

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

June 30, 2008

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DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2007 Election)		
Marty Owen	President	2008
Kenneth Wuthrich	Vice President	2008
Rita Grob	Board Member	2007
Rod Lynch	Board Member	2008
Rob Melvin	Board Member	2008
Susan Knapp	Board Member	2009
Edward Reese, Jr.	Board Member	2009
Board of Education (After September, 2007 Election)		
Marty Owen	President	2008
Kenneth Wuthrich	Vice President	2008
Rob Melvin	Board Member	2008
Susan Knapp	Board Member	2009
Edward Reese, Jr.	Board Member	2009
Rita Grob	Board Member	2010
Rod Lynch	Board Member	2010
School Officials		
Sam Miller	Superintendent	2008
Betsy Bassett	District Secretary/Treasurer and Business Manager	2008
Sue Seitz		
Rick Lynch	Attorney	Indefinite



Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2008 on our consideration of Davis County 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 5 through 11 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County 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 in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

October 16, 2008

Davis County Community School District's Management Discussion & Analysis

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

Financial Highlights

- The District has a solvency ratio of 11%. Experts recommend a solvency ratio between 8-15%.
- The District continued to support professional development for improvement in reading, mathematics, science, technology and character education.
- The District received \$666,504 from sales tax revenue.
- The Board of Education chose to purchase four used buses from the PPEL fund instead of general fund.
- The District continued to utilize some of the food service balance to update equipment.
- The state of Iowa withheld \$287,957 in state aid due to a special education surplus.
- The District experienced a significant increase in fuel costs for transporting students.
- The high school heating expense doubled.
- The District did not receive any tuition reimbursement from parents for dual credit course at the high school.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

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

The two District-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

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

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District’s governmental funds include the General Fund; Special Revenue Funds; and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District’s enterprise fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Figure A-3 below provides a summary of the District’s net assets at June 30, 2008, compared to June 30, 2007.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	2007-2008
Current and other assets	\$ 6,951	7,356	69	114	7,020	7,470	-6.0%
Capital assets	4,727	4,783	111	127	4,838	4,910	-1.5%
Total assets	<u>11,678</u>	<u>12,139</u>	<u>180</u>	<u>241</u>	<u>11,858</u>	<u>12,380</u>	<u>-4.2%</u>
Long-term liabilities	1,037	1,507	-	-	1,037	1,507	-31.2%
Other liabilities	4,554	4,491	4	1	4,558	4,492	1.5%
Total liabilities	<u>5,591</u>	<u>5,998</u>	<u>4</u>	<u>1</u>	<u>5,595</u>	<u>5,999</u>	<u>-6.7%</u>
Net assets:							
Invested in capital assets, net of related debt	5,051	4,846	111	127	5,162	4,973	3.8%
Restricted	541	338	65	-	606	338	79.3%
Unrestricted	495	957	-	113	495	1,070	-53.7%
Total net assets	<u>\$ 6,087</u>	<u>6,141</u>	<u>176</u>	<u>240</u>	<u>6,263</u>	<u>6,381</u>	<u>-1.8%</u>

Financial Analysis of the District as a Whole

The District has strong fund balances. Experts in school finance recommend solvency ratio between 8-15%; the District is at 11%. The District has determined needs in several areas, and is carefully utilizing existing excess balances in fund to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs and maintaining a quality staff.

Figure A-4 shows the change in net assets for the year ended June 30, 2008.

Figure A-4						
Changes in Net Assets						
(Expressed in Thousands)						
	Governmental Activities		Business type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for service	\$ 768	795	202	212	970	1,007
Operating grants, contributions and restricted interest	1,839	1,708	232	235	2,071	1,943
Capital grants, contributions and restricted interest	-	-	-	-	-	-
General revenues:						
Property tax	2,995	3,084	-	-	2,995	3,084
Local option sales and service tax	666	675	-	-	666	675
Unrestricted state grants	4,766	4,887	-	-	4,766	4,887
Unrestricted investment earnings	134	154	2	5	136	159
Other	42	22	-	-	42	22
Total revenues	11,210	11,325	436	452	11,646	11,777
Program expenses:						
Governmental activities:						
Instruction	7,189	6,724	-	-	7,189	6,724
Support services	3,413	3,300	-	-	3,413	3,300
Non-instructional programs	-	-	500	483	500	483
Other expenses	662	745	-	-	662	745
Total expenses	11,264	10,769	500	483	11,764	11,252
Change in net assets	\$ (54)	556	(64)	(31)	(118)	525

In the 2007-08 school year, the District did considerable maintenance work, utilizing the Physical Plant and Equipment (PPEL) fund and sales tax revenues. In addition, the district has a commitment to early retirement payments.

