
CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2008



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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2007 Election)		
Deon E. Senchina	President	2009
James R. Kenyon	Vice President	2008
Richard Vande Kieft	Board Member	2007
Joyce E. Coil	Board Member	2008
Duane L. Hamilton	Board Member	2008
Dan Battcher	Board Member	2009
Susan Lantz	Board Member	2007

Board of Education
(After September, 2007 Election)

Deon E. Senchina	President	2009
James R. Kenyon	Vice President	2008
Richard Vande Kieft	Board Member	2011
Joyce E. Coil	Board Member	2008
Duane L. Hamilton	Board Member	2008
Dan Battcher, resigned 4/14/08	Board Member	2009
Susan Lantz	Board Member	2009
Tom Reistter, appointed 4/28/08	Board Member	2008

School Officials

Dr. David Stoakes	Superintendent	2008
Doug Nefzger	District Secretary	2008
John Steen	District Treasurer	2008
John C. Larsen	Attorney	Indefinite

Cedar Falls Community School District

Independent Auditors' Report

To the Board of Education of the
Cedar Falls Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Iowa, as of and for the year ended June 30, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2009 on our consideration of Cedar Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included on pages 51 through 58, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

January 19, 2009

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

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2008**

This section of the Cedar Falls Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the fiscal year ending June 30, 2008.

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

Financial Highlights

Key financial highlights for the 2007-08 fiscal year include the following:

In total, net assets increased by \$5,537,430 or 12.6% from fiscal 2006-07. Net assets in governmental activities increased \$5,518,632, which represented a 12.7% increase from fiscal year 2007. Increases in property tax receipts, State of Iowa foundation aid and categorical funding, and the eight classroom addition to Southdale Elementary School made up the majority of the increase. Net assets in the business-type activity, which represents the District's food service operations, increased \$18,798, which represented a 4.5% increase from fiscal year 2007. Increases in lunch prices and reduced operational costs are the primary reasons for the increase.

General Fund revenues (which include the Instructional Support fund) accounted for \$36,952,108 in revenue or 82.9% of all revenues. General Fund expenses (which include the Instructional Support fund) accounted for \$35,946,931 in expenditures or 78.8% of all expenses.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report includes all the funds used by the District to provide programs and activities, the report strives to show how the District performed financially during the 2008 fiscal year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

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

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund(s). The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal 2008 are the General, Capital Projects and Debt Service Funds.

Governmental Funds

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

Enterprise Fund

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

The School District as a Whole

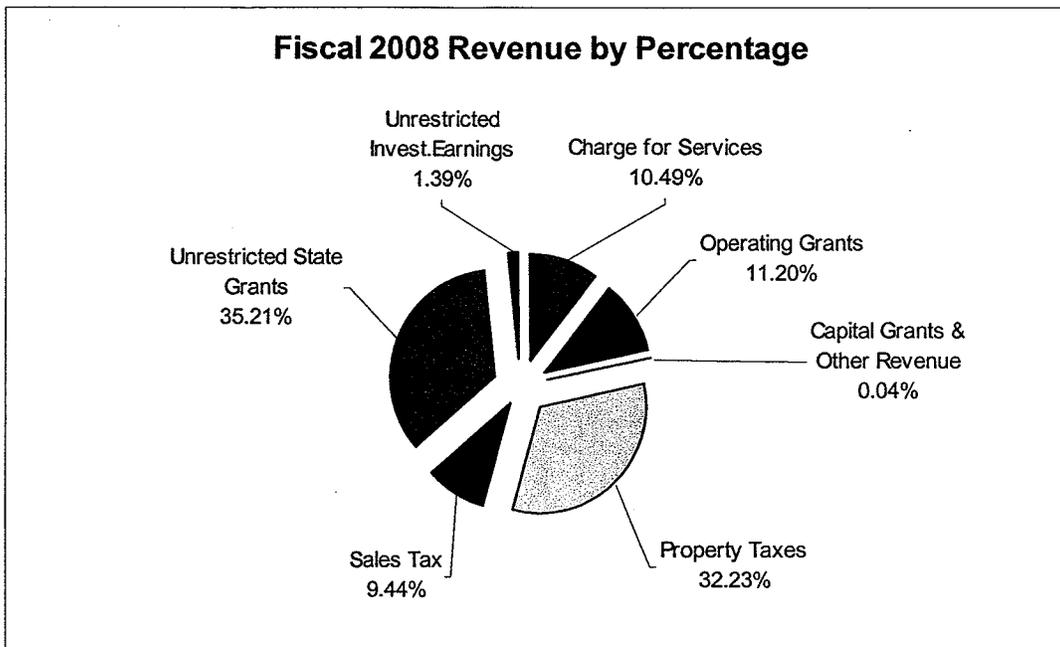
The following is a summary of the statement of net assets of the District as a whole. The Cedar Falls Community School District's net assets at the end of fiscal year 2008 totaled \$49,391,801, up 12.63% from the previous fiscal year.

	Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2007	2008	2007	2008	2007	2008		
Current & Other Assets	\$ 31,941,849	32,991,633	\$ 344,782	371,302	\$ 32,286,631	33,362,935	3.33%	
Capital Assets	35,726,319	37,244,664	138,176	130,179	35,864,495	37,374,843	4.21%	
Total Assets	67,668,168	70,236,297	482,958	501,481	68,151,126	70,737,778	3.80%	
Long-term Obligations	5,127,269	121,893	---	---	5,127,269	121,893	-97.62%	
Other Liabilities	19,104,188	21,159,061	65,298	65,023	19,169,486	21,224,084	10.72%	
Total Liabilities	24,231,457	21,280,954	65,298	65,023	24,296,755	21,345,977	-12.14%	
Net Assets								
Invested in Capital Assets -								
Net of Related Debt	30,713,513	37,244,664	138,176	130,179	30,851,689	37,374,843	21.14%	
Restricted	3,154,660	3,913,964	---	---	3,154,660	3,913,964	24.07%	
Unrestricted	9,568,538	7,796,715	279,484	306,279	9,848,022	8,102,994	-17.72%	
Total Net Assets	\$ 43,436,711	48,955,343	\$ 417,660	436,458	\$ 43,854,371	49,391,801	12.63%	

