

ALLAMAKEE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2008

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Independent Auditor's Report

To the Board of Education of
Allamakee 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 Allamakee Community School District, Waukon, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Allamakee Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report January 9, 2009, on our consideration of Allamakee 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 14 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allamakee 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, 2007, (which are not presented herein) and expressed an unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, 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.

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

January 9, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

2008 Financial Highlights

- * General fund revenues increased from \$11,824,913 in fiscal 2007 to \$11,921,334 in fiscal 2008 and General Fund expenditures increased from \$11,767,242 in fiscal 2007 to \$11,991,039 in fiscal 2008. This resulted in a decrease in the District’s General Fund balance from \$785,931 in fiscal 2007 to \$713,736 in fiscal 2008.
- * The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2008. The increase in expenditures was due primarily to increases in negotiated salaries and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District’s increase in General Fund revenue for fiscal 2008. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.
- * A QZAB Loan of \$1,000,000 was applied for and received September 30, 2004. This loan is being used to make building and maintenance repairs to East Elementary, West Elementary and Waterville Elementary. This loan will be repaid with funds received from the voter approved Physical Plant and Equipment Levy over the next 10 years.
- * On April 8, 2003 voters of the District passed a Physical Plant and Equipment Levy of \$1.10 per thousand. This levy is being funded with a combination of income surtax and property tax. This is the first voter approved levy in the District since 1964. These funds are being used to make needed building repairs.
- * On December 13, 2005 the District passed a \$9,700,000 bond issue to build an addition to the high school building. The District moved into the new addition in January 2008. The high school portion of the building consists of grades 9-12 and the junior high portion of building consists of grades 7th and 8th. \$950,000 of the general obligation money was used to construct a Northeast Iowa Community College, which is attached to a Wellness Center funded by the City of Waukon. A Harkin Fire and Safety Grant was awarded to the District in the amount of \$394,382, which was used for the building project. Senator Tom Harkin presented the District with a Congressional Record commending Allamakee Community Education for using the funds in a collaborative effort between the school district, the City of Waukon and Northeast Iowa Community College
- * The District began receiving Sales Tax Revenue during September 2002, which is being used for building repair and maintenance and \$500,000 of the sales tax money is used to buy down the bond payment each year. This results in a much lower tax asking for the local taxpayer.

USING THIS ANNUAL REPORT

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

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

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

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

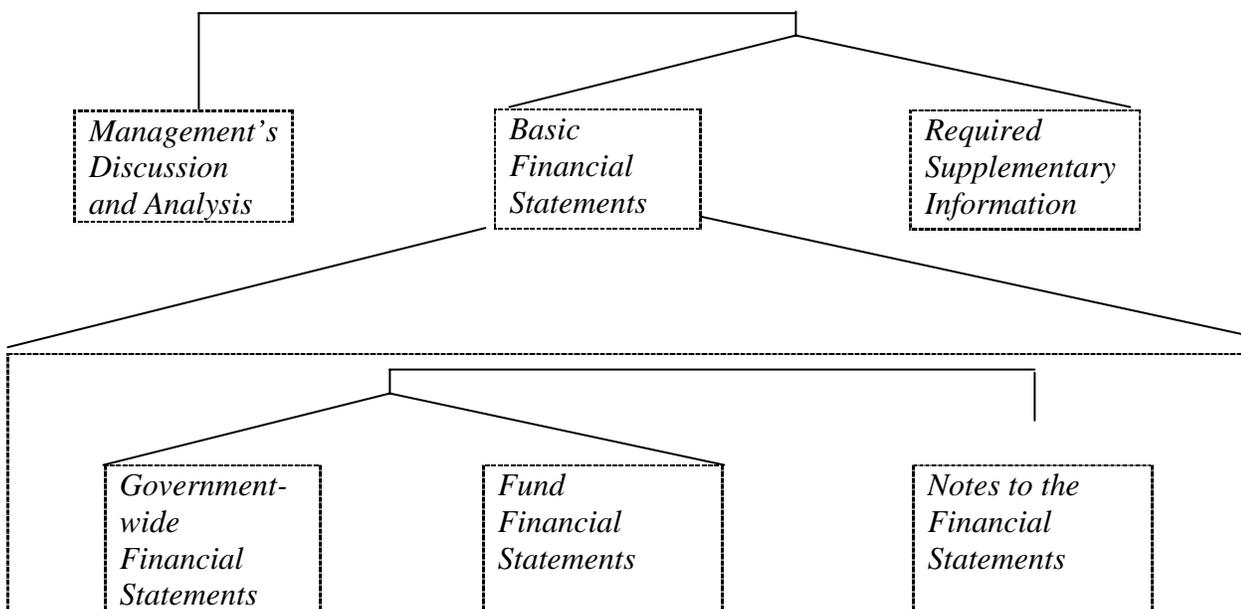
Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

Figure A-1
Allamakee Community School District Annual Financial Report



Summary ←-----→ Detail

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

*Figure A-2
Major Features of the Government-Wide and Fund Financial Statements*

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving to deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

Reconciliation's between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Statements

Net assets. The District's combined net assets showed an increase ending June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets
(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Allamakee CSD		Total Change %
	2008	2007	2008	2007	2008	2007	
Current & other assets	10,931	15,721	264	237	11,195	15,958	-29.8%
Capital assets	14,450	9,479	262	83	14,712	9,562	53.9%
Total assets	25,381	25,200	526	320	25,907	25,520	1.5%
Current Liabilities	6,745	6,901	15	11	6,760	6,912	-2.2%
Long-term obligations	10,272	10,680			10,272	10,680	-3.8%
Total liabilities	17,017	17,581	15	11	17,032	17,592	-3.2%
Net Assets							
Invested in capital assets, net of debt	4,360	3,992	262	83	4,622	4,075	13.4%
Restricted	3,356	2,909			3,356	2,909	15.4%
Unrestricted	647	718	250	226	897	944	-5.0%
Total net assets	8,363	7,619	512	309	8,875	7,928	11.9%

The District's total combined net assets increased by approximately \$947,000 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$447,000. The increase was primarily a result of decreased expenditures in Local Option Sales Tax.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$47,000. This reduction in unrestricted net assets as a result of the District using carryover fund balance to meet its financial obligations during the year.