The following table, A-5, presents the cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,189	4,978
Support services	3,413	3,413
Other expenses	662	266
Totals	\$ 11,264	8,657

The cost of all governmental activities this year was \$11,264,000 an increase of \$495,000 due to the increase in teacher quality compensation paid to teachers from the state of Iowa.

The portion of the cost financed by users of the District's programs was \$8,657,000.

The net portion of governmental activities was financed with \$3,661,556 in property and sales tax, \$4,765,672 in state sources.

Business Type Activities

The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues of the District's business type activities decreased by \$15,271 to \$436,477 while expenses increased by \$17,114 to \$500,137.

The District had been able to maintain student lunch prices at the same level for several years with careful management and use of government commodities. Lunch prices did increase for the 2008-09 school year. The District has utilized investments to update equipment four consecutive years. Federal support for the lunch program was \$225,614 (free/reduced lunches).

Financial Analysis of the District's Funds

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

Governmental Fund Highlights

The General Fund balance was \$1,203,105, a net change of \$533,054. The decrease was due to the following factors:

- A decrease in state aid of \$288,000 (due to a special education surplus)
- Above inflation increases in heating and transportation expenses by approximately \$150,000
- The district did not collect \$25,000 in tuition reimbursement for dual credit course

The Physical Plant and Equipment Levy (PPEL) and sales tax revenues were utilized for many of the items of remodeling and updating done this past year on infrastructure needs as well as the purchase of buses.

Business Type Highlights

The School Nutrition Fund change in net assets was \$63,660.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District’s certified budget is prepared on a modified accrual basis.

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

The other level of budgetary control is the “unspent (maximum) authorized budget” and pertains only to the General Fund of the District. The maximum authorized budget is the total “spending authority” in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the “actual General Fund cash”. It is imperative for patrons of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The District was within the certified budget.

Capital Asset and Debt Administration

Figure A-6, provides a summary of the District’s capital.

Figure A-6							
Capital Assets, net of Depreciation							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30, 2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 107	107	-	-	107	107	0.0%
Buildings	3,518	3,639	-	-	3,518	3,639	-3.3%
Improvements other than buildings	635	704	-	-	635	704	-9.8%
Furniture and equipment	467	333	111	127	578	460	25.7%
Totals	\$ 4,727	4,783	111	127	4,838	4,910	-1.5%

By the end of fiscal 2008, the District had invested \$4,726,739, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment and administrative offices.

Long Term Debt

Figure A-7 provides a summary of the District's long term debt.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
General obligation bonds	\$ 255	505	-49.5%
Early retirement	782	1,002	-22.0%
Totals	<u>\$ 1,037</u>	<u>1,507</u>	<u>-31.2%</u>

At year-end, the District had \$1,037,000 in general obligation debt and other long-term debt outstanding. This represents a decrease of \$470,000 from last year. Long-term obligations include bond payments on the elementary and early retirement obligations.

Factors Bearing on the District's Future

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

- Changes in certified enrollment
- Decrease in HSA funding by the state of Iowa
- Dual Credit refund payments from the general fund in excess of \$200,000
- Approved debt that has not had an impact yet on District's overall financial condition
- Employee contract settlements
- Physical plant needs on the high school

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 S. Washington Street, Bloomfield, Iowa 52537.

Basic Financial Statements

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,421,585	47,715	3,469,300
Receivables:			
Property tax:			
Delinquent	57,539	-	57,539
Succeeding year	3,056,036	-	3,056,036
Accounts	410	-	410
Due from other governments	415,629	-	415,629
Inventories	-	21,843	21,843
Capital assets, net of accumulated depreciation	4,726,739	110,799	4,837,538
Total assets	11,677,938	180,357	11,858,295
Liabilities			
Excess of warrants over bank balance	285,499	479	285,978
Accounts payable	309,864	2,523	312,387
Salaries and benefits payable	902,050	1,136	903,186
Accrued interest payable	659	-	659
Unearned revenue:			
Succeeding year property tax	3,056,036	-	3,056,036
Long-term liabilities:			
Portion due within one year:			
Bonds payable	255,000	-	255,000
Early retirement	197,981	-	197,981
Portion due after one year:			
Early retirement	583,645	-	583,645
Total liabilities	5,590,734	4,138	5,594,872
Net assets			
Invested in capital assets, net of related debt	5,051,289	110,799	5,162,088
Restricted for:			
Management levy	166,678	-	166,678
Debt service	12,755	-	12,755
Physical plant and equipment levy	79,656	-	79,656
Other special revenue purposes	157,366	-	157,366
State grants	124,369	-	124,369
Unrestricted	495,091	65,420	560,511
Total net assets	\$ 6,087,204	176,219	6,263,423

See notes to financial statements.