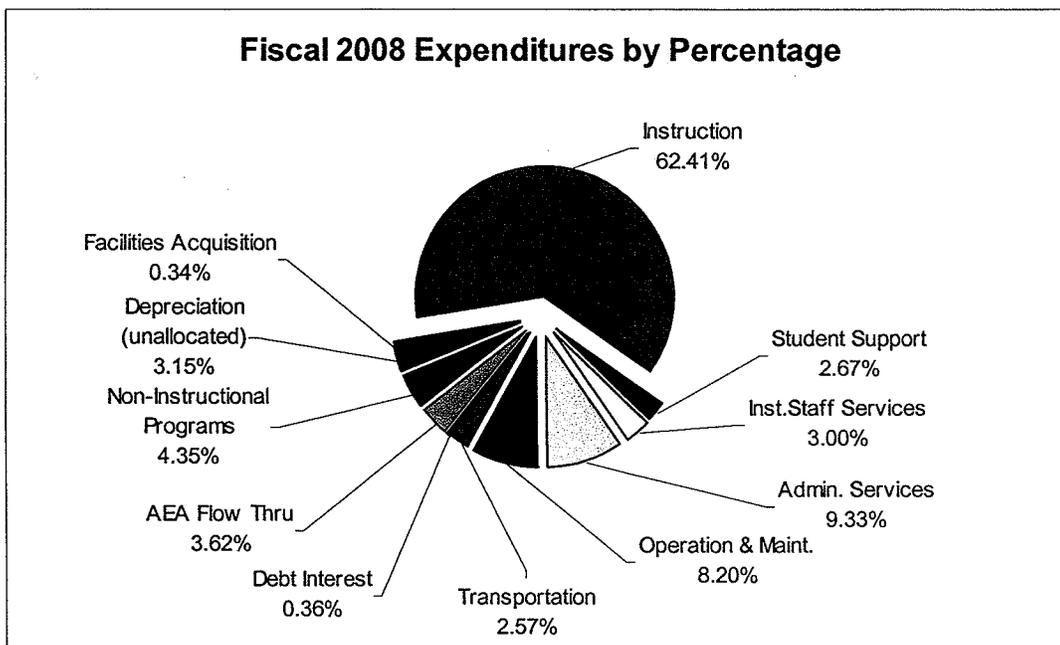
The following analysis shows the change in net assets for the year ending June 30, 2008:

	Change in Net Assets							
	Governmental		Business-type		Total		Percent Change	
	Activities		Activities					
	2007	2008	2007	2008	2007	2008		
Revenue								
Program Revenue								
Charge for Services	\$ 4,100,214	3,575,247	\$ 1,174,881	1,291,698	\$ 5,275,095	4,866,945	-7.74%	
Operating Grants	3,933,860	4,705,143	484,060	490,486	4,417,920	5,195,629	17.60%	
Capital Grants	82,020	17,980	0	0	82,020	17,980	-78.08%	
General Revenue								
Property Taxes	14,351,883	14,950,746	---	---	14,351,883	14,950,746	4.17%	
Sales and Income Tax	3,839,801	4,376,493	---	---	3,839,801	4,376,493	13.98%	
Unrestricted State Grants	15,327,177	16,334,494	---	---	15,327,177	16,334,494	6.57%	
Unrestricted Invest. Earnings	600,902	628,611	21,125	14,218	622,027	642,829	3.34%	
Gain/Loss Sale Cap. Assets	0	0	0	0	0	0	0.00%	
Other Revenue	21,545	608	---	---	21,545	608	-97.18%	
Total Revenue	42,257,402	44,589,322	1,680,066	1,796,402	43,937,468	46,385,724	5.57%	
Program Expense								
Instruction	24,193,841	25,494,646	---	---	24,193,841	25,494,646	5.38%	
Student Support	1,087,046	1,091,086	---	---	1,087,046	1,091,086	0.37%	
Instructional Staff Services	1,284,253	1,224,734	---	---	1,284,253	1,224,734	-4.63%	
Administration Services	3,629,981	3,810,701	---	---	3,629,981	3,810,701	4.98%	
Operation & Maint. Services	3,258,375	3,349,122	---	---	3,258,375	3,349,122	2.79%	
Transportation Services	938,102	1,050,541	---	---	938,102	1,050,541	11.99%	
Long Term Debt Interest	162,594	148,011	---	---	162,594	148,011	-8.97%	
Facilities Acquisition	324,571	138,915	---	---	324,571	138,915	-57.20%	
AEA Flow Thru	1,373,489	1,477,405	---	---	1,373,489	1,477,405	7.57%	
Non-Instructional Programs	0	0	1,784,235	1,777,604	1,784,235	1,777,604	-0.37%	
Depreciation (unallocated)	1,295,444	1,285,529	---	---	1,295,444	1,285,529	-0.77%	
Total Expenses	37,547,696	39,070,690	1,784,235	1,777,604	39,331,931	40,848,294	3.86%	
Increase (decrease) net assets	4,709,706	5,518,632	-104,169	18,798	4,605,537	5,537,430	-20.23%	
Net Assets Beginning of Year	38,727,005	43,436,711	521,829	417,660	39,248,834	43,854,371	11.73%	
Net Assets End of Year	\$ 43,436,711	48,955,343	\$ 417,660	436,458	\$ 43,854,371	49,391,801	12.63%	

The following chart indicates total fiscal 2008 District revenue by percentage:



The following chart indicates total fiscal 2008 District expenses by percentage:



Financial Analysis of the District's Funds

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

The District governmental funds reported combined fund balances of \$11,815,558, a \$1,027,891 decrease from the 2007 fiscal year end balance of \$12,843,449. The payment of \$5,000,000 in

Bond Anticipation Notes in the Debt Service fund offset fund balance gains in the General, Capital Projects and Non-major Governmental funds to show an overall decrease in fund balance for the year.

The District's General Fund (including the Instructional Support Fund) end of year fund balance increased \$1,005,117 to \$4,106,412 from the 2007 fiscal year end balance of \$3,101,235. The increase in fund balance is due to increases in property tax receipts and increases in State of Iowa foundation aid and other State of Iowa categorical funding.

Budgeting Highlights

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. State statute requires approval of the budget on or before April 15th of each year. The budget document presents functional disbursements by fund and the legal level of control is at the expense level by total Instruction, total Support Services, total Non-Instructional Programs, total Other Expenditures and Total Expenditures. The District amends the budget, as allowed by Iowa law, to reflect the additional revenues and expenditures that may occur during the school year. The District did not need to amend its budget for 2008.

The following chart shows the original and amended budget for fiscal 2008 as well as the actual revenue and expenditures for the year:

<u>Budgetary Comparison Schedule</u>				
	<u>Original</u>	<u>Final</u>		
	<u>Budget</u>	<u>Amended</u>	<u>Actual</u>	<u>Variance</u>
Revenue				
Local Sources	\$ 24,204,613	\$ 24,204,613	\$ 24,782,395	\$ 577,782
Intermediate Sources	100,000	100,000	0	-100,000
State Sources	19,570,694	19,570,694	19,967,223	396,529
Federal Sources	1,412,770	1,412,770	1,560,278	147,508
Total Budget Revenue	\$ 45,288,077	\$ 45,288,077	\$ 46,309,896	\$ 1,021,819
Expenditures				
Instruction	\$ 27,344,815	\$ 27,344,815	\$ 25,579,449	\$ -1,765,366
Support Services	11,583,823	11,583,823	10,408,876	-1,174,947
Non-Instructional	2,134,646	2,134,646	1,777,604	-357,042
Other Expenditures	11,664,975	11,664,975	9,594,568	-2,070,407
Total Budget Expenses	\$ 52,728,259	\$ 52,728,259	\$ 47,360,497	\$ -5,367,762

Capital Assets and Debt Administration

Capital Assets

At the end of the 2008 fiscal year, the District had invested \$37,374,843 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment, and classroom equipment. The District had depreciation expense of 1,729,392 for fiscal 2008 and total accumulated depreciation

of \$23,315,369 as of June 30, 2008. The following chart shows the comparison in capital assets for 2007 and 2008.

	Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2007	2008	2007	2008	2007	2008	
Land	\$ 1,264,860	1,264,860	\$ 0	0	\$ 1,264,860	1,264,860	0.00%
Construction in Progress	606,507	352,631	0	0	606,507	352,631	-41.86%
Land Improvements	2,646,015	2,646,015	0	0	2,646,015	2,646,015	0.00%
Buildings	44,881,831	47,935,694	0	0	44,881,831	47,935,694	6.80%
Furniture & Equipment	7,413,778	7,611,560	861,719	879,452	8,275,497	8,491,012	2.60%
Total	\$ 56,812,991	59,810,760	\$ 861,719	879,452	\$ 57,674,710	60,690,212	5.23%

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

Debt

As of June 30, 2008 the District had \$121,893 in long-term debt outstanding, all of which is due in fiscal 2009, compared to \$5,127,269 on June 30, 2007. The following chart shows the debt comparison between 2007 and 2008.

	Long-term Debt Obligations			
	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
Bonds/Capital Loan Notes				
Sales Tax Revenue	5,012,806	0	5,012,806	0
Total Bonds/Capital Loan Notes	\$ 5,012,806	\$ 0	\$ 5,012,806	\$ 0
Other Liabilities				
Compensated Absences	114,463	121,893	114,463	121,893
Total Other Liabilities	\$ 114,463	\$ 121,893	\$ 114,463	\$ 121,893
Total Long-term Debt	\$ 5,127,269	\$ 121,893	\$ 5,127,269	\$ 121,893

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

Current Issues

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

- Revenue received by the State of Iowa for regular program costs for fiscal year 2008 remained at original budgeted projections. For fiscal year 2009, state aid will be 62.5% of the \$5,553 the District receives per student. This compares to 62.7% of the \$5,340 the District received per student for 2008.
- Enrollment for 2008/09 school year decreased by 2.3 students from 2007/08. The number of open enrollment students from neighboring district's decreased by 39.0 and the number of open enrollment students attending neighboring district's decreased by 7.6 students. The decline in enrollment is contributed to major flooding that affected the North Cedar attendance area in the summer of 2008 and a change in attendance boundaries which mandated some resident and open enrollment in students changing elementary school attendance areas. Overall District enrollment has increased an average of 27 students per year for the last five years. The District expects open enrollment and resident enrollment to stabilize and slowly increase over the next few years.
- The Iowa Legislature has approved a 4% allowable growth increase in state aid to school districts for fiscal 2009 and fiscal 2010. These increases, if implemented, will enhance the ability of the District to meet the needs of students and staff. The administration and staff of the District need to implement a plan to set aside a portion of this allowable growth increase each year to improve the reserve or unspent balance of the District at the end of the school year. This increase in the reserve or unspent balance will improve the overall financial position of the District and help transition through any unanticipated decreases in revenue or increased in expenditures
- The District has experienced a cumulative increase in taxable assessed valuation of 20.01% in the last four years, including an 8.85% increase in 2008. Strong demand for homes and continued growth in new home construction, the addition of Target, Inc. new grocery distribution center and other new industrial construction, the addition of Target, Inc. retail store, the construction of Peregrine Financial Group new corporate headquarters and the Pinnacle Prairie planned retail center will increase the District's assessed valuation growth for the foreseeable future.
- Revenue received from the one-cent local option sales tax increased by \$538,655 to \$4,360,593 for 2008. Retail sales in Black Hawk County remain strong. Currently, the amount of revenue received from one-cent local option sales taxes is based on the total amount of sales tax revenue generated in Black Hawk County divided by the total public student population within the county. Changes in certified enrollment can affect the total amount of revenue received from the one-cent local option sales tax. Revenue for the 2008-09 school year is projected to increase \$202,892 from 2007-08 totals.
- In the spring of 2008, the Iowa Legislature passed HF 2663. This legislation will change all local option sales tax receipts to a state wide one cent tax designated for school infrastructure and or property tax relief. A provision within this new legislation mandates that a revenue purpose statement be approved by the voters of a district if a district wishes to use 100% of the funds received from the state wide sales tax on school

infrastructure needs. In 2006, Black Hawk County voters extended the current local option sales tax until 2019. Cedar Falls will need to have voters approve a revenue purpose statement before 2019 in order for the District to use 100% of these funds for its infrastructure needs. The passage of HF 2663 will decrease the revenue the District will receive from approximately \$930 per student to a projected state average of \$760 per student.

- Construction was completed on the additions to Southdale Elementary School. The final cost for constructing eight additional classrooms, including architectural and engineering fees was \$2,744,317. Revenue from the local option sales tax funded the project.
- The District Attendance Center Boundary Line Study Committee completed its work during the 2007-08 school year. In response to the changing geographic distribution of District students, the Board of Education established this committee with the goal of developing a comprehensive plan for the efficient utilization of all attendance centers, including identifying and analyzing multiple solutions and recommending to the Board of Education a plan to address the student geographic distribution issue. The Board of Education took public comment on the recommendations and changed the attendance boundaries for North Cedar, Lincoln, Southdale and Orchard Hill Elementary schools and change placement of open enrollment in students effective with the 2008-09 school year.
- On December 15, 2008 the Board of Education approved the sale of \$10.0 million dollars in Bond Anticipation Notes to be used in conjunction with the Holmes Junior High School addition and remodeling project to Ruan Securities of Des Moines, Iowa at an interest rate of 2.65%. Maturity date on the bonds is June 1, 2011.
- On December 18, 2008 Governor Culver announced a 1.5%, or \$325,756 cut in foundation aid and categorical funding for all Iowa school districts for the remainder of the 2008/09 school year.
- On December 23, 2008 the Board of Education approved the bid from Cardinal Construction, Waterloo, Iowa for \$10,059,410 to remodel and construction additions to Holmes Junior High School.