Changes in net assets – Figure A-4 shows the changes in net assets for year ended June 30, 2008 and June 30, 2007.

Figure A-4

Changes in Net Assets

(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Total Allamakee CSD	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for service and sales	\$761	\$743	\$376	\$367	\$1,137	\$1,110
Operating grants, contributions and restricted interest	\$2,554	\$2,393	\$322	\$282	\$2,876	\$2,675
General revenues						
Property taxes	\$4,214	\$4,185			\$4,214	\$4,185
Local option sales tax	\$789	\$829			\$789	\$829
Income Surtax	\$410	\$403			\$410	\$403
Unrestricted state grants	\$5,354	\$5,344			\$5,354	\$5,344
Unrestricted investment earnings	\$110	\$177	\$6	\$6	\$116	\$183
Other	\$244	\$853			\$244	\$853
Value of Bldg. - Loss	-\$111				-\$111	
Total revenues	\$14,325	\$14,927	\$704	\$655	\$15,029	\$15,582
Program expenses:						
Governmental activities:						
Instruction	\$8,015	\$7,951			\$8,015	\$7,951
Support services	\$4,149	\$4,106			\$4,149	\$4,106
Non-instructional program			675	624	\$675	\$624
Other expenses	\$1,221	\$1,027			\$1,221	\$1,027
Total expenses	\$13,385	\$13,084	675	624	\$14,060	\$13,708
Change in net assets before transfers	\$940	\$1,843	\$29	\$31	\$969	\$1,874
Transfers	-\$173		\$173			
Change in net assets	\$767	\$1,843	\$202	\$31	\$969	\$1,874

Property tax and unrestricted state grant account for 66.8% of the total revenue shows a slight increase from Fiscal 2007. The District's expenses primarily relate to instruction and support services, which account for 90.9% of total expenses, which is a slight increase from Fiscal, 2007. (See Figure A-4 Governmental Revenues and Governmental Expenditures)

Governmental Activities

Revenues for governmental activities were \$14,324,592 while expenses amounted to \$13,384,792. The District continues to monitor revenues and expenses.

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

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in thousands)

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$8,015	\$7,951	\$5,309	\$5,401
Support Services	\$4,149	\$4,106	\$4,039	\$4,000
Other expenses	\$1,221	\$1,027	\$507	-\$290

- * A portion of the cost financed by users of the District's programs was \$760,774. Most of these revenues are derived from tuition charged other schools and student fees.
- * The federal and state government subsidized certain programs with grants and contributions totaling \$2,553,901.
- * The net cost portion of governmental activities was financed with \$4,214,132 in property tax and other taxes, \$5,354,184 in state foundation aid and \$110,020 in interest income.

Business-Type Activities

Revenues of the District's business-type activities increased to \$703,828 while expenses increased to \$675,057. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,795,203 a decrease from last year's ending fund balance of \$8,456,431. The primary reasons for the decrease in the fund balance is due to the payment of expenditures associated with the building project.

Governmental Fund Highlights

- * The District did apply for a QZAB loan and received the funds in September, 2003. This loan was deposited in the Physical Plant and Equipment Fund and is being repaid with the voter approved Physical Plant and Equipment levy that was approved in April, 2003. These funds are raised through income surtax and began being generated during 2003 with the first payment being made

to the school in December 2004. The QZAB loan allows the District to make needed repairs to East, West and Waterville in a timelier manner.

- * In December 2001 the residents of Allamakee County approved a School Infrastructure Local Option Tax (Sales Tax). The levy began July 1, 2002 and the District began receiving the money in September 2002. These additional funds are making improvements and updates to the buildings in the District including: asbestos removal, roof repairs and boiler replacement.
- * The District was awarded a Safe Schools/Healthy Students Federal Grant of during the 2004-05 school year to fund after school programs by the three school districts in the county. The grant award is for a three-year period and the additional revenue received during the 2007-08 fiscal year was \$766,786. The Grant was extended into the 2008-09 school year.
- * The Physical Plant and Equipment Levy (PPEL) fund balance decreased in Fiscal 2008 to \$979,075. While revenues remained approximately the same expenditures increased in the PPEL fund due to equipment expenditures for the new addition.
- * The Capital Projects Fund decreased to \$1,361,451 due to the payment of expenditures associated with the building project.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$310,028 at June 30, 2007, to \$511,507 at June 30, 2008. \$28,771 of the increase is net income from food service operations. The remaining \$172,708 increase is kitchen equipment that was purchased by the Capital Projects Fund as part of the building addition, then the equipment was transferred to the School Nutrition Fund.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the Generally Accepted Accounting Principles (GAAP) basis. Over the course of the year, the District amended its annual operating one time to reflect additional expenditures in the instructional, support services and non-instructional expenditure areas. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. The 2007-2008 budget was amended in May 19, 2008 to cover additional disbursements associated with the building project.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary

carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

The District's receipts for Governmental and Proprietary Funds were \$511,868 higher than budgeted. This was a result of additional misc. income, Medicaid income and income surtax.

The District's expenditures for Governmental and Proprietary Funds were \$2,106,223 lower than budgeted. When we amended the budget we intentionally increased the budgeted expenditures to amounts that would not be exceeded.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2008, the District had invested \$14,712,407 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic faculties, computers and audio-visual equipment, and transportation equipment. More detailed information is available in Note 4 of the financial statement. Net depreciation expense for the year was \$383,617.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$148,007 at June 30, 2008, compared to \$6,654,911 reported at June 30, 2007. This significant decrease resulted from the construction project being completed. The project was financed by the issuance of voter approved general obligation bonds totaling \$9,700,000 in fiscal 2006 for construction of an addition to the high school building and a Northeast Iowa Community College satellite center.