Exhibit B

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 Year ended June 30, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,309,047	433,665	822,433	-
Special instruction	1,406,299	81,184	594,162	-
Other instruction	474,016	253,463	26,609	-
	<u>7,189,362</u>	<u>768,312</u>	<u>1,443,204</u>	<u>-</u>
Support Service:				
Student services	300,728	-	-	-
Instructional staff services	169,771	-	-	-
Administration services	1,444,382	-	-	-
Operating and maintenance of plant services	728,263	-	-	-
Transportation services	769,275	-	-	-
	<u>3,412,419</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	252,576	-	-	-
Long-term debt interest	13,934	-	-	-
AEA flowthrough	395,919	-	395,919	-
	<u>662,429</u>	<u>-</u>	<u>395,919</u>	<u>-</u>
Total governmental activities	11,264,210	768,312	1,839,123	-
Business type activities:				
Non-instructional programs:				
Nutrition services	500,137	202,011	231,705	-
	<u>500,137</u>	<u>202,011</u>	<u>231,705</u>	<u>-</u>
Total	<u>\$ 11,764,347</u>	<u>970,323</u>	<u>2,070,828</u>	<u>-</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(4,052,949)	-	(4,052,949)
(730,953)	-	(730,953)
(193,944)	-	(193,944)
<u>(4,977,846)</u>	<u>-</u>	<u>(4,977,846)</u>
(300,728)	-	(300,728)
(169,771)	-	(169,771)
(1,444,382)	-	(1,444,382)
(728,263)	-	(728,263)
(769,275)	-	(769,275)
<u>(3,412,419)</u>	<u>-</u>	<u>(3,412,419)</u>
(252,576)	-	(252,576)
(13,934)	-	(13,934)
-	-	-
<u>(266,510)</u>	<u>-</u>	<u>(266,510)</u>
(8,656,775)	-	(8,656,775)
-	(66,421)	(66,421)
-	(66,421)	(66,421)
<u>(8,656,775)</u>	<u>(66,421)</u>	<u>(8,723,196)</u>

Exhibit B

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	Program Revenues			
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Totals from previous pages	\$ 11,764,347	970,323	2,070,828	-
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gifts to Davis County Community School District				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				
See notes to financial statements.				

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(8,656,775)	(66,421)	(8,723,196)
2,921,386	-	2,921,386
73,666	-	73,666
666,504	-	666,504
4,765,672	-	4,765,672
134,042	2,761	136,803
736	-	736
41,372	-	41,372
8,603,378	2,761	8,606,139
(53,397)	(63,660)	(117,057)
6,140,601	239,879	6,380,480
\$ 6,087,204	176,219	6,263,423

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Management	Debt Service	Capital Projects	Non-Major	Total
Assets						
Cash and pooled investments	\$ 2,157,565	358,100	13,214	654,233	238,473	3,421,585
Receivables:						
Property tax:						
Delinquent	49,404	6,707	-	-	1,428	57,539
Succeeding year	2,707,766	272,000	-	-	76,270	3,056,036
Accounts	410	-	-	-	-	410
Due from other funds	-	-	200	-	27,018	27,218
Due from other governments	415,629	-	-	-	-	415,629
Total assets	\$ 5,330,774	636,807	13,414	654,233	343,189	6,978,417
Liabilities and Fund Balances						
Liabilities:						
Excess of outstanding warrants over bank balance	\$ 280,836	-	-	4,663	-	285,499
Accounts payable	209,799	148	-	70,020	29,897	309,864
Salaries and benefits payable	902,050	-	-	-	-	902,050
Due to other funds	27,218	-	-	-	-	27,218
Early retirement payable	-	197,981	-	-	-	197,981
Deferred revenue:						
Succeeding year property tax	2,707,766	272,000	-	-	76,270	3,056,036
Total liabilities	4,127,669	470,129	-	74,683	106,167	4,778,648
Fund balances:						
Reserved for:						
State grants	124,369	-	-	-	-	124,369
Debt service	-	-	13,414	-	-	13,414
Unreserved	1,078,736	166,678	-	579,550	237,022	2,061,986
Total fund balances	1,203,105	166,678	13,414	579,550	237,022	2,199,769
Total liabilities and fund balances	\$ 5,330,774	636,807	13,414	654,233	343,189	6,978,417

