
CEDAR FALLS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
INTERNAL CONTROLS AND COMPLIANCE

JUNE 30, 2007



**CARNEY,
ALEXANDER,
MAROLD & Co., L.L.P.**
Certified Public Accountants

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2006 Election)		
Deon E. Senchina	President	2006
James R. Kenyon	Vice President	2008
Richard Vande Kieft	Board Member	2007
Joyce E. Coil	Board Member	2008
Duane L. Hamilton	Board Member	2008
Dan Battcher	Board Member	2006
Susan Lantz	Board Member	2007

Board of Education
(After September, 2006 Election)

Deon E. Senchina	President	2009
James R. Kenyon	Vice President	2008
Richard Vande Kieft	Board Member	2007
Joyce E. Coil	Board Member	2008
Duane L. Hamilton	Board Member	2008
Dan Battcher	Board Member	2009
Susan Lantz	Board Member	2007

School Officials

Dr. David Stoakes	Superintendent	2007
Craig Hansel	District Secretary	2007
John Steen	District Treasurer	2007
John C. Larsen	Attorney	Indefinite

Cedar Falls Community School District

Independent Auditors' Report

To the Board of Education of the
Cedar Falls 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 Cedar Falls Community School District, 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 auditing standards generally accepted in the United States of America 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 Cedar Falls 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 accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007 on our consideration of Cedar Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 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 Cedar Falls 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 on pages 51 through 58, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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.

Carney, Alexander, Marshall & Co., L.L.P.

November 27, 2007

**CEDAR FALLS COMMUNITY SCHOOL DISTRICT
CEDAR FALLS, IOWA**

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

This section of the Cedar Falls Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the fiscal year ending June 30, 2007.

The intent of this discussion and analysis is to look at the Cedar Falls Community School District's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the 2006-07 fiscal year include the following:

In total, net assets increased by \$4,605,537 or 11.7% from fiscal 2005-06. Net assets in governmental activities increased \$4,709,706, which represented a 12.2% increase from fiscal year 2006. Increases in property tax receipts, student tuition from neighboring school districts, increases in State of Iowa categorical funding, and the completion of the new Lincoln Elementary School made up the majority of the increase. Net assets in the business-type activity, which represents the District's food service operations, decreased \$104,169, which represented a 20.0% decrease from fiscal year 2006. Increases in operational costs are the primary reasons for the decrease.

General Fund revenues (which include the Instructional Support fund) accounted for \$35,292,159 in revenue or 83.5% of all revenues. General Fund expenses (which include the Instructional Support fund) accounted for \$34,173,825 in expenditures or 87.1% of all expenses.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Cedar Falls Community School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provides information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Fund financial statements report individual parts of District operations in more detail than District wide statements. For governmental funds these statements tell how educational and operational services were funded in the short term as well as what remains for future funding. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in a single column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report includes all the funds used by the District to provide programs and activities, the report strives to show how the District performed financially during the 2007 fiscal year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial picture of the District has improved or diminished for the District as whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include District property tax assessed valuation, facility needs, required educational programs, and other factors.

In the statement of net assets and statement of activities, the District is divided into three distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here, including instruction, co-curricular activities, support services (nursing, guidance, media, administration), custodial, building operations and maintenance, and pupil transportation.

Business-Type Activity – This service is provided on a charge for goods or services basis to recover all of the expenses for good or services provided. These types of activities are also known as Enterprise funds. The Nutrition Fund is reported as a business activity.

Fiduciary/Trust Activity – The District is the trustee or fiduciary for assets that belong to others. The District is responsible for ensuring that the assets in these funds are used for their intended purpose. These assets are excluded from the government-wide financial statements because the District can not use these assets to finance it operations. The Private Purpose Trust and Agency Funds are reported here.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund(s). The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal 2007 are the General, Capital Projects and Debt Service Funds.

Governmental Funds

Most of the District's transactions are reported in governmental funds, which focus on how monies flow into and out of these funds and the balances left at fiscal year end for spending in the future. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The difference between governmental activities reported in the statement of net assets and the statement of activities is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

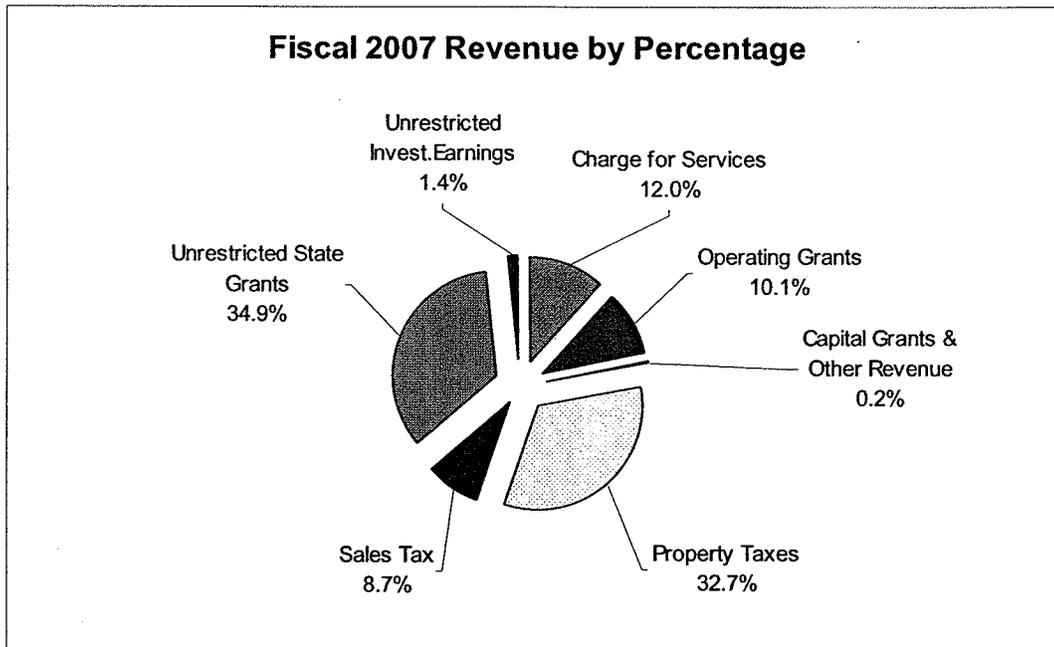
The following is a summary of the statement of net assets of the District as a whole. The Cedar Falls Community School District's net assets at the end of fiscal year 2007 totaled \$43,854,371, up 11.73% from the previous fiscal year.

	Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2006	2007	2006	2007	2006	2007		
Current & Other Assets	\$ 30,045,319	31,941,849	\$ 437,059	344,782	\$ 30,482,378	32,286,631	5.92%	
Capital Assets	34,001,194	35,726,319	161,294	138,176	34,162,488	35,864,495	4.98%	
Total Assets	64,046,513	67,668,168	598,353	482,958	64,644,866	68,151,126	5.42%	
Long-term Obligations	5,120,951	5,127,269	—	—	5,120,951	5,127,269	0.12%	
Other Liabilities	20,198,557	19,104,188	76,524	65,298	20,275,081	19,169,486	-5.45%	
Total Liabilities	25,319,508	24,231,457	76,524	65,298	25,396,032	24,296,755	-4.33%	
Net Assets								
Invested in Capital Assets -								
Net of Related Debt	28,986,611	30,713,513	161,294	138,176	29,147,905	30,851,689	5.85%	
Restricted	2,923,445	3,154,660	—	—	2,923,445	3,154,660	7.91%	
Unrestricted	6,816,949	9,568,538	360,535	279,484	7,177,484	9,848,022	37.21%	
Total Net Assets	\$ 38,727,005	43,436,711	\$ 521,829	417,660	\$ 39,248,834	43,854,371	11.73%	

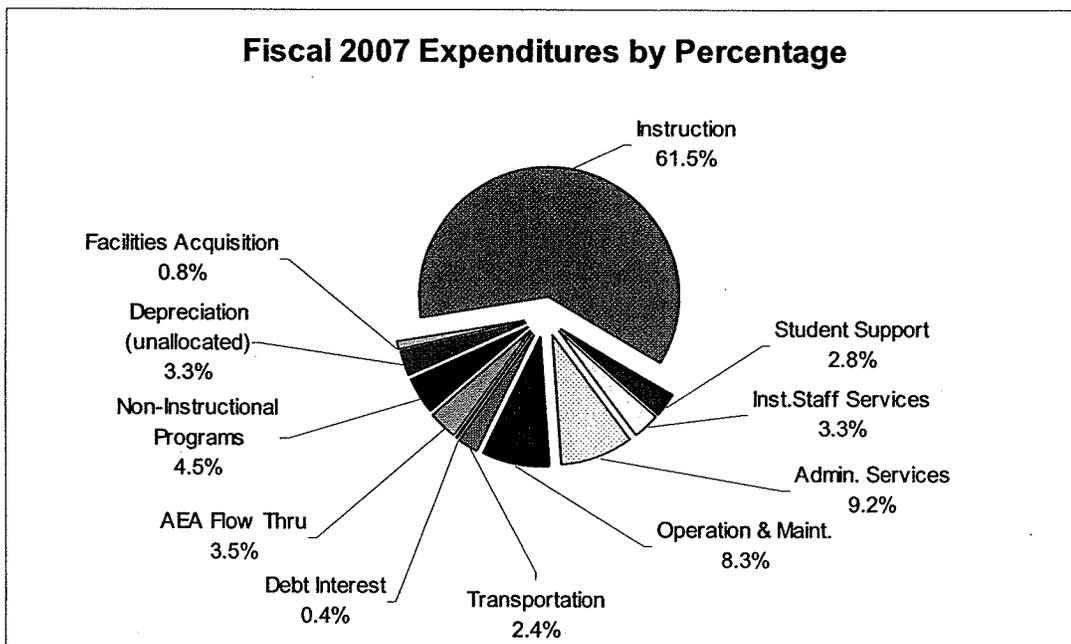
The following analysis shows the change in net assets for the year ending June 30, 2007:

	Change in Net Assets							
	Governmental		Business-type		Total		Percent	
	Activities		Activities					
	2006	2007	2006	2007	2006	2007	Change	
Revenue								
Program Revenue								
Charge for Services	\$ 3,258,427	4,100,214	\$ 1,206,344	1,174,881	\$ 4,464,771	5,275,095	18.15%	
Operating Grants	3,671,458	3,933,860	463,978	484,060	4,135,436	4,417,920	6.83%	
Capital Grants	0	82,020	6,600	0	6,600	82,020	1142.73%	
General Revenue								
Property Taxes	13,687,876	14,351,883	—	—	13,687,876	14,351,883	4.85%	
Sales and Income Tax	4,090,224	3,839,801	—	—	4,090,224	3,839,801	-6.12%	
Unrestricted State Grants	15,018,883	15,327,177	—	—	15,018,883	15,327,177	2.05%	
Unrestricted Invest. Earnings	503,953	600,902	17,974	21,125	521,927	622,027	19.18%	
Gain/Loss Sale Cap. Assets	0	0	0	0	0	0	0.00%	
Other Revenue	4,231	21,545	—	—	4,231	21,545	409.22%	
Total Revenue	40,235,052	42,257,402	1,694,896	1,680,066	41,929,948	43,937,468	4.79%	
Program Expense								
Instruction	23,065,190	24,193,841	—	—	23,065,190	24,193,841	4.89%	
Student Support	1,074,812	1,087,046	—	—	1,074,812	1,087,046	1.14%	
Instructional Staff Services	1,266,714	1,284,253	—	—	1,266,714	1,284,253	1.38%	
Administration Services	3,404,982	3,629,981	—	—	3,404,982	3,629,981	6.61%	
Operation & Maint. Services	3,024,801	3,258,375	—	—	3,024,801	3,258,375	7.72%	
Transportation Services	883,831	938,102	—	—	883,831	938,102	6.14%	
Long Term Debt Interest	122,912	162,594	—	—	122,912	162,594	32.28%	
Facilities Acquisition	688,049	324,571	—	—	688,049	324,571	-52.83%	
AEA Flow Thru	1,296,035	1,373,489	—	—	1,296,035	1,373,489	5.98%	
Non-Instructional Programs	0	0	1,658,184	1,784,235	1,658,184	1,784,235	7.60%	
Depreciation (unallocated)	1,042,827	1,295,444	—	—	1,042,827	1,295,444	24.22%	
Total Expenses	35,870,153	37,547,696	1,658,184	1,784,235	37,528,337	39,331,931	4.81%	
Increase (decrease) net assets	4,364,899	4,709,706	36,712	-104,169	4,401,611	4,605,537	-4.63%	
Net Assets Beginning of Year	34,362,106	38,727,005	485,117	521,829	34,847,223	39,248,834	12.63%	
Net Assets End of Year	\$ 38,727,005	43,436,711	\$ 521,829	417,660	\$ 39,248,834	43,854,371	11.73%	

The following chart indicates total fiscal 2007 District revenue by percentage:



The following chart indicates total fiscal 2007 District expenses by percentage:



Financial Analysis of the District's Funds

The Cedar Falls Community School District uses fund accounting on the modified accrual basis to ensure and demonstrate compliance with finance-related legal requirements.

The District governmental funds reported combined fund balances of \$12,843,449, a \$3,018,780 increase from the 2006 fiscal year end balance of \$9,824,669. The primary reason for the

increase in fund balance is a reduction in expenses associated with the completion of the construction of the new Lincoln Elementary School.

The District's General Fund (including the Instructional Support Fund) end of year fund balance increased \$1,118,334 to \$3,101,235 from the 2006 fiscal year end balance of \$1,982,901. The increase in fund balance is due to increases in property tax receipts, student tuition from neighboring school districts, and increases in State of Iowa categorical funding.

Budgeting Highlights

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute requires approval of the budget on or before April 15th of each year. The budget document presents functional disbursements by fund and the legal level of control is at the expense level by total Instruction, total Support Services, total Non-Instructional Programs, total Other Expenditures and Total Expenditures. The District amends the budget, as allowed by Iowa law, to reflect the additional revenues and expenditures that may occur during the school year. The District did not need to amend its budget for 2007.