Contacting the School District's Financial Management

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

Basic Financial Statements

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	\$ 14,488,843	\$ 259,631	\$ 14,748,474
Receivables:			
Property tax:			
Delinquent	103,226	-	103,226
Succeeding year	16,904,764	-	16,904,764
Accounts	314,917	473	315,390
Accrued interest:			
Other	92,427	693	93,120
Due from other governments	1,037,184	51,716	1,088,900
Inventories	50,272	58,789	109,061
Capital assets, net of accumulated depreciation	37,244,664	130,179	37,374,843
Total assets	70,236,297	501,481	70,737,778
Liabilities			
Accounts payable	771,992	35,519	807,511
Salaries and benefits payable	3,482,305	29,504	3,511,809
Deferred revenue, succeeding year property tax	16,904,764	-	16,904,764
Long-term liabilities:			
Portion due within one year:			
Compensated absences	121,893	-	121,893
Total liabilities	21,280,954	65,023	21,345,977
Net assets			
Invested in capital assets, net of related debt	37,244,664	130,179	37,374,843
Restricted for:			
Management levy	476,369	-	476,369
Physical plant and equipment levy	1,378,343	-	1,378,343
Other special revenue purposes	514,488	-	514,488
Permanent fund	1,544,764	-	1,544,764
Unrestricted	7,796,715	306,279	8,102,994
Total net assets	\$ 48,955,343	\$ 436,458	\$ 49,391,801

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Instruction:				
Regular instruction	\$ 16,458,742	\$ 1,434,197	\$ 2,711,914	\$ -
Special instruction	5,501,174	945,051	297,397	-
Other instruction	3,534,730	777,189	146,672	-
	<u>25,494,646</u>	<u>3,156,437</u>	<u>3,155,983</u>	<u>-</u>
Support services:				
Student services	1,091,086	-	-	-
Instructional staff services	1,224,734	-	-	-
Administration services	3,810,701	105,950	-	-
Operation and maintenance of plant services	3,349,122	281,669	-	-
Transportation services	1,050,541	31,191	71,755	-
	<u>10,526,184</u>	<u>418,810</u>	<u>71,755</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	138,915	-	-	17,980
Long-term debt interest	148,011	-	-	-
AEA flowthrough	1,477,405	-	1,477,405	-
Depreciation (unallocated)	1,285,529	-	-	-
	<u>3,049,860</u>	<u>-</u>	<u>1,477,405</u>	<u>17,980</u>
Total governmental activities	<u>39,070,690</u>	<u>3,575,247</u>	<u>4,705,143</u>	<u>17,980</u>
Business Type Activities				
Non-instructional programs:				
School nutrition services	1,777,604	1,291,698	490,486	-
Total	<u>\$ 40,848,294</u>	<u>\$ 4,866,945</u>	<u>\$ 5,195,629</u>	<u>\$ 17,980</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local option taxes, levied for capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$(12,312,631)	\$ -	\$(12,312,631)
(4,258,726)	-	(4,258,726)
(2,610,869)	-	(2,610,869)
(19,182,226)	-	(19,182,226)
(1,091,086)	-	(1,091,086)
(1,224,734)	-	(1,224,734)
(3,704,751)	-	(3,704,751)
(3,067,453)	-	(3,067,453)
(947,595)	-	(947,595)
(10,035,619)	-	(10,035,619)
(120,935)	-	(120,935)
(148,011)	-	(148,011)
-	-	-
(1,285,529)	-	(1,285,529)
(1,554,475)	-	(1,554,475)
(30,772,320)	-	(30,772,320)
-	4,580	4,580
(30,772,320)	4,580	(30,767,740)
14,950,746	-	14,950,746
4,376,493	-	4,376,493
16,334,494	-	16,334,494
628,611	14,218	642,829
608	-	608
36,290,952	14,218	36,305,170
5,518,632	18,798	5,537,430
43,436,711	417,660	43,854,371
\$ 48,955,343	\$ 436,458	\$ 49,391,801

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

Assets	General	Debt Service
Cash and pooled investments:		
Other	\$ 7,294,051	\$ -
Receivables:		
Property tax:		
Delinquent	90,342	-
Succeeding year	14,010,960	-
Accounts	314,917	-
Accrued interest - other	19,862	-
Due from other governments	373,876	-
Inventories	50,272	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 22,154,280</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 554,603	\$ -
Salaries and benefits payable	3,482,305	-
Deferred revenue:		
Succeeding year property tax	14,010,960	-
Total liabilities	<u>18,047,868</u>	<u>-</u>
Fund balances:		
Reserved for:		
Inventories	50,272	-
State grants	153,236	-
Unreserved:		
Undesignated	3,902,904	-
Reported in nonmajor Governmental funds	-	-
Total fund balances	<u>4,106,412</u>	<u>-</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 22,154,280</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,132,755	\$ 4,045,023	\$ 14,471,829
-	12,884	103,226
-	2,893,804	16,904,764
-	-	314,917
7,233	65,332	92,427
663,308	-	1,037,184
-	-	50,272
<u>\$ 3,803,296</u>	<u>\$ 7,017,043</u>	<u>\$ 32,974,619</u>
\$ 8,114	\$ 209,275	\$ 771,992
-	-	3,482,305
-	2,893,804	16,904,764
<u>8,114</u>	<u>3,103,079</u>	<u>21,159,061</u>
-	-	50,272
-	-	153,236
3,795,182	-	7,698,086
-	3,913,964	3,913,964
<u>3,795,182</u>	<u>3,913,964</u>	<u>11,815,558</u>
<u>\$ 3,803,296</u>	<u>\$ 7,017,043</u>	<u>\$ 32,974,619</u>

CEDAR FALLS 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	\$11,815,558
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	37,244,664
An internal service fund is used by the District's management to charge the costs of insurance to the individual fund. The assets and liabilities of the internal service fund are included with governmental activities.	17,014
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(121,893)</u>
Net assets of governmental activities	<u><u>\$48,955,343</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General	Debt Service
Revenues:		
Local sources:		
Local tax	\$ 13,165,332	\$ -
Tuition	2,138,692	-
Other	629,957	-
State sources	19,950,560	-
Federal sources	1,067,567	-
Total revenues	36,952,108	-
Expenditures:		
Current:		
Instruction:		
Regular instruction	16,189,447	-
Special instruction	5,495,881	-
Other instruction	2,694,372	-
	24,379,700	-
Support services:		
Student services	1,088,585	-
Instructional staff services	1,212,844	-
Administration services	3,738,824	-
Operation and maintenance of plant services	3,099,844	-
Transportation services	949,729	-
	10,089,826	-
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt:		
Principal	-	5,000,000
Interest and other charges	-	175,400
AEA flowthrough	1,477,405	-
	1,477,405	5,175,400
Total expenditures	35,946,931	5,175,400
Excess (deficiency) of revenues over (under) expenditures	1,005,177	(5,175,400)
Other financing sources (uses):		
Operating transfers in	-	5,175,400
Operating transfers out	-	-
Total other financing sources (uses)	-	5,175,400
Net change in fund balances	1,005,177	-
Fund balances beginning of year	3,101,235	-
Fund balances end of year	\$ 4,106,412	\$ -