Figure A-6
Capital Assets, net of depreciation

	Governmental Activities		Business-Type Activities		Total Allamakee CSD		Total Change %
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$277,641	\$277,641			\$277,641	\$277,641	0.0%
Construction in Progress	\$148,007	\$6,654,911			\$148,007	\$6,654,911	-97.8%
Buildings	\$12,877,363	\$1,453,408			\$12,877,363	\$1,453,408	786.0%
Improvements other than buildings	\$322,871	\$439,082			\$322,871	\$439,082	-26.5%
Furniture and Equipment	\$824,273	\$654,401	\$262,252	\$83,376	\$1,086,525	\$737,777	47.3%
Totals	\$14,450,155	\$9,479,443	\$262,252	\$83,376	\$14,712,407	\$9,562,819	53.9%

Long Term Debt

At year-end, the District had \$10,188,647 in general obligation, revenue and other long-term debt outstanding. This reflects \$90,000 owed in salary for termination benefits and \$8,085 owed to staff for earned but not used vacation. The District also issued \$9,700,000 in general obligation bonds in May of 2006 for a construction projected started in the fall of 2006 and completed in fiscal 2008. At the end of 2008 \$9,060,000 was still outstanding

The District issued \$1,000,000 of qualified zone academy bonds in September 2003. The bonds were issued to finance remodeling of existing school facilities at East Elementary, West Elementary and Waterville Elementary. The bonds are interest free and the entire balance is due on May 1, 2013. Beginning May 1, 2005 the District began placing the first of 10 payments of \$98,327 into an escrow account, which has a 3% interest rate. Payments will be made from the Voter Approved Physical Plant and Equipment Levy to an escrow account at the Bank of America. (See Figure A-7.)

At year end the District had an outstanding Equipment Loan Note of \$30,562. These funds were used to buy new instrumental music equipment and will be paid over a 5-year period out of the General Fund. The first payment was made in fiscal 2008.

Figure A-7
Outstanding Long-Term Obligations

	2008	2007	Total Change % 2007-2008
General obligation bonds	\$9,060,000	\$9,390,000	-3.50%
Qualified Zone Academy Bonds	\$1,000,000	\$1,000,000	0.0%
Termination Benefits	\$90,000	\$140,000	-35.7%
Compensated absences	\$8,085	\$24,501	-67.0%
Equipment Notes Payable	\$30,562	\$37,500	-18.5%
Total	\$10,188,647	\$10,592,001	-3.8%

Factors Bearing on the District's Future

At the time these financial statement were prepared, the District was aware of four circumstances that could significantly affect its financial health in the future:

- * School financing is highly dependent upon student enrollment. The District's October 2008 enrollment decreased by 35.5 students. This drop in enrollment will decrease the District's funding for fiscal 2010.

- * Fiscal 2009 is the last year of a two-year contract with the Allamakee Community Education Association (ACEA). The District will negotiation a new agreement during fiscal 2009. Settlements in excess of “new money” or allowable growth in state funding will have an adverse effect on the District’s General Fund budget related fund balance.
- * In August 2008 a local factory was closed and approximately 200 people were left without jobs. Most of the people losing their jobs did not have students in school but the impact of the lose of jobs will be felt through out the community.
- * Concerns of the downturn in the economy in the nation is a concern for the District.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customer, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Rea, School Board Secretary/Treasurer/Business Manager, Allamakee Community School District, 1059 Third Avenue N.W., Waukon, Iowa 52172.

BASIC FINANCIAL STATEMENTS

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	609,931	-	609,931
Other	4,963,185	231,386	5,194,571
Receivables:			
Property tax:			
Delinquent	80,196	-	80,196
Succeeding year	4,368,552	-	4,368,552
Accounts	12,499	2,532	15,031
Accrued interest:			
ISCAP	231	-	231
Other	3,120	-	3,120
Due from other governments	820,997	197	821,194
Inventories	-	30,229	30,229
Unamortized bond issue costs	72,213	-	72,213
Capital assets, net of accumulated depreciation	14,450,155	262,252	14,712,407
Total assets	25,381,079	526,596	25,907,675
Liabilities			
Accounts payable	687,626	26	687,652
Salaries and benefits payable	1,009,503	5,006	1,014,509
Accrued interest payable	62,076	-	62,076
Deferred revenue:			
Succeeding year property tax	4,368,552	-	4,368,552
Other	2,057	10,057	12,114
ISCAP warrants payable	605,000	-	605,000
ISCAP accrued interest payable	232	-	232
ISCAP premium	10,376	-	10,376
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	340,000	-	340,000
Equipment note payable	7,118	-	7,118
Termination benefits	50,000	-	50,000
Compensated absences	3,000	-	3,000
Portion due more than one year:			
Termination benefits	40,000	-	40,000
Compensated absences	5,085	-	5,085
General obligation bonds payable	8,720,000	-	8,720,000
Unamortized bond premium	83,719	-	83,719
Equipment note payable	23,444	-	23,444
Qzab bonds payable	1,000,000	-	1,000,000
Total liabilities	17,017,788	15,089	17,032,877

See notes to financial statements.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	4,359,593	262,252	4,621,845
Restricted for:			
State categorical aid	46,794	-	46,794
Management levy	105,766	-	105,766
Physical plant and equipment levy	1,359,237	-	1,359,237
Other special revenue purposes	126,101	-	126,101
Local option sales taxes capital projects	1,361,451	-	1,361,451
Debt service	356,998	-	356,998
Unrestricted	647,351	249,255	896,606
Total net assets	<u>8,363,291</u>	<u>511,507</u>	<u>8,874,798</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,522,327	281,906	1,526,302	-
Special	1,287,551	20,982	221,005	-
Other	1,205,521	409,331	246,596	-
	<u>8,015,399</u>	<u>712,219</u>	<u>1,993,903</u>	<u>-</u>
Support services:				
Student	481,852	-	9,188	-
Instructional staff	414,070	-	-	-
Administration	1,256,436	-	-	-
Operation and maintenance of plant	1,051,316	15,654	-	-
Transportation	944,903	32,901	52,335	-
	<u>4,148,577</u>	<u>48,555</u>	<u>61,523</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	141,299	-	-	215,418
Long-term debt interest	378,351	-	11,460	-
AEA flowthrough	487,015	-	487,015	-
Depreciation (unallocated)*	214,351	-	-	-
	<u>1,221,016</u>	<u>-</u>	<u>498,475</u>	<u>215,418</u>
Total governmental activities	13,384,992	760,774	2,553,901	215,418
Business type activities:				
Non-instructional programs:				
Food service operations	675,057	376,473	321,545	-
Total	14,060,049	1,137,247	2,875,446	215,418
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Loss - value of building impaired				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

