BENNETT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008

BENNETT COMMUNITY SCHOOL DISTRICT
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BENNETT COMMUNITY SCHOOL DISTRICT
OFFICIALS
June 30, 2008

Name	Title	Term Expires
	Board of Education	
	(Before September, 2007 Election)	
Art Ahrens	Board President	2008
Karen Rohlf	Board Member	2007
Nyle Paper	Board Member	2007
David Rixe	Board Member	2008
Jim VonMuenster	Board Member	2009
	(After September, 2007 Election)	
Art Ahrens	Board President	2008
David Rixe	Board Member	2008
Jim VonMuenster	Board Member	2009
Brian Timmerman	Board Member	2010
Nyle Paper	Board Member	2010
	School Officials	
John Sauer	Superintendent	2008
Lonna Moeller	District Secretary/Treasurer	2008
Brian Gruhn	Attorney	2008

KAY L. CHAPMAN, CPA PC
210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
Bennett Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District, Bennett, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

In my 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 Bennett Community School District as of June 30, 2008, 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, I have also issued my report dated March 6, 2009 on my consideration of Bennett Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bennett Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 3, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I 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, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the four years in the period ended June 30, 2008, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 6, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bennett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $1,831,333 in fiscal 2007 to $1,885,117 in fiscal 2008, and General Fund expenditures increased from $1,796,023 in fiscal 2007 to $1,858,212 in fiscal 2008. The District's General Fund balance increased from $587,022 in fiscal 2007 to $613,927 in fiscal 2008, a 5% increase.

- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal 2008. The increase in expenditures is attributable to a gradual increase in salaries, building and transportation costs. The reason the General Fund balance increased is because the increase in revenues was greater than the increase in expenditures.

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 Bennett 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 Bennett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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 nonmajor governmental funds.

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

Figure A-1
Bennett Community School District Annual Financial Report

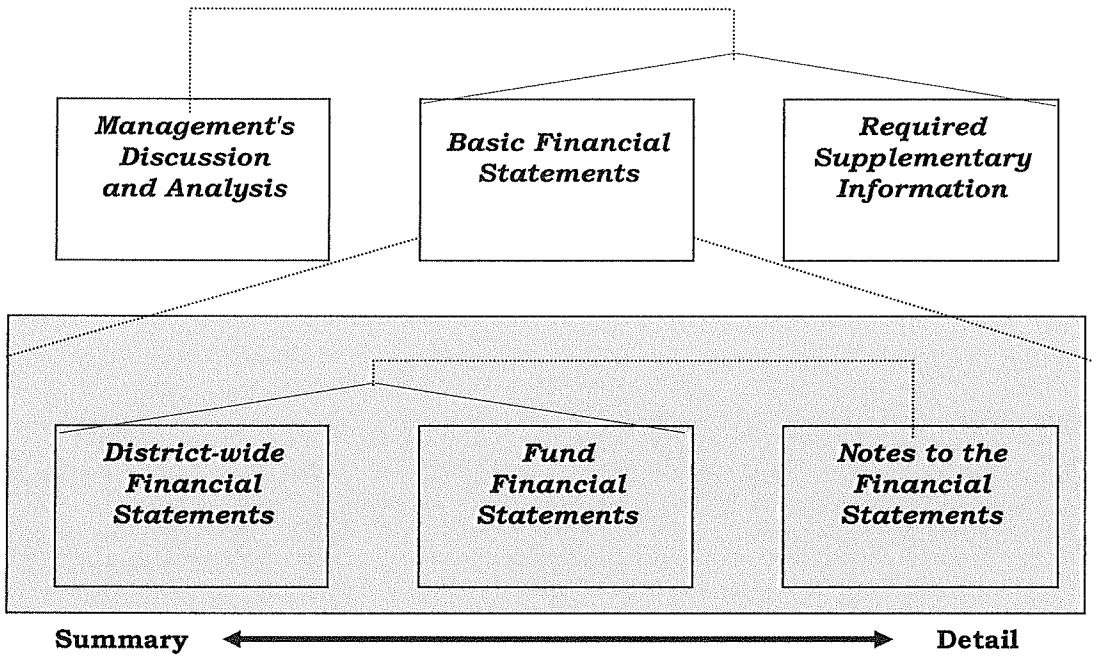

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Statements	
	Statements	Governmental Funds	Proprietary Fund
Scope	Entire District	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	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• 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 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. During fiscal 2008, the District had one enterprise fund, the School Nutrition Fund.

