89,973	88,005	95,069	82,396
Total revenues	<u>4,003,493</u>	<u>3,879,838</u>	<u>3,889,469</u>	<u>3,852,936</u>
Expenditures:				
Instruction:				
Regular	1,677,299	1,577,185	1,542,978	1,505,131
Special	350,967	301,801	254,582	222,517
Other	429,490	482,411	406,623	376,163
Support services:				
Student	45,432	44,352	45,230	46,734
Instructional staff	59,804	24,381	82,618	121,566
Administration	499,098	461,210	461,432	409,982
Operation and maintenances of plant	300,482	276,412	269,977	243,204
Transportation	121,725	120,064	185,059	102,768
Non-instructional programs	-	-	9,758	8,988
Other expenditures:				
Facilities acquisition	13,004	126,951	553,532	142,524
Long-term debt:				
Principal	384,396	418,635	431,888	300,711
Interest and other charges	20,991	32,797	41,285	58,204
AEA flowthrough	91,035	83,496	80,935	77,919
Total expenditures	<u>3,993,723</u>	<u>3,949,695</u>	<u>4,365,897</u>	<u>3,616,411</u>

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
Ventura 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 Ventura Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ventura 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 Ventura Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ventura Community School District's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

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

Ventura Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Ventura 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 Ventura Community School District and other parties to whom Ventura 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 Ventura Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

February 28, 2008

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ending June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

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

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

Conclusion: Response accepted.

07-I-B Pre-signed Checks: The Board President and Board Secretary manually sign all checks. However we noted that the Board President pre-signs blank checks, so that the bills can be paid when the board president is not available. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board should designate a person other than the board president to cosign checks when the board president is not available.

District Response: We will stop having pre-signed checks and appoint another individual to sign checks when the board president is absent.

Conclusion: Response accepted.

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

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

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ending June 30, 2007

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

VENTURA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ending June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

- 07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.
- 07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 07-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 07-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 07-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 07-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 07-II-J Internal Service Fund Expenditure Procedures: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that the Internal Service Fund was not following the statutory requirements for board approval prior to disbursement and publication of bills paid.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for disbursements in the Internal Service Fund.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.