<u>Net (Expense) Revenue and Changes in Net</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
(3,714,119)	-	(3,714,119)
(1,045,564)	-	(1,045,564)
(549,594)	-	(549,594)
<u>(5,309,277)</u>	<u>-</u>	<u>(5,309,277)</u>
(472,664)	-	(472,664)
(414,070)	-	(414,070)
(1,256,436)	-	(1,256,436)
(1,035,662)	-	(1,035,662)
(859,667)	-	(859,667)
<u>(4,038,499)</u>	<u>-</u>	<u>(4,038,499)</u>
74,119	-	74,119
(366,891)	-	(366,891)
-	-	-
(214,351)	-	(214,351)
<u>(507,123)</u>	<u>-</u>	<u>(507,123)</u>
(9,854,899)	-	(9,854,899)
-	22,961	22,961
<u>(9,854,899)</u>	<u>22,961</u>	<u>(9,831,938)</u>
3,855,681	-	3,855,681
214,468	-	214,468
143,983	-	143,983
410,040	-	410,040
789,491	-	789,491
5,354,184	-	5,354,184
110,020	-	110,020
28,064	5,810	33,874
(111,432)	-	(111,432)
10,794,499	5,810	10,800,309
(172,708)	172,708	-
<u>10,621,791</u>	<u>178,518</u>	<u>10,800,309</u>
766,892	201,479	968,371
7,596,399	310,028	7,906,427
<u>8,363,291</u>	<u>511,507</u>	<u>8,874,798</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments:					
ISCAP	609,931	-	-	-	609,931
Other	1,592,846	977,601	1,648,262	744,476	4,963,185
Receivables:					
Property tax:					
Delinquent	69,049	2,699	-	8,448	80,196
Succeeding year	3,815,593	142,007	-	410,952	4,368,552
Accounts	12,499	-	-	-	12,499
Accrued interest - ISCAP	231	-	-	-	231
Accrued interest - other	-	-	1,062	2,058	3,120
Due from other governments	237,524	380,162	203,311	-	820,997
Total assets	6,337,673	1,502,469	1,852,635	1,165,934	10,858,711
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	181,176	1,225	491,184	14,041	687,626
Salaries and benefits payable	1,009,503	-	-	-	1,009,503
ISCAP warrants payable	605,000	-	-	-	605,000
ISCAP accrued interest payable	232	-	-	-	232
ISCAP premium	10,376	-	-	-	10,376
Deferred revenue:					
Succeeding year property tax	3,815,593	142,007	-	410,952	4,368,552
Other	2,057	380,162	-	-	382,219
Total liabilities	5,623,937	523,394	491,184	424,993	7,063,508
Fund balances:					
Reserved for:					
State categorical aid	46,794	-	-	-	46,794
Debt service	-	-	-	419,074	419,074
Unreserved, reported in:					
General fund	666,942	-	-	-	666,942
Special revenue funds	-	979,075	-	321,867	1,300,942
Capital project funds	-	-	1,361,451	-	1,361,451
Total fund balances	713,736	979,075	1,361,451	740,941	3,795,203
Total liabilities and fund balances	6,337,673	1,502,469	1,852,635	1,165,934	10,858,711

See notes to financial statements.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	3,795,203
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the Governmental Funds.	14,450,155
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	380,162
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized for the life of the bonds for the government-wide financial statements.	72,213
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.	(62,076)
Long-term liabilities, including bonds payable, unamortized bond premiums, termination benefits and compensated absences are not due and payable in the current period and therefore, are not reported as liabilities in the Governmental Funds.	<u>(10,272,366)</u>
Net assets of governmental activities (Exhibit A)	<u><u>8,363,291</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	3,624,402	525,491	789,491	445,747	5,385,131
Tuition	164,566	-	-	-	164,566
Other	236,237	36,297	202,121	440,994	915,649
State sources	6,584,009	121	-	375	6,584,505
Federal sources	1,312,120	-	39,438	-	1,351,558
Total revenues	<u>11,921,334</u>	<u>561,909</u>	<u>1,031,050</u>	<u>887,116</u>	<u>14,401,409</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,461,538	-	10	99,177	5,560,725
Special	1,287,541	-	-	-	1,287,541
Other	809,475	-	-	396,046	1,205,521
	<u>7,558,554</u>	<u>-</u>	<u>10</u>	<u>495,223</u>	<u>8,053,787</u>
Support services:					
Student	476,564	-	-	5,288	481,852
Instructional staff	410,966	-	-	-	410,966
Administration	1,245,701	-	-	6,686	1,252,387
Operation and maintenance of plant	945,742	12,047	-	91,291	1,049,080
Transportation	866,497	155,552	-	27,861	1,049,910
	<u>3,945,470</u>	<u>167,599</u>	<u>-</u>	<u>131,126</u>	<u>4,244,195</u>
Other expenditures:					
Facilities acquisition	-	360,601	5,201,021	-	5,561,622
Long-term debt:					
Principal	-	-	-	336,938	336,938
Interest and fiscal charges	-	-	-	385,163	385,163
AEA flowthrough	487,015	-	-	-	487,015
	<u>487,015</u>	<u>360,601</u>	<u>5,201,021</u>	<u>722,101</u>	<u>6,770,738</u>
Total expenditures	<u>11,991,039</u>	<u>528,200</u>	<u>5,201,031</u>	<u>1,348,450</u>	<u>19,068,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(69,705)</u>	<u>33,709</u>	<u>(4,169,981)</u>	<u>(461,334)</u>	<u>(4,667,311)</u>
Other financing sources (uses):					
Sale of equipment	6,083	-	-	-	6,083
Operating transfers in	-	-	-	605,168	605,168
Operating transfers out	(8,573)	(98,347)	(498,248)	-	(605,168)
Total other financing sources (uses)	<u>(2,490)</u>	<u>(98,347)</u>	<u>(498,248)</u>	<u>605,168</u>	<u>6,083</u>
Net change in fund balances	(72,195)	(64,638)	(4,668,229)	143,834	(4,661,228)
Fund balances beginning of year	<u>785,931</u>	<u>1,043,713</u>	<u>6,029,680</u>	<u>597,107</u>	<u>8,456,431</u>
Fund balances end of year	<u><u>713,736</u></u>	<u><u>979,075</u></u>	<u><u>1,361,451</u></u>	<u><u>740,941</u></u>	<u><u>3,795,203</u></u>