   The required financial statements for proprietary funds include a statement of net assets, 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, 2008 compared to June 30, 2007.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	$ 2,605,234	$ 2,457,948	$ 6,317	$ 12,015	$ 2,611,551	$ 2,469,963	5.73%
Capital assets	251,930	251,326	4,262	4,993	256,192	256,319	-0.05%
Total assets	2,857,164	2,709,274	10,579	17,008	2,867,743	2,726,282	5.19%
Long-term liabilities	210,000	245,000	-	-	210,000	245,000	-14.29%
Other liabilities	972,076	1,020,157	581	1,315	972,657	1,021,472	-4.78%
Total liabilities	1,182,076	1,265,157	581	1,315	1,182,657	1,266,472	-6.62%
Net assets							
Invested in capital assets, net of related debt	251,930	251,326	4,262	4,993	256,192	256,319	-0.05%
Restricted	939,269	770,966	-	-	939,269	770,966	21.83%
Unrestricted	483,889	421,825	5,736	10,700	489,625	432,525	13.20%
Total net assets	$ 1,675,088	$ 1,444,117	$ 9,998	$ 15,693	$ 1,685,086	$ 1,459,810	15.43%

The District's combined net assets increased by approximately 15%, or $225,276 from the prior year. The largest portion of the District's net assets is the restricted net assets. One portion of net assets is 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 $168,303, or approximately 22% over the prior year. The increase was primarily a result of the fact that no major purchase was made this year in terms of buses or vehicles. We continue to have healthy revenue without having any major expenses, which accounts for the increased balance in the Physical Plant and Equipment Levy Fund and restricted net assets.

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 $57,100, or approximately 13%. This increase in unrestricted net assets was a result of general revenues exceeding general expenses throughout the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4

Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
Revenues	2008	2007	2008	2007	2008	2007	2007-2008
Program revenues							
Charges for service	$ 76,566	$ 90,867	$ 27,144	$ 26,216	$ 103,710	$ 117,083	-11.42%
Operating grants	218,703	206,413	19,550	20,512	238,253	226,925	4.99%
General revenues							
Property tax	923,222	1,064,729	-	-	923,222	1,064,729	-13.29%
Local option sales and services tax	156,688	154,338	-	-	156,688	154,338	1.52%
Unrestricted state grants	761,737	690,123	-	-	761,737	690,123	10.38%
Contributions and donations	23,990	1,802	-	-	23,990	1,802	1231.30%
Unrestricted investment earnings	32,091	30,301	-	-	32,091	30,301	5.91%
Other	4,407	15,184	-	-	4,407	15,184	-70.98%
Total revenues	2,197,404	2,253,757	46,694	46,728	2,244,098	2,300,485	-2.45%
Program expenses							
Governmental activities							
Instruction	1,375,030	1,373,594	-	-	1,375,030	1,373,594	0.10%
Support services	468,799	424,696	-	-	468,799	424,696	10.38%
Non-instructional programs	748	158	52,389	42,317	53,137	42,475	25.10%
Other expenses	121,856	114,282	-	-	121,856	114,282	6.63%
Loss on disposal of capital assets	-	2,832	-	-	-	2,832	-100.00%
Total expenses	1,966,433	1,915,562	52,389	42,317	2,018,822	1,957,879	3.11%
Change in net assets	$ 230,971	$ 338,195	$ (5,695)	$ 4,411	$ 225,276	$ 342,606	-34.25%

In fiscal 2008, property tax and unrestricted state grants account for 77% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities.

The District's total revenues were $2,244,098 of which $2,197,404 was for governmental activities and $46,694 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% decrease in revenues and a 3% increase in expenses. Unrestricted state grants increased $71,614 to fund expenditures. The increase in expenses related to increases in several different operational areas including instruction, support services and other expenses. There was also a slight increase in expenditures for non-instructional programs.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2008 were $2,197,404 and expenses were $1,966,433. The revenue was slightly lower than the previous year due to a large reduction in property taxes ($141,507) coupled with smaller increases in the other revenue categories. Expenses were slightly higher than the previous year with small increases in instruction, support services and other expenses.