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,376,493	\$ 1,785,414	\$ 19,327,239
-	-	2,138,692
272,526	1,183,893	2,086,376
-	908	19,951,468
-	17,980	1,085,547
<u>4,649,019</u>	<u>2,988,195</u>	<u>44,589,322</u>
-	419,731	16,609,178
-	-	5,495,881
-	814,338	3,508,710
<u>-</u>	<u>1,234,069</u>	<u>25,613,769</u>
-	-	1,088,585
-	-	1,212,844
-	57,637	3,796,461
-	227,265	3,327,109
-	34,148	983,877
<u>-</u>	<u>319,050</u>	<u>10,408,876</u>
2,265,991	675,772	2,941,763
-	-	5,000,000
-	-	175,400
-	-	1,477,405
<u>2,265,991</u>	<u>675,772</u>	<u>9,594,568</u>
<u>2,265,991</u>	<u>2,228,891</u>	<u>45,617,213</u>
<u>2,383,028</u>	<u>759,304</u>	<u>(1,027,891)</u>
-	30,104	5,205,504
(5,175,400)	(30,104)	(5,205,504)
<u>(5,175,400)</u>	<u>-</u>	<u>-</u>
(2,792,372)	759,304	(1,027,891)
<u>6,587,554</u>	<u>3,154,660</u>	<u>12,843,449</u>
<u>\$ 3,795,182</u>	<u>\$ 3,913,964</u>	<u>\$ 11,815,558</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

Net change in fund balances - total governmental funds \$ (1,027,891)

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

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

Expenditures for capital assets	\$ 3,221,838	
Depreciation expense	<u>(1,703,493)</u>	
		1,518,345

Repayment of long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of Net
Assets. Current year repayments are as follows:

Repayments	5,000,000
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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.

27,389

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as expenditures
in the governmental funds, as follows:

Compensated absences	(7,430)
----------------------	---------

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

8,219

Change in net assets of governmental activities \$ 5,518,632

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Cash and cash equivalents	\$ 259,631	\$ 17,014
Accounts receivable	473	-
Accrued interest receivable	693	-
Due from other governments	51,716	-
Inventories	58,789	-
Capital assets, net of accumulated depreciation	<u>130,179</u>	<u>-</u>
Total assets	<u>501,481</u>	<u>17,014</u>
Liabilities		
Accounts payable	35,519	-
Salaries and benefits payable	<u>29,504</u>	<u>-</u>
Total liabilities	<u>65,023</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	130,179	-
Unrestricted	<u>306,279</u>	<u>17,014</u>
Total net assets	<u><u>\$ 436,458</u></u>	<u><u>\$ 17,014</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 1,281,218	\$ -
Other	10,480	152,942
Total operating revenues	<u>1,291,698</u>	<u>152,942</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	549,378	-
Benefits	159,398	144,723
Purchased services	45,072	-
Supplies	997,857	-
Depreciation	25,899	-
Total operating expenses	<u>1,777,604</u>	<u>144,723</u>
Operating income (loss)	<u>(485,906)</u>	<u>8,219</u>
Non-operating revenues:		
Local donations	-	-
State sources	15,755	-
Federal sources	474,731	-
Interest on investments	14,218	-
Total non-operating revenues	<u>504,704</u>	<u>-</u>
Change in net assets	18,798	8,219
Net assets beginning of year	<u>417,660</u>	<u>8,795</u>
Net assets end of year	<u>\$ 436,458</u>	<u>\$ 17,014</u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,307,646	\$ -
Cash received from assessments made to other funds	-	152,942
Cash payments to employees for services	(697,424)	
Cash payments to suppliers for goods or services	(993,336)	(144,723)
Net cash provided by (used by) operating activities	<u>(383,114)</u>	<u>8,219</u>
Cash flows from non-capital financing activities:		
State grants received	14,549	-
Federal grants received	403,944	-
Net cash provided by non-capital financing activities	<u>418,493</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(17,902)	-
Net cash used by capital and related financing activities	<u>(17,902)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	14,796	-
Net increase (decrease) in cash and cash equivalents	32,273	8,219
Cash and cash equivalents at beginning of year	<u>227,358</u>	<u>8,795</u>
Cash and cash equivalents at end of year	<u>\$ 259,631</u>	<u>\$ 17,014</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$ (485,906)	\$ 8,219
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	74,480	-
Depreciation	25,899	-
Decrease in receivables	11,912	-
Increase in inventories	(9,224)	-
Decrease in accounts payable	(2,166)	-
Increase in salaries and benefits payable	1,891	-
Net cash provided by (used by) operating activities	<u>\$ (383,114)</u>	<u>\$ 8,219</u>

Non-cash investing, capital and financing activities:

 During the year ended June 30, 2008, the District received \$72,307 of federal commodities.

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	Private Purpose Trust - Non-expendable Scholarships	Private Purpose Trust - Expendable Scholarships	Agency Funds <u>Other Agency Funds</u>	Total Agency Funds
Assets				
Cash and pooled investments	\$ 52,260	\$ 8,290	\$ 10,606	\$ 18,896
Accrued interest receivable	1,064	-	-	-
Due from others	-	14	3,193	3,207
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 53,324</u>	<u>\$ 8,304</u>	<u>\$ 13,799</u>	<u>\$ 22,103</u>
 Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,838	\$ 7,838
Due to others	-	8,304	5,961	14,265
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>\$ 8,304</u>	<u>\$ 13,799</u>	<u>\$ 22,103</u>
 Net assets				
Reserved for scholarships	<u>\$ 53,324</u>			

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust - Non-expendable Scholarships
Additions:	
Local sources:	
Interest income	<u>\$ 2,108</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,750</u>
Change in net assets	358
Net assets beginning of year	<u>52,966</u>
Net assets end of year	<u><u>\$ 53,324</u></u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The Cedar Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreation courses. The geographic area served includes the City of Cedar Falls, Iowa and the predominate agricultural territory in Black Hawk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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

B. Basis of Presentation - (continued)

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

Additionally, the District reports the following funds:

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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

B. Basis of Presentation - (continued)

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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

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

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 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 contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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 statement, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

F. Use of Estimates

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

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 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. However, the Board policy is to only invest in obligations of the United States government, its agencies and public funds instrumentalities and certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa.