ALLAMAKEE 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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(4,661,228)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense and capital asset impairment losses in the current year as follows:		
Expenditures for capital assets	5,457,336	
Capital asset impairment	(111,432)	
Depreciation expense	<u>(352,433)</u>	4,993,471
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		28,532
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		336,939
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 and includes the amortization of bond premiums.		6,812
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	50,000	
Compensated absences	<u>16,416</u>	66,416
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		
Bond issue costs are reported as expenses in the fund financial statements when incurred, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		<u>(4,050)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>766,892</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	231,386
Accounts receivable	2,532
Due from other governments	197
Inventories	30,229
Capital assets, net of accumulated depreciation	<u>262,252</u>
Total assets	<u>526,596</u>
Liabilities	
Accounts payable	26
Salaries and benefits payable	5,006
Deferred revenue	<u>10,057</u>
Total liabilities	<u>15,089</u>
Net assets	
Invested in capital assets, net of related debt	262,252
Unrestricted	<u>249,255</u>
Total net assets	<u><u>511,507</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>376,473</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	218,857
Benefits	75,987
Purchased services	59,829
Supplies	288,529
Other expenses	672
Depreciation	31,183
Total operating expenses	<u>675,057</u>
Operating loss	<u>(298,584)</u>
Non-operating revenues:	
State sources	7,680
Federal sources	313,865
Interest income	5,810
Total non-operating revenues	<u>327,355</u>
Gain (loss) before capital contributions	28,771
Capital contributions	172,708
Net assets beginning of year	<u>310,028</u>
Net assets end of year	<u><u>511,507</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	378,310
Cash payments to employees for services	(292,079)
Cash payments to suppliers for goods or services	(307,842)
Net cash used by operating activities	<u>(221,611)</u>
Cash flows from non-capital financing activities:	
State grants received	7,680
Federal grants received	256,951
Net cash provided by non-capital financing activities	<u>264,631</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(37,352)</u>
Cash flows from investing activities:	
Interest on investments	<u>5,810</u>
Net increase (decrease) in cash and cash equivalents	11,478
Cash and cash equivalents at beginning of year	<u>219,908</u>
Cash and cash equivalents at end of year	<u><u>231,386</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating gain (loss)	(298,584)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	56,718
Depreciation	31,183
Decrease (increase) in inventories	(15,424)
Decrease (increase) in accounts receivable	219
(Decrease) increase in accounts payable	(106)
(Decrease) increase in salaries and benefits payable	2,765
(Decrease) increase in deferred revenue	1,618
Net cash used by operating activities	<u><u>(221,611)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$56,718 of federal commodities.

During the year ended June 30, 2008, the School Nutrition Fund received \$172,708 of equipment that was purchased by the Capital Projects Fund.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2008

1. Summary of Significant Accounting Policies

The Allamakee Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Waukon, Iowa and areas of Allamakee and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Allamakee Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Allamakee Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
	\$
Buildings	25-50 years
Improvements other than buildings	20-25 years
Furniture and equipment	5-20 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in 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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

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

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2008, were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	<u>254,178</u>

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

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

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental Funds: Debt Service Fund	Physical Plant and Equipment Levy Fund	98,347
Nonmajor Governmental Funds: Debt Service Fund	Capital Projects Fund	498,248
Nonmajor Governmental Funds: Debt Service Fund	General Fund	8,573

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2008-09A	6/26/08	6/25/09	<u>609,931</u>	<u>231</u>	<u>605,000</u>	<u>232</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008, is as follows:

<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
\$	\$	\$	\$
-	-	-	-

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2008-09A	3.500	3.469

5. Capital Assets

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

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	277,641	-	-	277,641
Construction in progress	6,654,911	148,007	6,654,911	148,007
Total capital assets not being depreciated	<u>6,932,552</u>	<u>148,007</u>	<u>6,654,911</u>	<u>425,648</u>
Capital assets being depreciated:				
Buildings	3,887,286	11,683,255	634,445	14,936,096
Improvements other than buildings	1,040,780	-	-	1,040,780
Furniture and equipment	2,565,018	280,985	317,957	2,528,046
Total capital assets being depreciated	<u>7,493,084</u>	<u>11,964,240</u>	<u>952,402</u>	<u>18,504,922</u>
Less accumulated depreciation for:				
Buildings	2,402,970	178,776	523,013	2,058,733
Improvements other than buildings	682,334	35,575	-	717,909
Furniture and equipment	1,883,648	138,082	317,957	1,703,773
Total accumulated depreciation	<u>4,968,952</u>	<u>352,433</u>	<u>840,970</u>	<u>4,480,415</u>
Total capital assets being depreciated, net	<u>2,524,132</u>	<u>11,611,807</u>	<u>111,432</u>	<u>14,024,507</u>
Governmental activities capital assets, net	<u>9,456,684</u>	<u>11,759,814</u>	<u>6,766,343</u>	<u>14,450,155</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	199,989	210,060	-	410,049
Less accumulated depreciation	<u>116,613</u>	<u>31,184</u>	<u>-</u>	<u>147,797</u>
Business type activities capital assets, net	<u>83,376</u>	<u>178,876</u>	<u>-</u>	<u>262,252</u>

Depreciation expense was charged to the following functions:

Governmental activities:	\$
Instruction:	
Regular	35,496
Support services:	
Instructional staff services	3,104
Operation and maintenance of plant	2,236
Transportation	97,246
	<u>138,082</u>
Unallocated depreciation	<u>214,351</u>
Total depreciation expense – governmental activities	<u><u>352,433</u></u>
Business type activities:	
Food service operations	<u><u>31,184</u></u>

6. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	9,390,000	-	330,000	9,060,000	340,000
Qualified Zone Academy bonds	1,000,000	-	-	1,000,000	-
Equipment notes payable	37,500	-	6,938	30,562	7,118
Termination benefits	140,000	-	50,000	90,000	50,000
Compensated absences	24,501	-	16,416	8,085	3,000
	<u>10,592,001</u>	<u>-</u>	<u>403,354</u>	<u>10,188,647</u>	<u>400,118</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2006 and 2007. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was due by March 1, 2007 and the board reserved the right to limit the number of participants.