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, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-2008	2008	2007	Change 2007-2008
Instruction	$ 1,375,030	$ 1,373,594	0.1%	$ 1,156,478	$ 1,150,830	0.5%
Support services	468,799	424,696	10.4%	467,178	421,749	10.8%
Non-instructional programs	748	158	373.4%	748	158	373.4%
Other expenses	121,856	117,114	4.0%	46,760	45,545	2.7%
Total expenses	$ 1,966,433	$ 1,915,562	2.7%	$ 1,671,164	$ 1,618,282	3.3%

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was $76,566.
- Federal and state governments subsidized certain programs with grants and contributions totaling $218,703.
- The net cost of governmental activities was financed with $1,079,910 in property and other taxes and $761,737 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2008 were $46,694 representing a .2% decrease from the prior year and expenses were $52,389, a 24% increase over the prior year. The District's business type activities consist of the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income.

The decrease in revenues from 2008 was due to decreased number of lunches and breakfasts served as a result of a slightly lower enrollment.

INDIVIDUAL FUND ANALYSIS

As previously noted, Bennett 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 $1,554,122, well above last year's ending fund balances of $1,359,067. The primary reason for the increase in combined fund balances in fiscal 2008 is due to increased balances in several of the individual funds as well as reduced expenditures in those same accounts. A higher premium in health insurance costs (9.98%) and a decrease in general operating costs also were factors in the final balance.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Increased state aid during the year, factored by a generally stable enrollment, and decreased spending for general educational expenses, resulted in an increase in fund balance. Increased transportation costs and health insurance costs resulted in the General Fund increase being smaller than it otherwise would have been.

- The General Fund balance increased from $587,022 to $613,927 due in part to the increase in revenues exceeding the increase in expenditures.

- The Capital Projects Fund balance increased from $453,239 in 2007 to $574,405 in 2008. The primary reason for this increase was that more Local Option Sales and Services Taxes were received than were expended during fiscal 2008.

Proprietary Fund Highlights

Enterprise Fund net assets decreased from $15,693 at June 30, 2007 to $9,998 at June 30, 2008, representing a decrease of approximately 36%. The District had a slight increase in the prices for breakfasts and lunches in 2008. Due to a slight decline in enrollment, less students and faculty were eating the meals. The cost of food and salaries continued to rise.

BUDGETARY HIGHLIGHTS

Bennett Community School District did not amend its annual budget during the year ended June 30, 2008.

The District's revenues were $183,023 less than budgeted revenues, a variance of approximately 8%. The most significant variance resulted from the District receiving less in state aid than expected.

Total expenditures were $1,433,070 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, 2008, the District had invested $256,192, 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 decrease of approximately .05% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was $47,580.

The original cost of the District's capital assets was $1,546,943. Governmental funds account for $1,500,045, with the remainder of $46,898 accounted for in the Proprietary, School Nutrition Fund.

There has been no significant change in the District's capital assets.

Figure A-6

Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Land	$ 2,210	$ 2,210	$ -	$ -	$ 2,210	$ 2,210	0.00%
Land improvements	17,200	17,200	-	-	17,200	17,200	0.00%
Buildings and improvements	56,601	58,391	-	-	56,601	58,391	-3.07%
Furniture and equipment	175,919	173,525	4,262	4,993	180,181	178,518	0.93%
Totals	$251,930	$251,326	$ 4,262	$ 4,993	$256,192	$256,319	-0.05%

Long-Term Debt

At June 30, 2008, the District had $210,000 in general obligation debt outstanding. This represents a decrease of approximately 14% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7

Outstanding Long-term Obligations

	Total School District		Total Change
	2008	2007	2007-2008
General obligation bonds	$ 210,000	$ 245,000	-14.29%

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 has experienced declining enrollment for the last nine of ten years. Projections are for it to stabilize or continue to decline gradually. Grades K-6 will be impacted if the decline in enrollment accelerates.

- The District has a three-year whole grade sharing agreement with the Durant School District ending in 2011. Grades 7-12 will be serviced by the Durant School District. The transition has had an economic impact on the District, with payment of 85% of the cost per pupil for those three years coming from the General Fund and 15% of the cost per pupil coming from the PPEL fund. Also, the whole grade sharing agreement has initiated a significant number of students to open enroll to a district other than Durant.

- The District will be negotiating a one-year contract with the Bennett Education Association for the 2009-10 school year. Health insurance premiums continue to increase (8.76%), which plays a major role in staff salaries.