The following chart shows the original and amended budget for fiscal 2007 as well as the actual revenue and expenditures for the year:

	<u>Budgetary Comparison Schedule</u>			
	<u>Original Budget</u>	<u>Final Amended</u>	<u>Actual</u>	<u>Variance</u>
Revenue				
Local Sources	\$ 22,543,540	\$ 22,543,540	\$ 24,051,598	\$ 1,508,058
Intermediate Sources	100,000	100,000	0	-100,000
State Sources	17,884,154	17,884,154	18,295,869	411,715
Federal Sources	1,320,000	1,320,000	1,507,723	187,723
Total Budget Revenue	\$ 41,847,694	\$ 41,847,694	\$ 43,855,190	\$ 2,007,496
Expenditures				
Instruction	\$ 25,146,141	\$ 25,146,141	\$ 24,219,194	\$ -926,947
Support Services	10,283,219	10,283,219	10,060,211	-223,008
Non-Instructional	2,428,815	2,428,815	1,784,235	-644,580
Other Expenditures	7,366,033	7,366,033	4,915,903	-2,450,130
Total Budget Expenses	\$ 45,224,208	\$ 45,224,208	\$ 40,979,543	\$ -4,244,665

Capital Assets and Debt Administration

Capital Assets

At the end of the 2007 fiscal year, the District had invested \$35,864,495 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment, and classroom equipment. The

District had depreciation expense of 1,756,152 for fiscal 2007 and total accumulated depreciation of \$21,810,215 as of June 30, 2007. The following chart shows the comparison in capital assets for 2006 and 2007.

	Capital Assets (net of depreciation)							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2006	2007	2006	2007	2006	2007		
Land	\$ 1,080,930	1,264,860	\$ 0	0	\$ 1,080,930	1,264,860	17.02%	
Construction in Progress	7,857,670	606,507	0	0	7,857,670	606,507	-92.28%	
Land Improvements	2,646,015	2,646,015	0	0	2,646,015	2,646,015	0.00%	
Buildings	35,036,471	44,881,831	0	0	35,036,471	44,881,831	28.10%	
Furniture & Equipment	7,172,104	7,413,778	857,124	861,719	8,029,228	8,275,497	3.07%	
Total	\$ 53,793,190	56,812,991	\$ 857,124	861,719	\$ 54,650,314	57,674,710	5.53%	

More detailed information about capital assets is available in the Notes to Financial Statements, item 4.

Debt

As of June 30, 2007 the District had \$5,127,269 in long-term debt outstanding, all of which is due in fiscal 2008, compared to \$5,120,951 on June 30, 2006. The following chart shows the debt comparison between 2006 and 2007.

	Long-term Debt Obligations			
	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
Bonds/Capital Loan Notes				
Sales Tax Revenue	5,025,612	0	12,806	5,012,806
Total Bonds/Capital Loan Notes	\$ 5,025,612	\$ 0	\$ 12,806	\$ 5,012,806
Other Liabilities				
Compensated Absences	95,339	114,463	95,339	114,463
Total Other Liabilities	\$ 95,339	\$ 114,463	\$ 95,339	\$ 114,463
Total Long-term Debt	\$ 5,120,951	\$ 114,463	\$ 108,145	\$ 5,127,269

More detailed information about the District's long-term debt can be found in the Notes to Financial Statements, item 5.

Current Issues

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.

- Revenue received by the State of Iowa for regular program costs for fiscal year 2007 remained at original budgeted projections. For fiscal year 2008, state aid will be 62.7% of the \$5,340 the District receives per student. This compares to 62.9% of the \$5,135 the District received per student for 2007.
- Enrollment for 2007/08 school year increased by 74.1 students from 2006/07. The number of open enrollment students from neighboring district's decreased by 7.0, the number of open enrollment students attending neighboring district's decreased by 3.2 students. Overall District enrollment has increased an average of 40 students per year for the last 5 years. The District expects this trend to slowly level off over the next few years.
- The Iowa Legislature has approved a 4% allowable growth increase in state aid to school districts for fiscal 2008 and fiscal 2009. These increases, if implemented, will enhance the ability of the District to meet the needs of students and staff. The administration and staff of the District need to implement a plan to set aside a portion of this allowable growth increase each year to improve the reserve or unspent balance of the District at the end of the school year. This increase in the reserve or unspent balance will improve the overall financial position of the District and help transition through any unanticipated decreases in revenue or increased in expenditures
- The District has experienced a cumulative increase in taxable assessed valuation of 21.90% in the last four years, including a 4.05% increase in 2007. Strong demand for homes and continued growth in new home construction, the addition of Target, Inc. new grocery distribution center and other new industrial construction, and the addition of Target, Inc. retail store and Pinnacle Prairie planned retail center, will increase the District's assessed valuation growth for the foreseeable future.
- Revenue received from the one-cent local option sales tax dropped by \$250,423 to \$3,728,801 for 2007. Although there was a reduction in sales tax receipts, retail sales in Black Hawk County remains strong. Currently, the amount of revenue received from one-cent local option sales taxes is based on the total amount of sales tax revenue generated in Black Hawk County divided by the total public student population within the county. Changes in certified enrollment can affect the total amount of revenue received from the one-cent local option sales tax. Revenue for the 2007-08 school year is projected to increase more than \$250,423 drop the District experienced in 2006-07.
- With the beginning of the 2009-10 school year the District will begin a 10 year renewal of the local option sales tax levy. Due to legislative changes, the amount of revenue received from this levy will significantly decrease. Revenue will reduce from approximately \$930 per student to state average of \$575 per student. In 2007 the Iowa Legislature introduced a bill changing the local option sales tax to a state wide one cent tax for schools. It is projected that a change to a state wide tax would increase the state average from \$575 to \$740 per student. This legislation failed to pass both houses of the

Iowa Legislature in 2007. The District will need to closely monitor current and future construction costs as well as legislative changes to ensure resources keep pace with current and future projects funded with local option sales tax dollars.

- Construction began on two additions to Southdale Elementary School. Revenue from the local option sales tax will fund the additions. It is anticipated that construction will be complete by January 1, 2008.
- The District Attendance Center Boundary Line Study Committee continued its work during the 2006-07 school year. In response to the changing geographic distribution of District students, the Board of Education established this committee with the goal of developing a comprehensive plan for the efficient utilization of all attendance centers, including identifying and analyzing multiple solutions and recommending to the Board of Education a plan to address the student geographic distribution issue. A recommendation from this committee is expected in early 2008.
- The current voted Physical Plant and Equipment levy was renewed and increased by the citizens of the District in September 2007. Beginning with the 2008-09 school year, the levy will increase from \$0.67 to \$1.34 per thousand of assessed valuation. This ten year renewal is projected to increase revenue \$861,474 per year. This increase will allow the District to continue maintaining and updating existing buildings.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. If you have any questions about this report, or need additional financial information, please contact Mr. Doug Nefzger, Director of Business Affairs/Board Secretary, Cedar Falls Community School District, 1002 West First St., Cedar Falls, Iowa 50613.