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

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(3) Iowa School Cash Anticipation Program (ISCAP)

The District is eligible, but did not participate in the Iowa Schools Cash Anticipation Program (ISCAP) during the year ended June 30, 2008. ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co., N.A., is the trustee for the program.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,264,860	\$ -	\$ -	\$ 1,264,860
Construction in progress	606,507	352,631	606,507	352,631
	<u>1,871,367</u>	<u>352,631</u>	<u>606,507</u>	<u>1,617,491</u>
Total capital assets not being depreciated				
	<u>1,871,367</u>	<u>352,631</u>	<u>606,507</u>	<u>1,617,491</u>
Capital assets being depreciated:				
Buildings and improvements	44,881,831	3,053,863	-	47,935,694
Improvements other than buildings	2,646,015	-	-	2,646,015
Furniture and equipment	5,292,671	421,851	224,069	5,490,453
Vehicles	2,121,107	-	-	2,121,107
Total capital assets being depreciated	<u>54,941,624</u>	<u>3,475,714</u>	<u>224,069</u>	<u>58,193,269</u>
Less accumulated depreciation for:				
Buildings and improvements	14,023,977	1,106,186	-	15,130,163
Improvements other than buildings	1,445,010	110,093	-	1,555,103
Furniture and equipment	3,999,020	343,054	224,069	4,118,005
Vehicles	1,618,665	144,160	-	1,762,825
Total accumulated depreciation	<u>21,086,672</u>	<u>1,703,493</u>	<u>224,069</u>	<u>22,566,096</u>
Total capital assets being depreciated, net	<u>33,854,952</u>	<u>1,772,221</u>	<u>-</u>	<u>35,627,173</u>
Governmental activities capital assets, net	<u>\$ 35,726,319</u>	<u>\$ 2,124,852</u>	<u>\$ 606,507</u>	<u>\$ 37,244,664</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(4) Capital Assets - (continued)

Capital assets activity for the year ended June 30, 2008 is as follows - (continued):

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture, equipment, vehicles	\$ 861,719	\$ 17,902	\$ 169	\$ 879,452
Less accumulated depreciation	<u>723,543</u>	<u>25,899</u>	<u>169</u>	<u>749,273</u>
Business type activities capital assets, net	<u><u>\$ 138,176</u></u>	<u><u>\$ (7,997)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 130,179</u></u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 196,847
Special	8,625
Other	41,505

Support services:

Support staff	2,501
Instructional staff	28,722
Administration	20,716
Operation and maintenance of plant	49,108
Transportation	69,940
	<u>417,964</u>

Unallocated depreciation	<u>1,285,529</u>
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Total depreciation expense - governmental activities	<u><u>\$ 1,703,493</u></u>
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Business type activities:

School nutrition	<u><u>\$ 25,899</u></u>
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(5) 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
Notes payable	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -	\$ -
Premium	<u>12,806</u>	<u>-</u>	<u>12,806</u>	<u>-</u>	<u>-</u>
	5,012,806	-	5,012,806	-	-
Compensated absences	<u>114,463</u>	<u>121,893</u>	<u>114,463</u>	<u>121,893</u>	<u>121,893</u>
Total	<u><u>\$ 5,127,269</u></u>	<u><u>\$ 121,893</u></u>	<u><u>\$ 5,127,269</u></u>	<u><u>\$ 121,893</u></u>	<u><u>\$ 121,893</u></u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the area education agency. The District's actual amount for this purpose totaled \$1,477,405 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.

(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. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$1,396,002, \$1,286,081, and \$1,242,536, respectively, equal to required contributions for each year.

(8) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling \$3,168,142. As of June 30, 2008, costs of \$2,741,056 on these contracts had been incurred, \$2,582,121 had been paid, and \$158,935 was included in the accounts payable on the balance sheet. The balance of \$427,086 remaining at June 30, 2008 will be paid as work on the various projects progresses.

(9) Contingencies and Risk Management

At June 30, 2008, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. The District is also exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(10) Subsequent Events

Subsequent to year end, on December 1, 2008, the District issued \$10,000,000 School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Notes, Series 2008. These notes were issued to (i) finance a portion of the costs associated with site acquisition, construction, reconstruction, remodeling, refurbishing certain of the District's facilities and (ii) pay the cost of issuance of the Notes. Interest on the notes will be paid each June 1 and December 1, commencing June 1, 2009 at a rate of 2.65% per annum. The notes will mature June 1, 2011.

Required Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 23,552,307	\$ 1,305,916
Intermediate sources	-	-
State sources	19,951,468	15,755
Federal sources	1,085,547	474,731
Total receipts	<u>44,589,322</u>	<u>1,796,402</u>
Expenditures		
Instruction	25,613,769	-
Support services	10,408,876	-
Non-instructional programs	-	1,777,604
Other expenditures	9,594,568	-
Total disbursements	<u>45,617,213</u>	<u>1,777,604</u>
Excess (deficiency) of revenues over (under) expenditures	(1,027,891)	18,798
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,027,891)	18,798
Balance beginning of year	<u>12,843,449</u>	<u>417,660</u>
Balance end of year	<u>\$ 11,815,558</u>	<u>\$ 436,458</u>

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
\$ 75,828	\$ 24,782,395	\$ 24,204,613	\$ 24,204,613	\$ 577,782
-	-	100,000	100,000	(100,000)
-	19,967,223	19,570,694	19,570,694	396,529
-	1,560,278	1,412,770	1,412,770	147,508
<u>75,828</u>	<u>46,309,896</u>	<u>45,288,077</u>	<u>45,288,077</u>	<u>1,021,819</u>
34,320	25,579,449	27,344,815	\$ 27,344,815	1,765,366
-	10,408,876	11,583,823	11,583,823	1,174,947
-	1,777,604	2,134,646	2,134,646	357,042
-	9,594,568	11,664,975	11,664,975	2,070,407
<u>34,320</u>	<u>47,360,497</u>	<u>52,728,259</u>	<u>52,728,259</u>	<u>5,367,762</u>
41,508	(1,050,601)	(7,440,182)	(7,440,182)	6,389,581
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
41,508	(1,050,601)	(7,440,182)	(7,440,182)	6,389,581
<u>1,509,238</u>	<u>11,751,871</u>	<u>5,147,686</u>	<u>5,147,686</u>	<u>6,604,185</u>
<u>\$ 1,550,746</u>	<u>\$ 10,701,270</u>	<u>\$ (2,292,496)</u>	<u>\$ (2,292,496)</u>	<u>\$ 12,993,766</u>

CEDAR FALLS 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 *Government Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue		
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy
Cash and pooled investments	\$ 477,952	\$ 532,794	\$ 1,544,480
Receivables:			
Property tax:			
Delinquent	3,430	-	9,454
Succeeding year	571,155	-	2,322,649
Accounts	-	-	-
Accrued interest	652	1,338	2,393
Due from other governments	-	-	-
	\$ 1,053,189	\$ 534,132	\$ 3,878,976
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 5,665	\$ 25,626	\$ 177,984
Salaries and benefits payable	-	-	-
Interfund payable	-	-	-
Deferred revenue:			
Succeeding year property tax	571,155	-	2,322,649
Other	-	-	-
Total liabilities	576,820	25,626	2,500,633
Fund balances:			
Unreserved, undesignated fund balances	476,369	508,506	1,378,343
	\$ 1,053,189	\$ 534,132	\$ 3,878,976

See accompanying independent auditors' report.

