

**DOWS COMMUNITY SCHOOL DISTRICT
DOWS, IOWA**

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

YEAR ENDED JUNE 30, 2008

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13-14
Statement of Activities	B	15-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	20
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	21
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	22
Statement of Cash Flows	I	23
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	24
Statement of Changes in Fiduciary Net Assets	K	25
Notes to Financial Statements		26-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		38-39
Notes to Required Supplementary Information – Budgetary Reporting		40
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	42
Nonmajor Proprietary Funds:		
Combining Statement of Net Assets	3	43

Table of Contents (continued)

		<u>Page</u>
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	44
Combining Schedule of Cash Flows	5	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	46
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	7	47
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 <u>Government Auditing Standards</u>		48-50
Schedule of Findings		51-54

Dows Community School District
Dows, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Marty Osterman	President	2008
Corey Jacobson	Board Member	2010
Kristi Hinkle	Board Member	2008
Betty Ellis	Board Member	2009
Jon Bakker	Board Member	2009

School Officials

**Board of Education
(After September 2007 Election)**

Marty Osterman	President	2008
Corey Jacobson	Board Member	2009
Kristi Hinkle	Board Member	2008
Betty Ellis	Board Member	2009
Jon Bakker	Board Member	2009

School Officials

Robert Olson	Superintendent	Indefinite
Carol Hanson	District Secretary/Treasurer and Business Manager	2008
Rick Engel	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education of
Dows 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 Dows Community School District, Dows, 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 Dows 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 January 9, 2009 on our consideration of Dows 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 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 Dows 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 7, 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

January 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dows GASB 34 Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues were \$1,528,129 for fiscal year 2008, while General Fund expenditures were \$1,665,724 in fiscal year 2008. This resulted in the District's General Fund balance of \$626,332, which was a decrease of \$137,595 compared to the balance of fiscal year 2007.

(a) 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 statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* 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 with a comparison of the District’s budget for the year.

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

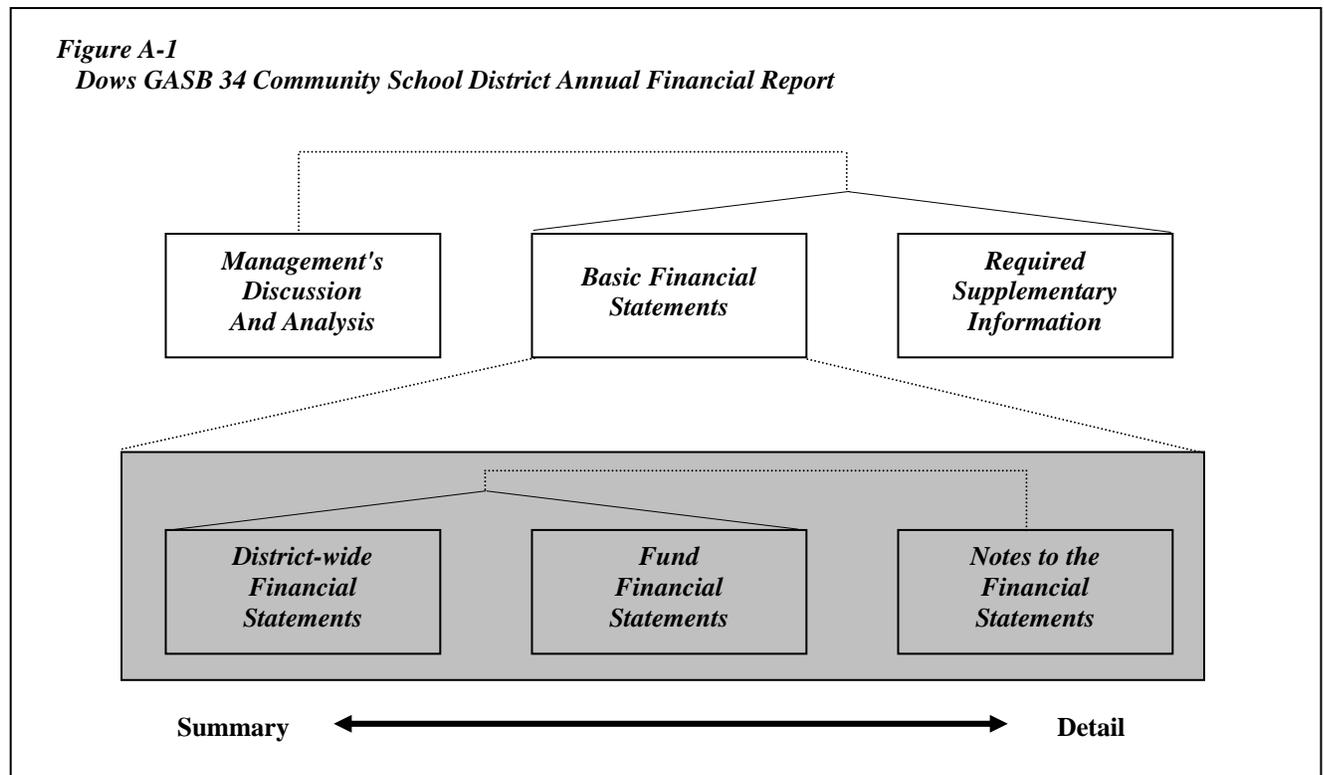


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2				
Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 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. Declining student enrollment also impacts the District's overall financial health.

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 tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has 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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District’s governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects 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 funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. This subsection isn’t used.

The District is responsible for ensuring that the assets reported in the fiduciary 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.

(b) – (c) Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2008. The District’s net assets for governmental activities were \$1,583,592 on June 30, 2007 for fiscal year 2007. The net assets for business type activities were \$7,932 on June 30, 2008. When these are combined, the total combined net assets were \$1,591,524 on June 30, 2008.

	Figure A-3 Condensed Statement of Net Assets		
	June 30, 2008		
	Governmental Activities	Business-type Activities	Total School District
Current Assets	\$2,164,254	\$3,916	\$2,168,170
Capital Assets	\$376,808	\$4,016	\$380,824
Total Assets	\$2,541,062	\$7,932	\$2,548,994
Current Liabilities	\$951,501	\$0	\$951,501
Other Liabilities	\$5,969	\$0	\$5,954
Total Liabilities	\$957,470	\$0	\$957,470
Net Assets			
Invested in capital assets, net of related debt	\$376,808	\$4,016	\$380,824
Restricted	\$431,739	\$0	\$431,739
Unrestricted	\$775,045	\$3,916	\$778,961

Total Net Assets	\$1,583,592	\$7,932	\$1,591,524
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Governmental Activities

Revenues for governmental activities were \$1,528,129 and expenses were \$1,665,724.

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

Figure A-4 Total & Net Cost of Governmental Activities June 30, 2008		
	Total Cost of Services	Net Cost of Services
Instruction	\$1,112,480	-\$894,748
Support Services	\$556,538	-\$553,212
Other Expenses	\$83,415	-\$28,253
Total Net Assets	\$1,752,433	-\$1,476,213

- Federal and state governments subsidized certain programs with grants and contributions totaling \$273,063.
- The net cost of governmental activities was financed with \$990,685 in property tax, and other taxes, \$438,654 in unrestricted state grants, \$49,106 in interest income, and \$9,239 in other revenue.

Business-Type Activities

Revenues of the District’s business-type activities were \$40,381 and expenses were \$39,617 for an increase \$764. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. With the sharing agreement with Clarion-Goldfield School District and the need for more revenue the district increased meal prices to match prices charged in Clarion-Goldfield. Increasing meal prices and supporting the nutrition program with custodial help and supplies charged to the general fund, the nutrition program realized a modest increase in the ending balance compared to last year.

(d) Financial Analysis of the District’s Funds

As previously noted, the Dows GASB 34 Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the fiscal year 2008, its governmental funds reported combined fund balances of \$1,218,348.

Governmental Fund Highlights

- The District’s General Fund financial position has remained fairly constant and is the product of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was offset by the District’s increase in General Fund expenditures to meet its financial obligations during the year.

- The General Fund balance decreased from \$763,927 to \$626,352. The district has historically exercised restraint in regard to expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance was \$239,111.
- The Capital Projects was started in the fiscal year ending June 30, 2005. The money can be used for the same purposes as the District's PPEL funds. Revenue for FY08 was \$88,911. District expenditures for FY08 were \$31,012, for facility maintenance and grounds improvements.

Proprietary Fund Highlights

The School Nutrition Fund net assets for the fiscal year ending June 30, 2008 were \$7,867, a net increase of \$764. The district raised meal prices to match those charged in Clarion-Goldfield. This helped the nutrition program realize a modest increase in its ending balance, which ended a trend of declining ending balances. The district will need to pay special attention to this program to keep expenditures in line with revenue.

(e) Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

Total actual expenditures were less than budgeted in the General Fund. It is the District's practice to certify budget expenditures at the maximum authorized spending authority in all fund categories. Actual expenditures are managed using a line-item budget for the General Fund. As a result, the District's certified budget is always larger than actual expenditures for the year. Although this is true, the district did over spend two functions areas on the certified budget for "other expenditures" and "instruction". Law requires an amended budget when expenditures exceed certified budget maximums during the year. The district will closely monitor expenditures in the future.

(f) Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the District had invested \$380,824, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$378,808.

Figure A-5			
Capital Assts, End of Year Balance			
Less Accumulated Depreciation			
June 30, 2008			
	Governmental Activities	Business-type Activities	Total School District
Land	\$4,258	\$0	\$4,258
Construction in progress	\$0	\$0	\$0
Buildings	\$869,606	\$22,200	\$891,806
Improvement other than buildings	\$0	\$0	\$0
Furniture	\$297,039	\$0	\$297,039
Total capital assets before depreciation	\$1,170,903	\$22,200	\$1,193,103
Building depreciation	\$568,030	\$14,429	\$582,459
Furniture & equipment depreciation	\$212,797	\$21,039	\$233,836
Total depreciation	\$780,827	\$35,468	\$816,295
Total capital assets before depreciation	\$390,076	-\$13,268	\$376,808

The original cost of the District's capital assets was \$1,231,672. Governmental funds account for \$1,193,103 with the remainder of \$38,569 in the Proprietary, specific to School Nutrition Fund.

Long-Term Debt

At June 30, 2008, the Dows Community School District has no long-term debt.

(h) Factors Bearing on the District's Future

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

- Dows Community School District will enter into a new one-way whole-grade sharing agreement for grades 7-12 with Clarion-Goldfield beginning in 2005-06. The district also sent sixth grade to Clarion-Goldfield in 2006-2007, due to small grade enrollment and to take advantage of staffing changes.
- The district approved amending the sharing agreement with Clarion-Goldfield for 2007-2008, to include sixth grade. The 2007-2008 school year will represent year three of a ten-year, whole-grade sharing agreement.
- Dows will maintain an elementary school for grades preschool through fifth grade.
- The sharing agreement calls for 65% of the Clarion-Goldfield cost per student to follow the student with the balance of 35% remaining with Dows.
- The District continues to experience declining enrollment. The past three years, enrollment dropped from 159.2 in the fall of 2005, to 144.2 and 134.1 in 2006 and 2007, respectively. This represents enrollment percentage decreases of 9.4% and 7.0% from 2005 to 2006 and 2006 to 2007. Enrollment impacts funding the following year. State allowable growth of 4.0% wasn't enough to generate new revenue.
- The district is deep into the budget guarantee and will be authorized a smaller portion of the guarantee each year as a function of the statewide "scale down". The district remains optimistic about stable student enrollment, but must continue to closely monitor its financial situation in times of diminishing revenue and increasing expenditures. The district will continue to look for opportunities to reduce expenditures to match the reduction in revenue. This includes reducing the number of staff members, continue sharing with Clarion-Goldfield, receiving reorganization, supplemental weighting incentives and seeking state funding for preschool.
- Sending the sixth grade to Clarion-Goldfield Middle School, allowed the district to take advantage of a departure of a sixth grade teacher who accepted a position in another district. This allowed the district to eliminate this position and reduced corresponding expenditures. This will increased expenditures for tuition to the Clarion-Goldfield School District, but the net difference was a savings for the district. The district also took advantage of late resignations, which should significantly reduce expenditures for FY09.
- The district continues to encourage community to increase and promote the availability of affordable housing. If families do not move into the district, it is predicted that enrollment will continue to decline.
- It is hoped the agreement with Clarion-Goldfield will continue to be positive and strengthen the district's ability to provide quality educational programs for its students for many years to come.

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 Dr. Robert A. Olson, Superintendent, or Carol Hanson, District Secretary/Treasurer and Business Manager, Dows Community School District, 404 Park Avenue, Dows, Iowa 50071-7273.

Basic Financial Statements

Dows Community School District
Dows, Iowa

Exhibit A

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents:			
Other	\$ 1,179,332	108	1,179,440
Receivables:			
Property tax:			
Delinquent	14,231	-	14,231
Succeeding year	932,132	-	932,132
Due from other governments	38,559	-	38,559
Inventories	-	3,808	3,808
Capital assets, net of accumulated depreciation	<u>376,808</u>	<u>4,016</u>	<u>380,824</u>
Total assets	<u>2,541,062</u>	<u>7,932</u>	<u>2,548,994</u>
Liabilities			
Accounts payable	2,484	-	2,484
Salaries and benefits payable	5,638	-	5,638
Deferred revenue:			
Succeeding year property tax	932,132	-	932,132
Long-term liabilities:			
Portion due within one year:			
Early retirement	5,652	-	5,652
Portion due after one year:			
Early retirement	5,595	-	5,595
Compensated absences	<u>5,969</u>	<u>-</u>	<u>5,969</u>
Total liabilities	<u>957,470</u>	<u>-</u>	<u>957,470</u>

(continued)

Dows Community School District
Dows, Iowa

Exhibit A

Statement of Net Assets

June 30, 2008

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	376,808	4,016	380,824
Restricted for:			
Management levy	173,792	-	173,792
Physical plant and equipment levy	239,111	-	239,111
Other special revenue purposes	18,836	-	18,836
Unrestricted	<u>775,045</u>	<u>3,916</u>	<u>778,961</u>
Total net assets	<u>\$ 1,583,592</u>	<u>7,932</u>	<u>1,591,524</u>

See notes to financial statements.

Dows Community School District
Dows, Iowa
Statement of Activities
Year ended June 30, 2008

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
<u>Functions/Programs</u>				
Governmental activities:				
Instruction:				
Regular	\$ 596,432	25,113	174,978	-
Special	420,520	-	12,958	-
Other	95,528	3,847	836	-
	1,112,480	28,960	188,772	-
Support services:				
Student	44,679	-	-	-
Instructional staff	61,789	-	2,600	-
Administration	179,266	-	-	-
Operation and maintenance of plant	174,957	-	-	-
Transportation	95,847	726	-	-
	556,538	726	2,600	-
Noninstructional programs	579	-	-	-
Other expenditures:				
Facilities acquisition	28,253	-	-	-
AEA flowthrough	55,162	-	55,162	-
	83,415	-	55,162	-
Total governmental activities	1,753,012	29,686	246,534	-
Business type activities:				
Nonmajor enterprise	49,096	22,188	26,529	-
Total	\$ 1,802,108	51,874	273,063	-
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Local option sales and services tax				
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.

Exhibit B

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(396,341)	-	(396,341)
(407,562)	-	(407,562)
(90,845)	-	(90,845)
<u>(894,748)</u>	<u>-</u>	<u>(894,748)</u>
(44,679)	-	(44,679)
(59,189)	-	(59,189)
(179,266)	-	(179,266)
(174,957)	-	(174,957)
(95,121)	-	(95,121)
<u>(553,212)</u>	<u>-</u>	<u>(553,212)</u>
<u>(579)</u>	<u>-</u>	<u>(579)</u>
(28,253)	-	(28,253)
<u>-</u>	<u>-</u>	<u>-</u>
<u>(28,253)</u>	<u>-</u>	<u>(28,253)</u>
<u>(1,476,792)</u>	<u>-</u>	<u>(1,476,792)</u>
<u>-</u>	<u>(379)</u>	<u>(379)</u>
<u>(1,476,792)</u>	<u>(379)</u>	<u>(1,477,171)</u>
\$ 837,265	-	837,265
69,697	-	69,697
83,723	-	83,723
438,654	-	438,654
49,106	-	49,106
9,239	87	9,326
<u>1,487,684</u>	<u>87</u>	<u>1,487,771</u>
10,892	(292)	10,600
<u>1,572,700</u>	<u>8,224</u>	<u>1,580,924</u>
<u>\$ 1,583,592</u>	<u>7,932</u>	<u>1,591,524</u>

Dows Community School District
Dows, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	Management <u>Levy</u>	Capital <u>Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets						
Cash and pooled investments:						
Other	\$ 591,111	238,017	178,505	152,863	18,836	1,179,332
Receivables:						
Property tax:						
Delinquent	12,198	1,094	939	-	-	14,231
Succeeding year	798,793	73,339	60,000	-	-	932,132
Due from other governments	<u>31,145</u>	<u>-</u>	<u>-</u>	<u>7,414</u>	<u>-</u>	<u>38,559</u>
Total assets	<u>\$ 1,433,247</u>	<u>312,450</u>	<u>239,444</u>	<u>160,277</u>	<u>18,836</u>	<u>2,164,254</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 2,484	-	-	-	-	2,484
Salaries and benefits payable	5,638	-	-	-	-	5,638
Early retirement payable	-	-	5,652	-	-	5,652
Deferred revenue:						
Succeeding year property tax	<u>798,793</u>	<u>73,339</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>932,132</u>
Total liabilities	<u>806,915</u>	<u>73,339</u>	<u>65,652</u>	<u>-</u>	<u>-</u>	<u>945,906</u>
Fund balances:						
Reserved fund balance	3,018	-	-	-	-	3,018
Unreserved	<u>623,314</u>	<u>239,111</u>	<u>173,792</u>	<u>160,277</u>	<u>18,836</u>	<u>1,215,330</u>
Total fund balances	<u>626,332</u>	<u>239,111</u>	<u>173,792</u>	<u>160,277</u>	<u>18,836</u>	<u>1,218,348</u>
Total liabilities and fund balances	<u>\$ 1,433,247</u>	<u>312,450</u>	<u>239,444</u>	<u>160,277</u>	<u>18,836</u>	<u>2,164,254</u>

See notes to financial statements.

Dows Community School District
Dows, Iowa

Exhibit D

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

June 30, 2008

Total fund balances of governmental funds (page 17)	\$ 1,218,348
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	376,808
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(11,564)</u>
Net assets of governmental activities (page 14)	<u>\$ 1,583,592</u>

See notes to financial statements.

Dows Community School District
Dows, Iowa

Exhibit E

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

Year ended June 30, 2008

	<u>General</u>	Physical Plant and Equipment <u>Levy</u>	Management <u>Levy</u>	Capital <u>Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:						
Local sources:						
Local tax	\$ 776,901	69,651	59,804	83,722	-	990,078
Tuition	25,113	-	-	-	-	25,113
Other	39,682	6,759	6,137	5,189	4,426	62,193
State sources	619,734	47	40	-	-	619,821
Federal sources	66,699	-	-	-	-	66,699
Total revenues	<u>1,528,129</u>	<u>76,457</u>	<u>65,981</u>	<u>88,911</u>	<u>4,426</u>	<u>1,763,904</u>
Expenditures:						
Current:						
Instruction:						
Regular	598,032	-	4,636	-	-	602,668
Special	420,520	-	-	-	-	420,520
Other	92,160	-	-	-	3,368	95,528
	<u>1,110,712</u>	<u>-</u>	<u>4,636</u>	<u>-</u>	<u>3,368</u>	<u>1,118,716</u>
Support services:						
Student	39,076	-	5,603	-	-	44,679
Instructional staff	56,876	-	-	4,913	-	61,789
Administration	176,108	-	3,158	-	-	179,266
Operation and maintenance of plant	157,266	760	21,272	2,548	-	181,846
Transportation	70,524	-	5,166	-	-	75,690
	<u>499,850</u>	<u>760</u>	<u>35,199</u>	<u>7,461</u>	<u>-</u>	<u>543,270</u>
Noninstructional programs	-	-	579	-	-	579
Other expenditures:						
Facilities acquisition	-	4,702	-	23,551	-	28,253
AEA flowthrough	55,162	-	-	-	-	55,162
	<u>55,162</u>	<u>4,702</u>	<u>-</u>	<u>23,551</u>	<u>-</u>	<u>83,415</u>
Total expenditures	<u>1,665,724</u>	<u>5,462</u>	<u>40,414</u>	<u>31,012</u>	<u>3,368</u>	<u>1,745,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(137,595)</u>	<u>70,995</u>	<u>25,567</u>	<u>57,899</u>	<u>1,058</u>	<u>17,924</u>
Net change in fund balances	(137,595)	70,995	25,567	57,899	1,058	17,924
Fund balances beginning of year	763,927	168,116	148,225	102,378	17,778	1,200,424
Fund balances end of year	<u>\$ 626,332</u>	<u>239,111</u>	<u>173,792</u>	<u>160,277</u>	<u>18,836</u>	<u>1,218,348</u>

See notes to financial statements.

Dows Community School District
Dows, Iowa

Exhibit F

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 (page 19) \$ 17,924

**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 expense in the current year as follows:

Expenditures for capital assets	22,200	
Depreciation expense	<u>(35,468)</u>	<u>(13,268)</u>

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:

Early Retirement		6,251
Compensated Absences		<u>(15)</u>

Change in net assets of governmental activities (page 16) \$ 10,892

See notes to financial statements.

Dows Community School District
Dows, Iowa

Exhibit G

Statement of Net Assets
Proprietary Funds

June 30, 2008

	<u>Nonmajor Enterprise</u>
Assets	
Cash and cash equivalents	\$ 108
Inventories	3,808
Capital assets, net of accumulated depreciation	<u>4,016</u>
Total assets	<u><u>7,932</u></u>
Net Assets	
Invested in capital assets, net of related debt	4,016
Unrestricted	<u>3,916</u>
Total net assets	<u><u>\$ 7,932</u></u>

See notes to financial statements.

Dows Community School District
Dows, Iowa

Exhibit H

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

Year ended June 30, 2008

	<u>Nonmajor Enterprise</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 22,188
Miscellaneous	87
Total operating revenues	<u>22,275</u>
Operating expenses:	
Instruction:	
Regular instruction	9,479
Non-instructional programs:	
Food service operations:	
Salaries and benefits	21,617
Supplies	17,297
Depreciation	703
Total operating expenses	<u>49,096</u>
Operating loss	<u>(26,821)</u>
State sources	410
Federal sources	26,119
Total non-operating revenues	<u>26,529</u>
Change in net assets	(292)
Net assets beginning of year	<u>8,224</u>
Net assets end of year	<u><u>\$ 7,932</u></u>

See notes to financial statements.

Dows Community School District
Dows, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	<u>Nonmajor Enterprise</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 13,765
Cash received from miscellaneous receipts	8,510
Cash paid to employees for services	(31,096)
Cash paid to suppliers for goods or services	(14,200)
Net cash used by operating activities	<u>(23,021)</u>
Cash flows from non-capital financing activities:	
State grants received	410
Federal grants received	21,522
Net cash provided by non-capital financing activities	<u>21,932</u>
Net decrease in cash and cash equivalents	(1,089)
Cash and cash equivalents beginning of year	<u>1,197</u>
Cash and cash equivalents end of year	<u>\$ 108</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (26,821)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	4,597
Depreciation	703
Decrease in inventories	(1,500)
Net cash used by operating activities	<u>\$ (23,021)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$4,597 of federal commodities.

See notes to financial statements.

Dows Community School District
Dows, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ <u>67,374</u>
Total assets	<u>67,374</u>
Liabilities	<u>---</u>
Net assets	
Reserved for scholarships	<u><u>\$ 67,374</u></u>

See notes to financial statements

Dows Community School District
Dows, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 50,486
Interest income	<u>673</u>
Total additions	<u>51,159</u>
Deductions:	
Support services:	
Scholarships awarded	<u>1,600</u>
Change in net assets	49,559
Net assets beginning of year	<u>17,815</u>
Net assets end of year	<u><u>\$ 67,374</u></u>

See notes to financial statements.

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Dows Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through five. The geographic area served includes the City of Dows, Iowa, and the predominate agricultural territory in Wright and Franklin 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, Dows 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. Dows Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

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 the interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted net assets consist of net assets 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.

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.

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

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 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 Physical Plant and Equipment Levy Fund is used to account for the revenues and resources used in the acquisition of equipment and improvements to buildings.

The Management Levy Fund is used to account for the revenues and expenditures on the taxes levied for insurance and early retirement.

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

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 principal and 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

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 funds 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.

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

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 maintained 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 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

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

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.

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	5,000

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	8-10 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. Also an accrual has been made for any hourly employees for hours worked in June.

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

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

Deferred revenue in 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 sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in 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.

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

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.

Dows Community School District
Dows, Iowa

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 in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 1,336,193 =====

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.

Dows Community School District
Dows, Iowa

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	\$ <u>4,258</u>	---	---	<u>4,258</u>
Total capital assets not being depreciated	<u>4,258</u>	---	---	<u>4,258</u>
Capital assets being depreciated:				
Buildings	869,606	22,200	---	891,806
Furniture and equipment	<u>297,039</u>	---	---	<u>297,039</u>
Total capital assets being depreciated	<u>1,166,645</u>	<u>22,200</u>	---	<u>1,188,845</u>
Less accumulated depreciation for:				
Buildings	568,030	14,429	---	582,459
Furniture and equipment	<u>212,797</u>	<u>21,039</u>	---	<u>233,836</u>
Total accumulated depreciation	<u>780,827</u>	<u>35,468</u>	---	<u>816,295</u>
Total capital assets being depreciated, net	<u>385,818</u>	<u>(13,268)</u>	---	<u>372,550</u>
Governmental activities capital assets, net	\$ <u>390,076</u>	<u>(13,268)</u>	---	<u>376,808</u>
	=====	=====	=====	=====

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 38,569	---	---	38,569
Less accumulated depreciation	<u>33,850</u>	<u>703</u>	<u>---</u>	<u>34,553</u>
Business type activities capital assets, net	\$ 4,719	703	---	4,016
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Operation and maintenance of plant	\$ 15,311
Transportation	<u>20,157</u>
Total depreciation expense – governmental activities	\$ 35,468
	=====

Business type activities:

Food service operations	\$ 703
	=====

(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
Compensated absences	\$ 5,954	15	---	5,969	---
Early retirement	<u>17,822</u>	<u>---</u>	<u>6,575</u>	<u>11,247</u>	<u>5,652</u>
Total	\$ 23,776	15	6,575	17,216	5,652
	=====	=====	=====	=====	=====

Dows Community School District
Dows, Iowa

Notes to Financial Statements

June 30, 2008

(5) 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.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05 % of annual covered payroll for the years ended June 30, 2008. The applicable percentages for the years ended June 30, 2007 and 2006 were 3.70% and 5.75%. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$43,192, \$39,353, and \$41,303, respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$55,162 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.

Required Supplementary Information

Dows Community School District
Dows, Iowa

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 Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Revenues:		
Local sources	\$ 1,077,384	22,275
State sources	619,821	410
Federal sources	<u>66,699</u>	<u>26,119</u>
Total revenues	<u>1,763,904</u>	<u>48,804</u>
Expenditures:		
Instruction	1,118,716	9,479
Support services	543,270	-
Non-instructional programs	579	39,617
Other expenditures	<u>83,415</u>	<u>-</u>
Total expenditures	<u>1,745,980</u>	<u>49,096</u>
Excess (deficiency) of revenues over (under) expenditures	17,924	(292)
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	17,924	(292)
Balances beginning of year	<u>1,200,424</u>	<u>8,224</u>
Balances end of year	<u>\$ 1,218,348</u>	<u>7,932</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
1,099,659	1,132,118	1,132,118	(32,459)
620,231	641,181	641,181	(20,950)
92,818	93,000	93,000	(182)
<u>1,812,708</u>	<u>1,866,299</u>	<u>1,866,299</u>	<u>(53,591)</u>
1,128,195	1,847,467	1,847,467	719,272
543,270	664,400	664,400	121,130
40,196	57,195	57,195	16,999
83,415	157,211	157,211	73,796
<u>1,795,076</u>	<u>2,726,273</u>	<u>2,726,273</u>	<u>931,197</u>
17,632	(859,974)	(859,974)	877,606
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
17,632	(859,974)	(859,974)	877,606
<u>1,208,648</u>	<u>1,117,451</u>	<u>1,117,451</u>	<u>91,197</u>
<u>1,226,280</u>	<u>257,477</u>	<u>257,477</u>	<u>968,803</u>

Dows Community School District
Dows, Iowa

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 functional 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.

Other Supplementary Information

Dows Community School District
Dows, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	<u>Special Revenue Student Activity</u>
Assets	
Cash and pooled investments	\$ 18,836
Due from other governments	<u>-</u>
Total assets	<u><u>18,836</u></u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Unreserved fund balances	<u>18,836</u>
Total liabilities and fund equity	<u><u>\$ 18,836</u></u>

See accompanying independent auditor's report.

Dows Community School District
Dows, Iowa

Schedule 2

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

Year ended June 30, 2008

	<u>Special Revenue Student Activity</u>
Revenues:	
Local sources:	
Local tax	\$ -
Other	<u>4,426</u>
Total revenues	<u>4,426</u>
Expenditures:	
Current:	
Instruction:	
Other	<u>3,368</u>
	<u>3,368</u>
Total expenditures	<u>3,368</u>
Excess of revenues over expenditures	1,058
Fund balances beginning of year	<u>17,778</u>
Fund balances end of year	<u><u>\$ 18,836</u></u>

See accompanying independent auditor's report.

Dows Community School District
Dows, Iowa

Schedule 3

Combining Statement of Net Assets
Nonmajor Proprietary Funds

June 30, 2008

	<u>Enterprise</u>		<u>Total</u>
	<u>Nutrition</u>	<u>Preschool</u>	
Assets			
Cash and cash equivalents	\$ 43	65	108
Inventories	3,808	-	3,808
Capital assets, net of accumulated depreciation	<u>4,016</u>	<u>-</u>	<u>4,016</u>
Total assets	<u>7,867</u>	<u>65</u>	<u>7,932</u>
Net Assets			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	<u>7,867</u>	<u>65</u>	<u>7,932</u>
Total net assets	<u><u>\$ 7,867</u></u>	<u><u>65</u></u>	<u><u>7,932</u></u>

See notes to financial statements.

Dows Community School District
Dows, Iowa

Schedule 4

Combining Schedule of Revenues, Expenses and Changes
in Fund Net Assets
Nonmajor Proprietary Funds

June 30, 2008

	Enterprise		
	Nutrition	Preschool	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 13,765	8,423	22,188
Miscellaneous	87	-	87
Total operating revenues	13,852	8,423	22,275
Operating expenses:			
Instruction:			
Regular instruction	-	9,479	9,479
Non-instructional programs:			
Food service operations:			
Salaries and benefits	21,617	-	21,617
Supplies	17,297	-	17,297
Depreciation	703	-	703
Total operating expenses	39,617	9,479	49,096
Operating income (loss)	(25,765)	(1,056)	(26,821)
Non-operating revenues:			
State sources	410	-	410
Federal sources	26,119	-	26,119
Total non-operating revenues	26,529	-	26,529
Change in net assets	764	(1,056)	(292)
Net assets beginning of year	7,103	1,121	8,224
Net assets end of year	\$ 7,867	65	7,932

See notes to financial statements.

Dows Community School District
Dows, Iowa

Schedule 5

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2008

	Enterprise		Total
	Nutrition	Preschool	
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 13,765	\$ -	\$ 13,765
Cash received from miscellaneous receipts	87	8,423	8,510
Cash paid to employees for services	(21,617)	(9,479)	(31,096)
Cash paid to suppliers for goods or service	(14,200)	-	(14,200)
Net cash used by operating activities:	(21,965)	(1,056)	(23,021)
Cash flows from non-capital financing activities:			
State grants received	410	-	410
Federal grants received	21,522	-	21,522
Net cash provided by non-capital financing activities:	21,932	-	21,932
Net decrease in cash and cash equivalents	(33)	(1,056)	(1,089)
Cash and cash equivalents beginning of year	76	1,121	1,197
Cash and cash equivalents end of year	\$ 43	\$ 65	\$ 108
Reconciliation of operating loss to net cash used by operating activities:			
Operating income/(loss)	\$ (25,765)	\$ (1,056)	\$ (26,821)
Adjustments to reconcile operating income/(loss) to net cash used by operating activities:			
Commodities used	4,597	-	4,597
Depreciation	703	-	703
Increase in inventories	(1,500)	-	(1,500)
Net cash used by operating activities:	\$ (21,965)	\$ (1,056)	\$ (23,021)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$4,597 of federal commodities.

See notes to financial statements.

Dows Community School District
Dows, Iowa

Schedule 6

Schedule of Changes in Special Revenue Fund,
Student Activity Accounts

Year ended June 30, 2008

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Class of:				
2009	\$ 1,092	-	1,092	-
Instrumental Music	68	21	21	68
Book Orders	1,544	1,231	1,182	1,593
Elementary Fund	<u>15,074</u>	<u>3,174</u>	<u>1,073</u>	<u>17,175</u>
Total	<u>\$ 17,778</u>	<u>4,426</u>	<u>3,368</u>	<u>18,836</u>

See accompanying independent auditor's report.

Dows Community School District
Dows, Iowa

Schedule 7

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

For the Last Four Years

	Modified Accrual Basis			
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Local sources:				
Local tax	\$ 990,078	989,265	1,030,356	987,285
Tuition	25,113	24,347	24,081	179,867
Other	62,193	70,053	74,455	84,236
State sources	619,821	643,970	639,902	623,486
Federal sources	66,699	68,201	53,279	73,934
Total	\$ 1,763,904	1,795,836	1,822,073	1,948,808
Expenditures:				
Instruction:				
Regular	\$ 602,668	621,567	687,220	754,189
Special	420,520	359,105	274,412	392,669
Other	95,528	78,674	72,031	62,078
Support services:				
Student	44,679	41,959	45,009	29,852
Instructional staff	61,789	53,852	48,982	59,594
Administration	179,266	172,184	172,258	197,003
Operation and maintenance of plant	181,846	248,368	192,962	135,745
Transportation	75,690	55,319	50,558	54,594
Central support	-	-	-	34,327
Noninstructional programs	579	1,332	-	-
Other expenditures:				
Facilities acquisition	28,253	53,343	23,012	66,753
AEA flowthrough	55,162	54,917	53,276	52,655
Total	\$ 1,745,980	1,740,620	1,619,720	1,839,459

See accompanying independent auditor's report.

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

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or

combination of control deficiencies, that adversely affects Dows 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 Dows Community School District's financial statements that is more than inconsequential will not be prevented or detected by Dows Community School District's internal control. We consider the deficiencies in the internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in the internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dows 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 II of the accompanying Schedule of Findings.

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.

Dows Community School District's response to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Dows 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 Dows Community School District and other parties to whom Dows 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 Dows 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

January 9, 2009

Dows Community School District
Dows, Iowa

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Significant Deficiencies:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts journal were all done by the same person.

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

Response - We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion - Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-08 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District’s financial statements.

Dows Community School District
Dows, Iowa

Schedule of Findings

Year ended June 30, 2008

Response – We have in the current and previous years relied on our independent auditor’s to assist us with this process. We will try to be more involved in the future.

Conclusion – Response accepted.

I-C-08 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Dows Community School District does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Dows Community School District
Dows, Iowa

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

- II-A-08 Certified Budget – Disbursements for the year ended June 30, 2008 did not exceed the certified budget in the other expenditures function.
- II-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.
- II-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.
- II-D-08 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - No transactions requiring Board approval had not been approved by the Board.
- II-G-08 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-08 Deposits and Investments - 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 were noted.
- II-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.

Dows Community School District
Dows, Iowa

Schedule of Findings

Year ended June 30, 2008

II-J-08 Preparation of 1099's – It was noted during the course of our audit that the District failed to prepare form 1099's for the year ended December 31, 2007.

Recommendation – The District should prepare 1099's for all independent contractors paid in excess of \$600 during a calendar year in accordance with IRS guidelines.

Response – This was an oversight this year. We have filed them in past years, but overlooked 2007. We will make sure they are filed for 2008.

Conclusion – Response accepted.