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 Lonna Moeller, Board Secretary/Treasurer, Bennett Community School District, PO Box D, 300 Cedar Street, Bennett, Iowa, 52721.

Basic Financial Statements

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	$ 1,614,704	$ 4,113	$ 1,618,817
Receivables			
Property tax			
Delinquent	10,841	-	10,841
Succeeding year	826,957	-	826,957
Income surtax	79,962	-	79,962
Accounts receivable	-	61	61
Due from other governments	72,770	-	72,770
Inventories	-	2,143	2,143
Non-depreciable capital assets	19,410	-	19,410
Capital assets, net of accumulated depreciation	232,520	4,262	236,782
Total assets	2,857,164	10,579	2,867,743
Liabilities			
Accounts payable	55,860	-	55,860
Salaries and benefits payable	79,381	581	79,962
Accrued interest payable	926	-	926
Deferred revenue			
Succeeding year property tax	826,957	-	826,957
Federal grants	8,952	-	8,952
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	40,000	-	40,000
Portion due after one year			
General obligation bonds payable	170,000	-	170,000
Total liabilities	1,182,076	581	1,182,657
Net Assets			
Invested in capital assets	251,930	4,262	256,192
Restricted for			
Management levy	55,574	-	55,574
Physical plant and equipment levy	275,426	-	275,426
Debt service	25,441	-	25,441
Other special revenue purposes	8,423	-	8,423
Capital projects	574,405	-	574,405
Unrestricted	483,889	5,736	489,625
Total net assets	$ 1,675,088	$ 9,998	$ 1,685,086

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities							
Instruction							
Regular instruction	$ 1,157,703	$ 74,945	$ 114,106	$ -	$ (968,652)	$ -	$ (968,652)
Special instruction	163,629	-	29,501	-	(134,128)	-	(134,128)
Other instruction	53,698	-	-	-	(53,698)	-	(53,698)
	1,375,030	74,945	143,607	-	(1,156,478)	-	(1,156,478)
Support services							
Student	9,665	-	-	-	(9,665)	-	(9,665)
Instructional staff	24,755	-	-	-	(24,755)	-	(24,755)
Administration	186,590	-	-	-	(186,590)	-	(186,590)
Operation and maintenance of plant	136,875	1,200	-	-	(135,675)	-	(135,675)
Transportation	110,914	421	-	-	(110,493)	-	(110,493)
	468,799	1,621	-	-	(467,178)	-	(467,178)
Non-instructional programs	748	-	-	-	(748)	-	(748)
Other expenses							
Facilities acquisition	27,335	-	-	-	(27,335)	-	(27,335)
Long-term debt interest	13,199	-	-	-	(13,199)	-	(13,199)
AEA flowthrough	75,096	-	75,096	-	-	-	-
Depreciation (unallocated) *	6,226	-	-	-	(6,226)	-	(6,226)
	121,856	-	75,096	-	(46,760)	-	(46,760)
Total governmental activities	1,966,433	76,566	218,703	-	(1,671,164)	-	(1,671,164)

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs (continued)							
Business type activities							
Non-instructional programs							
Food service operations	$ 52,389	$ 27,144	$ 19,550	$ -	$ -	$ (5,695)	$ (5,695)
Total	$ 2,018,822	$ 103,710	$ 238,253	$ -	(1,671,164)	(5,695)	(1,676,859)
General Revenues							
Property tax levied for							
General purposes					797,048	-	797,048
Debt service					47,859	-	47,859
Capital outlay					78,315	-	78,315
Local option sales and services tax					156,688	-	156,688
Unrestricted state grants					761,737	-	761,737
Contributions and donations					23,990	-	23,990
Unrestricted investment earnings					32,091	-	32,091
Other					4,407	-	4,407
Total general revenues					1,902,135	-	1,902,135
Change in net assets					230,971	(5,695)	225,276
Net assets, beginning of year, as corrected					1,444,117	15,693	1,459,810
Net assets, end of year					$ 1,675,088	$ 9,998	$ 1,685,086