	Public Purpose Trust Fund	Total Special Revenue	Permanent Fund	Total
\$	5,975	\$ 2,561,201	\$ 1,483,822	\$ 4,045,023
	-	12,884	-	12,884
	-	2,893,804	-	2,893,804
	-	-	-	-
	7	4,390	60,942	65,332
	-	-	-	-
<u>\$</u>	<u>5,982</u>	<u>\$ 5,472,279</u>	<u>\$ 1,544,764</u>	<u>\$ 7,017,043</u>

\$	-	\$ 209,275	\$ -	\$ 209,275
	-	-	-	-
	-	-	-	-
	-	2,893,804	-	2,893,804
	-	-	-	-
<u>\$</u>	<u>-</u>	<u>3,103,079</u>	<u>-</u>	<u>3,103,079</u>

	<u>5,982</u>	<u>2,369,200</u>	<u>1,544,764</u>	<u>3,913,964</u>
<u>\$</u>	<u>5,982</u>	<u>\$ 5,472,279</u>	<u>\$ 1,544,764</u>	<u>\$ 7,017,043</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Management Levy	Student Activity	Special Revenue Physical Plant and Equipment Levy
Revenues:			
Local sources:			
Local tax	\$ 499,805	\$ -	\$ 1,285,609
Other	116,760	800,994	190,311
State sources	361	-	547
Federal sources	-	-	17,980
Total revenues	<u>616,926</u>	<u>800,994</u>	<u>1,494,447</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	385,411	-	-
Special instruction	-	-	-
Other instruction	-	814,338	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	57,637	-	-
Operating and maintenance of plant services	227,265	-	-
Transportation services	34,148	-	-
Other expenditures:			
Facilities acquisition and construction	-	-	675,772
Total expenditures	<u>704,461</u>	<u>814,338</u>	<u>675,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,535)</u>	<u>(13,344)</u>	<u>818,675</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(87,535)	(13,344)	818,675
Fund balances beginning of year	<u>563,904</u>	<u>521,850</u>	<u>559,668</u>
Fund balances end of year	<u>\$ 476,369</u>	<u>\$ 508,506</u>	<u>\$ 1,378,343</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue Funds	Permanent Fund	Total
\$ -	\$ 1,785,414	\$ -	\$ 1,785,414
5,133	1,113,198	70,695	1,183,893
-	908	-	908
-	17,980	-	17,980
<u>5,133</u>	<u>2,917,500</u>	<u>70,695</u>	<u>2,988,195</u>
34,320	419,731	-	419,731
-	-	-	-
-	814,338	-	814,338
-	-	-	-
-	-	-	-
-	57,637	-	57,637
-	227,265	-	227,265
-	34,148	-	34,148
-	675,772	-	675,772
<u>34,320</u>	<u>2,228,891</u>	<u>-</u>	<u>2,228,891</u>
<u>(29,187)</u>	<u>688,609</u>	<u>70,695</u>	<u>759,304</u>
30,104	30,104	-	30,104
-	-	(30,104)	(30,104)
<u>30,104</u>	<u>30,104</u>	<u>(30,104)</u>	<u>-</u>
917	718,713	40,591	759,304
5,065	1,650,487	1,504,173	3,154,660
<u>\$ 5,982</u>	<u>\$ 2,369,200</u>	<u>\$ 1,544,764</u>	<u>\$ 3,913,964</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Investment income	\$ 86,386	\$ 27,805	\$ -	\$ (4,000)	\$ 110,191
Miscellaneous	12,113	25,584	21,787	-	15,910
Drama arts	6,520	7,937	6,977	-	7,480
Speech	(9)	458	1,632	1,121	(62)
Recog.-music/speech	28	3,738	-	-	3,766
Yearbook	37,740	35,518	15,223	-	58,035
Music/vocal	3,164	49,310	50,732	7,320	9,062
Music/orchestra	1,261	8,618	9,938	1,015	956
Music/band	1,553	22,182	21,730	(1,892)	113
Athletics	45,955	50,290	70,476	3,464	29,233
Track meets	1,718	3,797	8,480	1,000	(1,965)
Tennis	(680)	583	1,375	1,000	(472)
Golf	1,770	1,129	2,636	-	263
Cheerleaders	5,571	54,344	75,217	2,770	(12,532)
Pom poms	2,401	7,906	15,383	8,140	3,064
Basketball-boys	7,418	12,699	7,451	-	12,666
Football	11,499	45,767	37,803	(2,000)	17,463
Soccer-boys	645	3,696	7,524	4,522	1,339
Baseball	2,384	4,971	12,126	2,500	(2,271)
Track-boys	(2,287)	622	5,276	5,000	(1,941)
Swimming-boys	4,499	3,116	3,168	-	4,447
Wrestling	5,903	5,201	7,540	-	3,564
Basketball-girls	3,798	6,515	12,250	-	(1,937)
Volleyball	4,192	6,426	7,502	-	3,116
Soccer-girls	1,852	1,409	6,470	3,000	(209)
Softball	8,690	5,851	12,588	3,000	4,953
Track-girls	(648)	5,484	6,928	2,000	(92)
Swimming-girls	3,778	4,575	4,091	-	4,262
Concessions-Robinsen/Dresser	156	4,488	4,298	-	346
A.P.A.	(10,309)	17,757	24,472	(2,300)	(19,324)
Area 7 Student Forum	75	-	-	-	75
A.V. Dept.	74	-	-	-	74
P.C.B.C.	53,649	21,000	-	(21,000)	53,649
Campus improvement	19,667	1,897	15,957	-	5,607
CFHS Memorial Fund	3,000	-	-	284	3,284
CHAT	333	-	65	-	268
Chess club	38	-	-	-	38
DECA	(875)	15,741	15,564	-	(698)
Drug/alcohol prevention	448	-	-	-	448
English resource center	4,602	31,359	18,477	(12,500)	4,984
FBLA	158	496	601	-	53
Food service	(847)	1,280	303	-	130
General store	1,341	-	200	-	1,141
Activity tickets/Jr. high	638	-	-	-	638
Jr/Sr prom	614	8,869	6,925	(800)	1,758
Library	8,691	2,184	1,716	-	9,159
Mc Elroy Fund	1,616	542	1,195	-	963
Office education	(1,387)	-	-	-	(1,387)
(continued)					

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
M.R.C.	943	410	740	-	613
Pop	9,283	5,641	3,840	-	11,084
AP textbooks	1,449	90	-	-	1,539
Programs	3,494	1,580	2,600	-	2,474
Revolving	15,786	68,915	70,203	(296)	14,202
Science club	533	981	1,230	-	284
Faculty	(311)	4,387	9,600	400	(5,124)
T & I Club	1,158	-	102	-	1,056
Tiger Hi-Line	63	-	-	-	63
Y.F.U.	2,925	-	173	-	2,752
Student forum	3,203	8,917	8,231	(1,200)	2,689
Renaissance	122	-	-	-	122
Class of 2001	284	-	-	(284)	-
Class of 2003	819	-	250	-	569
Class of 2004	691	-	-	-	691
Class of 2005	1,604	-	-	-	1,604
Class of 2006	552	-	-	-	552
Class of 2008	-	4,170	4,268	1,000	902
PTA	813	1,010	184	-	1,639
Student council	14,940	29,386	26,636	-	17,690
Pictures	13,978	26,041	20,835	-	19,184
Lego League	279	1,575	1,596	-	258
Student activities	2,009	12,107	12,287	(210)	1,619
Special Olympics	1,202	-	-	-	1,202
Math club	430	-	-	-	430
Magazines	56,520	68,255	63,932	(3,138)	57,705
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	1,180	580	-	-	1,760
Recycling	5,100	126	176	-	5,050
Alpha	1,066	6,043	5,830	-	1,279
Robotics	2,913	28,995	31,145	2,805	3,568
TJ-TR Account	18	15	-	-	33
SADD	412	53	191	-	274
Video yearbook	121	-	-	-	121
Weight room	1,544	496	648	-	1,392
Culture Fair	7	-	-	-	7
PLAAD	249	5,780	4,556	-	1,473
Drama clubs	9,508	6,418	6,686	(1,121)	8,119
Tech clubs	45	-	-	-	45
Choral/Dramatic	2,431	-	-	-	2,431
Echoes concessions	2,461	1,330	1,109	-	2,682
Amnesty International	14,436	3,655	13,922	1,200	5,369
PATT concessions	1,439	2,490	1,292	(800)	1,837
Brick Fundraiser	5,249	300	-	-	5,549
Art Club	-	104	-	-	104
	<u>\$ 521,850</u>	<u>\$ 800,994</u>	<u>\$ 814,338</u>	<u>\$ -</u>	<u>\$ 508,506</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2008

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash and pooled investments	\$ (13,428)	\$ 122,985	\$ 90,661	\$ 18,896
Due from others	34,374	3,207	34,374	3,207
	<u>20,946</u>	<u>126,192</u>	<u>125,035</u>	<u>22,103</u>
Total assets	<u>\$ 20,946</u>	<u>\$ 126,192</u>	<u>\$ 125,035</u>	<u>\$ 22,103</u>
Liabilities				
Accounts payable	\$ 9,086	\$ 7,838	\$ 9,086	\$ 7,838
Due to others	11,860	91,819	89,414	14,265
	<u>20,946</u>	<u>99,657</u>	<u>98,500</u>	<u>22,103</u>
Total liabilities	<u>\$ 20,946</u>	<u>\$ 99,657</u>	<u>\$ 98,500</u>	<u>\$ 22,103</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Four Years

Modified Accrual Basis
Years ended June 30,

	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 19,327,239	\$ 18,191,684	\$ 17,768,871	\$ 16,708,307
Tuition	2,138,692	2,331,925	1,921,414	1,830,999
Other	2,086,376	2,414,261	1,855,625	1,823,074
State sources	19,951,468	18,280,648	17,610,943	16,264,693
Federal sources	1,085,547	1,038,884	1,078,199	1,045,266
	<u>\$ 44,589,322</u>	<u>\$ 42,257,402</u>	<u>\$ 40,235,052</u>	<u>\$ 37,672,339</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 16,609,178	\$ 16,382,335	\$ 15,270,446	\$ 15,037,847
Special instruction	5,495,881	5,067,331	4,720,786	4,861,934
Other instruction	3,508,710	2,812,842	3,039,278	2,505,798
Support services:				
Student services	1,088,585	1,098,064	1,078,517	1,107,975
Instructional staff services	1,212,844	1,275,388	1,254,972	1,125,213
Administration services	3,796,461	3,620,974	3,386,839	3,099,849
Operation and maintenance of plant services	3,327,109	3,213,667	3,025,461	3,201,889
Transportation services	983,877	852,118	903,632	637,188
Other expenditures:				
Facilities acquisition and construction	2,941,763	3,367,014	9,991,694	4,918,143
Long-term debt:				
Principal	5,000,000	-	-	-
Interest and other charges	175,400	175,400	116,867	-
AEA flowthrough	1,477,405	1,373,489	1,296,035	1,221,698
	<u>\$ 45,617,213</u>	<u>\$ 39,238,622</u>	<u>\$ 44,084,527</u>	<u>\$ 37,717,534</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY08	<u>\$ 74,480</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY08	30,269
National School Lunch Program	10.555	FY08	<u>372,155</u>
			<u>402,424</u>
U.S. Total Department of Agriculture			<u>476,904</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY08	<u>360,187</u>
Career and Technical Education - Basic Grants to States	84.048	FY08	<u>1,335</u>
Vocational Education - Basic Grants to States	84.048A	FY07	14,149
Vocational Education - Basic Grants to States	84.048A	FY08	<u>28,462</u>
			<u>42,611</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY07	16,308
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY08	<u>38,210</u>
			<u>54,518</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186A	FY08	<u>18,924</u>
Iowa Demonstration Construction Grant	84.215	FY07	<u>17,979</u>
State Grants for Innovative Programs (Title V)	84.298	FY08	<u>5,748</u>
Improving Teacher Quality State Grants	84.367	FY08	<u>178,698</u>
Grants for State Assessments and Related Activities	84.369	FY08	<u>31,493</u>
Area Education Agency 267:			
Special Education - Grants to States (IDEA)	84.027	FY08	<u>220,358</u>
Total U.S. Department of Education			<u>931,851</u>
U.S. Department of Health & Human Services:			
Tri-County Child & Family Development Council, Inc.:			
Head Start	93.600	FY08	<u>142,491</u>
Total U.S. Department of Health & Human Services			<u>142,491</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,551,246</u></u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

(continued)

Basis of Presentation

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

See accompanying independent auditors' report.

Internal Controls and Compliance

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

To the Board of Education
Cedar Falls Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cedar Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar Falls Community School District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cedar Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

January 19, 2009

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

To the Board of Education
Cedar Falls Community School District

Compliance

We have audited the compliance of Cedar Falls Community School District, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Cedar Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Cedar Falls Community School District's management. Our responsibility is to express an opinion on Cedar Falls Community School District's compliance based on our audit.

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

In our opinion, Cedar Falls Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

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

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

January 19, 2009

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) The audit did not disclose any significant deficiencies in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies in internal control over major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar Falls Community School District did qualify as a low-risk auditee.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amounts budgeted.
- IV-B-08 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-08 Business Transactions - We noted no business transactions between the District and District officials or employees.
- IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

Dallas E. Voigts, CPA, Partner

Monica M. Haag, CPA, Manager

Keith Dahlstrom, CPA

Alicia J. Wemark, CPA

Laurie R. Maxwell

Janel Ruzicka

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