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 2,199,769
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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.	4,726,739
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(659)
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Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(838,645)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>\$ 6,087,204</u></u>
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See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year ended June 30, 2008

	General	Management	Debt Service	Capital Projects	Non-Major	Total
Revenues:						
Local sources:						
Local tax	\$ 2,572,185	349,201	-	666,504	73,666	3,661,556
Tuition	476,889	-	-	-	-	476,889
Other	141,199	1,205	148	23,627	301,329	467,508
State sources	5,914,312	-	-	-	-	5,914,312
Federal sources	690,483	-	-	-	-	690,483
Total revenues	<u>9,795,068</u>	<u>350,406</u>	<u>148</u>	<u>690,131</u>	<u>374,995</u>	<u>11,210,748</u>
Expenditures:						
Current:						
Instruction:						
Regular	5,159,945	163,304	-	-	-	5,323,249
Special	1,393,701	-	-	-	-	1,393,701
Other	179,137	-	-	-	277,893	457,030
	<u>6,732,783</u>	<u>163,304</u>	<u>-</u>	<u>-</u>	<u>277,893</u>	<u>7,173,980</u>
Support services:						
Student	300,165	-	-	-	-	300,165
Instructional staff	150,229	-	-	-	-	150,229
Administration	1,291,199	173,063	-	10,313	48	1,474,623
Operation and maintenance of plant	723,406	-	-	-	-	723,406
Transportation	734,486	4,613	-	64,360	115,573	919,032
	<u>3,199,485</u>	<u>177,676</u>	<u>-</u>	<u>74,673</u>	<u>115,621</u>	<u>3,567,455</u>
Other expenditures:						
Facilities acquisition	-	-	-	224,788	27,788	252,576
Long-term debt:						
Principal	-	-	250,000	-	-	250,000
Interest and fiscal charges	-	-	14,527	-	-	14,527
AEA flowthrough	395,919	-	-	-	-	395,919
	<u>395,919</u>	<u>-</u>	<u>264,527</u>	<u>224,788</u>	<u>27,788</u>	<u>913,022</u>
Total expenditures	<u>10,328,187</u>	<u>340,980</u>	<u>264,527</u>	<u>299,461</u>	<u>421,302</u>	<u>11,654,457</u>
Excess (deficiency) of revenues over (under) expenditures	(533,119)	9,426	(264,379)	390,670	(46,307)	(443,709)
Other financing sources (uses):						
Sale of equipment	65	-	-	-	-	65
Operating transfers in	-	-	263,477	-	115,900	379,377
Operating transfers out	-	-	-	(379,377)	-	(379,377)
Total other financing sources (uses)	<u>65</u>	<u>-</u>	<u>263,477</u>	<u>(379,377)</u>	<u>115,900</u>	<u>65</u>
Net change in fund balances	(533,054)	9,426	(902)	11,293	69,593	(443,644)
Fund balances beginning of year	1,736,159	157,252	14,316	568,257	167,429	2,643,413
Fund balances end of year	<u>\$ 1,203,105</u>	<u>166,678</u>	<u>13,414</u>	<u>579,550</u>	<u>237,022</u>	<u>2,199,769</u>

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ (443,644)

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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 238,973	
Depreciation expense	<u>(295,325)</u>	(56,352)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	250,000
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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.	593
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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.	
Early retirement	<u>196,006</u>

Change in net assets of governmental activities (Exhibit B) \$ (53,397)

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2008

	School Nutrition
Assets	
Cash and cash equivalents	\$ 47,715
Accounts receivable	
Inventories	21,843
Capital assets, net of accumulated depreciation	110,799
Total assets	180,357
Liabilities	
Excess of outstanding warrants over bank balance	479
Accounts payable	2,523
Salaries and benefits payable	1,136
Total liabilities	4,138
Net Assets	
Invested in capital assets, net of related debt	110,799
Unrestricted	65,420
Total net assets	\$ 176,219

See notes to financial statements.