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

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	$ 720,020	$530,652	$364,032	$1,614,704
Receivables				
Property tax				
Delinquent	9,083	-	1,758	10,841
Succeeding year	678,197	-	148,760	826,957
Income surtax	79,962	-	-	79,962
Due from other governments	25,597	47,173	-	72,770
Total assets	$1,512,859	$577,825	$514,550	$2,605,234
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 52,440	$ 3,420	$ -	$ 55,860
Salaries and benefits payable	79,381	-	-	79,381
Deferred revenue				
Succeeding year property tax	678,197	-	148,760	826,957
Income surtax	79,962	-	-	79,962
Federal grants	8,952	-	-	8,952
Total liabilities	898,932	3,420	148,760	1,051,112
Fund balance				
Reserved for				
Talented and Gifted program	9,853	-	-	9,853
Salary improvement program	3,547	-	-	3,547
Teacher mentoring program	164	-	-	164
Evaluator training program	6	-	-	6
Phase I	42,603	-	-	42,603
Phase II	923	-	-	923
Iowa Early Intervention program	47,986	-	-	47,986
Debt service	-	-	26,367	26,367
Unreserved, governmental funds	508,845	574,405	-	1,083,250
Unreserved, special revenue funds	-	-	339,423	339,423
Total fund balance	613,927	574,405	365,790	1,554,122
Total liabilities and fund balance	$1,512,859	$577,825	$514,550	$2,605,234

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2008

Total fund balances of governmental funds	$1,554,122
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	251,930
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	79,962
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.	(926)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(210,000)
Net assets of governmental activities	$1,675,088

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Revenues	General	Capital Projects	Nonmajor Governmental Funds	Total
Local sources				
Local tax	$ 786,905	$ 156,688	$ 136,155	$ 1,079,748
Tuition	25,640	-	-	25,640
Other	93,896	6,898	12,387	113,181
State sources	949,175	-	-	949,175
Federal sources	29,501	-	-	29,501
Total revenues	1,885,117	163,586	148,542	2,197,245
Expenditures				
Current				
Instruction				
Regular	1,143,915	-	7,320	1,151,235
Special	163,629	-	-	163,629
Other	47,666	-	6,627	54,293
	1,355,210	-	13,947	1,369,157
Support services				
Student	9,665	-	-	9,665
Instructional staff	39,423	-	-	39,423
Administration	180,201	-	6,389	186,590
Operation and maintenance of plant	114,705	16,775	14,392	145,872
Transportation	83,912	-	16,040	99,952
	427,906	16,775	36,821	481,502
Non-instructional programs	-	-	748	748
Other expenditures				
Facilities acquisition	-	25,645	1,690	27,335
Long-term debt				
Principal	-	-	35,000	35,000
Interest and fiscal charges	-	-	13,352	13,352
AEA flowthrough	75,096	-	-	75,096
	75,096	25,645	50,042	150,783
Total expenditures	1,858,212	42,420	101,558	2,002,190
Excess of revenues over expenditures	26,905	121,166	46,984	195,055
Fund balance, beginning of year, as corrected	587,022	453,239	318,806	1,359,067
Fund balance, end of year	$ 613,927	$ 574,405	$ 365,790	$ 1,554,122

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit F

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

For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds		$195,055
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 and depreciation expense are as follows:		
Expenditures for capital assets	$ 47,453	
Depreciation expense	(46,849)	604
Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds.		159
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.		35,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		153
Change in net assets of governmental activities		$230,971

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit G

Statement of Net Assets
Proprietary Fund
June 30, 2008

	Nonmajor School Nutrition
Assets	
Cash and pooled investments	$ 4,113
Accounts receivable	61
Inventories	2,143
Capital assets, net of accumulated depreciation	4,262
Total assets	10,579
Liabilities	
Salaries and benefits payable	581
Net Assets	
Invested in capital assets	4,262
Unrestricted	5,736
Total net assets	$ 9,998

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit H

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

	Nonmajor School Nutrition
Operating revenue	
Local sources	
Charges for service	$27,144
Operating expenses	
Non-instructional programs	
Food service operations	
Salaries and benefits	18,646
Benefits	2,681
Purchased services	1,954
Supplies	28,377
Depreciation	731
Total operating expenses	52,389
Operating loss	(25,245)
Non-operating revenues	
State sources	555
Federal sources	18,995
Total non-operating revenues	19,550
Net income	(5,695)
Net assets, beginning of year	15,693
Net assets, end of year	$ 9,998

See notes to financial statements.