Early retirement incentive for fiscal year 2006 was \$15,000 payable in three yearly installments of \$5,000. The incentive for fiscal year 2007 was \$24,000 payable in three yearly installments of \$8,000.

At June 30, 2008, the District has obligations to seven participants with a total liability of \$90,000. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$50,000.

General Obligation Bonds Payable

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

Bond Issue of May, 2006

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	3.75	340,000	370,953	710,953
2010	3.75	360,000	358,202	718,202
2011	3.75	375,000	344,703	719,703
2012	3.75	390,000	330,640	720,640
2013	3.75	410,000	316,015	726,015
2014-2018	3.75-3.90	2,325,000	1,299,027	3,624,027
2019-2023	3.90-4.10	2,845,000	774,655	3,619,655
2024-2026	4.10-4.25	2,015,000	171,305	2,186,305
		<u>9,060,000</u>	<u>3,965,500</u>	<u>13,025,500</u>

Qualified Zone Academy Bonds – The District issued \$1,000,000 of qualified zone academy bonds in September 2003. The bonds were issued to finance remodeling of existing school facilities that have been designated qualified zone academy projects. The bonds are interest free and the entire balance is due on May 1, 2013. Beginning May 1, 2005 the District is required to place nine annual payments of \$98,347 into an escrow account, which has a 3% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature. The annual payments to the escrow account will be made from the Physical Plant and Equipment Levy Fund and the escrow account is recorded in the Debt Service Fund.

Year Ending June 30,	Interest Rates	Principal
	%	\$
2009	-	-
2010	-	-
2011	-	-
2012	-	-
2013	-	1,000,000
		<u>1,000,000</u>

Equipment Notes Payable

The District borrowed \$37,500 in April 2007 to purchase band instruments. The note bears interest at 4.9%.

Year Ending June 30,	Principal	Interest	Total
	\$	\$	\$
2009	7,118	1,456	8,574
2010	7,479	1,094	8,573
2011	7,859	714	8,573
2012	8,106	468	8,574
	<u>30,562</u>	<u>3,732</u>	<u>34,294</u>

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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$423,945, \$407,909, and \$397,925 respectively, equal to the required contributions for each year.

8. Risk Management

Allamakee Community School District is a member in the Northeast Iowa Conference Schools 28E Retention Pool Trust, an Iowa Code Chapter 28E organization. The Northeast Iowa Conference school 28E Retention Pool Trust (Trust) is a local government risk-sharing pool whose members include various schools throughout northeast Iowa. The primary purpose of the Trust is to provide medical and dental benefits to the School employees and retirees, and their dependents.

Each member's contributions to the Trust fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Trust's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the Trust. District contributions to the Trust for the year ended June 30, 2008 were \$1,388,330.

Payments from participating schools are the sole source for paying claims and establishing reserves for the Trust's self-funded programs. Stop loss insurance is purchased to cover claims in excess of \$90,000 per individual and aggregate stop loss insurance is purchased to limit the total cost to the group, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the District's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage.

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

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$487,015 for the year ended June 30, 2008, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into contracts totaling a \$1,176,444 for building demolition and boiler and electrical improvements. Work on the contracts had not started at June 30, 2008.

11. Lease Commitment

The District entered into a 4 year contract to lease copy machines during fiscal year 2008. The remaining payments the District will make over the next four years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2009	28,680
2010	28,680
2011	28,680
2012	23,900

12. Restatement of Beginning Balances

During fiscal year 2008 the District hired a company to take an inventory of its capital assets and prepare a new depreciation schedule for financial reporting. The net difference between the June 30, 2007 new depreciation schedule and the previously used depreciation schedule has been adjusted to beginning net assets. The beginning net assets for the governmental activities in the Statement of Net Assets were restated as follows:

	\$
June 30, 2007 net assets as previously reported	7,619,158
Net District revisions to depreciation schedule	<u>(22,759)</u>
Beginning net assets, as restated	<u><u>7,596,399</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	6,465,346	382,283	6,847,629	6,631,350	6,631,350	216,279
Intermediate sources	-	-	-	3,000	3,000	(3,000)
State sources	6,584,505	7,680	6,592,185	6,564,019	6,564,019	28,166
Federal sources	1,351,558	313,865	1,665,423	1,395,000	1,395,000	270,423
Total revenues	<u>14,401,409</u>	<u>703,828</u>	<u>15,105,237</u>	<u>14,593,369</u>	<u>14,593,369</u>	<u>511,868</u>
Expenditures/Expenses:						
Instruction	8,053,787	-	8,053,787	7,801,107	8,200,000	146,213
Support services	4,244,195	-	4,244,195	3,960,775	4,400,000	155,805
Non-instructional programs	-	675,057	675,057	625,000	750,000	74,943
Other expenditures	6,770,738	-	6,770,738	8,167,513	8,500,000	1,729,262
Total expenditures/expenses	<u>19,068,720</u>	<u>675,057</u>	<u>19,743,777</u>	<u>20,554,395</u>	<u>21,850,000</u>	<u>2,106,223</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(4,667,311)	28,771	(4,638,540)	(5,961,026)	(7,256,631)	2,618,091
Other financing sources net	<u>6,083</u>	<u>172,708</u>	<u>178,791</u>	<u>-</u>	<u>-</u>	<u>178,791</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(4,661,228)	201,479	(4,459,749)	(5,961,026)	(7,256,631)	2,796,882
Balance beginning of year	<u>8,456,431</u>	<u>310,028</u>	<u>8,766,459</u>	<u>8,592,693</u>	<u>8,592,693</u>	<u>173,766</u>
Balance end of year	<u><u>3,795,203</u></u>	<u><u>511,507</u></u>	<u><u>4,306,710</u></u>	<u><u>2,631,667</u></u>	<u><u>1,336,062</u></u>	<u><u>2,970,648</u></u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,295,605.

