

**IOWA FALLS
COMMUNITY SCHOOL DISTRICT**

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

JUNE 30, 2008

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**IOWA FALLS COMMUNITY SCHOOL DISTRICT
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board Of Education		
(Before September, 2007 Election)		
T. J. Norman	President	2008
Shane Krukow	Vice President	2007
Elaine Loring		2008
Paul Hoversten		2009
Tom Johnson		2009

(After September, 2007 Election)

T. J. Norman	President	2008
Shane Krukow	Vice President	2010
Elaine Loring		2008
Paul Hoversten		2009
Tom Johnson		2009

School Officials

Dr. John Robbins	Superintendent
Trish Lee	District Secretary/ Treasurer

BRUCE D. FRINK
Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Iowa Falls Community School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

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 Iowa Falls Community School District, Iowa Falls, 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 an opinion on these financial statements based on our audit.

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

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 opinion.

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 Iowa Falls Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

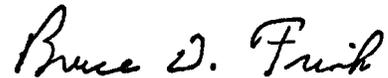
In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2009 on our consideration of Iowa Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 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 Iowa Falls Community School District's basic financial statements. The financial statements for the four years ended June 30, 2007 (which are not presented herein) were audited in accordance with the standards referred to in the second paragraph of this report by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 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.



BRUCE D. FRINK
Certified Public Accountant

March 27, 2009

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Iowa Falls 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.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,569,751 in fiscal 2007 to \$9,904,684 in fiscal 2008 (a 3% increase), while General Fund expenditures increased from \$9,488,727 in fiscal 2007 to \$9,880,303 in fiscal 2008 (a 4% increase).
- The increase in General Fund revenues was primarily attributable to increases in local and state sources. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The unreserved General Fund balance increased by 3 percent.
- The District continues its whole grad sharing agreement with Alden Community School District.
- The District's solvency ratio increased from 9.3% to 9.5%. This is an indicator of the financial health of the District. 10% is a commonly recommended goal.
- The District's in district enrollment decreased by 6.9 students. The District is now able to claim partial weighting for a four year old preschool program approved by the Department of Education.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	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.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund 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, 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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property 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 and community education programs are 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:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

The required financial statements for proprietary funds include a state of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *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 Funds - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through 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.

The District is responsible for ensuring 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 government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to 2007.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 7,715	6,684	13	20	7,728	6,704	15.27%
Capital assets	6,266	6,350	40	42	6,306	6,392	-1.35%
Total assets	<u>13,981</u>	<u>13,034</u>	<u>53</u>	<u>62</u>	<u>14,034</u>	<u>13,096</u>	<u>7.16%</u>
Current liabilities	4,641	4,156	29	10	4,670	4,166	12.10%
Non-current liabilities	2,286	1,740	-	-	2,286	1,740	31.38%
Total liabilities	<u>6,927</u>	<u>5,896</u>	<u>29</u>	<u>10</u>	<u>6,956</u>	<u>5,906</u>	<u>17.78%</u>
Net Assets							
Invested in capital assets, net of related debt	4,211	4,805	40	42	4,251	4,847	-12.30%
Restricted	1,642	1,145	-	-	1,642	1,145	43.41%
Unrestricted	1,201	1,188	(16)	10	1,185	1,198	-1.09%
Total net assets	<u>\$ 7,054</u>	<u>7,138</u>	<u>24</u>	<u>52</u>	<u>7,078</u>	<u>7,190</u>	<u>-1.56%</u>

The District's net assets decreased slightly. Restricted assets growth was offset by a decrease in net capital assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

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

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for service and sales	\$ 1,058	1,176	246	260	1,304	1,436	-9.19%
Operating grants, contributions and restricted interest	1,738	1,340	212	214	1,950	1,554	25.48%
Capital grants, contributions and restricted interest	-	25	-	-	-	25	-100.00%
General revenues:							
Property tax	3,099	3,058	-	-	3,099	3,058	1.34%
Income surtax	481	481	-	-	481	481	0.00%
Local option sales tax	625	647	-	-	625	647	-3.40%
Unrestricted state grants	4,439	4,510	-	-	4,439	4,510	-1.57%
Unrestricted investment earnings	43	141	-	-	43	141	-69.50%
Other	7	352	-	1	7	353	-98.02%
Total revenues	<u>11,490</u>	<u>11,730</u>	<u>458</u>	<u>475</u>	<u>11,948</u>	<u>12,205</u>	<u>-2.11%</u>
Program expenses:							
Governmental activities:							
Instruction	7,228	6,912	-	-	7,228	6,912	4.57%
Support Services	2,933	2,744	-	-	2,933	2,744	6.89%
Non-instructional programs	2	23	479	492	481	515	-6.60%
Other expenses	1,402	647	-	-	1,402	647	116.69%
Total expenses	<u>11,565</u>	<u>10,326</u>	<u>479</u>	<u>492</u>	<u>12,044</u>	<u>10,818</u>	<u>11.33%</u>
Change in net assets	<u>\$ (75)</u>	<u>1,404</u>	<u>(21)</u>	<u>(17)</u>	<u>(96)</u>	<u>1,387</u>	<u>-106.92%</u>

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$11,490,113 and expenses were \$11,564,548.

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, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

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

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 7,228	6,912	4.57%	4,908	4,998	-1.80%
Support Services	2,933	2,744	6.89%	2,923	2,738	6.76%
Non-instructional Programs	2	23	-91.30%	2	12	-83.33%
Other Expenditures	1,402	647	116.69%	936	38	2363.16%
Totals	\$ 11,565	10,326	12.00%	8,769	7,786	12.63%

- The cost financed by users of the District's programs was \$1,057,988.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$913,574.
- The net cost of governmental activities was financed with \$3,098,924 in property tax, \$4,439,463 in state foundation aid, and \$42,824 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$482,213 and expenses were \$510,002. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,678,993, twenty-six percent above last year's ending fund balances of \$2,121,919.

This was primarily due to the increase in the Capital Projects Fund.

Governmental Fund Highlights

- The District attempted to maintain its General Fund balance by watching expenses closely and exploring alternative sources of revenues.
- The District borrowed \$815,000 to be used for infrastructure projects.

Proprietary Fund Highlights

The Nutrition Fund decreased due to increased food costs. The District has attempted to maintain prices at a reasonable level.

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. 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. 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, Debt Service, Capital Project, Enterprise and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$175,000 more than the total budgeted receipts. The most significant change resulted in the District receiving more in state source revenue than originally anticipated.

Total expenditures were over \$1.0 million less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District exceeded the amount budgeted in the support services function. The District also did not exceed the General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008, the District has invested more than \$6.2M, net of accumulated depreciation in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$340,000.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 128	128	-	-	128	128	0.00%
Construction in progress	-	62	-	-	-	62	-100.00%
Land improvements	170	371	-	-	170	371	-54.18%
Buildings	5,145	5,188	-	-	5,145	5,188	-0.83%
Furniture and equipment	823	601	37	42	860	643	33.75%
Totals	\$ 6,266	6,350	37	42	6,303	6,392	-1.39%

Long - Term Debt

The District has \$1,240,000 of general obligation bonds that will fully mature in 2012. The interest rates on this debt ranges from 2.50% to 3.15%. Payments are made from a property tax levy approved by voters of the District.

In 2008, the District issued \$815,000 of revenue bonds to be used for various infrastructure projects in the District. These will be repaid over the next three years with proceeds of the one cent sales tax.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30, 2008	2007	June 30, 2007-08
General obligation bonds	\$ 1,240	1,545	-19.74%
Early retirement	231	195	18.46%
Revenue bonds	<u>815</u>	<u>-</u>	<u>100.00%</u>
Total	<u>\$ 2,286</u>	<u>1,740</u>	<u>31.38%</u>

ECONOMIC 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:

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District continues a two way sharing agreement with Alden Community School District. Continuation of this agreement will continue to assist the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our 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 Trish Lee, District Secretary, Iowa Falls Community School District, 710 N St, Iowa Falls, IA 50126.

Basic Financial Statements

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,629,679	4,210	3,633,889
Receivables:			
Property tax:			
Current year	46,766	-	46,766
Succeeding year	3,204,358	-	3,204,358
Income surtax	402,458	-	402,458
Due from other governments	332,371	-	332,371
Interfund receivable	23,811	-	23,811
Other receivables	59,060	699	59,759
Inventories	-	8,221	8,221
Prepaid expenses	15,883	-	15,883
Capital assets, net of accumulated depreciation	<u>6,266,195</u>	<u>39,657</u>	<u>6,305,852</u>
Total assets	<u>13,980,581</u>	<u>52,787</u>	<u>14,033,368</u>
Liabilities			
Accounts payable	466,721	498	467,219
Accrued salary and benefits	961,856	-	961,856
Accrued interest payable	7,726	-	7,726
Interfund payable	-	23,811	23,811
Unearned revenues	-	4,500	4,500
Deferred revenue:			
Succeeding year property tax	3,204,358	-	3,204,358
Long term liabilities:			
Portion due within one year:			
Early retirement	125,956	-	125,956
General obligation bonds	315,000	-	315,000
Revenue bonds	265,000	-	265,000
Portion due after one year:			
Early retirement	105,318	-	105,318
General obligation bonds	925,000	-	925,000
Revenue bonds	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Total liabilities	<u>6,926,935</u>	<u>28,809</u>	<u>6,955,744</u>
Net assets			
Invested in capital assets, net of related debt	4,211,195	39,657	4,250,852
Restricted for:			
Management fund	76,215	-	76,215
Debt service	20,469	-	20,469
Physical plant and equipment levy	1,192	-	1,192
Capital projects	1,543,347	-	1,543,347
Unrestricted	<u>1,201,228</u>	<u>(15,679)</u>	<u>1,185,549</u>
Total net assets	<u>\$ 7,053,646</u>	<u>23,978</u>	<u>7,077,624</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues				Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities		
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 7,228,070	1,057,734	1,262,654	(4,907,682)	-	(4,907,682)
Support services:						
Student services	304,984	-	-	(304,984)	-	(304,984)
Instructional staff services	395,379	-	-	(395,379)	-	(395,379)
Administration services	1,082,225	-	-	(1,082,225)	-	(1,082,225)
Operation and maintenance of plant services	669,861	-	9,513	(660,348)	-	(660,348)
Transportation services	366,757	254	-	(366,503)	-	(366,503)
	2,819,206	254	9,513	(2,809,439)	-	(2,809,439)
Non-instructional programs						
Community service operations	2,215	-	-	(2,215)	-	(2,215)
Other expenditures:						
Interest on long-term debt	42,688	-	6,355	(36,333)	-	(36,333)
Long-term debt services	11,561	-	-	(11,561)	-	(11,561)
Facilities acquisition and construction	812,420	-	97,471	(714,949)	-	(714,949)
AEA flowthrough	361,604	-	361,604	-	-	-
Depreciation (unallocated) *	286,784	-	-	(286,784)	-	(286,784)
	1,515,057	-	465,430	(1,049,627)	-	(1,049,627)
Total governmental activities	11,564,548	1,057,988	1,737,597	(8,768,963)	-	(8,768,963)

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues				Governmental	Business Type	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Activities	Activities	
Business type activities:							
Non-instructional programs:							
Food service operations	477,836	246,459	212,499	-	(18,878)	-	(18,878)
Community service and education	32,166	20,571	2,684	-	(8,911)	-	(8,911)
	<u>510,002</u>	<u>267,030</u>	<u>215,183</u>	-	<u>(27,789)</u>	-	<u>(27,789)</u>
Total	\$ 12,074,550	1,325,018	1,952,780	(8,768,963)	(27,789)	-	(8,796,752)
General Revenues:							
Property tax levied for:							
General purposes				\$ 2,516,995	-	-	2,516,995
Management fund				181,796	-	-	181,796
Capital outlay				85,584	-	-	85,584
Debt service				314,549	-	-	314,549
Income surtax				481,193	-	-	481,193
Local option sales tax				624,932	-	-	624,932
Unrestricted state grants				4,439,463	-	-	4,439,463
Unrestricted investment earnings				42,824	-	-	42,824
Other				7,192	-	-	7,192
Total general revenues				<u>8,694,528</u>	-	-	<u>8,694,528</u>
Change in net assets				(74,435)	(27,789)	(102,224)	
Net assets beginning of year				<u>7,128,081</u>	<u>51,767</u>	<u>7,179,848</u>	
Net assets end of year				<u>\$ 7,053,646</u>	<u>23,978</u>	<u>7,077,624</u>	

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

See notes to financial statements

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

Assets

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Cash and pooled investments	\$ 1,723,378	21,299	1,739,229	145,773	3,629,679
Receivables:					
Property tax:					
Current year	38,418	4,381	-	3,967	46,766
Succeeding year	2,638,516	275,748	-	290,094	3,204,358
Income surtax	402,458	-	-	-	402,458
Due from other governments	221,559	-	110,812	-	332,371
Interfund receivable	-	-	-	23,811	23,811
Other receivables	20,233	-	32,364	6,463	59,060
Prepaid expenses	15,883	-	-	-	15,883
Total assets	<u>\$ 5,060,445</u>	<u>\$ 301,428</u>	<u>\$ 1,882,405</u>	<u>\$ 470,108</u>	<u>\$ 7,714,386</u>

Liabilities and Fund Balances

Liabilities:					
Accounts payable	\$ 119,485	5,211	339,058	2,967	466,721
Accrued salary and benefits	961,856	-	-	-	961,856
Deferred revenue:					
Succeeding year property tax	2,638,516	275,748	-	290,094	3,204,358
Income surtax	402,458	-	-	-	402,458
Total liabilities	<u>4,122,315</u>	<u>280,959</u>	<u>339,058</u>	<u>293,061</u>	<u>5,035,393</u>
Fund balances:					
Reserved for debt services	-	20,469	-	-	20,469
Reserved for capital projects	-	-	1,543,347	-	1,543,347
Unreserved	938,130	-	-	177,047	1,115,177
Total fund balances	<u>938,130</u>	<u>20,469</u>	<u>1,543,347</u>	<u>177,047</u>	<u>2,678,993</u>
Total liabilities and fund balances	<u>\$ 5,060,445</u>	<u>\$ 301,428</u>	<u>\$ 1,882,405</u>	<u>\$ 470,108</u>	<u>\$ 7,714,386</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

Total fund balances of governmental funds (Exhibit C)		\$ 2,678,993
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.		402,458
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,266,195
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.		(7,726)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement	\$ (231,274)	
General obligation bonds payable	(1,240,000)	
Revenue bonds payable	<u>(815,000)</u>	<u>(2,286,274)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 7,053,646</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,998,188	314,549	624,932	267,380	4,205,049
Tuition	909,851	-	-	-	909,851
Other	282,004	6,129	97,471	273,347	658,951
State sources	5,489,588	226	-	205	5,490,019
Federal sources	225,053	-	-	-	225,053
Total revenues	<u>9,904,684</u>	<u>320,904</u>	<u>722,403</u>	<u>540,932</u>	<u>11,488,923</u>
Expenditures:					
Instruction:	<u>6,815,331</u>	<u>-</u>	<u>12,920</u>	<u>363,197</u>	<u>7,191,448</u>
Support services:					
Student services	294,526	-	-	10,458	304,984
Instructional staff services	312,283	-	76,593	6,503	395,379
Administration services	1,026,440	-	-	55,785	1,082,225
Operation and maintenance of plant services	768,350	-	-	14,828	783,178
Transportation services	299,554	-	77,572	17,022	394,148
	<u>2,701,153</u>	<u>-</u>	<u>154,165</u>	<u>104,596</u>	<u>2,959,914</u>
Non-instructional programs:					
Community service operations	<u>2,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,215</u>
Other expenditures:					
Long-term debt:					
Principal	-	305,000	-	-	305,000
Interest	-	41,955	-	-	41,955
Services	-	350	-	-	350
Facilities acquisition and construction	-	-	788,698	85,644	874,342
AEA flowthrough	361,604	-	-	-	361,604
	<u>361,604</u>	<u>347,305</u>	<u>788,698</u>	<u>85,644</u>	<u>1,583,251</u>
Total expenditures	<u>9,880,303</u>	<u>347,305</u>	<u>955,783</u>	<u>553,437</u>	<u>11,736,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,381</u>	<u>(26,401)</u>	<u>(233,380)</u>	<u>(12,505)</u>	<u>(247,905)</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	1,190	-	-	-	1,190
Proceeds of revenue bonds issued	-	-	815,000	-	815,000
Bond issuance costs	-	(11,211)	-	-	(11,211)
Operating transfers in	-	26,691	-	-	26,691
Operating transfers out	-	-	(26,691)	-	(26,691)
	<u>1,190</u>	<u>15,480</u>	<u>788,309</u>	<u>-</u>	<u>804,979</u>
Net change in fund balance	25,571	(10,921)	554,929	(12,505)	557,074
Fund balances beginning of year	<u>912,559</u>	<u>31,390</u>	<u>988,418</u>	<u>189,552</u>	<u>2,121,919</u>
Fund balances end of year	<u>\$ 938,130</u>	<u>20,469</u>	<u>1,543,347</u>	<u>177,047</u>	<u>2,678,993</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ 557,074

**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	\$ 487,005	
Depreciation expense	<u>(336,965)</u>	150,040

Undepreciated basis of fixed assets disposed of during year (234,194)

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. (733)

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(136,781)	
Payments	<u>100,159</u>	(36,622)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(815,000)	
Repaid	<u>305,000</u>	<u>(510,000)</u>

Change in net assets of governmental activities (Exhibit B) \$ (74,435)

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

June 30, 2008

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ -	4,210	4,210
Other receivables	699	-	699
Inventories	8,221	-	8,221
Capital assets, net of accumulated depreciation	<u>39,657</u>	<u>-</u>	<u>39,657</u>
Total assets	<u>48,577</u>	<u>4,210</u>	<u>52,787</u>
Liabilities			
Accounts payable	498	-	498
Interfund payable	23,811	-	23,811
Unearned revenues	<u>4,500</u>	<u>-</u>	<u>4,500</u>
	<u>28,809</u>	<u>-</u>	<u>28,809</u>
Net assets			
Invested in capital assets, net of related debt	39,657	-	39,657
Unrestricted	<u>(19,889)</u>	<u>4,210</u>	<u>(15,679)</u>
Total net assets	<u>\$ 19,768</u>	<u>4,210</u>	<u>23,978</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	School Nutrition	Day Care	Total
Operating revenue:			
Local sources:			
Charges for services	\$ 246,459	20,571	267,030
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	147,484	-	147,484
Benefits	46,191	-	46,191
Services	11,291	-	11,291
Supplies	266,033	-	266,033
Depreciation	6,837	-	6,837
	<u>477,836</u>	<u>-</u>	<u>477,836</u>
Other enterprise operations:			
Salaries	-	22,743	22,743
Benefits	-	7,582	7,582
Supplies	-	1,841	1,841
	<u>-</u>	<u>32,166</u>	<u>32,166</u>
Total operating expenses	<u>477,836</u>	<u>32,166</u>	<u>510,002</u>
Operating (loss)	<u>(231,377)</u>	<u>(11,595)</u>	<u>(242,972)</u>
Non-operating revenues:			
Interest on investments	102	2,684	2,786
State sources	6,025	-	6,025
Federal sources	206,372	-	206,372
	<u>212,499</u>	<u>2,684</u>	<u>215,183</u>
Change in net assets	(18,878)	(8,911)	(27,789)
Net assets beginning of year	<u>38,646</u>	<u>13,121</u>	<u>51,767</u>
Net assets end of year	<u>\$ 19,768</u>	<u>4,210</u>	<u>23,978</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 246,023	20,571	266,594
Cash payments to employees for services	(199,607)	(30,325)	(229,932)
Cash payments to suppliers for goods or services	(250,580)	(1,841)	(252,421)
Net cash provided by (used in) operating activities	<u>(204,164)</u>	<u>(11,595)</u>	<u>(215,759)</u>
Cash flows from non-capital financing activities:			
State grants received	6,025	-	6,025
Federal grants received	180,559	-	180,559
Net cash provided by non-capital financing activities	<u>186,584</u>	<u>-</u>	<u>186,584</u>
Cash flows from capital financing activities:			
Acquisition of fixed assets	(4,481)	-	(4,481)
Cash flows from investing activities:			
Interest on investments	102	2,684	2,786
Net (decrease) in cash and cash equivalents	(21,959)	(8,911)	(30,870)
Cash and cash equivalents beginning of year	(1,852)	13,121	11,269
Cash and cash equivalents end of year	<u>\$ (23,811)</u>	<u>4,210</u>	<u>(19,601)</u>
Reconciliation of operating (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (231,377)	(11,595)	(242,972)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:			
Depreciation	6,837	-	6,837
Commodities used	25,813	-	25,813
(Increase) in other receivables	(690)	-	(690)
Decrease in inventory	433	-	433
Increase in accounts payable	498	-	498
(Decrease) in accrued payroll and benefits	(5,932)	-	(5,932)
Increase in unearned revenue	254	-	254
	<u>\$ (204,164)</u>	<u>(11,595)</u>	<u>(215,759)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$25,813.

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

	<u>Private Purpose Trusts</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 22,884	11,029
Liabilities		
Other payables	<u>-</u>	<u>11,029</u>
Net Assets		
Reserved for special purposes	<u>\$ 22,884</u>	<u>-</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Interest on investments	\$ 886
Contributions	<u>1,375</u>
Total additions	<u>2,261</u>
Deductions:	
Support services:	
Other	<u>2,505</u>
Total deductions	<u>2,505</u>
Change in net assets	(244)
Net assets beginning of year	<u>23,128</u>
Net assets end of year	<u>\$ 22,884</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Iowa Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Iowa Falls, Iowa, and agricultural territory in Hardin 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, Iowa Falls 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. Iowa Falls 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 Hardin County Assessor's Conference Board.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are 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 that are 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are 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 other 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 receipts 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 expenses, including instructional, support and other costs.

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

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

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Day Care Funds. These funds are used to account for the food service and day care operations of the District.

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

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

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

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 with 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 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 Funds are 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, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become 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	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment 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 employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

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

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

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation 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 is deemed to be immaterial at June 30, 2008.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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 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. Budgeting and Budgetary Control

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 support services function.

(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 fund.

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 and the Treasurer of the State of Iowa; 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.

The District had no investments at June 30, 2008.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 128,358	-	-	128,358
Construction in progress	<u>61,992</u>	<u>-</u>	<u>61,992</u>	<u>-</u>
	<u>190,350</u>	<u>-</u>	<u>61,992</u>	<u>128,358</u>
Capital assets being depreciated:				
Land Improvements	971,770	50,521	254,539	767,752
Buildings	8,886,576	245,595	136,442	8,995,729
Furniture and Equipment	<u>4,537,024</u>	<u>190,889</u>	<u>1,181,173</u>	<u>3,546,740</u>
Total capital assets being depreciated	<u>14,395,370</u>	<u>487,005</u>	<u>1,572,154</u>	<u>13,310,221</u>
Less accumulated depreciation for:				
Land Improvements	600,665	10,922	13,652	597,935
Buildings	3,698,480	172,498	20,354	3,850,624
Furniture and Equipment	<u>3,936,226</u>	<u>153,545</u>	<u>1,365,946</u>	<u>2,723,825</u>
Total accumulated depreciation	<u>8,235,371</u>	<u>336,965</u>	<u>1,399,952</u>	<u>7,172,384</u>
Total capital assets being depreciated, net	<u>6,159,999</u>	<u>150,040</u>	<u>172,202</u>	<u>6,137,837</u>
Governmental activities, capital assets, net	<u>\$ 6,350,349</u>	<u>\$ 150,040</u>	<u>\$ 234,194</u>	<u>\$ 6,266,195</u>
Business type activities:				
Furniture and equipment	\$ 172,676	4,481	-	177,157
Less accumulated depreciation	<u>130,663</u>	<u>6,837</u>	<u>-</u>	<u>137,500</u>
Business type activities capital assets, net	<u>\$ 42,013</u>	<u>(2,356)</u>	<u>-</u>	<u>39,657</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 50,181
Unallocated				<u>286,784</u>
				<u>336,965</u>
Business Type activities:				
Food service operations				<u>\$ 6,837</u>

(4) General Obligation Bonds Payable

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

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	2.50%	\$35,398	315,000	350,398
2010	2.80	27,523	320,000	347,523
2011	3.00	18,563	330,000	348,563
2012	3.15	<u>8,663</u>	<u>275,000</u>	<u>283,663</u>
Total		<u>\$90,147</u>	<u>1,240,000</u>	<u>1,330,147</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	<u>Early Retirement</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$194,652	1,545,000	-	1,739,652
Additions	136,781	-	815,000	951,781
Reductions	<u>100,159</u>	<u>305,000</u>	<u>-</u>	<u>405,159</u>
Balance end of year	<u>\$231,274</u>	<u>1,240,000</u>	<u>815,000</u>	<u>2,286,274</u>

(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, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$359,666, \$327,800, and \$287,284 respectively, equal to the required contributions for each year.

(7) Risk Management

Iowa Falls Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. 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 \$361,604 for 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) Revenue Bonds Payable

Details of the District's June 30, 2008 School Infrastructure Sales and Services Tax Revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	3.00%	\$14,466	265,000	279,466
2010	3.10	17,330	270,000	287,330
2011	3.20	<u>8,960</u>	<u>280,000</u>	<u>288,960</u>
Total		<u>\$40,756</u>	<u>815,000</u>	<u>855,756</u>

(10) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$26,691</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(11) Commitments

A) The District was working on renovation of the Rock Run gymnasium at June 30, 2008. The following figures are as of June 30, 2008:

Total contracts	\$694,500
Completed	168,325
Retainage	8,418
Accounts payable	159,907
Project costs yet to be incurred	526,175

B) A boiler replacement project at Riverbend Middle School in the amount of \$168,137 had been approved, but not started.

Required Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types		Proprietary Fund Type		Total Actual	Budgeted Amounts		Final to Actual Variance
	Actual		Actual			Original	Final	
Revenues								
Local sources	\$ 5,773,851		246,561		6,020,412	5,995,469	5,995,469	24,943
State sources	5,490,019		6,025		5,496,044	5,331,437	5,331,437	164,607
Federal sources	225,053		206,372		431,425	446,025	446,025	(14,600)
Total revenues	<u>11,488,923</u>		<u>458,958</u>		<u>11,947,881</u>	<u>11,772,931</u>	<u>11,772,931</u>	<u>174,950</u>
Expenditures								
Instruction	7,191,448		-		7,191,448	7,715,563	7,715,563	524,115
Support services	2,959,914		-		2,959,914	2,848,021	2,848,021	(111,893)
Non-instructional programs	-		510,002		510,002	546,320	546,320	36,318
Other expenditures	1,583,251		-		1,583,251	2,182,711	2,182,711	599,460
Total expenditures	<u>11,734,613</u>		<u>510,002</u>		<u>12,244,615</u>	<u>13,292,615</u>	<u>13,292,615</u>	<u>1,048,000</u>
Excess of revenues over expenditures	(245,690)		(51,044)		(296,734)	(1,519,684)	(1,519,684)	1,222,950
Other financing sources (uses)	<u>804,979</u>		<u>-</u>		<u>804,979</u>	<u>-</u>	<u>-</u>	<u>804,979</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	559,289		(51,044)		508,245	(1,519,684)	(1,519,684)	2,027,929
Balance beginning of year	<u>2,121,919</u>		<u>51,767</u>		<u>2,173,686</u>	<u>1,680,378</u>	<u>1,680,378</u>	<u>493,308</u>
Balance end of year	<u>\$ 2,681,208</u>		<u>723</u>		<u>2,681,931</u>	<u>160,694</u>	<u>160,694</u>	<u>2,521,237</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except 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 a 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the support services function. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	Physical Plant and Equipment Levy	Management Levy	Student Activity	Total
Assets				
Cash and pooled investments	\$ -	73,113	72,660	145,773
Property tax receivable:				
Current year	1,192	2,775	-	3,967
Succeeding year	90,094	200,000	-	290,094
Interfund receivable	-	-	23,811	23,811
Other receivables	-	327	6,136	6,463
Total assets	<u>91,286</u>	<u>276,215</u>	<u>102,607</u>	<u>470,108</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	-	-	2,967	2,967
Deferred revenue:				
Succeeding year property tax	90,094	200,000	-	290,094
	<u>90,094</u>	<u>200,000</u>	<u>2,967</u>	<u>293,061</u>
Fund balance:				
Unreserved fund balance	1,192	76,215	99,640	177,047
Total liabilities and fund balance	<u>\$ 91,286</u>	<u>276,215</u>	<u>99,640</u>	<u>467,141</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Physical Plant and Equipment Levy	Management Levy	Student Activity	Total
Revenues:				
Local sources:				
Local tax	\$ 85,584	181,796	-	267,380
Other	30	9,278	264,039	273,347
State sources	61	144	-	205
Total revenues	<u>85,675</u>	<u>191,218</u>	<u>264,039</u>	<u>540,932</u>
Expenditures:				
Instruction:	-	93,232	269,965	363,197
Support services:				
Student services	-	10,458	-	10,458
Instructional staff services	-	6,503	-	6,503
Administration services	-	55,785	-	55,785
Operation and maintenance of plant services	-	14,828	-	14,828
Transportation services	-	17,022	-	17,022
Other expenditures:				
Facilities acquisition and construction	85,644	-	-	85,644
Total expenditures	<u>85,644</u>	<u>197,828</u>	<u>269,965</u>	<u>553,437</u>
Net change in fund balance	31	(6,610)	(5,926)	(12,505)
Fund balances beginning of year	<u>1,161</u>	<u>82,825</u>	<u>105,566</u>	<u>189,552</u>
Balance end of year	<u>\$ 1,192</u>	<u>76,215</u>	<u>99,640</u>	<u>177,047</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Activity Tickets	\$ -	10,740	10,740	-
HS Musical Theatre	9,469	2,370	1,451	10,388
HS Speech	106	746	852	-
HS Vocal	2,620	732	370	2,982
HS Band	1,225	2,254	1,972	1,507
HS Athletics Misc	1,945	12,373	11,743	2,575
HS Athletics Supplies	-	1,566	1,619	(53)
MS Cross Country	308	840	1,037	111
Boys Basketball	-	10,279	10,279	-
Football	1,876	21,500	15,693	7,683
Soccer	(4,231)	377	2,735	(6,589)
Baseball	-	7,038	8,343	(1,305)
Boys Track	-	5,406	5,680	(274)
Boys Cross Country	-	1,506	1,506	-
Boys Tennis	-	120	120	-
Boys Golf	-	576	576	-
Wrestling	-	1,641	1,641	-
HS Cheerleaders	-	585	585	-
HS Drill Team	2,242	2,392	2,575	2,059
Girls Basketball	-	8,560	7,328	1,232
Volleyball	-	9,858	9,462	396
Girls Softball	-	4,601	3,861	740
Girls Track	-	3,533	3,953	(420)
Girls Cross Country	-	2,051	2,051	-
Girls Tennis	-	1,685	1,685	-
Girls Golf	-	723	723	-
Resale - HS Band	183	460	307	336
HS Band Uniform Maintenance	6,155	17,382	17,325	6,212
Resale - MS Band	382	232	30	584
Resale - Elementary Band	672	232	-	904
RR - Lion's Lead Dog Account	1,195	3,118	2,602	1,711
Elementary Vocal Account	910	1,832	1,262	1,480
Pineview School	16,962	16,353	20,375	12,940
Rock Run School	17,934	11,265	12,463	16,736
HS - SADD Account	2,133	200	1,178	1,155
MS - LIFE Girls Group	522	625	590	557
MS - Science Club	724	1,392	1,435	681
MS - Student Council	5,350	20,000	19,676	5,674
MS - Freedom Pen Project	4	-	-	4
HS - SCI	175	100	119	156
HS - Tshirt Account	4,389	17,910	19,497	2,802
HS Marketing Club	490	-	-	490
HS Future Homemakers	17	-	-	17
HS Future Nurses	125	-	-	125

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Natl Honor Society	541	-	203	338
HS Art Club	565	-	100	465
HS Future Farmers of America	3,406	16,249	14,587	5,068
HS Student Council	3,564	1,783	2,039	3,308
HS Class of 2010	-	1,150	401	749
HS International Club	496	2,192	2,642	46
HS HEARTS Class	874	932	604	1,202
HS Speech Club Individual	2,108	2,537	2,375	2,270
HS Math Club	1,889	326	1,049	1,166
HS Class of 2008	1,911	1,911	2,613	1,209
HS Class of 2009	3,644	1,971	1,320	4,295
HS Popcorn Fund	3,439	9,516	9,996	2,959
HS Yearbook	9,170	19,550	25,828	2,892
Local Revenue - Interest	77	769	769	77
	<u>105,566</u>	<u>264,039</u>	<u>269,965</u>	<u>99,640</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Agency Funds

June 30, 2008

	Balance Beinning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	<u>\$ 9,856</u>	<u>22,824</u>	<u>21,651</u>	<u>11,029</u>
Liabilities				
Other payables	<u>\$ 9,856</u>	<u>22,824</u>	<u>21,651</u>	<u>11,029</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 4,205,049	4,131,910	3,797,258	3,947,659	3,429,851
Tuition	909,851	920,235	778,711	697,387	302,960
Other	658,951	857,693	845,315	529,728	429,504
State sources	5,490,019	5,298,716	4,908,993	4,558,433	4,320,386
Federal sources	225,053	271,055	272,801	277,022	225,561
Total	<u>\$ 11,488,923</u>	<u>11,479,609</u>	<u>10,603,078</u>	<u>10,010,229</u>	<u>8,708,262</u>
Expenditures:					
Instruction	\$ 7,191,448	6,913,178	6,485,458	6,417,976	5,620,739
Support services:					
Student	304,984	278,966	266,983	75,269	76,568
Instructional staff	395,379	305,138	305,943	184,432	208,303
Administration	1,082,225	1,074,310	1,014,899	920,556	822,277
Operation and maintenance					
of plant	783,178	789,718	713,783	650,725	644,017
Transportation	394,148	306,386	347,992	243,628	210,146
Non-instructional programs	2,215	22,825	21,368	12,210	1,213
Other expenditures:					
Facilities acquisition	874,342	1,040,110	424,184	227,948	208,757
Debt Service					
Principal	305,000	300,000	245,000	230,000	215,000
Interest and service charges	42,305	47,867	106,977	166,513	166,564
AEA flowthrough	361,604	354,443	321,953	305,072	308,090
Total	<u>\$ 11,736,828</u>	<u>11,432,941</u>	<u>10,254,540</u>	<u>9,434,329</u>	<u>8,481,674</u>

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**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
Iowa Falls Community School District:

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

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 the Iowa Falls 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 March 27, 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 Iowa Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting.

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

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 Iowa Falls Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Iowa Falls Community School District's financial statements that is more than inconsequential will not be prevented or detected by Iowa Falls Community School District's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

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Fax: (515) 532-3677
bruce@frinkcpa.com

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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, we believe the significant deficiency described above, item 08-I-A, is a material weakness.

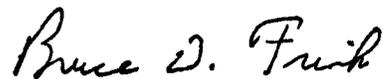
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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. We noted no instances of non-compliance or other matters to be included 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.

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

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



BRUCE D. FRINK
Certified Public Accountant

March 27, 2009

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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:

08-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - During the year ended June 30, 2008, expenditures exceeded the amount budgeted in the support services function.

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.

08-II-C Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-II-D 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.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

- 08-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 08-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 08-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 08-II-I 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.
- 08-II-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.