BENNETT COMMUNITY SCHOOL DISTRICT

Exhibit I

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2008

	Nonmajor School Nutrition
Cash flows from operating activities	
Cash received from sale of services	$ 27,108
Cash payments to employees for services	(22,056)
Cash payments to suppliers for goods and services	(28,752)
Net cash used in operating activities	(23,700)
Cash flows from non-capital financing activities	
State grants received	555
Federal grants received	16,088
Net cash provided by non-capital financing activities	16,643
Cash flows from capital and related financing activities	-
Cash flows from investing activities	-
Net decrease in cash and cash equivalents	(7,057)
Cash and cash equivalents, beginning of year	11,170
Cash and cash equivalents, end of year	$ 4,113
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$(25,245)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	730
Commodities used	3,168
(Increase) in accounts receivable	(36)
(Increase) in inventory	(1,583)
(Decrease) in accounts payable	(5)
(Decrease) in accrued salaries and benefits	(729)
Net cash used in operating activities	$(23,700)

Non-cash investing, capital and financing activities

During the year ended June 30, 2008, the District received $3,168 of federal commodities.

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

The Bennett 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 Bennett, Iowa, and the agricultural territory in Cedar and Scott 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, Bennett 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 Bennett Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the 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 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 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 is 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 other nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The District reports no major proprietary funds. However, it reports one nonmajor proprietary fund, the School Nutrition Fund, which 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 and claims and judgments 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 are charges to customers for sales and services. Operating expenses for the enterprise fund 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, they 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 year 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 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 1½ % per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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 repairs that do not add to the value of the asset or materially extend asset lives

are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Useful Life
Buildings	50 years
Improvements to buildings	20-50 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenses 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 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 federal grant proceeds as well as property tax and income surtax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of unspent federal grant proceeds and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 Balance - 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.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those

assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports $331,000 of restricted net assets which is restricted by enabling legislation.

E. Budgeting and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 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, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$1,081,560

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

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

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

Governmental activities	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Capital assets not being depreciated:				
Land	$ 2,210	$ -	$ -	$ 2,210
Land improvement	17,200	-	-	17,200
Total capital assets, not being depreciated	19,410	-	-	19,410
Capital assets being depreciated:				
Buildings and improvements	732,502	-	-	732,502
Furniture and equipment	700,680	47,453	-	748,133
Total capital assets being depreciated	1,433,182	47,453	-	1,480,635
Less accumulated depreciation for:				
Buildings and improvements	674,111	1,790	-	675,901
Furniture and equipment	527,155	45,059	-	572,214
Total accumulated depreciation	1,201,266	46,849	-	1,248,115
Total capital assets being depreciated, net	231,916	604	-	232,520
Governmental activities capital assets, net	$ 251,326	$ 604	$ -	$ 251,930
Business type activities				
Furniture and equipment	$ 46,898	$ -	$ -	$ 46,898
Less accumulated depreciation	41,905	731	-	42,636
Business type activities capital assets, net	$ 4,993	$ (731)	$ -	$ 4,262

Depreciation expense was charged to the following functions:

Governmental activities	
Instruction	
Regular	$ 11,841
Support services	
Operation and maintenance of plant	7,272
Transportation	21,510
Unallocated depreciation	6,226
Total governmental activities depreciation expense	$ 46,849
Business type activities	
Food services	$ 731

Note 4. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	$ 245,000	$ -	$ (35,000)	$ 210,000	$ 40,000

Interest costs incurred and charged to expense on all long-term debt was $13,199 for the year ended June 30, 2008. During the year ended June 30, 2008, the District made principal payments on total long-term debt of $35,000.

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of July 1, 1997			
	Interest Rates	Interest	Principal	Total
2009	5.25	$ 11,115	$ 40,000	$ 51,115
2010	5.25	9,015	40,000	49,015
2011	5.25	6,915	40,000	46,915
2012	5.30	4,815	45,000	49,815
2013	5.40	2,430	45,000	47,430
Totals		$ 34,290	$ 210,000	$ 244,290

Note 5. 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, IA, 50306-9117.

Plan members were required to contribute 3.90% of their annual covered salary and the District was required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual covered salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were $37,799, $33,653

and $35,875 respectively, equal to the required contributions for each year.

Note 6. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. 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.

Note 7. 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 $75,096 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8. Whole-grade Sharing Agreement

In July 2005 the Bennett Community School District entered into a whole-grade sharing agreement with Durant Community School District whereby the District began sending their students in grades 7-12 to Durant Community School District for instruction beginning in fiscal 2006. After June 30, 2005, the Bennett Community School District no longer provided instruction within their district for middle school and high school students. Bennett Community School District receives funding from the State of Iowa for these students, who continue to be counted on the District's certified enrollment. In turn, the District pays tuition for these students to Durant Community School District based upon the amount stated in the whole-grade sharing agreement.