OTHER SUPPLEMENTARY INFORMATION

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Debt Service	
	\$	\$	\$	\$
Cash and pooled investments	191,786	139,694	412,996	744,476
Receivables:				
Property tax:				
Delinquent	4,428	-	4,020	8,448
Succeeding year	200,000	-	210,952	410,952
Accrued interest	-	-	2,058	2,058
Total assets	396,214	139,694	630,026	1,165,934
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	448	13,593	-	14,041
Deferred revenue:				
Succeeding year property tax	200,000	-	210,952	410,952
Total liabilities	200,448	13,593	210,952	424,993
Fund balances:				
Reserved for debt service	-	-	419,074	419,074
Unreserved fund balance, reported in:				
Special revenue funds	195,766	126,101	-	321,867
Total fund equity	195,766	126,101	419,074	740,941
Total liabilities and fund balances	396,214	139,694	630,026	1,165,934

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	<u>Special Revenue Funds</u>			<u>Total</u>
	Management	Student	Debt	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	231,279	-	214,468	445,747
Other	26,867	402,667	11,460	440,994
State sources	194	-	181	375
Total revenues	<u>258,340</u>	<u>402,667</u>	<u>226,109</u>	<u>887,116</u>
Expenditures:				
Current:				
Instruction:				
Regular	99,177	-	-	99,177
Other	-	396,046	-	396,046
Support services:				
Student	5,288	-	-	5,288
Administration	6,686	-	-	6,686
Operation and maintenance of plant	91,291	-	-	91,291
Transportation	27,861	-	-	27,861
Other expenditures:				
Long-term debt:				
Principal	-	-	336,938	336,938
Interest and fiscal charges	-	-	385,163	385,163
Total expenditures	<u>230,303</u>	<u>396,046</u>	<u>722,101</u>	<u>1,348,450</u>
Excess (deficiency) of revenues over (under) expenditures	28,037	6,621	(495,992)	(461,334)
Other financing sources (uses):				
Operating transfers in	-	-	605,168	605,168
Net changes in fund balances	28,037	6,621	109,176	143,834
Fund balances beginning of year	<u>167,729</u>	<u>119,480</u>	<u>309,898</u>	<u>597,107</u>
Fund balances end of year	<u>195,766</u>	<u>126,101</u>	<u>419,074</u>	<u>740,941</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
East Elementary				
Unallocated interest	5,571	4,673	6,356	3,888
BK fund raiser	2	1,335	1,337	-
Waterville				
Unallocated interest	7,403	4,935	5,556	6,782
Waterville prairie	404	-	-	404
Junior High				
Drama	-	264	264	-
Boys athletics	20	231	251	-
Boys basketball	-	1,554	1,554	-
Boys football	-	1,498	1,498	-
Boys track	-	1,119	1,119	-
Boys cross country	-	25	25	-
Boys wrestling	-	581	581	-
Girls athletics	-	251	251	-
Girls basketball	-	1,739	1,739	-
Girls volleyball	-	1,754	1,754	-
Girls track	-	366	366	-
Girls cross country	-	25	25	-
Annual	1,822	3,000	3,004	1,818
Cheerleaders	470	1,055	1,525	-
Juice machine	2,492	983	-	3,475
Milk vendor	439	1,047	805	681
Interest	68	144	-	212
Student council	3,445	4,268	3,366	4,347
Unallocated interest	2,891	9,311	8,126	4,076
West Elementary				
Unallocated interest	2,650	835	3,482	3
BK fund raiser	2,337	1,283	1,531	2,089
High School				
Rewards club	320	-	-	320
Drama	3,333	1,027	859	3,501
Musical	8,458	13,725	15,278	6,905
Boys athletics	2,214	29,969	32,008	175
Boys basketball	2,093	9,156	9,052	2,197
Boys basketball club	-	1,109	1,109	-
Boys basketball camp	34	-	-	34
Boys football	1,605	19,178	17,283	3,500
Football club	(324)	10,578	4,875	5,379
Boys baseball	(1,484)	15,848	14,364	-
Boys track	-	5,514	5,264	250
Boys cross country	-	1,966	1,216	750

See accompanying independent auditor's report.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance	Revenues	Expenditures	Balance End
	Beginning of			of Year
	Year			
	\$	\$	\$	\$
Boys golf	81	655	486	250
Boys wrestling	116	5,652	4,768	1,000
Girls athletics	2,395	3,892	6,112	175
Girls basketball	4,408	3,283	5,640	2,051
Indian girls basketball club	11,186	20,158	16,749	14,595
Girls volleyball	2,915	13,431	14,346	2,000
Girls softball	(318)	12,496	12,178	-
Girls track	-	7,190	6,440	750
Girls cross country	-	1,472	722	750
Girls golf	225	932	907	250
Annual	9,160	9,283	6,116	12,327
Cheerleaders	2,011	9,927	9,084	2,854
Milk vendor	448	3	-	451
Interest	4,690	2,934	807	6,817
Class of 2008	719	273	903	89
Class of 2007	135	-	-	135
Concessions	5,007	39,332	41,353	2,986
Class of 2009	-	2,000	1,031	969
FBLA	-	33,127	33,127	-
FFA	9,000	66,949	73,536	2,413
FCCLA	1,219	1,026	1,256	989
FSCLA sewing club	285	12	-	297
Flags	184	-	-	184
NHS	827	1,410	1,539	698
Tasty treat club	11	577	553	35
SADD	56	-	-	56
Student council	888	7,579	5,293	3,174
The burning W club	102	4,531	3,755	878
Spanish club	15,601	-	165	15,436
Unallocated interest	1,022	3,208	2,201	2,029
Indian café club	844	989	1,156	677
Total	119,480	402,667	396,046	126,101

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

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

For the Last Four Year

	Modified Accrual Basis			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,385,131	5,411,110	5,010,212	5,017,715
Tuition	164,566	155,825	145,314	172,562
Other	915,649	1,269,568	884,658	623,274
State sources	6,584,505	6,403,794	6,202,183	6,021,701
Federal sources	1,351,558	1,679,652	1,389,472	1,160,599
Total revenues	<u>14,401,409</u>	<u>14,919,949</u>	<u>13,631,839</u>	<u>12,995,851</u>
Expenditures:				
Instruction:				
Regular	5,560,725	5,215,421	5,131,305	5,060,832
Special	1,287,541	1,401,050	1,418,881	1,326,160
Other	1,205,521	1,222,688	1,239,289	1,299,578
Support services:				
Student	481,852	515,240	441,909	260,553
Instructional staff	410,966	504,002	430,164	618,854
Administration	1,252,387	1,212,009	1,314,717	1,151,871
Operation and maintenance of plant	1,049,080	956,074	944,881	844,649
Transportation	1,049,910	930,079	905,148	861,017
Other expenditures:				
Facilities acquisition	5,561,622	6,293,811	1,015,233	809,220
Long-term debt:				
Principal	336,938	310,000	-	-
Interest and other charges	385,163	394,952	-	-
AEA flowthrough	487,015	473,417	455,445	450,862
Total expenditures	<u>19,068,720</u>	<u>19,428,743</u>	<u>13,296,972</u>	<u>12,683,596</u>

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Direct:			
U.S. Department of Education:			
Safe Schools/Healthy Students Grants	84.184L	Q184L040062	766,786
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program (non-cash)	10.555	FY08	56,718
National School Lunch Program	10.555	FY08	210,572
School Breakfast Program	10.553	FY08	37,873
			<u>305,163</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	0035-G-08	191,015
Title I Grants to Local Education Agencies	84.010	0035-GC-08	30,661
			<u>221,676</u>
Improving Teacher Quality State Grants	84.367	FY08	77,739
Grants for State Assessments and Related Activities	84.369	FY08	9,611
State Grants for Innovative Programs	84.298	FY08	2,314
Safe & Drug Free Schools and Communities - State Grant	84.186	FY08	12,291
Fund for the Improvement of Education	84.215	FY08	39,438
Special Education Grants to States	84.027	FY08	1,300
Second Chance Reading	84.223	FY08	698
Keystone AEA:			
Special Education Grants to States	84.027	FY08	75,931
Total			<u><u>1,512,947</u></u>

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

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

To the Board of Education of
Allamakee 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 Allamakee Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Allamakee Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Allamakee Community School District's financial statements that is more than inconsequential will not be prevented or detected by Allamakee Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-II-A, 08-II-B, and 08-II-C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

Allamakee Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Allamakee Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Allamakee Community School District and other parties to whom Allamakee 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 Allamakee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

January 9, 2009

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

To the Board of Education of
Allamakee Community School District:

Compliance

We have audited the compliance of Allamakee Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Allamakee 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 Allamakee Community School District's management. Our responsibility is to express an opinion on Allamakee Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allamakee 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 Allamakee Community School District's compliance with those requirements.

In our opinion, Allamakee 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, 2008.

Internal Control Over Compliance

The management of Allamakee 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 Allamakee 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 Allamakee Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a material weakness.

Allamakee Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Allamakee Community School District's responses and, accordingly, we express no opinion on them.

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

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

January 9, 2009

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs are as follows:
 - CFDA Number 84.184L Safe Schools/Healthy Students Grants
 - Clustered programs:
 - 10.555 National School Lunch Program
 - 10 553 School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Allamakee Community School District did not qualify as a low-risk auditee.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

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

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-II-B Financial Reporting: During the audit, we identified material amounts of payables not recorded in the District's financial records and capital assets additions not recorded in the District's depreciation schedule. We also identified a payment to a bond escrow investment account that was incorrectly posted as a bond payment. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all escrow investments, payables and capital assets additions are identified and included in the District's financial statements.

District Response: We will double check these in the future to avoid missing any items.

Conclusion: Response accepted.

08-II-C Restatement of Beginning Net Assets: During fiscal year 2008 the District hired a company to take an inventory of its capital assets and prepare a new depreciation schedule for financial reporting. The net difference of \$22,759 between capital assets net of depreciation on the June 30, 2007 new depreciation schedule and the previously used depreciation schedule has been adjusted to beginning net assets. We also noted several items that were missing from the June 30, 2008 depreciation schedule prepared by the outside company.

Recommendation: The District should implement procedures to ensure that the depreciation schedule now being used is kept up to date with all capital asset additions, deletions and corrections. The District should also implement procedures to review depreciation schedules prepared by third parties and notify the third party preparers of any corrections.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

District Response: We had a third party do a complete capital asset inventory for insurance purposes and for financial reporting. We intend to keep these records up to date and will implement control procedures for notifying the third party preparer of additions, deletions and corrections.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant deficiencies:

CFDA Number 84.184L: Safe Schools/Healthy Students
Award Number Q184L040062
Federal Award Year: 2008
U.S. Department of Education
Direct Grant

CFDA Number 10.555: National School Lunch Program
CFDA Number 10.553: School Breakfast Program
Federal Award Year 2008
U.S. Department of Education
Passed through the Iowa Department of Education

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

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

ALLAMAKEE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting:

08-IV-A Certified Budget: Expenditures for the year ended June 30, 2008, did not exceed the amounts budgeted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>
Dwight Watkins, board member, loan officer at local bank	School banking

Recommendation: The District should consult with its attorney before entering into any transactions with this bank.

District Response: This board member is now employed by a bank that the school does not do business with.

Conclusion: Response accepted.

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

08-IV-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

08-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

08-IV-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

08-IV-I Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.