Exhibit H

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year ended June 30, 2008

	School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 202,011
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	176,941
Benefits	41,998
Purchased services	11,524
Supplies	253,308
Depreciation	16,358
Miscellaneous	8
Total operating expenses	500,137
Operating loss	(298,126)
Non-operating revenues:	
Interest income	2,761
State sources	6,091
Federal sources	225,614
	234,466
Net loss	(63,660)
Net assets beginning of year	239,879
Net assets end of year	\$ 176,219

See notes to financial statements.

Exhibit I

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 202,011
Cash payments to employees for services	(217,803)
Cash payments to suppliers for goods or services	(226,076)
Net cash used by operating activities	(241,868)
Cash flows from non-capital financing activities:	
State grants received	6,091
Federal grants received	188,376
Net cash provided by non-capital financing activities	194,467
Cash flows from investing activities:	
Interest on investments	2,761
Net cash used by investing activities	2,761
Net decrease in cash and cash equivalents	(44,640)
Cash and cash equivalents at beginning of year	91,876
Cash and cash equivalents at end of year	\$ 47,236
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (298,126)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	37,238
Depreciation	16,358
(Increase) in inventories	(997)
Increase in accounts payable	2,523
Increase in salaries and benefits payable	1,136
Net cash used by operating activities	\$ (241,868)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and cash equivalents	\$ 47,715
Excess of warrants over bank balance	(479)
Cash and cash equivalents at year end	\$ 47,236

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$37,238 of federal commodities.

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2008

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 3,418</u>
Total assets	<u>\$ 3,418</u>
Net Assets	
Reserved for scholarships	<u>\$ 3,418</u>

See notes to financial statements

Exhibit K

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year ended June 30, 2008

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest on investments	<u>\$ 150</u>
Change in net assets	150
Net assets beginning of year	<u>3,268</u>
Net assets end of year	<u><u>\$ 3,418</u></u>

See notes to financial statements.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(1) **Summary of Significant Accounting Policies**

Davis County 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 recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County 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 Davis 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

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

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund accounts for all sources used to finance District operation and maintenance, except those required to be accounted for in another fund.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

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

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

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Physical Plant and Equipment Levy (PPEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

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

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.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year's property tax receivable.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the non-instructional functional area.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(2) Cash and Pooled Investments

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

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

At June 30, 2008, the District had investments as follows:

Success Bank	\$ 2,067,467
Davis County Savings Bank Certificates of Deposit	<u>1,002,605</u>
	<u><u>\$ 3,070,072</u></u>

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(3) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 107,275	-	-	107,275
Total capital assets not being depreciated	107,275	-	-	107,275
Capital assets being depreciated:				
Buildings	6,269,491	-	-	6,269,491
Improvements other than buildings	1,610,802	-	-	1,610,802
Furniture and equipment	1,814,595	238,973	71,480	1,982,088
Total capital assets being depreciated	9,694,888	238,973	71,480	9,862,381
Less accumulated depreciation for:				
Buildings	2,630,503	121,690	-	2,752,193
Improvements other than buildings	906,997	68,784	-	975,781
Furniture and equipment	1,481,572	104,851	71,480	1,514,943
Total accumulated depreciation	5,019,072	295,325	71,480	5,242,917
Total capital assets being depreciated, net	4,675,816	(56,352)	-	4,619,464
Governmental activities capital assets, net	\$ 4,783,091	(56,352)	-	4,726,739
Business type activities:				
Furniture and equipment	\$ 242,171	-	-	242,171
Less accumulated depreciation	115,014	16,358	-	131,372
Business type activities capital assets, net	\$ 127,157	(16,358)	-	110,799
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular				\$ 138,683
Special				12,598
Other				16,986
Support services:				
Student				563
Instructional staff				19,542
Administration				12,880
Operation and maintenance of plant				4,857
Transportation				89,216
				295,325
Unallocated				-
Total depreciation expense - governmental activities				\$ 295,325
Business type activities:				
Food service operations				\$ 16,358

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 505,000	-	250,000	255,000	255,000
Early retirement	1,002,215	-	220,589	781,626	197,981
	<u>\$ 1,507,215</u>	<u>-</u>	<u>470,589</u>	<u>1,036,626</u>	<u>452,981</u>

General Obligation Bonds Payable

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

Bond Issue of May 1, 2003				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.05/3.15%	\$ 255,000	5,920	260,920
	Total	<u>\$ 255,000</u>	<u>5,920</u>	<u>260,920</u>

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$435,221, \$394,035, and \$383,251, respectively, equal to the required contributions for each year.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

(6) Termination Benefits

The District offered a voluntary early retirement plan for all employees. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 allowed the District to pay the retiree a monthly payment beginning the first month of retirement and continuing to a maximum of 120 months. Such money payment was to be in an amount equal to .010 times the annual salary received by the retiree during the fiscal year immediately preceding retirement. Option 2 allowed the retiree to continue in the District's group health insurance covering the employee at the time of their retirement through the month in which the retiree attained 65 years of age. Early retirement benefits paid during the year ended June 30, 2008, totaled \$220,589. This program expired after the 2003-04 fiscal year and has not been renewed.

(7) Risk Management

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$395,919 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.

(9) Related Party Transaction

The District had business transactions totaling \$572 between the District and District officials during the year ended June 30, 2008.

Required Supplementary Information

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL -
 ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 4,605,953	204,772
State sources	5,914,312	6,091
Federal sources	690,483	225,614
Total revenues	<u>11,210,748</u>	<u>436,477</u>
Expenditures:		
Instruction	7,173,980	-
Support services	3,567,455	-
Noninstructional programs	-	500,137
Other expenditures	913,022	-
Total expenditures	<u>11,654,457</u>	<u>500,137</u>
Deficiency of revenues under expenditures	(443,709)	(63,660)
Other financing sources, net	65	-
Deficiency of revenues and other financing sources under expenditures	(443,644)	(63,660)
Balances beginning of year	<u>2,643,413</u>	<u>239,879</u>
Balances end of year	<u>\$ 2,199,769</u>	<u>176,219</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts Original and Final	Variance Favorable (Unfavorable)
4,810,725	4,717,187	93,538
5,920,403	6,168,154	(247,751)
916,097	1,028,000	(111,903)
11,647,225	11,913,341	(266,116)
7,173,980	7,445,265	271,285
3,567,455	4,429,735	862,280
500,137	500,000	(137)
913,022	1,172,707	259,685
12,154,594	13,547,707	1,393,113
(507,369)	(1,634,366)	
65	-	
(507,304)	(1,634,366)	
2,883,292	2,809,723	
2,375,988	1,175,357	

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the non-instructional functional area.

Other Supplementary Information

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2008

	Special Revenue		
	Student Activity	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 160,270	78,203	238,473
Receivables:			
Property tax:			
Delinquent	-	1,428	1,428
Succeeding year	-	76,270	76,270
Due from other funds	-	27,018	27,018
	<hr/>		
Total assets	\$ 160,270	182,919	343,189
<hr/>			
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,904	26,993	29,897
Deferred revenue:			
Succeeding year property tax	-	76,270	76,270
Total liabilities	<hr/> 2,904	<hr/> 103,263	<hr/> 106,167
Fund balances:			
Unreserved fund balances	<hr/> 157,366	<hr/> 79,656	<hr/> 237,022
	<hr/>		
Total liabilities and fund balances	\$ 160,270	182,919	343,189
<hr/>			

See accompanying independent auditor's report.

Schedule 2

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 Year ended June 30, 2008

	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	73,666	73,666
Other	273,295	28,034	301,329
Total revenues	<u>273,295</u>	<u>101,700</u>	<u>374,995</u>
Expenditures:			
Current:			
Instruction:			
Other	277,893	-	277,893
Support services:			
Administration	-	48	48
Transportation	-	115,573	115,573
Other expenditures:			
Facilities acquisition	-	27,788	27,788
Total expenditures	<u>277,893</u>	<u>143,409</u>	<u>421,302</u>
Deficiency of revenues under expenditures	(4,598)	(41,709)	(46,307)
Other financing sources:			
Operating transfers in	-	115,900	115,900
Total other financing sources	<u>-</u>	<u>115,900</u>	<u>115,900</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(4,598)	74,191	69,593
Fund balance beginning of year	<u>161,964</u>	<u>5,465</u>	<u>167,429</u>
Fund balance end of year	<u>\$ 157,366</u>	<u>79,656</u>	<u>237,022</u>

See accompanying independent auditor's report.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2008

Account	Balance		Revenues	Expenditures	Balance End of Year
	Beginning of Year	Intrafund Transfers			
Senior High					
Yearbook	\$ 12,542	103	7,598	6,718	13,525
Concessions	9,038	68	21,990	14,597	16,499
Mustang Media	744	-	1,503	2,573	(326)
Mustang Pride	179	-	445	447	177
Athletics	25,641	(17,275)	51,478	46,635	13,209
Football	2,330	4,600	12,007	16,333	2,604
Baseball	1,658	1,600	3,044	4,047	2,255
Boys' Track	(372)	1,200	-	-	828
Wrestling	1,788	800	5,526	7,633	481
Cross Country	2,453	(68)	1,483	2,265	1,603
Girls' Basketball	735	3,200	1,558	3,776	1,717
Special Olympics	1,230	(1,230)	-	-	-
Boys' Basketball	818	4,700	3,364	8,268	614
Girls' Softball	143	1,600	2,155	1,560	2,338
Girls' Track	265	1,200	1,825	2,902	388
Girls' Volleyball	4,115	999	10,148	9,206	6,056
Instrumental Music	4,733	-	18,525	11,889	11,369
Soda	873	-	1,695	2,631	(63)
Vocal Music	722	-	4,022	2,942	1,802
Drama and Speech	65	-	-	194	(129)
3 Act Play	798	-	367	450	715
Fut. Farmers of Amer.	3,288	-	21,655	22,069	2,874
Quiz Bowl	22	-	10	67	(35)
Nat'l Honor Soc.	276	-	-	89	187
Pep Club	11,409	(1,137)	13,916	23,307	881
Spanish Club	541	-	50	-	591
Student Council	5	-	1,008	310	703
Art Club	745	26	5,191	5,302	660
Girls' Tennis	641	103	736	833	647
Boys' Tennis	98	-	-	347	(249)
Class of 2005	25	(25)	-	-	-
Class of 2006	3,303	(3,303)	-	-	-
Class of 2007	921	(664)	10	-	267
Class of 2008	1,880	-	1,569	2,721	728
Class of 2009	922	-	6,749	4,245	3,426
Class of 2010	326	-	232	-	558
Class of 2011	60	-	109	-	169
Future Educators of America	840	103	-	473	470
Girls' Golf	535	-	227	664	98
Octagon Club	575	(25)	-	-	550
High School Academics	4,171	3,677	13,338	15,797	5,389
HS Milk	252	-	-	-	252
HS Miscellaneous	23	19	-	678	(636)
HS FBLA	309	(309)	-	-	-
Home Economics	475	-	3,077	3,600	(48)
IA Science Club	6	-	500	-	506
Guidance	77	25	4,530	3,474	1,158
Boys' Golf	1,146	-	912	873	1,185
Subtotal	103,369	(13)	222,552	229,915	95,993

Middle School

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year ended June 30, 2008

Account	Balance Beginning of Year	Intrafund Transfers	Revenues	Expenditures	Balance End of Year
Athletics	4,059	-	7,273	8,176	3,156
Vocal Music	2,519	-	2,190	2,879	1,830
Instrumental Music	112	-	125	693	(456)
Student Council	1,591	-	2,586	3,741	436
Yearbook	4,454	-	1,827	1,079	5,202
Paper and Pen	394	(394)	-	-	-
7th/8th Football	4	-	125	-	129
7th/8th Girls Basketball	1,934	-	1,172	919	2,187
7th/8th Boys' Basketball	429	-	61	-	490
Cross Country	150	-	-	-	150
Girls' Track	129	-	-	-	129
8th Volleyball	174	-	74	50	198
Wrestling	-	-	28	-	28
Student Council Pop Cans	297	-	40	-	337
Middle School Academics	11,377	407	19,421	20,494	10,711
Middle School Milk	596	-	5,625	4,169	2,052
Mutchler Rental	-	-	918	-	918
Gifted/Talented	965	-	-	-	965
Subtotal	29,184	13	41,465	42,200	28,462
Bloomfield Elementary					
Academics	28,908	-	7,538	4,200	32,246
Elementary Pop	230	-	-	-	230
Home School	108	-	1,735	1,578	265
Interest	165	-	5	-	170
Subtotal	29,411	-	9,278	5,778	32,911
Total	\$ 161,964	-	273,295	277,893	157,366

See accompanying independent auditor's report.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	2008	2007	2006	2005	2004	2003	2002
Revenues:							
Local sources:							
Local tax	\$ 3,661,556	3,759,205	3,692,023	3,298,803	2,868,349	2,905,572	2,890,837
Tuition	476,889	523,010	600,186	560,369	426,545	369,288	281,188
Other	467,508	445,742	403,411	374,513	370,043	347,262	412,444
State sources	5,914,312	5,810,933	5,515,711	5,588,939	5,174,073	5,290,080	5,243,622
Federal sources	690,483	786,793	1,029,880	1,390,813	649,006	673,138	484,832
Total	\$ 11,210,748	11,325,683	11,241,211	11,213,437	9,488,016	9,585,340	9,312,923
Expenditures:							
Instruction:							
Regular	\$ 5,323,249	5,067,509	4,937,473	4,061,128	3,836,553	3,514,299	3,443,224
Special	1,393,701	1,234,633	1,385,202	2,012,697	1,783,994	1,579,726	1,518,410
Other	457,030	426,860	437,152	1,011,658	806,413	816,751	726,947
Support services:							
Student	300,165	283,987	257,427	275,258	229,569	190,222	209,942
Instructional staff	150,229	161,232	126,382	270,315	263,706	231,455	300,584
Administration	1,474,623	1,413,251	1,436,205	1,264,451	990,996	943,032	968,571
Operation and maintenance of plant	723,406	691,604	619,083	617,424	605,722	565,106	589,564
Transportation	919,032	805,241	709,096	619,903	597,750	534,063	622,570
Food service operations	-	-	3,690	8,241	8,055	9,300	8,308
Other expenditures:							
Facilities acquisition	252,576	363,879	684,979	1,169,972	214,957	31,572	18,250
Long-term debt:							
Principal	250,000	245,000	245,000	240,000	240,000	205,000	205,000
Interest and other charges	14,527	20,138	25,620	29,990	36,070	77,360	84,898
AEA flowthrough	395,919	371,339	355,258	355,649	342,137	367,023	366,645
Total	\$ 11,654,457	11,084,673	11,222,567	11,936,686	9,955,922	9,064,909	9,062,913

See accompanying independent auditor's report.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education			
Food Donation (non cash)	10.550	FY 08	<u>\$ 37,238</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 08	23,192
National School Lunch Program	10.555	FY 08	<u>165,184</u>
			<u>188,376</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1619-GC-08	6,193
Title I Grants to Local Educational Agencies	84.010	1619-G-08	<u>326,510</u>
			<u>332,703</u>
Career and Technical Education - Basic Grants to States	84.048	FY 08	<u>21,969</u>
Improving Teacher Quality State Grants	84.367	FY 08	<u>62,148</u>
State Grants for Innovative Programs	84.298	FY 08	<u>2,057</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 08	<u>7,834</u>
Reading First State Grants	84.357	FY 08	<u>51,975</u>
Grants for State Assessments and Related Activities	84.369	FY 08	<u>8,463</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 08	<u>69,577</u>
Total			<u>\$ 782,340</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Davis County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and 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 auditor's report.

Davis County Community School District

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

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

To the Board of Education of
Davis County 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 Davis County Community School District, Bloomfield, 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 October 16, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting 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 Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

October 16, 2008

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

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

To the Board of Education of
Davis County Community School District:

Compliance

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

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

In our opinion, Davis County 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 Davis County 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 Davis County 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 Davis County Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We identified no deficiency in internal control over compliance that we consider to be a material weakness.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We noted no significant deficiency in internal control over compliance that we consider to be a material weakness.

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

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

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

October 16, 2008

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Davis County Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

No matters were noted.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

Part IV: Other Findings Related to Statutory Reporting

IV-A-08 Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the certified budget amounts in the non-instructional functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

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

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 - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Viking Services, Inc., Spouse of Administrative Assistant Wende Howk	Maintenance Services	\$572

None of the transactions appear to be a conflict of interest and they appear to be in compliance with board policies.

Recommendation - The District may want to consult legal counsel to determine disposition of this matter.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

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 ensure that coverage is adequate for current operations.

IV-F-08 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2008

- IV-G-08 Deficit Balances - Several student activity accounts had deficit balances at June 30, 2008.
- Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.
- Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.
- Conclusion - Response accepted.
- IV-H-08 Disbursement Approval - For several transactions tested, there was insufficient documentation to determine proper approval procedure was followed.
- Recommendation - The District should ensure all expenditures are properly approved and should maintain proper documentation to support approval.
- Response - We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims.
- Conclusion - Response accepted.
- IV-I-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-J-08 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-K-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.