Note 9. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 10. Correction of Beginning Balance

The beginning fund balance of the General Fund was corrected during the year ended June 30, 2008 to correct an error noted on the prior year Certified Annual Report. The General Fund beginning balance was decreased by $6,764. This adjustment also affected the beginning net assets for the governmental activities in the Statement of Activities, which was decreased by the $6,764.

Required Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual

All Governmental Funds and Proprietary Fund

Required Supplementary Information

For the Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues						
Local sources	$1,218,569	$ 27,144	$1,245,713	$1,265,960	$1,265,960	$ (20,247)
State sources	949,175	555	949,730	1,076,002	1,076,002	(126,272)
Federal sources	29,501	18,995	48,496	85,000	85,000	(36,504)
Total revenues	2,197,245	46,694	2,243,939	2,426,962	2,426,962	(183,023)
Expenditures/Expenses						
Instruction	1,369,157	-	1,369,157	2,318,554	2,318,554	949,397
Support services	481,502	-	481,502	731,500	731,500	249,998
Non-instructional programs	748	52,389	53,137	61,426	61,426	8,289
Other expenditures	150,783	-	150,783	376,169	376,169	225,386
Total expenditures/expenses	2,002,190	52,389	2,054,579	3,487,649	3,487,649	1,433,070
Excess (deficiency) of revenues over (under) expenditures/expenses	195,055	(5,695)	189,360	(1,060,687)	(1,060,687)	1,250,047
Balance, beginning of year, as corrected	1,359,067	15,693	1,374,760	1,207,676	1,207,676	167,084
Balance, end of year	$1,554,122	$ 9,998	$1,564,120	$ 146,989	$ 146,989	$1,417,131

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. 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 function 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. During the year, the District did not adopt any budget amendments.

Other Supplementary Information

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue				
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash and pooled investments	$ 55,444	$ 8,423	$274,415	$ 25,750	$364,032
Receivables					
Property tax					
Delinquent	130	-	1,011	617	1,758
Succeeding year	22,000	-	75,645	51,115	148,760
Total assets	$ 77,574	$ 8,423	$351,071	$ 77,482	$514,550
Liabilities and Fund Balances					
Liabilities					
Deferred revenue					
Succeeding year property tax	$ 22,000	$ -	$ 75,645	$ 51,115	$148,760
Fund balances					
Reserved for debt service	-	-	-	26,367	26,367
Unreserved fund balances	55,574	8,423	275,426	-	339,423
Total fund balances	55,574	8,423	275,426	26,367	365,790
Total liabilities and fund balances	$ 77,574	$ 8,423	$351,071	$ 77,482	$514,550

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue				
Revenues	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Local sources					
Local taxes	$ 9,981	$ -	$ 78,315	$47,859	$136,155
Other	271	6,631	5,246	239	12,387
Total revenues	10,252	6,631	83,561	48,098	148,542
Expenditures					
Current					
Instruction					
Regular	1,502	-	5,818	-	7,320
Other	-	6,627	-	-	6,627
Total instruction	1,502	6,627	5,818	-	13,947
Support services					
Administration	1,657	-	4,732	-	6,389
Operation and maintenance of plant	14,392	-	-	-	14,392
Transportation	5,492	-	10,548	-	16,040
Total support services	21,541	-	15,280	-	36,821
Non-instructional programs	748	-	-	-	748
Other expenditures					
Facilities acquisition	-	-	1,690	-	1,690
Long-term debt					
Principal	-	-	-	35,000	35,000
Interest and fiscal charges	-	-	-	13,352	13,352
Total other expenditures	-	-	1,690	48,352	50,042
Total expenditures	23,791	6,627	22,788	48,352	101,558
Excess (deficiency) of revenues over (under) expenditures	(13,539)	4	60,773	(254)	46,984
Fund balances, beginning of year	69,113	8,419	214,653	26,621	318,806
Fund balances, end of year	$ 55,574	$8,423	$275,426	$26,367	$365,790

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

For the Year Ended June 30, 2008

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	$ 18	$ -	$ -	$ 18
Yearbook	897	2,323	1,726	1,494
Band	173	-	-	173
Vocal	485	778	778	485
Swimming	230	-	-	230
Class of 2007	1,062	-	734	328
Class of 2008	927	-	-	927
Student council	3,038	3,210	2,748	3,500
Drama	1,222	279	641	860
Music supplies	310	-	-	310
Interest	57	41	-	98
Totals	$ 8,419	$ 6,631	$ 6,627	$ 8,423

See accompanying Independent Auditor's Report.