Basic Financial Statements

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	\$ 15,616,903	\$ 227,358	\$ 15,844,261
Receivables:			
Property tax:			
Delinquent	85,173	-	85,173
Succeeding year	14,894,714	-	14,894,714
Accounts	363,418	12,385	375,803
Accrued interest:			
Other	73,898	1,271	75,169
Due from other governments	888,717	52,030	940,747
Inventories	19,026	51,738	70,764
Capital assets, net of accumulated depreciation	35,726,319	138,176	35,864,495
Total assets	67,668,168	482,958	68,151,126
Liabilities			
Accounts payable	935,635	37,685	973,320
Salaries and benefits payable	3,259,256	27,613	3,286,869
Accrued interest payable	14,583	-	14,583
Deferred revenue, succeeding year property tax	14,894,714	-	14,894,714
Long-term liabilities:			
Portion due within one year:			
Notes payable	5,012,806	-	5,012,806
Compensated absences	114,463	-	114,463
Total liabilities	24,231,457	65,298	24,296,755
Net assets			
Invested in capital assets, net of related debt	30,713,513	138,176	30,851,689
Restricted for:			
Management levy	563,904	-	563,904
Physical plant and equipment levy	559,668	-	559,668
Other special revenue purposes	526,915	-	526,915
Permanent fund	1,504,173	-	1,504,173
Unrestricted	9,568,538	279,484	9,848,022
Total net assets	\$ 43,436,711	\$ 417,660	\$ 43,854,371

See notes to financial statements.

CEDAR FALLS 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 instruction	\$ 16,328,727	\$ 1,864,159	\$ 2,019,015	\$ -
Special instruction	5,052,706	1,191,609	322,740	-
Other instruction	2,812,408	854,563	146,541	-
	24,193,841	3,910,331	2,488,296	-
Support services:				
Student services	1,087,046	-	-	-
Instructional staff services	1,284,253	-	-	-
Administration services	3,629,981	43,817	-	-
Operation and maintenance of plant services	3,258,375	122,362	-	-
Transportation services	938,102	23,704	72,075	-
	10,197,757	189,883	72,075	-
Other expenditures:				
Facilities acquisition	324,571	-	-	82,020
Long-term debt interest	162,594	-	-	-
AEA flowthrough	1,373,489	-	1,373,489	-
Depreciation (unallocated)	1,295,444	-	-	-
	3,156,098	-	1,373,489	82,020
Total governmental activities	37,547,696	4,100,214	3,933,860	82,020
Business Type Activities				
Non-instructional programs:				
School nutrition services	1,784,235	1,174,881	484,060	-
Total	\$ 39,331,931	\$ 5,275,095	\$ 4,417,920	\$ 82,020
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local option taxes, levied for capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$(12,445,553)	\$ -	\$(12,445,553)
(3,538,357)	-	(3,538,357)
(1,811,304)	-	(1,811,304)
(17,795,214)	-	(17,795,214)
(1,087,046)	-	(1,087,046)
(1,284,253)	-	(1,284,253)
(3,586,164)	-	(3,586,164)
(3,136,013)	-	(3,136,013)
(842,323)	-	(842,323)
(9,935,799)	-	(9,935,799)
(242,551)	-	(242,551)
(162,594)	-	(162,594)
-	-	-
(1,295,444)	-	(1,295,444)
(1,700,589)	-	(1,700,589)
(29,431,602)	-	(29,431,602)
-	(125,294)	(125,294)
(29,431,602)	(125,294)	(29,556,896)
14,351,883	-	14,351,883
3,839,801	-	3,839,801
15,327,177	-	15,327,177
600,902	21,125	622,027
21,545	-	21,545
34,141,308	21,125	34,162,433
4,709,706	(104,169)	4,605,537
38,727,005	521,829	39,248,834
\$ 43,436,711	\$ 417,660	\$ 43,854,371

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

Assets	General	Debt Service
Cash and pooled investments:		
Other	\$ 6,244,242	\$ -
Receivables:		
Property tax:		
Delinquent	75,176	-
Succeeding year	13,115,688	-
Accounts	363,418	-
Accrued interest - other	30,554	-
Due from other governments	159,288	-
Inventories	19,026	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 20,007,392</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 531,213	\$ -
Salaries and benefits payable	3,259,256	-
Deferred revenue:		
Succeeding year property tax	13,115,688	-
Total liabilities	<u>16,906,157</u>	<u>-</u>
Fund balances:		
Reserved for:		
Inventories	19,026	-
State grants	42,715	-
Unreserved:		
Undesignated	3,039,494	-
Reported in nonmajor Governmental funds	-	-
Total fund balances	<u>3,101,235</u>	<u>-</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 20,007,392</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,191,816	\$ 3,172,050	\$ 15,608,108
-	9,997	85,173
-	1,779,026	14,894,714
-	-	363,418
26,667	16,677	73,898
647,409	82,020	888,717
-	-	19,026
<u>\$ 6,865,892</u>	<u>\$ 5,059,770</u>	<u>\$ 31,933,054</u>
\$ 278,338	\$ 126,084	\$ 935,635
-	-	3,259,256
-	1,779,026	14,894,714
<u>278,338</u>	<u>1,905,110</u>	<u>19,089,605</u>
-	-	19,026
-	-	42,715
6,587,554	-	9,627,048
-	3,154,660	3,154,660
<u>6,587,554</u>	<u>3,154,660</u>	<u>12,843,449</u>
<u>\$ 6,865,892</u>	<u>\$ 5,059,770</u>	<u>\$ 31,933,054</u>

CEDAR FALLS 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	\$12,843,449
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.	35,726,319
An internal service fund is used by the District's management to charge the costs of insurance to the individual fund. The assets and liabilities of the internal service fund are included with governmental activities.	8,795
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.	(14,583)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,127,269)</u>
Net assets of governmental activities	<u><u>\$43,436,711</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	General	Debt Service
Revenues:		
Local sources:		
Local tax	\$ 12,608,584	\$ -
Tuition	2,331,925	-
Other	1,115,341	-
State sources	18,279,445	-
Federal sources	956,864	-
Total revenues	<u>35,292,159</u>	<u>-</u>
Expenditures:		
Current:		
Instruction:		
Regular instruction	16,021,642	-
Special instruction	5,067,331	-
Other instruction	2,002,776	-
	<u>23,091,749</u>	<u>-</u>
Support services:		
Student services	1,098,064	-
Instructional staff services	1,275,388	-
Administration services	3,578,222	-
Operation and maintenance of plant services	2,945,194	-
Transportation services	811,719	-
	<u>9,708,587</u>	<u>-</u>
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt: interest and other charges	-	175,400
AEA flowthrough	1,373,489	-
	<u>1,373,489</u>	<u>175,400</u>
Total expenditures	<u>34,173,825</u>	<u>175,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,118,334</u>	<u>(175,400)</u>
Other financing sources (uses):		
Operating transfers in	-	175,400
Operating transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>175,400</u>
Net change in fund balances	1,118,334	-
Fund balances beginning of year	<u>1,982,901</u>	<u>-</u>
Fund balances end of year	<u>\$ 3,101,235</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,839,801	\$ 1,743,299	\$ 18,191,684
-	-	2,331,925
260,884	1,038,036	2,414,261
-	1,203	18,280,648
-	82,020	1,038,884
<u>4,100,685</u>	<u>2,864,558</u>	<u>42,257,402</u>
-	360,693	16,382,335
-	-	5,067,331
-	810,066	2,812,842
<u>-</u>	<u>1,170,759</u>	<u>24,262,508</u>
-	-	1,098,064
-	-	1,275,388
-	42,752	3,620,974
-	268,473	3,213,667
-	40,399	852,118
<u>-</u>	<u>351,624</u>	<u>10,060,211</u>
2,256,054	1,110,960	3,367,014
-	-	175,400
-	-	1,373,489
<u>2,256,054</u>	<u>1,110,960</u>	<u>4,915,903</u>
<u>2,256,054</u>	<u>2,633,343</u>	<u>39,238,622</u>
<u>1,844,631</u>	<u>231,215</u>	<u>3,018,780</u>
-	36,817	212,217
(175,400)	(36,817)	(212,217)
<u>(175,400)</u>	<u>-</u>	<u>-</u>
1,669,231	231,215	3,018,780
4,918,323	2,923,445	9,824,669
<u>\$ 6,587,554</u>	<u>\$ 3,154,660</u>	<u>\$ 12,843,449</u>

CEDAR FALLS 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 \$ 3,018,780

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 Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation in the current year, as follows:

Expenditures for capital assets	\$ 3,449,693	
Depreciation expense	<u>(1,724,568)</u>	
		1,725,125

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. 12,806

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:

Compensated absences	(19,124)
----------------------	----------

An internal service fund is used by the District's management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is included with the governmental activities. (27,881)

Change in net assets of governmental activities \$ 4,709,706

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 227,358	\$ 8,795
Accounts receivable	12,385	-
Accrued interest receivable	1,271	-
Due from other governments	52,030	-
Inventories	51,738	-
Capital assets, net of accumulated depreciation	138,176	-
	482,958	8,795
Liabilities		
Accounts payable	37,685	-
Salaries and benefits payable	27,613	-
	65,298	-
Net assets		
Invested in capital assets, net of related debt	138,176	-
Unrestricted	279,484	8,795
	\$ 417,660	\$ 8,795

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 1,149,868	\$ -
Other	25,013	155,066
Total operating revenues	1,174,881	155,066
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	531,941	-
Benefits	153,129	182,947
Purchased services	38,430	-
Supplies	1,029,151	-
Depreciation	31,584	-
Total operating expenses	1,784,235	182,947
Operating loss	(609,354)	(27,881)
Non-operating revenues:		
Local donations	-	-
State sources	15,221	-
Federal sources	468,839	-
Interest on investments	21,125	-
Total non-operating revenues	505,185	-
Change in net assets	(104,169)	(27,881)
Net assets beginning of year	521,829	36,676
Net assets end of year	\$ 417,660	\$ 8,795

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,199,268	\$ -
Cash received from assessments made to other funds	-	155,066
Cash payments to employees for services	(716,299)	
Cash payments to suppliers for goods or services	(1,013,755)	(182,947)
Net cash used by operating activities	<u>(530,786)</u>	<u>(27,881)</u>
Cash flows from non-capital financing activities:		
State grants received	14,278	-
Federal grants received	351,261	-
Net cash provided by non-capital financing activities	<u>365,539</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(8,466)	-
Net cash used by capital and related financing activities	<u>(8,466)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	21,422	-
Net increase (decrease) in cash and cash equivalents	(152,291)	(27,881)
Cash and cash equivalents at beginning of year	379,649	36,676
Cash and cash equivalents at end of year	<u>\$ 227,358</u>	<u>\$ 8,795</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (609,354)	\$ (27,881)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	70,831	-
Depreciation	31,584	-
Decrease in receivables	(11,910)	-
Decrease in inventories	(711)	-
Decrease in accounts payable	33,116	-
Decrease in salaries and benefits payable	(44,342)	-
Net cash used by operating activities	<u>\$ (530,786)</u>	<u>\$ (27,881)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$70,458 of federal commodities.

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

			Agency Funds	
	Private Purpose Trust - Non-expendable Scholarships	Private Purpose Trust - Expendable Scholarships	Other Agency Funds	Total Agency Funds
Assets				
Cash and pooled investments	\$ 51,911	\$ 7,186	\$ (20,614)	\$ (13,428)
Accrued interest receivable	1,055	-	-	-
Due from others	-	28	34,346	34,374
	<u>\$ 52,966</u>	<u>\$ 7,214</u>	<u>\$ 13,732</u>	<u>\$ 20,946</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 9,086	\$ 9,086
Due to others	-	7,214	4,646	11,860
	<u>-</u>	<u>\$ 7,214</u>	<u>\$ 13,732</u>	<u>\$ 20,946</u>
Net assets				
Reserved for scholarships	<u>\$ 52,966</u>			

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust - Non-expendable Scholarships
Additions:	
Local sources:	
Interest income	<u>\$ 1,861</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,550</u>
Change in net assets	311
Net assets beginning of year	<u>52,655</u>
Net assets end of year	<u><u>\$ 52,966</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The Cedar Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreation courses. The geographic area served includes the City of Cedar Falls, Iowa and the predominate agricultural territory in Black Hawk County. 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the 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 Cedar Falls Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - 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 Black Hawk 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 services.

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies - (continued)

B. Basis of Presentation - (continued)

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

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

The District reports the following major proprietary fund:

The Enterprise Fund - School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports the following funds:

The Internal Service Fund is used to account for services provided by one department to other departments of the District on a cost reimbursement basis.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies - (continued)

B. Basis of Presentation - (continued)

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

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

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 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 susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies - (continued)

C. Measurement Focus and Basis of Accounting - (continued)

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 Principals Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's 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 nonoperating revenues and expenses.

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

D. 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 the governmental funds is accounted for using the modified accrual basis of accounting.

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies - (continued)

D. Assets, Liabilities and Fund Equity - (continued)

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

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for 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 column 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.

Land	\$	500
Buildings and improvements		500
Improvements other than buildings		500
Furniture and equipment:		
School Nutrition Fund equipment		500
Other furniture and equipment		500
Vehicles		500

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

Buildings and improvements	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 years

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies - (continued)

D. Assets, Liabilities and Fund Equity - (continued)

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. 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 statement, 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 balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies - (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses, as appropriate during the reporting period. Actual results could differ from those estimates.

(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. However, the Board policy is to only invest in obligations of the United States government, its agencies and public funds instrumentalities and certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa.

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

	Amortized Cost
Diversified Portfolio	<u>\$ 1,106,910</u>

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.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(3) Iowa School Cash Anticipation Program (ISCAP)

The District is eligible, but did not participate in the Iowa Schools Cash Anticipation Program (ISCAP) during the year ended June 30, 2007. 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. 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.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,080,930	\$ 183,930	\$ -	\$ 1,264,860
Construction in progress	7,857,670	606,507	7,857,670	606,507
Total capital assets not being depreciated	8,938,600	790,437	7,857,670	1,871,367
Capital assets being depreciated:				
Buildings and improvements	35,036,471	9,882,699	37,339	44,881,831
Improvements other than buildings	2,646,015	-	-	2,646,015
Furniture and equipment	5,166,646	475,529	349,504	5,292,671
Vehicles	2,005,458	158,698	43,049	2,121,107
Total capital assets being depreciated	44,854,590	10,516,926	429,892	54,941,624
Less accumulated depreciation for:				
Buildings and improvements	12,942,417	1,118,899	37,339	14,023,977
Improvements other than buildings	1,334,579	110,431	-	1,445,010
Furniture and equipment	4,015,703	332,821	349,504	3,999,020
Vehicles	1,499,297	162,417	43,049	1,618,665
Total accumulated depreciation	19,791,996	1,724,568	429,892	21,086,672
Total capital assets being depreciated, net	25,062,594	8,792,358	-	33,854,952
Governmental activities capital assets, net	\$ 34,001,194	\$ 9,582,795	\$ 7,857,670	\$ 35,726,319

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(4) Capital Assets - (continued)

Capital assets activity for the year ended June 30, 2007 is as follows - (continued):

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture, equipment, vehicles	\$ 857,124	\$ 8,466	\$ 3,871	\$ 861,719
Less accumulated depreciation	<u>695,830</u>	<u>31,584</u>	<u>3,871</u>	<u>723,543</u>
Business type activities capital assets, net	<u>\$ 161,294</u>	<u>\$ (23,118)</u>	<u>\$ -</u>	<u>\$ 138,176</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 188,217
Special	7,422
Other	41,540

Support services:

Support staff	2,204
Instructional staff	33,503
Administration	19,068
Operation and maintenance of plant	47,825
Transportation	89,345

Unallocated depreciation

<u>429,124</u>
<u>1,295,444</u>

Total depreciation expense - governmental activities

<u>\$ 1,724,568</u>

Business type activities:

School nutrition	<u>\$ 31,584</u>
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(5) 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
Notes payable	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000	\$ 5,000,000
Premium	25,612	-	12,806	12,806	12,806
	<u>5,025,612</u>	<u>-</u>	<u>12,806</u>	<u>5,012,806</u>	<u>5,012,806</u>
Compensated absences	95,339	114,463	95,339	114,463	114,463
Total	<u>\$ 5,120,951</u>	<u>\$ 114,463</u>	<u>\$ 108,145</u>	<u>\$ 5,127,269</u>	<u>\$ 5,127,269</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(5) Long-Term Liabilities - (continued)

Notes payable

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

Year Ending June 30,	Bond Issue of October 1, 2005			Total
	Interest Rate	Principal	Interest	
2008	3.50%	\$ 5,000,000	\$ 175,000	\$ 5,175,000
Total		\$ 5,000,000	\$ 175,000	\$ 5,175,000

The School Infrastructure Local Option Sales and Services Tax Bond and Revenue Anticipation Notes, Series 2005, were issued to (i) finance the construction and renovation of certain school facilities within the District and (ii) pay the costs of issuance of the Notes. The Notes are payable only from (1) the proceeds of the sale of the Notes, (2) the proceeds of any School Infrastructure Local Option Sales and Services Tax Bonds (if issued), and (3) local option sales and services tax revenues received by the District under Iowa Code Chapter 423E, each of which are pledged to the repayment of the Notes. The Notes are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the area education agency. The District's actual amount for this purpose totaled \$1,373,489 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.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$1,286,081, \$1,242,536, and \$1,169,445, respectively, equal to required contributions for each year.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(8) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling \$2,772,127. As of June 30, 2007, costs of \$606,507 on these contracts had been incurred, \$275,241 had been paid, and \$331,266 was included in the accounts payable on the balance sheet. The balance of \$2,165,620 remaining at June 30, 2007 will be paid as work on the various projects progresses.

(9) Contingencies and Risk Management

At June 30, 2007, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. The District is also 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.

Required Supplementary Information

CEDAR FALLS 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 Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 22,937,870	\$ 1,196,006
Intermediate sources	-	-
State sources	18,280,648	15,221
Federal sources	1,038,884	468,839
Total receipts	<u>42,257,402</u>	<u>1,680,066</u>
Expenditures		
Instruction	24,262,508	-
Support services	10,060,211	-
Non-instructional programs	-	1,784,235
Other expenditures	4,915,903	-
Total disbursements	<u>39,238,622</u>	<u>1,784,235</u>
Excess (deficiency) of revenues over (under) expenditures	3,018,780	(104,169)
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,018,780	(104,169)
Balance beginning of year	<u>9,824,669</u>	<u>521,829</u>
Balance end of year	<u><u>\$ 12,843,449</u></u>	<u><u>\$ 417,660</u></u>

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
\$ 82,278	\$ 24,051,598	\$ 22,543,540	\$ 22,543,540	\$ 1,508,058
-	-	100,000	100,000	(100,000)
-	18,295,869	17,884,154	17,884,154	411,715
-	1,507,723	1,320,000	1,320,000	187,723
<u>82,278</u>	<u>43,855,190</u>	<u>41,847,694</u>	<u>41,847,694</u>	<u>2,007,496</u>
43,314	24,219,194	25,146,141	25,146,141	926,947
-	10,060,211	10,283,219	10,283,219	223,008
-	1,784,235	2,428,815	2,428,815	644,580
-	4,915,903	7,366,033	7,366,033	2,450,130
<u>43,314</u>	<u>40,979,543</u>	<u>45,224,208</u>	<u>45,224,208</u>	<u>4,244,665</u>
38,964	2,875,647	(3,376,514)	(3,376,514)	6,252,161
-	-	6,625	6,625	(6,625)
38,964	2,875,647	(3,369,889)	(3,369,889)	6,245,536
<u>1,470,274</u>	<u>8,876,224</u>	<u>5,147,686</u>	<u>5,147,686</u>	<u>3,728,538</u>
<u>\$ 1,509,238</u>	<u>\$ 11,751,871</u>	<u>\$ 1,777,797</u>	<u>\$ 1,777,797</u>	<u>\$ 9,974,074</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

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

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue		
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy
Cash and pooled investments	\$ 568,669	\$ 557,053	\$ 545,095
Receivables:			
Property tax:			
Delinquent	2,984	-	7,013
Succeeding year	497,920	-	1,281,106
Accounts	-	-	-
Accrued interest	1,737	2,590	3,525
Due from other governments	-	-	82,020
	<u>\$ 1,071,310</u>	<u>\$ 559,643</u>	<u>\$ 1,918,759</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 9,486	\$ 37,793	\$ 77,985
Salaries and benefits payable	-	-	-
Interfund payable	-	-	-
Deferred revenue:			
Succeeding year property tax	497,920	-	1,281,106
Other	-	-	-
Total liabilities	<u>507,406</u>	<u>37,793</u>	<u>1,359,091</u>
Fund balances:			
Unreserved, undesignated fund balances	<u>563,904</u>	<u>521,850</u>	<u>559,668</u>
	<u>\$ 1,071,310</u>	<u>\$ 559,643</u>	<u>\$ 1,918,759</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue	Permanent Fund	Total
\$ 5,872	\$ 1,676,689	\$ 1,495,361	\$ 3,172,050
-	9,997	-	9,997
-	1,779,026	-	1,779,026
-	-	-	-
13	7,865	8,812	16,677
-	82,020	-	82,020
<u>\$ 5,885</u>	<u>\$ 3,555,597</u>	<u>\$ 1,504,173</u>	<u>\$ 5,059,770</u>
\$ 820	\$ 126,084	\$ -	\$ 126,084
-	-	-	-
-	-	-	-
-	1,779,026	-	1,779,026
-	-	-	-
<u>820</u>	<u>1,905,110</u>	<u>-</u>	<u>1,905,110</u>
<u>5,065</u>	<u>1,650,487</u>	<u>1,504,173</u>	<u>3,154,660</u>
<u>\$ 5,885</u>	<u>\$ 3,555,597</u>	<u>\$ 1,504,173</u>	<u>\$ 5,059,770</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2007

	Special Revenue		
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy
Revenues:			
Local sources:			
Local tax	\$ 500,177	\$ -	\$ 1,243,122
Other	59,886	867,495	28,377
State sources	378	-	825
Federal sources	-	-	82,020
Total revenues	<u>560,441</u>	<u>867,495</u>	<u>1,354,344</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	317,379	-	-
Special instruction	-	-	-
Other instruction	-	810,066	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	42,752	-	-
Operating and maintenance of plant services	268,473	-	-
Transportation services	40,399	-	-
Other expenditures:			
Facilities acquisition and construction	-	-	1,110,960
Total expenditures	<u>669,003</u>	<u>810,066</u>	<u>1,110,960</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(108,562)</u>	<u>57,429</u>	<u>243,384</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(108,562)	57,429	243,384
Fund balances beginning of year	<u>672,466</u>	<u>464,421</u>	<u>316,284</u>
Fund balances end of year	<u>\$ 563,904</u>	<u>\$ 521,850</u>	<u>\$ 559,668</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue Funds	Permanent Fund	Total
\$ -	\$ 1,743,299	\$ -	\$ 1,743,299
5,341	961,099	76,937	1,038,036
-	1,203	-	1,203
-	82,020	-	82,020
<u>5,341</u>	<u>2,787,621</u>	<u>76,937</u>	<u>2,864,558</u>
43,314	360,693	-	360,693
-	-	-	-
-	810,066	-	810,066
-	-	-	-
-	-	-	-
-	42,752	-	42,752
-	268,473	-	268,473
-	40,399	-	40,399
-	1,110,960	-	1,110,960
<u>43,314</u>	<u>2,633,343</u>	<u>-</u>	<u>2,633,343</u>
<u>(37,973)</u>	<u>154,278</u>	<u>76,937</u>	<u>231,215</u>
36,817	36,817	-	36,817
-	-	(36,817)	(36,817)
<u>36,817</u>	<u>36,817</u>	<u>(36,817)</u>	<u>-</u>
(1,156)	191,095	40,120	231,215
6,221	1,459,392	1,464,053	2,923,445
<u>\$ 5,065</u>	<u>\$ 1,650,487</u>	<u>\$ 1,504,173</u>	<u>\$ 3,154,660</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Investment income	\$ 73,453	\$ 63,933	\$ -	\$ (51,000)	\$ 86,386
Miscellaneous	10,657	22,054	20,598	-	12,113
Drama arts	3,837	8,991	6,308	-	6,520
Speech	483	1,540	2,032	-	(9)
Recog.-music/speech	28	-	-	-	28
Yearbook	34,033	26,769	23,062	-	37,740
Music/vocal	4,524	7,061	8,272	(149)	3,164
Music/orchestra	1,136	58,146	58,882	861	1,261
Music/band	1,056	16,984	17,037	550	1,553
Athletics	53,466	111,016	101,559	(16,968)	45,955
Track meets	(35)	3,757	12,004	10,000	1,718
Tennis	(869)	9	820	1,000	(680)
Golf	351	510	3,591	4,500	1,770
Cheerleaders	5,121	81,637	83,187	2,000	5,571
Color guard	140	74	214	-	-
Pom poms	244	9,726	13,009	5,440	2,401
Basketball-boys	5,601	12,843	9,908	(1,118)	7,418
Football	2,034	44,581	35,116	-	11,499
Soccer-boys	284	4,747	9,386	5,000	645
Baseball	(1,135)	4,461	6,942	6,000	2,384
Track-boys	(2,354)	868	6,919	6,118	(2,287)
Swimming-boys	2,336	2,434	1,771	1,500	4,499
Wrestling	(761)	9,442	10,778	8,000	5,903
Basketball-girls	1,215	5,348	7,765	5,000	3,798
Volleyball	1,092	8,982	7,882	2,000	4,192
Soccer-girls	(1,475)	1,920	4,593	6,000	1,852
Softball	6,817	2,810	8,937	8,000	8,690
Track-girls	(3,594)	2,585	3,801	4,162	(648)
Swimming-girls	543	3,570	1,835	1,500	3,778
Concessions-Robinsen/Dresser	2,412	8,550	6,505	(4,301)	156
A.P.A.	(11,597)	10,435	11,047	1,900	(10,309)
Area 7 Student Forum	75	-	-	-	75
A.V. Dept.	74	-	-	-	74
P.C.B.C.	53,770	6,470	3,591	(3,000)	53,649
Campus improvement	19,498	3,449	3,280	-	19,667
CFHS Memorial Fund	1,352	-	900	2,548	3,000
CHAT	333	-	-	-	333
Chess club	38	-	-	-	38
DECA	3	9,935	10,813	-	(875)
Drug/alcohol prevention	448	-	-	-	448
English resource center	3,093	17,636	16,127	-	4,602
FBLA	158	-	-	-	158
Food service	(866)	387	368	-	(847)
General store	1,141	300	-	(100)	1,341
Activity tickets/Jr. high	638	638	-	(638)	638
Jr/Sr prom	(1,482)	8,746	6,650	-	614
Library	9,213	1,664	2,186	-	8,691
Mc Elroy Fund	2,463	(27)	820	-	1,616

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Office education	(1,453)	223	157	-	(1,387)
M.R.C.	620	942	619	-	943
Pop	5,223	5,842	2,082	300	9,283
AP textbooks	1,449	-	-	-	1,449
Programs	3,494	4,500	-	(4,500)	3,494
Revolving	24,341	55,424	64,279	300	15,786
Science club	807	1,320	1,594	-	533
Faculty	2,170	3,758	6,639	400	(311)
T & I Club	1,342	371	555	-	1,158
Tiger Hi-Line	63	-	-	-	63
Y.F.U.	3,022	-	97	-	2,925
Student forum	3,425	14,773	13,498	(1,497)	3,203
Renaissance	1,026	-	904	-	122
Class of 2001	284	284	-	(284)	284
Class of 2003	819	-	-	-	819
Class of 2004	691	-	-	-	691
Class of 2005	1,604	-	-	-	1,604
Class of 2006	1,787	-	1,235	-	552
PTA	813	680	680	-	813
Student council	13,213	27,596	25,969	100	14,940
Pictures	15,697	15,869	15,324	(2,264)	13,978
Lego League	136	17,472	17,529	200	279
Student activities	6,590	17,446	14,753	(7,274)	2,009
Special Olympics	800	3,295	2,893	-	1,202
Math club	500	-	70	-	430
Magazines	64,585	59,912	71,177	3,200	56,520
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	965	730	515	-	1,180
Recycling	5,437	103	440	-	5,100
Alpha	763	6,815	6,512	-	1,066
Robotics	2,084	11,236	11,107	700	2,913
TJ-TR Account	18	-	-	-	18
SADD	450	137	175	-	412
Video yearbook	121	-	-	-	121
Weight room	1,022	1,390	868	-	1,544
Culture Fair	7	-	-	-	7
PLAAD	241	1,645	4,905	3,268	249
Drama clubs	5,640	10,066	6,198	-	9,508
Tech clubs	45	-	-	-	45
Choral/Dramatic	3,271	2,170	3,010	-	2,431
Echoes concessions	2,426	347	312	-	2,461
Amnesty International	307	14,637	3,054	2,546	14,436
PATT concessions	-	2,779	1,340	-	1,439
Brick Fundraiser	7,578	752	3,081	-	5,249
	<u>\$ 464,421</u>	<u>\$ 867,495</u>	<u>\$ 810,066</u>	<u>\$ -</u>	<u>\$ 521,850</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2007

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash and pooled investments	\$ 41,609	\$ 149,047	\$ 204,084	\$ (13,428)
Due from others	1,404	34,374	1,404	34,374
	<u>\$ 43,013</u>	<u>\$ 183,421</u>	<u>\$ 205,488</u>	<u>\$ 20,946</u>
Liabilities				
Accounts payable	\$ 281	\$ 9,086	\$ 281	\$ 9,086
Due to others	42,732	155,224	186,096	11,860
	<u>\$ 43,013</u>	<u>\$ 164,310</u>	<u>\$ 186,377</u>	<u>\$ 20,946</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	Years ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 18,191,684	\$ 17,768,871	\$ 16,708,307	\$ 16,520,308
Tuition	2,331,925	1,921,414	1,830,999	1,626,894
Other	2,414,261	1,855,625	1,823,074	2,631,928
State sources	18,280,648	17,610,943	16,264,693	16,132,001
Federal sources	1,038,884	1,078,199	1,045,266	1,085,395
	<u>\$ 42,257,402</u>	<u>\$ 40,235,052</u>	<u>\$ 37,672,339</u>	<u>\$ 37,996,526</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 16,382,335	\$ 15,270,446	\$ 15,037,847	\$ 14,200,102
Special instruction	5,067,331	4,720,786	4,861,934	4,469,541
Other instruction	2,812,842	3,039,278	2,505,798	2,647,017
Support services:				
Student services	1,098,064	1,078,517	1,107,975	1,073,346
Instructional staff services	1,275,388	1,254,972	1,125,213	1,092,475
Administration services	3,620,974	3,386,839	3,099,849	3,206,356
Operation and maintenance of plant services	3,213,667	3,025,461	3,201,889	2,738,832
Transportation services	852,118	903,632	637,188	622,904
Other expenditures:				
Facilities acquisition and construction	3,367,014	9,991,694	4,918,143	2,151,702
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	175,400	116,867	-	-
AEA flowthrough	1,373,489	1,296,035	1,221,698	1,211,772
	<u>\$ 39,238,622</u>	<u>\$ 44,084,527</u>	<u>\$ 37,717,534</u>	<u>\$ 33,414,047</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY07	<u>\$ 70,831</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	30,650
National School Lunch Program	10.555	FY07	341,752
Fresh Fruit & Vegetable Pilot Program	10.555	FY07	<u>25,979</u>
			<u>398,381</u>
U.S. Total Department of Agriculture			<u>469,212</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY07	<u>296,368</u>
Special Education - Grants to States (IDEA)	84.027	FY07	<u>300</u>
Vocational Education - Basic Grants to States	84.048	FY06	18,695
Vocational Education - Basic Grants to States	84.048	FY07	<u>28,987</u>
			<u>47,682</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY06	13,213
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY07	<u>46,336</u>
			<u>59,549</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY07	<u>13,108</u>
Iowa Demonstration Construction Grant	84.215	FY07	<u>82,020</u>
State Grants for Innovative Programs (Title V)	84.298	FY07	<u>5,403</u>
Special Education - Technical Assistance	84.326	FY07	<u>100</u>
Advance Placement Fee Program	84.330	FY07	<u>159</u>
Improving Teacher Quality State Grants	84.367	FY07	<u>173,837</u>
Grants for State Assessments and Related Activities	84.369	FY07	<u>30,709</u>
Hurricane Education Recovery	84.938	FY07	<u>6,480</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect: (continued)			
U.S. Department of Education (continued):			
Area Education Agency 267:			
Special Education - Grants to States (IDEA)	84.027	FY07	<u>\$ 216,692</u>
Total U.S. Department of Education			<u>932,407</u>
U.S. Department of Health & Human Services:			
Tri-County Child & Family Development Council, Inc.:			
Head Start	93.600	FY07	<u>142,491</u>
Total U.S. Department of Health & Human Services			<u>142,491</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,544,110</u></u>

Basis of Presentation

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

See accompanying independent auditors' report.

Internal Controls and Compliance

Independent Auditors' 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
Cedar Falls 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 Cedar Falls Community School District, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Cedar Falls 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 Cedar Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar Falls Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cedar Falls 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 that a misstatement of Cedar Falls Community School District's financial statements that is more than inconsequential will not be prevented or detected by Cedar Falls Community School district's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cedar Falls 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Falls 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, noncompliance 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 noncompliance 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, 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Cedar Falls Community School District, and other parties to whom Cedar Falls Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Carney, Alexander, Marold & Co., L.L.P.

November 27, 2007

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

To the Board of Education
Cedar Falls Community School District

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cedar Falls Community School District, and other parties to whom Cedar Falls Community School District may report, including federal award agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Carney, Alexander, Marshall & Co., L.L.P.

November 27, 2007

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) The audit did not disclose any significant deficiencies in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies in internal control over major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

CFDA Number 84.010	Title I Grants to Local Educational Agencies
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Clustered Programs:

CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	National School Lunch Program
CFDA Number 10.555	Fresh Fruit & Vegetable Pilot Program

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar Falls Community School District did qualify as a low-risk auditee.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amounts budgeted.
- IV-B-07 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-07 Business Transactions - We noted no business transactions between the District and District officials or employees.
- IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-07 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

Dallas E. Voigts, CPA, Partner

Monica M. Haag, CPA, Manager?Partner

Jeanne K. Alcantara, CPA

Alicia J. Wemark, CPA

Ryan R. England

Laurie R. Maxwell