BENNETT COMMUNITY SCHOOL DISTRICT

Schedule 4

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues				
Local sources				
Local tax	$1,079,748	$1,139,265	$1,100,314	$1,176,943
Tuition	25,640	35,397	18,964	34,395
Other	113,181	102,757	122,711	124,322
State sources	949,175	854,228	826,719	795,556
Federal sources	29,501	42,307	61,108	76,471
Total revenues	$2,197,245	$2,173,954	$2,129,816	$2,207,687
Expenditures				
Current				
Instruction				
Regular	$1,151,235	$1,124,226	$1,129,230	$1,061,298
Special	163,629	196,736	169,487	218,180
Other	54,293	43,174	90,744	217,229
Support services				
Student	9,665	6,325	5,597	27,540
Instructional staff	39,423	20,219	19,845	12,104
Administration	186,590	175,622	220,663	323,714
Operation and maintenance of plant	145,872	122,963	118,335	127,609
Transportation	99,952	78,215	131,348	107,282
Non-instructional programs	748	158	-	-
Other expenditures				
Facilities acquisition	27,335	29,964	37,693	35,027
Long-term debt				
Principal	35,000	35,000	30,000	30,000
Interest and other charges	13,352	15,190	16,765	18,340
AEA flowthrough	75,096	71,569	68,747	68,327
Total expenditures	$2,002,190	$1,919,361	$2,038,454	$2,246,650

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC
210 Cedar Street
Muscatine, Iowa 52761
563-264-1385

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
Bennett Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bennett Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated March 6, 2009. I conducted my 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 my audit, I considered Bennett Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Bennett Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Bennett Community School District's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies, including deficiencies I 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 Bennett 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 Bennett Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bennett Community

School District's internal control. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

My 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, I believe items A, B, and C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bennett Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

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

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Bennett Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 6, 2009

BENNETT COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2008

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

SIGNIFICANT DEFICIENCIES

A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, 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 I 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 - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

   Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

   Conclusion - Response accepted.

B. 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 prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

   Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The CAR contained incorrect amounts for succeeding year property taxes and income surtaxes. Also a material receivable from the prior fiscal year was not reversed. These misstatements were subsequently corrected before the final CAR was filed with the Iowa Department of Education; however, one of these errors affected the District's unspent balance.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

D. Student Activity Accounting - It was noted that there were certain revenues that were offset against expenditures rather than being reported as revenues. Revenues from fundraising activities and league fees collected for elementary athletic activities were offset against expenditures instead of being reported as revenues.

Recommendation - The District should review the guidelines established by the Iowa Department of Education regarding the specific types of receipts that are allowed to be offset against expenditures rather than being recorded as revenues. Only these allowable

receipts should be offset against expenditures. All other receipts should be reported as revenues.

Response - We will review the State's guidelines and adjust our accounting policies accordingly to ensure that only allowable receipts are offset against expenditures and that all other receipts are recorded as revenue.

Conclusion - Response accepted.

E. Signature Stamp - The District uses a signature stamp for the Board President on checks and other documents. This stamp is maintained and used by the Board Secretary.

Recommendation - The use of a signature stamp does not necessarily result in a deficiency in controls. However, it should be maintained and used by the person whose signature it bears. The use of the Board President's signature stamp by the Board Secretary overrides the requirement for dual signatures on District checks and creates a deficiency in controls.

Response - We will investigate alternatives to our current procedure to correct this control deficiency.

Conclusion - Response accepted.

Part II. Other Findings Related to Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted.

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

3. 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.

4. Business Transactions - No business transactions between the District and District officials or employees were noted.

5. 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.

6. Board Minutes - I noted no transactions requiring Board approval, which had not been approved by the Board.

7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

8. Deposits and Investments - I 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.

9. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely and I noted no significant deficiencies in the amounts reported.

BENNETT COMMUNITY SCHOOL DISTRICT
Audit Staff
June 30, 2008

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant