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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September, 2003 Election)		
Marlene W. Behn	President	2004
Deon E. Senchina	Vice President	2003
Tom Reisetter	Board Member	2003
Richard Vande Kieft	Board Member	2004
Joyce E. Coil	Board Member	2005
Duane L. Hamilton	Board Member	2005
James R. Kenyon	Board Member	2005

Board of Education
(After September, 2003 Election)

Marlene W. Behn	President	2004
Deon E. Senchina	Vice President	2006
Richard Vande Kieft	Board Member	2004
Joyce E. Coil	Board Member	2005
Duane L. Hamilton	Board Member	2005
James R. Kenyon	Board Member	2005
Dan Battcher	Board Member	2006

School Officials

Dr. Daniel H. Smith	Superintendent	2004
Craig Hansel	District Secretary	2004
John Steen	District Treasurer	2004
John C. Larsen	Attorney	Indefinite

Cedar Falls Community School District

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that 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, business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated November 15, 2004 on our consideration of Cedar Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 26 and 49 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinions on those financial statements. The supplementary information included on pages 52 through 59, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

November 15, 2004

Basic Financial Statements

Management Discussion and Analysis Year Ending June 30, 2004

This section of the Cedar Falls Community School District's Annual Financial Report presents our discussion and analysis of the CFCSD financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the CFCSD financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information (RSI) specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June of 1999. Certain comparative information between the current year (2003-2004) and the prior year (2002-2003) is required to be presented in the MD&A. Since FY04 is the second year our district is required to include a MD&A in the annual financial report, all of the comparative data is available for this report.

Financial Highlights

- The District's overall financial position improved from the prior year. The unreserved / undesignated general fund balance increased from \$1,022,746 to \$1,527,334. This improved the district's financial solvency ratio to 4.97% which is an improvement but still under the target range of 5%-10%.
- The CFCSD certified enrollment count taken on September 19, 2003, was 4,197.9. This count represents 18.8 students more than the prior year. This modest student increase is the second year enrollment has increased. This comes on the heels of a large and extended enrollment decline that had taken place since September 20, 1991, when student enrollment levels were recorded at 5,002 students.
- Interest rates continued their decline during FY2004. Investment rates were .9474 in July of 2003 and .9195 in June of 2004. Interest earnings in the General Fund declined from \$153,009 in FY2003 to \$91,615 in FY2004.
- The District ended FY2003 with a fund balance of \$1,059,385. For FY2004 this balance improved to \$1,535,197. This increase of \$475,812 is primarily due to a district levied cash reserve of \$1,502,080.
- The District sold \$3,500,000 in tax revenue anticipation bonds (ISCAP) to meet cash flow needs. This is a decrease from the \$4,500,000 sold in FY2003. The net cost of borrowing for FY 2004 was \$11,220. This is the second year the district has received a net cost rather than a net surplus in 18 years of program participation. The net basis points spread between the borrowing rate of 2.00% and a reinvestment rate of 1.0501% was a difference of 94.99 points.
- Capital project revenue totaled \$3,716,141 and expenditures were \$1,250,748 made from the Local Option Sales Tax funds during FY04.
- Both High School gymnasium entrance and parking lot projects were started in April of 2004. The total contract amount for these projects is \$3,367,200. The general contractor is Peters Construction Inc.
- The activity field was completed at a final cost of \$259,639. The general contractor was Benton's Sand & Gravel.
- The Orchard Hill four classroom addition and new media center began construction in April of 2004. The total contract cost for this project is \$1,301,134. The general contractor is Huff Constriction.
- The Special Education program fund balance ended fiscal year 2004 with a (\$39,260) balance. This is a decrease of \$282,030 from the prior year. The largest deficit balances accrued for Level 1 services where \$248,643 more was spent than revenue received.

Management Discussion and Analysis Year Ending June 30, 2004

- The contribution ratio shows that the District continues to move toward increased local revenue effort while decreasing state contribution levels. This is a result of the district's growing tax base. Taxable valuation increased by \$106,943,234 or 9.67% from January 2003 to January 2004.
- The Day's Net Cash Ratio shows that the District continues to improve cash flow capacity. On June 30, 2003 the District had a combination of cash and investments on hand of \$6,018,433. This amount when divided by FY2004 average daily expenditures of \$82,768 yields 73 days of operating cash flow.
- The district was the benefactor of significant gift from the Elna Christensen estate. As of June 30, 2004 the district had received \$1,383,250. Last will and testament provisions restrict these funds. Only the proceeds may be used for distribution and these are to pay for classroom equipment and supplies. An annual procedure has been created to allocate these funds.
- Governor Vilsack declared an across-the-board (ATB) budget reduction of 2.5%. The amount of this reduction for the CFCSO was \$375,097. On June 25, 2004 Vilsack signed executive order #36 which rescinded ten percent of these reductions making the effective ATB 2.25%. The final budget reduction for CFCSO was \$337,587 after this 10% was restored.

Overview of the Financial Statements

This annual 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 types of statements that present different views of the district:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the CFCSO overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the CFCSO operations in more detail than the district-wide statements.
- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- *Proprietary funds* statements offer short and long-term financial information about business-like activities the district operates (i.e. food service).
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

Management Discussion and Analysis Year Ending June 30, 2004

Government-wide Statements

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

The two government-wide statements report the CFCSD net assets and how they have changed. Net assets, the difference between the CFCSD assets and liabilities, are one way to measure the district's financial health or condition.

- Over time, increases or decreases in net assets can be an indicator of whether the financial position is improving or deteriorating, respectively.
- To accurately assess the overall health of the district consideration needs to be given to additional non-financial factors such as changes in the property tax base, conditions of school facilities, local and state regulations, economic, political climates, student enrollment, etc.

In the government-wide financial statements the activities are shown in two categories:

- **Governmental activities** - Most of the basic services are included here, such as regular and special education, transportation, operation and maintenance, and administration. Property taxes and state aid finance most of these activities.
- **Business type activities** - The district charges fees to help cover the costs of certain services we provide. An example would be the Nutrition Fund.

Fund Financial Statements

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

- Some funds are required by state law and debt requirements.
- The District establishes other funds to control and manage money for particular purposes (i.e., instructional support levy) or to show that it is properly using certain revenues (i.e., Title I, teacher compensation).

The District has three kinds of funds:

- *Governmental Funds* – As mentioned before, most of the basic services are included in governmental funds, which generally focus on (1) how 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance district programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements.

Management Discussion and Analysis Year Ending June 30, 2004

This information explains the relationship (or differences) between them. Specific funds in use during fiscal year 2004 include:

- *General Fund*
 - *Operating Fund - 10*
 - *Special Education – 12*
 - *Teacher Compensation and Phase Program – 14*
 - *Instructional Support Levy (ISL) – 16*
 - *Twenty-first Century Learning Grant (ECHOES) – 18*
 - *Student Fees - 77*
 - *Miscellaneous Agency – 78*
- *Special Revenue Funds*
 - *Student Activity Fund – 21*
 - *Management Fund – 22*
 - *Regular Physical Plant & Equipment Levy (PPEL) – 23*
 - *Public Purpose Trust / Expendable - 27*
- *Capital Projects Fund – 33*
- *Debt Service – 40*
- *Permanent Fund / Public Purpose Trust / Non-Expendable - 45*
- *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 uses internal service funds to report activities that provide supplies or services for other district programs and activities. Specific funds in use during FY2004 include:
 - *Enterprise Funds*
 - *Nutrition – 51*
 - *Internal Service Funds*
 - *Insurance Benefits – 62*
 - *Central Warehouse – 64*
- *Fiduciary Funds* - The district is the trustee, or fiduciary for assets that belong to others, such as the flexible benefit plan. The district is responsible for ensuring that the assets reported in these funds are used for their intended purposes and only by those whom the assets belong. All of the district's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the government-wide financial statements because the district cannot use these assets to finance its operations. Specific funds in use during FY2004 include:
 - *Private Purpose Trust / Non-Expendable – 73*
 - *Agency Funds:*
 - *Private Purpose / Expendable - 71*
 - *Community Admin Fund – 76*
 - *Flexible Spending Accounts - 79*

Management Discussion and Analysis
Year Ending June 30, 2004

Financial Analysis of the District as a Whole

Assets / Liabilities

The district listed net assets of \$25,457,039 on June 30, 2003 and \$32,139,737 on June 30, 2004. This is a net change of \$6,682,698 a 26.3% increase.

Table 2 Condensed Statement of Net Assets

<u>Description</u>	<u>Governmental Activities</u>		<u>Business type Activities</u>		<u>Total School District</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Current and other assets	\$ 26,759,286	\$ 29,576,476	\$ 522,181	\$ 481,748	\$ 27,281,467	\$ 30,058,224
Capital assets	\$ 20,734,861	\$ 22,975,321	\$ 164,044	\$ 167,728	\$ 20,898,905	\$ 23,143,049
Total assets	\$ 47,494,147	\$ 52,551,797	\$ 686,225	\$ 649,476	\$ 48,180,372	\$ 53,201,273
Long-term Liabilities	\$ 3,884	\$ 113,532	\$ -	\$ -	\$ 3,884	\$ 113,532
Other Liabilities	\$ 22,638,294	\$ 20,864,543	\$ 81,155	\$ 83,461	\$ 22,719,449	\$ 20,948,004
Total Liabilities	\$ 22,642,178	\$ 20,978,075	\$ 81,155	\$ 83,461	\$ 22,723,333	\$ 21,061,536
Net assets:					\$ -	\$ -
Investment in Capital assets, net of related debt	\$ 20,734,861	\$ 22,975,321	\$ 164,044	\$ 167,728	\$ 20,898,905	\$ 23,143,049
Restricted	\$ 1,322,256	\$ 2,934,011	\$ -	\$ -	\$ 1,322,256	\$ 2,934,011
Unrestricted	\$ 2,794,852	\$ 5,664,390	\$ 441,026	\$ 398,287	\$ 3,235,878	\$ 6,062,677
Total net assets	\$ 24,851,969	\$ 31,573,722	\$ 605,070	\$ 566,015	\$ 25,457,039	\$ 32,139,737

Asset changes result from many factors. Some major changes occur as a result of taking a physical inventory. FY2003 was a scheduled inventory year however, much of the cleanup and recording of the assets did not occur until FY2004. The district's procedures are to conduct a physical inventory every three years. Capital asset inventory totals are adjusted based on actual items found. Along with these inventory adjustments asset totals increased this year due to the addition of the Elna Christensen gift, facility capitalization amounts from new construction activity, and an increase in cash investments due to the cash reserve levy.

**Management Discussion and Analysis
Year Ending June 30, 2004**

The following table shows the changes in net assets for the year ended June 30, 2004.

Table 2A Changes in Net Assets

Description (All Amounts listed in Thousand of Dollars)	Governmental Activities	Business Activities	Total School District
Revenues:			
Program revenues:			
Charges for service and sales	\$ 2,740	\$ 1,078	\$ 3,818
Operating grants, contributions and restricted interest	\$ 4,620	\$ 444	\$ 5,064
Capital grants, contributions and restricted interest	\$ 118	\$ -	\$ 118
General revenues:			
Property tax	\$ 12,945	\$ -	\$ 12,945
Local Option tax	\$ 3,575		\$ 3,575
Unrestricted state grants	\$ 13,876	\$ -	\$ 13,876
Unrestricted investment earnings	\$ 112	\$ 4	\$ 116
Other	\$ 7	\$ -	\$ 7
Total revenues	\$ 37,993	\$ 1,526	\$ 39,519
Program expenses:			
Governmental activities:			
Instruction	\$ 20,892	\$ -	\$ 20,892
Support services	\$ 7,987	\$ -	\$ 7,987
Non-instructional programs	\$ -	\$ 1,565	\$ 1,565
Other expenses	\$ 2,392	\$ -	\$ 2,392
Total expenses	\$ 31,271	\$ 1,565	\$ 32,836
Change in net assets	\$ 6,722	\$ (39)	\$ 6,683

Governmental Activities

Revenues for governmental activities were \$37,992,885 and expenses were \$31,271,132. Revenue exceeded expenses by \$6,721,753. The Elna Christensen gift accounts for the grant revenue increase. The expenditures this year are much lower than the prior year. One of the primary reasons is that in FY2003 the district retired bonds with the face value of \$5,000,000 while FY2004 did not have this expenditure.

Business type Activities

Revenues of the District's business type activities were \$1,526,279 and expenses were \$1,565,334. The District's business type activities include the School Nutrition Fund. Income for these activities is comprised of charges for service, federal and state reimbursements and investment income. The District did not adjust meal prices this year; however, this may need to be a consideration if the expenses continue to be higher than income in subsequent years. Higher fuel prices coupled with crop failures in vegetable growing areas have combined to increase raw food costs by over 5%. This is the second year the Nutrition Fund as ended the year with a lower fund balance.

Management Discussion and Analysis
Year Ending June 30, 2004

Revenues

The total revenues were \$42,659,953 (See Table 4) for the year ended June 30, 2004. Local and state revenues represent 97% of the total (See Figure 2). Within these sources, property taxes and state foundation aid account for 85%, while open enrollment tuition, investment earnings, building rentals, and other miscellaneous fees represent the rest. Federal sources are 3% of the total pie received primarily in the form of grants. Total combined revenues divided by the September 2003 certified enrollment of 4,197.9 yields \$10,162.21 received per pupil in FY2004

Figure 2 Sources of Cedar Falls Community School Revenues
Fiscal Year 2004

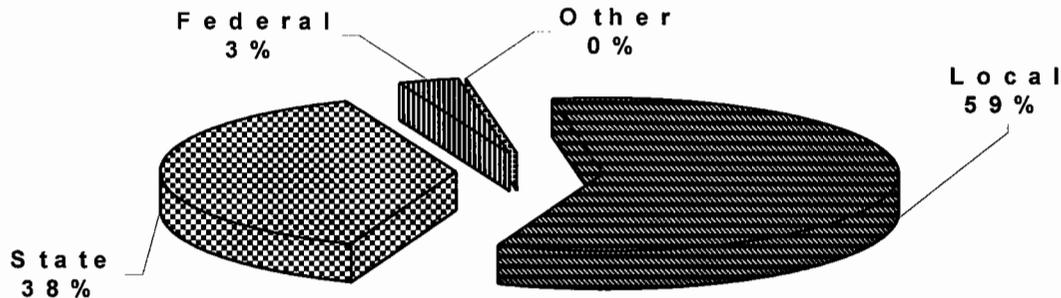


Table 4 Combined Statement of Revenue

	Local Source codes 1000-2999	State Source codes 3000-3999	Federal Source codes 4000-4999	Other Source codes 5000-9999	Fund Totals
Governmental:					
General	\$ 13,613,448	\$ 16,130,940	\$ 967,211	\$ 6,916	\$ 30,718,515
Management	\$ 458,354	\$ 394	\$ -	\$ -	\$ 458,748
Student Activity	\$ 727,110	\$ -	\$ -	\$ -	\$ 727,110
PPEL	\$ 999,642	\$ 667	\$ -	\$ -	\$ 1,000,309
Public Purp. / expend.	\$ 8,879	\$ -	\$ -	\$ -	\$ 8,879
Public Purp. Perm. / nonexpend.	\$ 1,366,824	\$ -	\$ -	\$ -	\$ 1,366,824
Capital Projects	\$ 3,597,957	\$ -	\$ 118,184	\$ -	\$ 3,716,141
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
SubTotal Governmental	\$ 20,772,214	\$ 16,132,001	\$ 1,085,395	\$ 6,916	\$ 37,996,526
Proprietary					
Nutrition	\$ 1,082,410	\$ 15,635	\$ 428,234	\$ -	\$ 1,526,279
Internal Service	\$ 3,134,677	\$ -	\$ -	\$ -	\$ 3,134,677
SubTotal Proprietary	\$ 4,217,087	\$ 15,635	\$ 428,234	\$ -	\$ 4,660,956
Fiduciary					
Private purp. / nonexpend.	\$ 2,471	\$ -	\$ -	\$ -	\$ 2,471
Agency	\$ -	\$ -	\$ -	\$ -	\$ -
SubTotal Fiduciary	\$ 2,471	\$ -	\$ -	\$ -	\$ 2,471
Totals	\$ 24,991,772	\$ 16,147,636	\$ 1,513,629	\$ 6,916	\$ 42,659,953

Management Discussion and Analysis
Year Ending June 30, 2004

Expenditures

Total expenditures for all funds are \$38,113,672 (See Table 5) for the year ended June 30, 2004. The “other” category (See Figure 3) includes AEA flow through and interest. Employee expenses are predominantly related to staff members educating and caring for students. This represents 83% of total expenditures for all funds. Purchased services included \$1,250,748 spent in the capital projects fund for new construction and renovation of district facilities. Total combined expenditures divided by the certified enrollment yields \$9,093.97 per pupil in FY2004.

Figure 3 Sources of Cedar Falls Community School Expenditures
Fiscal Year 2004

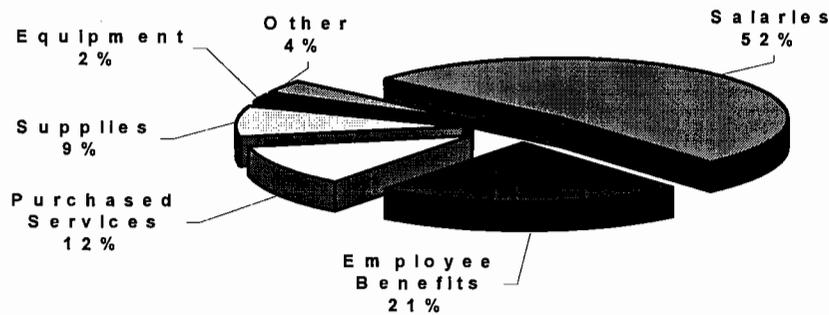


Table 5 Combined Statement of Expenditures

	Salaries	Employee Benefits	Purchased Services	Supplies	Equipment	Other	Fund Totals
Governmental:							
General	\$ 19,529,591	\$ 4,834,499	\$ 1,999,318	\$ 2,030,509	\$ 486,152	\$ 1,362,634	\$ 30,242,703
Management	\$ -	\$ 108,815	\$ 218,838	\$ -	\$ -	\$ -	\$ 327,653
Student Activity	\$ -	\$ -	\$ 180,220	\$ 474,058	\$ 33,975	\$ -	\$ 688,253
PPEL	\$ -	\$ -	\$ 776,343	\$ -	\$ 124,611	\$ -	\$ 900,954
Public Purp. / expend.	\$ -	\$ 1,055	\$ 2,681	\$ -	\$ -	\$ -	\$ 3,736
Public Purp. Perm. / nonexpend	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Projects	\$ -	\$ -	\$ 1,238,955	\$ 7,378	\$ 4,415	\$ -	\$ 1,250,748
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SubTotal Governmental	\$ 19,529,591	\$ 4,944,369	\$ 4,416,355	\$ 2,511,945	\$ 649,153	\$ 1,362,634	\$ 33,414,047
Proprietary							
Nutrition	\$ 476,617	\$ 117,616	\$ 16,142	\$ 861,191	\$ 88,743	\$ 5,025	\$ 1,565,334
Internal Service	\$ -	\$ 3,134,291	\$ -	\$ -	\$ -	\$ -	\$ 3,134,291
SubTotal Proprietary	\$ 476,617	\$ 3,251,907	\$ 16,142	\$ 861,191	\$ 88,743	\$ 5,025	\$ 4,699,625
Fiduciary							
Private purp. / nonexpend	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Agency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SubTotal Fiduciary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals	\$ 20,006,208	\$ 8,196,276	\$ 4,432,497	\$ 3,373,136	\$ 737,896	\$ 1,367,659	\$ 38,113,672

**Management Discussion and Analysis
Year Ending June 30, 2004**

Changes in Fund Balances or Retained Earnings

Comparative data was available for both FY2003 and FY2004. Below is listed a table illustrating the changes in retained earnings or fund balances between those two years.

**Table 6
Combined Statement of Revenues, Expenses, & Changes in Retained Earnings or Fund Balance**

<u>All Amounts listed in Thousands of Dollars</u>	Governmental Activities		Proprietary Activities		Fiduciary Activities		Total School District		Total Percentage Change
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	
Revenues:									
Local sources	\$ 19,324.7	\$ 20,779.1	\$ 3,893.5	\$ 4,217.1	\$ 6.9	\$ 2.5	\$ 23,225.1	\$ 24,998.7	7.6%
State Sources	\$ 16,168.6	\$ 16,132.0	\$ 15.5	\$ 15.6	\$ -	\$ -	\$ 16,184.1	\$ 16,147.6	-0.2%
Federal sources	\$ 1,516.4	\$ 1,085.4	\$ 308.9	\$ 428.2	\$ -	\$ -	\$ 1,825.3	\$ 1,513.6	-17.1%
Total revenues	\$ 37,009.6	\$ 37,996.5	\$ 4,217.9	\$ 4,660.9	\$ 6.9	\$ 2.5	\$ 41,234.4	\$ 42,659.9	3.5%
Expenditures:									
Instruction	\$ 21,095.7	\$ 21,316.7	\$ -	\$ -	\$ -	\$ -	\$ 21,095.7	\$ 21,316.7	1.0%
Support services	\$ 8,416.8	\$ 8,733.9	\$ -	\$ -	\$ -	\$ -	\$ 8,416.8	\$ 8,733.9	3.8%
Other expenditures	\$ 10,916.3	\$ 3,363.5	\$ 4,298.6	\$ 4,699.6	\$ 17.8	\$ -	\$ 15,232.7	\$ 8,063.1	-47.1%
Total expenditures	\$ 40,428.8	\$ 33,414.0	\$ 4,298.6	\$ 4,699.6	\$ 17.8	\$ -	\$ 44,745.2	\$ 38,113.7	-14.8%
Excess (deficiency) of revenues over (under) expenditures	\$ (3,419)	\$ 4,582	\$ (81)	\$ (39)	\$ (11)	\$ 2	\$ (3,511)	\$ 4,546	-229.5%
Other financing sources (uses):									
Sale of equipment	\$ 5						\$ 5	\$ -	-100.0%
Transfers & non-operating - in	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -	#DIV/0!
Transfers & non-operating - out	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -	
Total other financing sources (uses)	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	-100.0%
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	\$ (3,415)	\$ 4,582	\$ (81)	\$ (39)	\$ (11)	\$ 2	\$ (3,506)	\$ 4,546	-229.7%
Fund Balance, beginning of year	\$ 7,518	\$ 4,103	\$ 688	\$ 607	\$ 52	\$ 41	\$ 8,258	\$ 4,751	-42.5%
Fund Balance, end of year	\$ 4,103	\$ 8,685	\$ 607	\$ 568	\$ 41	\$ 43	\$ 4,752	\$ 9,297	95.7%

Note: Totals may not add due to rounding.

**Management Discussion and Analysis
Year Ending June 30, 2004**

Financial Analysis of District Funds

The financial performance of the District as a whole is reflected in its combined statement. As the District completed the year, reported a combined fund balance of \$9,297,000. This is much higher year's ending fund balance than the previous years \$4,752,000.

Revenues for the combined statements of fund activities \$42,659,953 and total expenses were \$38,113,672. Much of the decrease in expenditures is a result of lower construction activity than was recorded the previous year while Cedar Heights elementary was under construction.

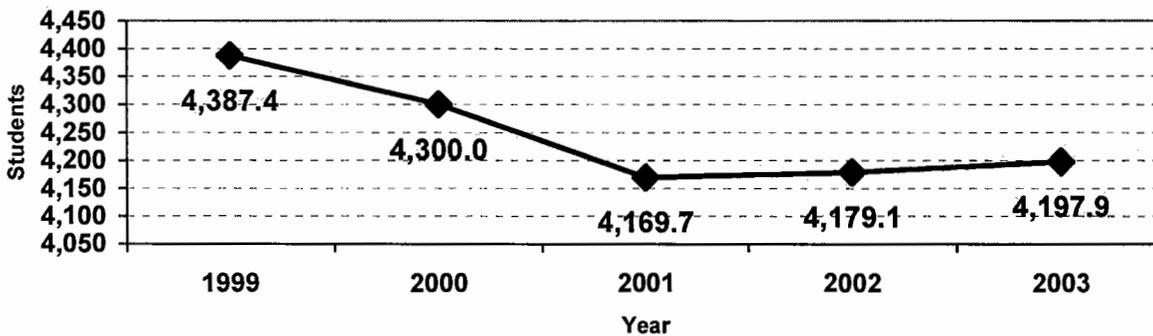
General Fund

The General Fund includes the primary operations of the District in providing educational services to students from K-12, including pupil transportation activities, facility care and maintenance.

The following graph shows that the number of students has decreased by 190 students over the last five years.

Figure 3

STUDENTS (Certified Enrollment)



Over the last five years, the District has averaged a loss of over 38 students per year. Since the state aid formula is pupil driven, the financial impact of this enrollment decline has been dramatic. We do, however see an end to this trend. FY2003 is the first year of the past eight the certified enrollment as increased. Although this 9.4 student increase is small it does end a cycle of enrollment decline where since 1991 the District has lost 832 students or 20% of the total student population.

**Management Discussion and Analysis
Year Ending June 30, 2004**

Asset/Liability Ratio

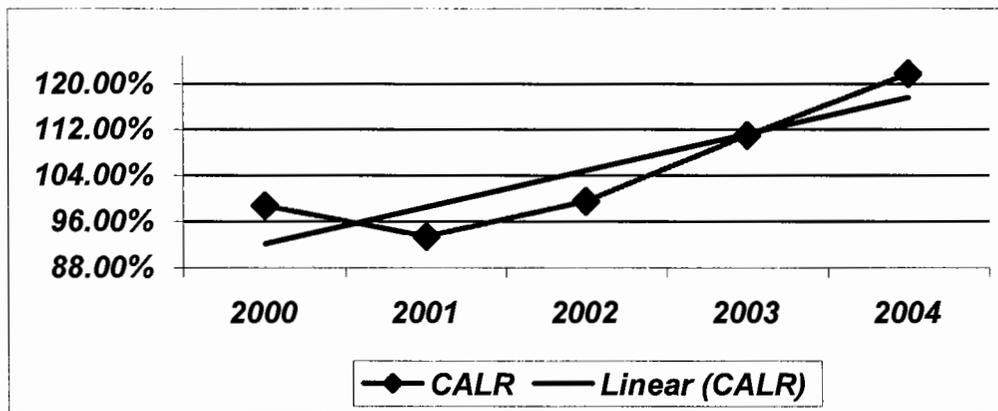
The current asset to liabilities ratio (CALR) is an important financial indicator for Iowa schools. It measures changes taking place on the balance sheet. This ratio provides a good test of whether or not the district is maintaining the asset base to keep pace with growing liabilities. Ratios less than 100% show that the district would not have sufficient assets to satisfy all liability obligations. Although districts do not go out of business, this condition would indicate the district was operationally bankrupt. A CALR greater than 100% indicates the district has a sufficient asset base to satisfy all current liabilities.

The indicator is calculated by using the following formulas:

$$\text{CALR} = \text{Current assets} / \text{Current liabilities}$$

Table 3 Assets to Liabilities Ratio

Year	Assets	Liabilities	CALR
2000	\$ 9,401,938	\$ 9,524,618	98.71%
2001	\$ 9,057,044	\$ 9,698,833	93.38%
2002	\$ 9,530,692	\$ 9,580,717	99.48%
2003	\$ 10,414,470	\$ 9,387,337	110.94%
2004	\$ 8,580,025	\$ 7,044,828	121.79%



For FY04 the District once again improved the asset to liabilities ratio. The primary reason the District is able to improve this indicator is the use of the cash reserve levy. This fiscal year the District levied \$1,502,080 for cash reserve.

Management Discussion and Analysis
Year Ending June 30, 2004

Revenue

The following schedule presents a summary of General Fund Revenues.

Table 7

Source Description	Year Ended June 30, 2004	Year Ended June 30, 2003	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources:				
Property Taxes	\$ 11,502,245	\$ 11,336,926	\$ 165,319	1.46%
Tuition	\$ 1,626,894	\$ 1,526,842	\$ 100,052	6.55%
Transportation Fees	\$ 12,752	\$ 16,074	\$ (3,322)	-20.67%
Investment Interest	\$ 91,615	\$ 153,009	\$ (61,394)	-40.12%
Rentals	\$ 28,187	\$ 28,560	\$ (373)	-1.31%
Other local sources	\$ 358,671	\$ 381,053	\$ (22,382)	-5.87%
Total Local Sources	\$ 13,620,364	\$ 13,442,464	\$ 177,900	1.32%
State Sources:				
Foundation Aid	\$ 13,866,139	\$ 13,780,139	\$ 86,000	0.62%
Phase Program	\$ 362,208	\$ 447,687	\$ (85,479)	-19.09%
AEA Flowthrough	\$ 1,211,772	\$ 1,279,580	\$ (67,808)	-5.30%
Nonpublic Transportation	\$ 75,844	\$ 74,617	\$ 1,227	1.64%
Vocational Aid	\$ 41,414	\$ 25,026	\$ 16,388	65.48%
Other state sources	\$ 573,563	\$ 557,645	\$ 15,918	2.85%
Total State Sources	\$ 16,130,940	\$ 16,164,694	\$ (33,754)	-0.21%
Federal Sources:				
Title I	\$ 432,134	\$ 476,814	\$ (44,680)	-9.37%
Other Grants and Aids	\$ 535,077	\$ 739,964	\$ (204,887)	-27.69%
Total Federal Sources	\$ 967,211	\$ 1,216,778	\$ (249,567)	-20.51%
Total General Fund Revenue	\$ 30,718,515	\$ 30,823,936	\$ (105,421)	-0.34%

Total General Fund revenues decreased \$105,421 or -0.34% from the previous year. Basic General Fund revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. As the school district's assessed valuation base increases, equalized mix of property tax and state aid revenue shifts from the state to a greater local effort. Therefore, the mix of property tax and state aid can change from year to year without any net change in revenue. The FY2004 state formula regular program cost per pupil for CFCSD was \$4,655. Total General Fund revenue divided by the certified enrollment yields \$7,350.51 received in FY2004 compared to \$7,392.36 received per pupil in FY2003.

During difficult budget years, the state has reduced aid payments to schools. Because of the foundation formula, schools have traditionally kept the spending authority along with the aid reduction. The District has the option to levy additional local property taxes the following year to recover this lost revenue.

The Phase II program and AEA flow-through formula funding were both reduced for this year as seen in the table above. The Phase III program was eliminated in FY2004.

Federal funding to the District decreased when compared with one year ago. This primarily due to the impact of not receiving funding under the 21st Century Learning Grant that had funded our ECHOES program for the past three years. The District also received \$156,583 additional aid under Part B of the special education program. Title I funding also increased by \$100,018 and more federal dollars were made available through class size reduction funding.

**Management Discussion and Analysis
Year Ending June 30, 2004**

Expenditures

The following schedule presents a summary of General Fund expenditures.

Table 8

Source Description	Year Ended June 30, 2004	Year Ended June 30, 2003	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 19,529,591	\$ 19,323,358	\$ 206,233	1.07%
Employees Benefits	\$ 4,834,499	\$ 4,600,198	\$ 234,301	5.09%
Purchased Services	\$ 1,999,318	\$ 1,875,082	\$ 124,236	6.63%
Supplies	\$ 2,030,509	\$ 2,019,058	\$ 11,451	0.57%
Property Equipment	\$ 486,152	\$ 516,717	\$ (30,565)	-5.92%
Dues, Fees, & Interest Charges	\$ 150,862	\$ 125,547	\$ 25,315	20.16%
AEA Flowthrough & Other	\$ 1,211,772	\$ 1,279,580	\$ (67,808)	-5.30%
Total General Fund Expenditures	\$ 30,242,703	\$ 29,739,540	\$ 503,163	1.69%

Total General Fund expenditures increased \$470,911 or 1.58% from the previous year. Additional staffing was added to classrooms due to enrollment changes and our continuing efforts to keep lower elementary class sizes small. Total general fund expenditures divided by the certified enrollment yields \$7,228.94 spent per pupil in FY2004 compared to \$7,132.30 spent per pupil in FY2003.

In FY2004 salaries increased .90% and employee benefits increased by 5.09%. The larger increase in benefits is primarily due to double-digit increases in the cost of health insurance premiums. In FY2002 premium increase in health insurance to the district were 12%, FY2003 25%, and FY2004 15%. The District continues to look at various cost containment measures to minimize the effect rising health insurance premiums have on the costs of the district's employee compensation packages.

The debt interest charges increased from \$99,000 in fiscal year 2003 to \$110,220 in FY2004, a net change of \$11,220. For many years the District has participated in the ISCAP program in order to borrow money for cash flow purposes and has benefited from the program economics it provides. In 2004 the basis spread between the borrowing costs and reinvestment rate was only 94.99 points creating a net borrowing cost for the District rather than a surplus which the District enjoyed for many years.

**Management Discussion and Analysis
Year Ending June 30, 2004**

Revenue (Deficit) Margin Ratio

The revenue (deficit) margin ratio (RMR) is an important financial indicator for Iowa schools in that it measures operating results for the current year. This ratio is a quick and simple test designed to show whether or not the district received more than it spent. In any given year the ratio target should be greater than zero. Negative numbers mean that expenditures exceeded revenue. Over time this will deteriorate the financial condition of the district. Ratios greater than zero indicate that revenues exceed expenditures in that fiscal year.

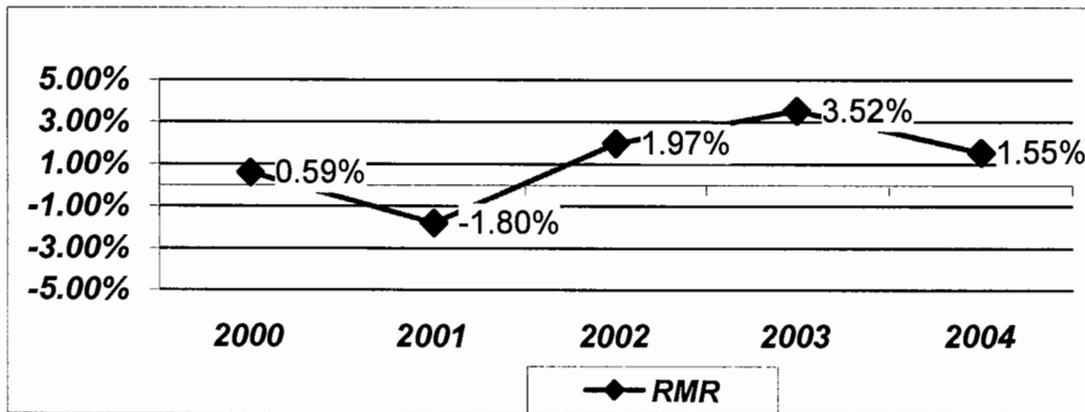
The indicator is calculated by using the following formulas:

$$\text{RMR} = \frac{\text{Current year revenue} - \text{current year expenditures (net revenue)}}{\text{Total revenue}}$$

Table 9 Revenue (Deficit) Margin Ratio

Year	Total Revenue	Total Expenditures	Net Revenue (Deficit)	Revenue (Deficit) Margin Ratio
2000	\$ 28,398,171	\$ 28,230,521	\$ 167,650	0.59%
2001	\$ 28,890,034	\$ 29,409,143	\$ (519,109)	-1.80%
2002	\$ 30,033,626	\$ 29,441,862	\$ 591,764	1.97%
2003	\$ 30,823,936	\$ 29,739,540	\$ 1,084,396	3.52%
2004	\$ 30,718,515	\$ 30,242,703	\$ 475,812	1.55%

RMR



This indicator is best suited as a year-by-year snapshot of operating results. For FY2004 the District RMR was 1.65%. Simply stated the District took in more revenue than expenditures. Even though this amount is lower than the immediate past two years the indicator is positive. The District is not out spending recurring revenues.

**Management Discussion and Analysis
Year Ending June 30, 2004**

Revenue & Expenditure Exchange Ratio

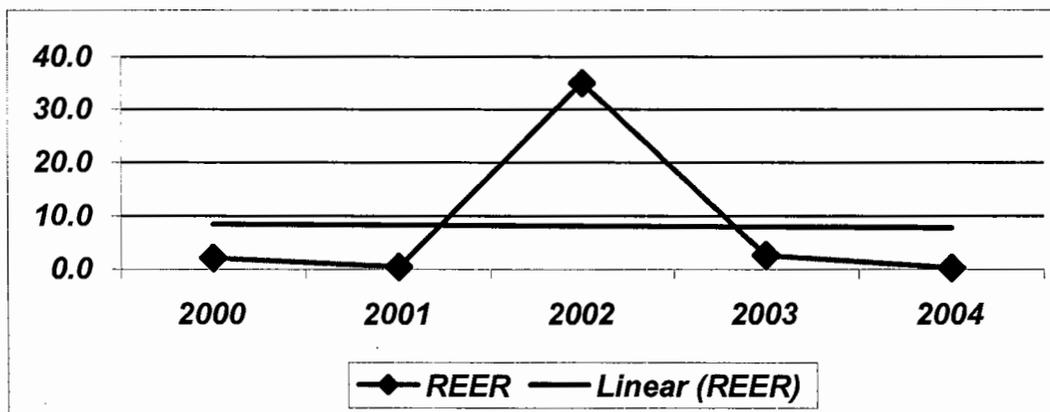
The revenue and expenditure exchange ratio (REER) is an important financial indicator for Iowa schools in that it measures simple spending patterns within the district. This ratio provides a good test of whether or not the district is keeping the expenditures within recurring revenues. Ratios less than 100% show that the net revenue change from one year to the next is less than the net change for the expenditures in those same years. If allowed to continue over time, this financial behavior will deteriorate the financial condition of the District. Revenue ratios greater than 100% indicate that revenues are growing a faster pace than are expenditures.

The indicator is calculated by using the following formulas:

$$\text{REER} = \frac{\text{Current year revenue} - \text{Prior year revenue}}{\text{Current year expenditures} - \text{Prior year Expenditures}}$$

Table 10 Revenue & Expenditure Exchange Ratio

Year	Revenue	Expenditures	REER	Expenditure
1999	\$ 27,227,403	\$ 27,676,967		
2000	\$ 28,398,171	\$ 28,230,521	2.1	1.0
2001	\$ 28,890,034	\$ 29,409,143	0.4	1.0
2002	\$ 30,033,626	\$ 29,441,862	35.0	1.0
2003	\$ 30,823,936	\$ 29,746,778	2.6	1.0
2004	\$ 30,718,515	\$ 30,242,703	0.2	1.0



The table and graph above illustrates a large positive change taking place in the indicator between fiscal years 2001 and 2002. The primary reason was an increase in the amount requested for cash reserve. \$1,107,483 was levied compared to \$434,798 the prior year. This increase in cash reserve was possible due to the expiration of the first ten-year cycle (June 30, 2002) of the instructional support levy. Voters were told the District would not levy both cash reserve and the ISL at the same time during this first ten-year cycle. The new ISL cycle does not carry this same restriction. In FY2004 cash reserve of \$ 1,502,080 was levied.

The trend for this indicator is neutral. A stable indicator trend reflects that revenue change from one fiscal year is only slightly greater or equal to the corresponding expenditure change.

**Management Discussion and Analysis
Year Ending June 30, 2004**

Day's Net Cash Ratio

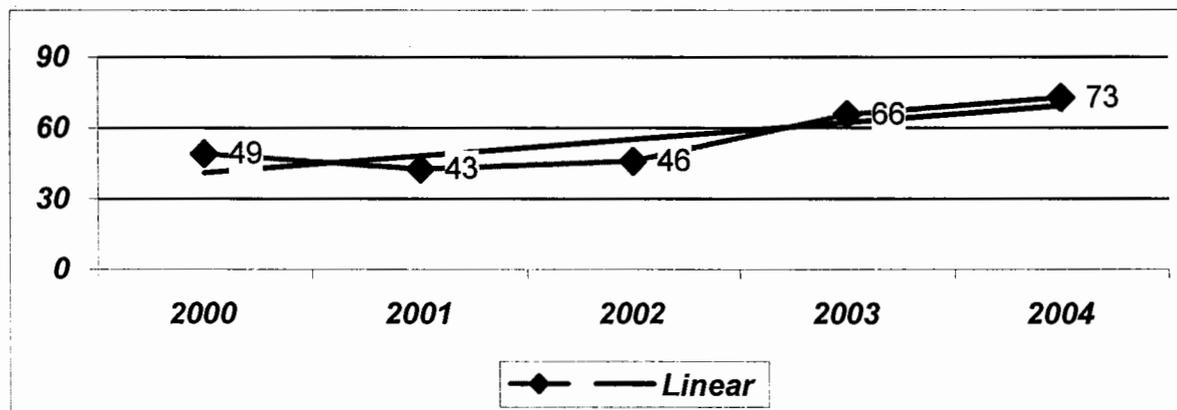
The Day's Net Cash Ratio (DNCR) is an important financial indicator for Iowa schools. It measures how long a district can operate for cash flow purposes without the infusion of additional revenue. This ratio provides a good test of whether or not the district is keeping an adequate balance of liquid cash and investments on hand to service recurring routine expenditures. The larger the number of days this ratio shows, the better the district can manage bills or accommodate any disruption in the revenue stream. A 90 day balance appears to be a reasonable target for this indicator due to the fact that the state of Iowa makes it's final fiscal year state aid payment on June 15 and does not make the new fiscal year beginning payment until September 15.

The indicator is calculated by using the following formula:

$$\text{DNCR} = \text{Liquid cash} + \text{liquid investments} / \text{Average daily cash expenditures}$$

Table 11 Day's Net Cash Ratio

Year	Cash & Investments	Total General Fund Expenditures	Daily (365) Average Expenditures	Day's Net Cash Ratio
2000	\$ 3,789,923	\$ 28,230,521	\$ 77,344	49
2001	\$ 3,426,318	\$ 29,409,143	\$ 80,573	43
2002	\$ 3,703,599	\$ 29,441,862	\$ 80,663	46
2003	\$ 5,341,951	\$ 29,739,540	\$ 81,478	66
2004	\$ 6,018,433	\$ 30,242,703	\$ 82,857	73



The trend as illustrated above is stable to slightly higher. The District improved from 66 DNCR to 73 DNCR. Levying cash reserve is primarily responsible for this financial improvement.

**Management Discussion and Analysis
Year Ending June 30, 2004**

Spending Authority

The Unspent Balance Ratio is an important indicator for Iowa schools. It measures the remaining amount of spending authority available to be carried forward into the next budget cycle. The indicator is calculated by using the following formulas:

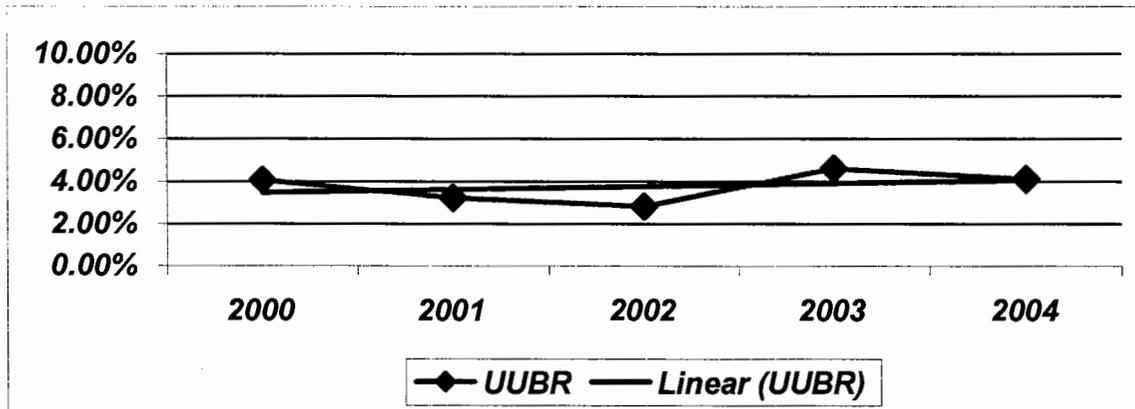
$$\text{Unspent Balance Ratio (UBR)} = \text{total unspent authority} / \text{maximum budget authority}$$

$$\text{Unreserved Unspent Balance Ratio (UUBR)} = \text{unreserved unspent authority} / \text{maximum budget authority.}$$

Since Iowa schools are financed by the state foundation aid formula, fund balances shown on these financial statements do not necessarily reflect the district's true financial condition. Including this indicator in these financial statements provides a more complete picture of the district's financial health. Since ratios are proven to be more reliable when reviewed over time, a five-year table has been provided.

Table 13 Unspent Balance Ratio

Year	Maximum Authorized Budget	Regular Unspent Balance	Unreserved Unspent Balance	UBR	UUBR
2000	\$ 30,850,240	\$ 2,419,114	\$ 1,249,499	7.84%	4.05%
2001	\$ 31,391,757	\$ 2,222,500	\$ 1,011,416	7.08%	3.22%
2002	\$ 31,716,533	\$ 2,157,092	\$ 894,987	6.80%	2.82%
2003	\$ 32,280,328	\$ 2,867,298	\$ 1,483,722	8.88%	4.60%
2004	\$ 32,562,257	\$ 2,512,238	\$ 1,334,144	7.72%	4.10%



As illustrated by the flat trendline above, the CFCSD spending authority carried from one budget year to the next has been very stable. The ratio had been declining except for the improvement seen last year. Since the district does budget this unused authority in the next budget cycle, this stability is very important. It allows the district to have some flexibility in dealing with unanticipated or emergency type expenditures. The ratio indicator for FY04 did decline slightly.

The target range for this financial indicator is 5%-10%. For FY04 the CFCSD UUBR = 4.10% down .50% from last year.

**Management Discussion and Analysis
Year Ending June 30, 2004**

General Fund Budgetary Highlights

- District continues to budget on the cash basis.
- Two types of budget authority exists: (1) Authorizing only the statutorily set maximum spending authority and (2) Authorizing the certified budget which can include budgeting fund balances beyond spending authority. The district uses the second approach philosophy of budgeting the fund balance to develop the legal maximum authorization for each one of the four monitored budget compliance areas of instruction, support, non-instructional, and other. This helps to reduce the possibility of overspending a budget area by mistake. That is why the percent of budget spent is lower than if the first method was used.
- No budget amendments were required for FY2004.
- Expenditures did not exceed budget in the four mandatory areas of compliance. (See Table 14)
- Budgeted expenditures include both unspent spending authority from the prior year and general fund cash balance.
- 2.5% across-the-board reduction was received amounting to \$337,587
- \$ 1,502,080 was levied for cash reserve.
- The Management Fund levy amount remained the same as last year.

Table 14

General Fund Combined Statement of Legal Budget Compliance – Cash Basis

	2003 Budget	2003 Actual	% of Budget	2004 Budget	2004 Actual	% of Budget
Total Revenues	\$ 38,759,283	\$ 38,035,702	98%	\$ 38,550,110	\$ 38,414,368	100%
Expenditures:						
Instruction	\$ 24,621,523	\$ 20,619,759	84%	\$ 25,505,070	\$ 21,087,882	83%
Support Services	\$ 10,135,793	\$ 8,300,176	82%	\$ 10,021,522	\$ 8,806,078	88%
Noninstructional Programs	\$ 1,990,750	\$ 1,354,476	68%	\$ 1,930,714	\$ 1,465,586	76%
Other	\$ 13,933,652	\$ 11,078,299	80%	\$ 6,880,600	\$ 3,011,692	44%
Total Expenditures	\$ 50,681,718	\$ 41,352,710	82%	\$ 44,337,906	\$ 34,371,238	78%

Capital Projects

The Capital Projects revenues and other financing sources exceeded expenditures by \$2,465,393, resulting in a fund balance of \$4,215,981 at June 30, 2004. Projects initiated in April of 2004 include: the High School parking lot, gymnasium lobby, English/administration additions, and first floor renovations. Peters Construction is the general contractor for this project that has an expected completion date of September 2005. The contract cost for this project is \$3,367,200. The Orchard Hill Elementary classroom addition, media center addition and other building renovations work has a project completion date of October 2005. The Huff construction contract for this project is \$1,301,134. Design preparations for the new Lincoln Elementary began in May 2004.

Management Discussion and Analysis Year Ending June 30, 2004

Debt Service Fund

The District had no bonded indebtedness during FY2004.

Management Fund

The Management Fund consists of pure property tax and is levied according to the Board of Education's discretion. Allowable fund expenditures include property, liability, and workers compensation insurance. The district can also pay for any self-insurance exposures or legal judgments charged to the district. The district carries a \$25,000 deductible on all property losses. As a result of this high deductible, the district paid \$38,785 in property losses for FY2004. Fund revenues totaled \$458,748 while expenditures were \$327,653. Revenue exceeded expenditures by \$131,095. Total property and liability insurance premiums decreased from \$297,178 in FY2003 to \$294,236 in FY2004. Major factors included in this total: workers compensation insurance costs decreased of \$7,433 while property increased by \$17,534 and auto insurance decreased by \$17,689.

Student Activities Fund

The Student Activities Fund contains 88 sub-accounts tracking activities including athletics, school pictures, student clubs, and building fund raising events. Of those 88 accounts nine ended the year with a negative balance. All revenue is in the form of local fees, contributions, and gate receipts. No state aid or property tax funds are spent through these accounts. Fund revenues totaled \$727,110 while expenditures totaled \$688,253. Revenues exceeded expenditures by \$38,857.

Nutrition Fund

The Nutrition Fund tracks all activities related to district-wide food service operations. The primary source of revenue comes from student meal ticket sales. A participation in the national school lunch program does bring some state and federal meal reimbursements for free or reduced status students. Fund revenues totaled \$1,526,279 while expenditures were \$1,565,334. Expenditures exceeded revenues by \$39,055. This decreased the fund balance to \$566,015. Student meal prices remained the same as the previous year. The current rates for elementary lunches are \$1.40, secondary \$1.50, and adult \$2.25. Major equipment, repair, and implementation of the new school dining computer system expenses are primarily responsible for the higher expenditures.

Physical Plant and Equipment Fund (PPEL)

The PPEL Fund consists of two funding components. One part is the \$.33 property tax levied according to the Board of Education's discretion; the second part is the voter approved \$.67 property tax portion. Combined, these taxes total \$1.00 per \$1,000 in assessed valuation. This fund is used to renovate and maintain all school facilities. Major projects during FY2004 include: Roof replacement work at the High School over the science area, Peet gymnasium, Hansen North pod, and Valley Park gymnasium. Multiple buildings received major roof flashing repairs North Cedar, Orchard Hill, and Administration buildings. EMC Insurance Company provided a fire inspection report with follow-up building recommendations that were completed using PPEL funds. Numerous restroom renovations in multiple buildings took place in response to the Harris survey which cited these district facilities as improvement areas. Senior High school bleachers were painted; Holmes swimming pool walls and the locker rooms at Peet received updated plumbing. Revenue exceeded expenditures by \$99,355. This increased the fund balance to \$533,707. Several projects approved for FY2004 were delayed until FY2005. These include the Holmes locker replacement project, Peet pool ventilation system, and Orchard Hill LOT construction project.

**Management Discussion and Analysis
Year Ending June 30, 2004**

Internal Service Fund

The Internal Service Fund is used to track employee health, dental, life, and long-term disability insurance. When payrolls are generated, these employee benefit costs are transferred from the General Fund and combined with revenues collected from individual retirees. The total is then sent to the insurance company in the form of premium payments. The District has a self-funded arrangement for dental coverage, but carries a fully insured policy for health coverage. Fund revenues totaled \$3,134,677 while expenditures totaled \$3,134,291. Revenue exceeded expenditures by \$386. This increased the fund balance to \$2,302. This fund has no independent source of revenue and is designed to carry a low balance for transfer in and out activity.

Private Purpose Trust and Agency Fund

Activity within this fund is consistent with the provisions established for individual expendable and non-expendable scholarships and employee flexible spending accounts. Since the District only acts as a custodial manager for these accounts, this fund has little or no effect on the financial condition of the District.

Public Purpose Trust and Agency Fund

Activity within this fund is consistent with the provisions established from individual benefactors. Current designated funds held were gifted from: Christensen, Carlson, Gibson, and Eason. Funds are to provide for teachers scholarships and classroom supplies and equipment.

Capital Assets

By the end of 2004, the District had invested \$41,965,766 in a broad range of capital assets, including school buildings, athletic facilities, computer, audio-visual equipment, and administrative offices. (See Table 15.) (More detailed information about capital assets can be found in Note 4 and 1D to the audit financial statements.) Total accumulated depreciation expense equals \$18,990,445.

Table 15 Summary of Changes in Property and Equipment

	2003 Ending Balance	2004 Ending Balance	Dollar Change	Percent Change
Land	\$ 1,054,644	\$ 1,014,181	\$ (40,463)	-4%
Land Improvements	\$ 2,189,057	\$ 2,449,209	\$ 260,152	11%
Building and Improvements	\$ 28,370,218	\$ 28,988,459	\$ 618,241	2%
Machinery and equipment	\$ 9,312,852	\$ 8,657,805	\$ (655,047)	-8%
Construction in progress	\$ 138,175	\$ 856,112	\$ 717,937	84%
Total	\$ 41,064,946	\$ 41,965,766	\$ 900,820	2%

Management Discussion and Analysis Year Ending June 30, 2004

Construction - Next Five Years

The Local Option Sales Tax (LOST) long-range facility plan calls over \$36,000,000 in major new construction and renovation projects to be staged in various parts of the district in the ten fiscal year period beginning July 1, 1999. The LOST is scheduled to expire on June 30, 2009. Consideration should be given in the near future to the possibility of extending this infrastructure resource through county referendum.

During FY2005 planning, preparation of design, bidding documents, and construction will begin for the following projects: (1) Break ground for new Lincoln Elementary. (2) Complete master planning for both Peet and Holmes Junior High Schools. FY2006 projects include continued construction of Lincoln Elementary. FY2007 projects include: (1) complete Lincoln construction, (2) modest building renovations for Southdale, Hansen, and North Cedar Elementary schools. FY2008 is scheduled to begin renovations on both Peet and Holmes Junior High schools.

Factors bearing on the District's Future

Student enrollment will have the greatest bearing on district finances in the near future. From 1991 to 2001 the certified enrollment declined from 5002 to 4,169.7 an 832.3 student drop. This represents a full 20% of the entire student population. FY2004 is the base year for the new school aid formula. This new formula has a "scale down" provision that will allow less money during the projected year than the current budget year. This is a dramatic change from the old formula that contained a guarantee provision to maintain the same regular program cost per pupil from one year to the next despite an enrollment decline. The positive side of this is that there are signs of this enrollment decline leveling off or even moving toward a modest increase. For FY2004 budget year the certified enrollment increased by 9.4 students. For FY2005 budget year students increased by 18.8 and FY2006 budget year saw the certified enrollment increase by 69.2 students which is projected to be at 4,267.1.

The 2004 Legislature approved an increase in the General Education formula for 2004-2005 of 2%. FY2006 allowable growth was set at 4%. This is the first time since FY2002 the growth rate has been at 4%. Categorical funding for the class size and reading initiatives will be funded until July 1, 2005.

Target Inc. built a regional distribution center in the Cedar Falls industrial park. Although there is a period of tax holiday, the 100 million dollar complex is scheduled to phase back onto the tax roles over the next 10 years. This represents approximately 10% of the district's current total assessed valuation. This will have a very beneficial long-term impact.

Contacting the Cedar Falls Community School District Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District 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 the Business Office, Cedar Falls Community School District, 1002 West 1st Street, Cedar Falls Iowa 50613. Telephone number is 319-553-3000.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 2,010,840	\$ -	\$ 2,010,840
Other	13,240,066	436,250	13,676,316
Receivables:			
Property tax:			
Delinquent	70,044	-	70,044
Succeeding year	13,198,150	-	13,198,150
Accounts	208,414	240	208,654
Accrued interest:			
ISCAP	-	-	-
Other	10,157	362	10,519
Due from other governments	805,289	-	805,289
Prepaid expenses	25,653	-	25,653
Inventories	7,863	44,896	52,759
Capital assets, net of accumulated depreciation	22,975,321	167,728	23,143,049
Total assets	52,551,797	649,476	53,201,273
Liabilities			
Accounts payable	1,071,494	25,213	1,096,707
Salaries and benefits payable	4,567,159	58,248	4,625,407
Deferred revenue, succeeding year property tax	13,198,150	-	13,198,150
ISCAP warrants payable	2,000,000	-	2,000,000
ISCAP accrued interest payable	-	-	-
ISCAP unamortized premium	27,740	-	27,740
Long-term liabilities:			
Portion due within one year:			
Compensated absences	113,532	-	113,532
Portion due more than one year:			
Compensated absences	-	-	-
Total liabilities	20,978,075	83,461	21,061,536
Net assets			
Invested in capital assets, net of related debt	22,975,321	167,728	23,143,049
Restricted for:			
Management levy	564,012	-	564,012
Physical plant and equipment levy	533,707	-	533,707
Other special revenue purposes	444,371	-	444,371
Permanent fund	1,391,921	-	1,391,921
Debt service	-	-	-
Unrestricted	5,664,390	398,287	6,062,677
Total net assets	\$31,573,722	\$ 566,015	\$32,139,737

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grant, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Instruction:				
Regular instruction	\$ 13,855,751	\$ 1,176,332	\$ 3,032,741	\$ -
Special instruction	4,452,469	669,599	272,077	-
Other instruction	2,583,324	723,182	4,597	-
	<u>20,891,544</u>	<u>2,569,113</u>	<u>3,309,415</u>	<u>-</u>
Support services:				
Student services	1,072,127	-	-	-
Instructional staff services	1,131,208	-	-	-
Administration services	3,075,773	6,554	-	-
Operation and maintenance of plant services	2,477,126	151,529	22,946	-
Transportation services	231,030	12,752	75,844	-
	<u>7,987,264</u>	<u>170,835</u>	<u>98,790</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	324,895	-	-	118,184
Long-term debt interest	-	-	-	-
AEA flowthrough	1,211,772	-	1,211,772	-
Depreciation (unallocated)	855,657	-	-	-
	<u>2,392,324</u>	<u>-</u>	<u>1,211,772</u>	<u>118,184</u>
Total governmental activities	<u>31,271,132</u>	<u>2,739,948</u>	<u>4,619,977</u>	<u>118,184</u>
Business Type Activities				
Non-instructional programs:				
Nutrition services	1,565,334	1,077,883	443,869	-
Total	<u>\$ 32,836,466</u>	<u>\$ 3,817,831</u>	<u>\$ 5,063,846</u>	<u>\$ 118,184</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local option taxes, levied for capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (9,646,678)	\$ -	\$ (9,646,678)
(3,510,793)	-	(3,510,793)
(1,855,545)	-	(1,855,545)
<u>(15,013,016)</u>	<u>-</u>	<u>(15,013,016)</u>
(1,072,127)	-	(1,072,127)
(1,131,208)	-	(1,131,208)
(3,069,219)	-	(3,069,219)
(2,302,651)	-	(2,302,651)
(142,434)	-	(142,434)
<u>(7,717,639)</u>	<u>-</u>	<u>(7,717,639)</u>
-	-	-
(206,711)	-	(206,711)
-	-	-
-	-	-
(855,657)	-	(855,657)
<u>(1,062,368)</u>	<u>-</u>	<u>(1,062,368)</u>
<u>(23,793,023)</u>	<u>-</u>	<u>(23,793,023)</u>
-	(43,582)	(43,582)
<u>\$ (23,793,023)</u>	<u>(43,582)</u>	<u>(23,836,605)</u>
12,945,297	-	12,945,297
3,575,011	-	3,575,011
13,875,653	-	13,875,653
111,899	4,527	116,426
6,916	-	6,916
<u>30,514,776</u>	<u>4,527</u>	<u>30,519,303</u>
6,721,753	(39,055)	6,682,698
<u>24,851,969</u>	<u>605,070</u>	<u>25,457,039</u>
<u>\$ 31,573,722</u>	<u>\$ 566,015</u>	<u>\$ 32,139,737</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

Assets	General	Debt Service
Cash and pooled investments:		
ISCAP	\$ 2,010,840	\$ -
Other	6,018,433	-
Receivables:		
Property tax:		
Delinquent	64,385	-
Succeeding year	11,637,993	-
Accounts	199,326	-
Accrued interest - ISCAP	-	-
Accrued interest - other	4,512	-
Due from other governments	274,666	-
Prepaid expenses	-	-
Inventories	7,863	-
	<u>\$ 20,218,018</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 425,487	\$ -
Salaries and benefits payable	4,567,159	-
Compensated absences	11,717	-
ISCAP warrants payable	2,000,000	-
ISCAP accrued interest payable	-	-
ISCAP unamortized premium	27,740	-
Deferred revenue:		
Succeeding year property tax	11,637,993	-
Other	12,725	-
Total liabilities	<u>18,682,821</u>	<u>-</u>
Fund balance:		
Reserved for:		
Inventories	7,863	-
Debt service	-	-
Unreserved:		
Undesignated	1,527,334	-
Reported in nonmajor Governmental funds	-	-
Total fund balances	<u>1,535,197</u>	<u>-</u>
	<u>\$ 20,218,018</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,010,840
4,052,370	3,166,961	13,237,764
-	5,659	70,044
-	1,560,157	13,198,150
1,816	7,272	208,414
-	-	-
3,105	2,540	10,157
530,623	-	805,289
-	25,653	25,653
-	-	7,863
<u>\$ 4,587,914</u>	<u>\$ 4,768,242</u>	<u>\$ 29,574,174</u>
\$ 371,933	\$ 274,074	\$ 1,071,494
-	-	4,567,159
-	-	11,717
-	-	2,000,000
-	-	-
-	-	27,740
-	1,560,157	13,198,150
-	-	12,725
<u>371,933</u>	<u>1,834,231</u>	<u>20,888,985</u>
-	-	7,863
-	-	-
4,215,981	-	5,743,315
-	2,934,011	2,934,011
<u>4,215,981</u>	<u>2,934,011</u>	<u>8,685,189</u>
<u>\$ 4,587,914</u>	<u>\$ 4,768,242</u>	<u>\$ 29,574,174</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Total governmental fund balances	\$ 8,685,189
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	22,975,321
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	12,725
An internal service fund is used by the District's management to charge the costs of insurance to the individual fund. The assets and liabilities of the internal service fund are included with governmental activities.	2,302
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(101,815)</u>
Net assets of governmental activities	<u><u>\$31,573,722</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	General	Debt Service
Revenues:		
Local sources:		
Local tax	\$ 11,502,245	\$ -
Tuition	1,626,894	-
Other	491,225	-
Intermediate sources	-	-
State sources	16,130,940	-
Federal sources	967,211	-
Total revenues	30,718,515	-
Expenditures:		
Current:		
Instruction:		
Regular instruction	13,989,539	-
Special instruction	4,469,541	-
Other instruction	1,958,764	-
	20,417,844	-
Support services:		
Student services	1,063,623	-
Instructional staff services	1,083,489	-
Administration services	3,182,328	-
Operation and maintenance of plant services	2,697,865	-
Transportation services	585,782	-
	8,613,087	-
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt:		
Principal	-	-
Interest and other charges	-	-
AEA flowthrough	1,211,772	-
	1,211,772	-
Total expenditures	30,242,703	-
Excess of revenues over expenditures	475,812	-
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	-	-
Net change in fund balances	475,812	-
Fund balances beginning of year	1,059,385	-
Fund balances end of year	\$ 1,535,197	\$ -

See notes to financial statements.

Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,575,011	\$ 1,443,052	\$ 16,520,308
-	-	1,626,894
22,946	2,117,757	2,631,928
-	-	-
-	1,061	16,132,001
118,184	-	1,085,395
<u>3,716,141</u>	<u>3,561,870</u>	<u>37,996,526</u>
-	210,563	14,200,102
-	-	4,469,541
-	688,253	2,647,017
-	<u>898,816</u>	<u>21,316,660</u>
-	9,723	1,073,346
-	8,986	1,092,475
-	24,028	3,206,356
-	40,967	2,738,832
-	37,122	622,904
-	<u>120,826</u>	<u>8,733,913</u>
1,250,748	900,954	2,151,702
-	-	-
-	-	-
-	-	1,211,772
<u>1,250,748</u>	<u>900,954</u>	<u>3,363,474</u>
<u>1,250,748</u>	<u>1,920,596</u>	<u>33,414,047</u>
<u>2,465,393</u>	<u>1,641,274</u>	<u>4,582,479</u>
-	-	-
-	-	-
-	-	-
2,465,393	1,641,274	4,582,479
1,750,588	1,292,737	4,102,710
<u>\$ 4,215,981</u>	<u>\$ 2,934,011</u>	<u>\$ 8,685,189</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

Net change in fund balances - total governmental funds \$ 4,582,479

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, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period:

Capital outlays	\$ 3,900,356	
Depreciation expense	<u>(1,659,896)</u>	2,240,460

Certain revenue not collected for several months after year end is not considered available in the governmental funds and is deferred. However, it is recorded as revenue in the statement of activities. (3,641)

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:

Compensated absences (97,931)

An internal service fund is used by the District's management to charge the costs of insurance to individual funds. The net revenue of the internal service fund is included with the governmental activities. 386

Change in net assets of governmental activities \$ 6,721,753

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Enterprise Fund - School Nutrition	Internal Service Fund
Assets		
Cash and pooled investments	\$ 436,250	\$ 2,302
Accounts receivable	240	-
Accrued interest receivable	362	-
Inventories	44,896	-
Capital assets, net of accumulated depreciation	<u>167,728</u>	<u>-</u>
Total assets	<u>649,476</u>	<u>2,302</u>
Liabilities		
Accounts payable	25,213	-
Salaries and benefits payable	<u>58,248</u>	<u>-</u>
Total liabilities	<u>83,461</u>	<u>-</u>
Net assets		
Invested in capital assets, net of related debt	167,728	-
Unrestricted	<u>398,287</u>	<u>2,302</u>
Total net assets	<u>\$ 566,015</u>	<u>\$ 2,302</u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenue:		
Local sources:		
Charges for service	\$ 1,077,883	\$ -
Other	-	3,134,677
Total operating revenue	<u>1,077,883</u>	<u>3,134,677</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	476,617	-
Benefits	117,616	3,134,291
Purchased services	16,142	-
Supplies	908,912	-
Depreciation	46,047	-
Total operating expenses	<u>1,565,334</u>	<u>3,134,291</u>
Operating income (loss)	<u>(487,451)</u>	<u>386</u>
Non-operating revenue:		
State sources	15,635	-
Federal sources	428,234	-
Interest on investments	4,527	-
Total non-operating revenue	<u>448,396</u>	<u>-</u>
Change in net assets	(39,055)	386
Net assets beginning of year	<u>605,070</u>	<u>1,916</u>
Net assets end of year	<u>\$ 566,015</u>	<u>\$ 2,302</u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,078,372	\$ -
Cash received from assessments made to other funds	-	3,134,677
Cash payments to employees for services	(594,238)	-
Cash payments to suppliers for goods or services	(819,306)	(3,134,291)
Net cash provided by (used in) operating activities	<u>(335,172)</u>	<u>386</u>
Cash flows from non-capital financing activities:		
State grants received	15,635	-
Federal grants received	331,919	-
Net cash provided by non-capital financing activities	<u>347,554</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(49,731)	-
Net cash used in capital and related financing activities	<u>(49,731)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	4,527	-
Net increase (decrease) in cash and cash equivalents	(32,822)	386
Cash and cash equivalents at beginning of year	469,072	1,916
Cash and cash equivalents at end of year	<u>\$ 436,250</u>	<u>\$ 2,302</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ (487,451)	\$ 386
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used	96,315	-
Depreciation	46,047	-
Decrease in receivables	489	-
Decrease in inventories	7,122	-
Increase in accounts payable	2,311	-
Decrease in salaries and benefits payable	(5)	-
Net cash Provided by (used in) operating activities	<u>\$ (335,172)</u>	<u>\$ 386</u>

Non-cash investing, capital and financing activities:

 During the year ended June 30, 2004, the District received \$89,928 of federal commodities.

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust - Non-expendable Scholarships	Private Purpose Trust - Expendable Scholarships	Agency Funds <hr/> Other Agency Funds	Total Agency Funds
Assets				
Cash and pooled investments	\$ 43,014	\$ 6,151	\$ 42,345	\$ 48,496
Accrued interest receivable	32	-	-	-
Due from others	-	4	1,362	1,366
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 43,046</u>	<u>\$ 6,155</u>	<u>\$ 43,707</u>	<u>\$ 49,862</u>
 Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,772	\$ 7,772
Due to others	-	6,155	35,935	42,090
Total liabilities	<hr/> -	<hr/> <u>\$ 6,155</u>	<hr/> <u>\$ 43,707</u>	<hr/> <u>\$ 49,862</u>
 Net assets				
Reserved for scholarships	<u>\$ 43,046</u>			

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust - Non-expendable Scholarships
Additions:	
Local sources:	
Gifts and contributions	\$ 2,080
Interest	391
Total additions	<u>2,471</u>
Deductions:	
Support services:	
Scholarships awarded	<u>-</u>
Change in net assets	2,471
Net assets beginning of year	<u>40,575</u>
Net assets end of year	<u><u>\$ 43,046</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The Cedar Falls Community School District, which was incorporated under Chapter 274 of the State Code of Iowa, is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreation courses. The geographic area served includes the City of Cedar Falls, Iowa and the predominate agricultural territory in Black Hawk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed 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 Black Hawk County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

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

B. Basis of Presentation - (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions of 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest 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 the governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

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

Additionally, the District reports the following funds:

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

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

B. Basis of Presentation - (continued)

The District fiduciary funds which focus on net assets and changes in net assets of the District include the following:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

Property tax receivable is recognized in these funds on the levy of 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 to the County Auditor by April 15 of each year for the subsequent fiscal year.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Obligations - In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

F. Use of Estimates

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

(2) Cash and Pooled Investments

The District's deposits at June 30, 2004, 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 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. However, the Board policy is to only invest in obligations of the United States government, its agencies and public funds instrumentalities and certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost pursuant to rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement Number 3, requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(3) Iowa School Cash Anticipation Program (ISCAP)

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

A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04A	6/20/2003	6/18/2004	\$ -	\$ -	\$ -	\$ -
2004-05A	6/30/2004	6/30/2005	2,010,840	-	2,000,000	-
Total			<u>\$2,010,840</u>	<u>\$ -</u>	<u>\$2,000,000</u>	<u>\$ -</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2003-04A	\$ -	\$ 500,000	\$ 500,000	\$ -

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.00%	1.0501%
2004-05A	3.00%	2.4630%

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,054,644	\$ -	\$ 40,463	\$ 1,014,181
Construction in progress	138,175	856,112	138,175	856,112
Total capital assets not being depreciated	1,192,819	856,112	178,638	1,870,293
Capital assets being depreciated:				
Buildings and improvements	28,370,218	2,336,308	1,718,067	28,988,459
Improvements other than buildings	2,189,057	426,670	166,518	2,449,209
Furniture and equipment	7,578,464	269,421	1,017,592	6,830,293
Vehicles	1,734,388	190,483	97,359	1,827,512
Total capital assets being depreciated	39,872,127	3,222,882	2,999,536	40,095,473
Less accumulated depreciation for:				
Buildings and improvements	12,181,689	757,364	1,718,067	11,220,986
Improvements other than buildings	1,187,712	98,293	166,518	1,119,487
Furniture and equipment	5,733,708	660,573	1,017,592	5,376,689
Vehicles	1,226,976	143,666	97,359	1,273,283
Total accumulated depreciation	20,330,085	1,659,896	2,999,536	18,990,445
Total capital assets being depreciated, net	19,542,042	1,562,986	-	21,105,028
Governmental activities capital assets, net	<u>\$ 20,734,861</u>	<u>\$ 2,419,098</u>	<u>\$ 178,638</u>	<u>\$ 22,975,321</u>
Business type activities:				
Furniture, equipment, vehicles	\$ 806,734	\$ 49,731	\$ 60,118	\$ 796,347
Less accumulated depreciation	642,690	46,047	60,118	628,619
Business type activities capital assets, net	<u>\$ 164,044</u>	<u>\$ 3,684</u>	<u>\$ -</u>	<u>\$ 167,728</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(4) Capital Assets - (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 370,303
Special	11,343
Other	146,732

Support services:

Support staff	1,079
Instructional staff	106,188
Administration	10,254
Operation and maintenance of plant	40,292
Transportation	118,048

804,239

Unallocated depreciation

855,657

Total depreciation expense - governmental activities

\$ 1,659,896

Business type activities:

School nutrition

\$ 46,047

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	<u>3,884</u>	<u>113,532</u>	<u>3,884</u>	<u>113,532</u>	<u>113,532</u>
Total	<u><u>\$ 3,884</u></u>	<u><u>\$ 113,532</u></u>	<u><u>\$ 3,884</u></u>	<u><u>\$ 113,532</u></u>	<u><u>\$ 113,532</u></u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

(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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$1,127,768, \$1,113,512, and \$1,129,494, respectively, equal to 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 education services provided through the area education agency. The District's actual amount for this purpose totaled \$1,211,772 for the year ended June 30, 2004, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling \$4,565,408. As of June 30, 2004, costs of \$856,112 on these contracts had been incurred, \$347,016 had been paid, and \$509,096 was included in the accounts payable on the balance sheet. The balance of \$3,709,296 remaining at June 30, 2004 will be paid as work on the various projects progresses.

(9) Contingencies and Risk Management

At June 30, 2004, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. The District is also exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Required Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 20,804,914	\$ 1,085,210
Intermediate sources	-	-
State sources	16,120,315	15,635
Federal sources	1,430,920	331,919
Total receipts	<u>38,356,149</u>	<u>1,432,764</u>
Disbursements:		
Instruction	21,092,918	-
Support services	8,806,078	-
Non-instructional programs	-	1,465,586
Other expenditures	3,011,692	-
Total disbursements	<u>32,910,688</u>	<u>1,465,586</u>
Excess (deficiency) of receipts over (under) disbursements	5,445,461	(32,822)
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,445,461	(32,822)
Balance beginning of year	<u>7,792,303</u>	<u>469,072</u>
Balance end of year	<u><u>\$ 13,237,764</u></u>	<u><u>\$ 436,250</u></u>

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
\$ 1,374,545	\$ 20,515,579	\$ 20,166,397	\$ 20,166,397	\$ 349,182
-	-	-	-	-
-	16,135,950	17,218,713	17,218,713	(1,082,763)
-	1,762,839	1,165,000	1,165,000	597,839
<u>1,374,545</u>	<u>38,414,368</u>	<u>38,550,110</u>	<u>38,550,110</u>	<u>(135,742)</u>
5,036	21,087,882	25,505,070	25,505,070	4,417,188
-	8,806,078	10,021,522	10,021,522	1,215,444
-	1,465,586	1,930,714	1,930,714	465,128
-	3,011,692	6,880,600	6,880,600	3,868,908
<u>5,036</u>	<u>34,371,238</u>	<u>44,337,906</u>	<u>44,337,906</u>	<u>9,966,668</u>
1,369,509	4,043,130	(5,787,796)	(5,787,796)	9,830,926
-	-	-	-	-
1,369,509	4,043,130	(5,787,796)	(5,787,796)	9,830,926
36,912	8,224,463	5,787,796	5,787,796	2,436,667
<u>\$ 1,406,421</u>	<u>\$ 12,267,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,267,593</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 38,356,149	\$ (359,623)	\$ 37,996,526
Expenditures	32,910,688	503,359	33,414,047
Net	5,445,461	(862,982)	4,582,479
Other financing sources (uses)	-	-	-
Beginning fund balances	7,792,303	(3,689,593)	4,102,710
Ending fund balances	\$ 13,237,764	\$ (4,552,575)	\$ 8,685,189

	Proprietary Fund Type Enterprise		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 1,432,764	\$ 93,515	\$ 1,526,279
Expenses	1,465,586	99,748	1,565,334
Net	(32,822)	(6,233)	(39,055)
Beginning net assets	469,072	135,998	605,070
Ending net assets	\$ 436,250	\$ 129,765	\$ 566,015

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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 cash basis. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

Other Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Management Levy	Student Activity	Special Revenue Physical Plant and Equipment Levy
Cash and pooled investments	\$ 540,689	\$ 422,725	\$ 797,126
Receivables:			
Property tax:			
Delinquent	255	-	5,404
Succeeding year	446,875	-	1,113,282
Accounts	-	7,272	-
Accrued interest	392	347	614
Prepaid expenses	25,653	-	-
	<u>\$ 1,013,864</u>	<u>\$ 430,344</u>	<u>\$ 1,916,426</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,977	\$ 1,660	\$ 269,437
Salaries and benefits payable	-	-	-
Interfund payable	-	-	-
Deferred revenue:			
Succeeding year property tax	446,875	-	1,113,282
Other	-	-	-
Total liabilities	<u>449,852</u>	<u>1,660</u>	<u>1,382,719</u>
Fund balances:			
Unreserved, undesignated fund balance	<u>564,012</u>	<u>428,684</u>	<u>533,707</u>
	<u>\$ 1,013,864</u>	<u>\$ 430,344</u>	<u>\$ 1,916,426</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue	Permanent Fund	Total
\$ 15,675	\$ 1,776,215	\$ 1,390,746	\$ 3,166,961
-	5,659	-	5,659
-	1,560,157	-	1,560,157
-	7,272	-	7,272
12	1,365	1,175	2,540
-	25,653	-	25,653
<u>\$ 15,687</u>	<u>\$ 3,376,321</u>	<u>\$ 1,391,921</u>	<u>\$ 4,768,242</u>
\$ -	\$ 274,074	\$ -	\$ 274,074
-	-	-	-
-	-	-	-
-	1,560,157	-	1,560,157
-	-	-	-
<u>-</u>	<u>1,834,231</u>	<u>-</u>	<u>1,834,231</u>
<u>15,687</u>	<u>1,542,090</u>	<u>1,391,921</u>	<u>2,934,011</u>
<u>\$ 15,687</u>	<u>\$ 3,376,321</u>	<u>\$ 1,391,921</u>	<u>\$ 4,768,242</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue		
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy
Revenues:			
Local sources:			
Local tax	\$ 448,355	\$ -	\$ 994,697
Other	9,999	727,110	4,945
State sources	394	-	667
Total revenues	<u>458,748</u>	<u>727,110</u>	<u>1,000,309</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	206,827	-	-
Special instruction	-	-	-
Other instruction	-	688,253	-
Support services:			
Student services	9,723	-	-
Instructional staff services	8,986	-	-
Administration services	24,028	-	-
Operating and maintenance of plant services	40,967	-	-
Transportation services	37,122	-	-
Other expenditures:			
Facilities acquisition and construction	-	-	900,954
Total expenditures	<u>327,653</u>	<u>688,253</u>	<u>900,954</u>
Excess of revenues over expenditures	<u>131,095</u>	<u>38,857</u>	<u>99,355</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	131,095	38,857	99,355
Fund balances beginning of year, as restated	<u>432,917</u>	<u>389,827</u>	<u>434,352</u>
Fund balances end of year	<u>\$ 564,012</u>	<u>\$ 428,684</u>	<u>\$ 533,707</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue Funds	Permanent Fund	Total
\$ -	\$ 1,443,052	\$ -	\$ 1,443,052
8,879	750,933	1,366,824	2,117,757
-	1,061	-	1,061
<u>8,879</u>	<u>2,195,046</u>	<u>1,366,824</u>	<u>3,561,870</u>
3,736	210,563	-	210,563
-	-	-	-
-	688,253	-	688,253
-	9,723	-	9,723
-	8,986	-	8,986
-	24,028	-	24,028
-	40,967	-	40,967
-	37,122	-	37,122
-	900,954	-	900,954
<u>3,736</u>	<u>1,920,596</u>	<u>-</u>	<u>1,920,596</u>
<u>5,143</u>	<u>274,450</u>	<u>1,366,824</u>	<u>1,641,274</u>
-	-	-	-
-	-	-	-
-	-	-	-
5,143	274,450	1,366,824	1,641,274
10,544	1,267,640	25,097	1,292,737
<u>\$ 15,687</u>	<u>\$ 1,542,090</u>	<u>\$ 1,391,921</u>	<u>\$ 2,934,011</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Investment income	\$ 51,736	\$ 3,392	\$ 6	\$ (6,200)	\$ 48,922
Miscellaneous	2,957	33,902	18,794	170	18,235
Drama arts	5,322	5,386	5,403	-	5,305
Speech	4,647	3,625	2,096	(4,882)	1,294
Recog.-music/speech	28	-	-	-	28
Yearbook	25,471	2,600	3,793	-	24,278
Music/vocal	5,449	19,856	11,770	400	13,935
Music/orchestra	260	58,008	57,375	500	1,393
Music/band	4,072	19,093	20,917	154	2,402
Athletics	37,610	74,408	79,846	(8,700)	23,472
Volleyball	6,751	4,603	8,353	-	3,001
Track meets	1,640	2,400	2,660	-	1,380
Tennis	447	65	2,586	2,000	(74)
Golf	552	253	2,274	2,000	531
Cheerleaders	2,169	58,062	41,786	-	18,445
Color guard	623	1,370	1,641	-	352
Pom poms	(3,777)	10,369	7,314	1,200	478
Basketball-boys	7,495	9,459	7,544	-	9,410
Football	14,369	43,166	47,887	-	9,648
Soccer-boys	1,660	1,954	3,870	1,500	1,244
Baseball	(1,394)	4,417	10,679	5,000	(2,656)
Track-boys	(57)	3,070	8,924	3,500	(2,411)
Swimming-boys	3,021	4,804	4,263	-	3,562
Wrestling	296	9,785	9,925	-	156
Basketball-girls	3,823	6,336	6,805	-	3,354
Soccer-girls	(1,579)	2,068	6,445	6,000	44
Softball	6,623	4,293	8,002	2,000	4,914
Track-girls	1,119	3,258	7,730	2,500	(853)
Swimming-girls	2,507	6,026	5,694	-	2,839
Concessions-Robinsen/Dresser	1,556	3,792	6,531	-	(1,183)
A.P.A.	885	11,715	13,130	(2,362)	(2,892)
Area 7 Student Forum	75	-	-	-	75
A.V. Dept.	74	-	-	-	74
P.C.B.C.	34,759	22,808	-	-	57,567
Campus improvement	11,323	3,506	-	-	14,829
CFHS Memorial Fund	787	-	309	-	478
CHAT	108	500	-	-	608
Chess club	38	-	-	-	38
DECA	(199)	5,220	4,480	-	541
Drug/alcohol prevention	478	-	-	-	478
English resource center	4,058	16,923	15,550	-	5,431
FBLA	346	-	44	-	302
Food service	(961)	101	-	-	(860)
General store	1,141	-	-	-	1,141
Activity tickets/Jr. high	1,296	6	-	(1,302)	-

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Jr/Sr prom	\$ (1,839)	\$ 5,760	\$ 4,107	\$ (800)	\$ (986)
Library	9,015	2,826	2,499	-	9,342
Mc Elroy Fund	1,691	350	852	-	1,189
Office education	(1,829)	6,564	6,428	800	(893)
M.R.C.	183	447	291	-	339
Pop	3,507	4,953	3,135	-	5,325
AP textbooks	-	580	-	-	580
Programs	1,988	(1,166)	-	(200)	622
Revolving	21,424	58,696	52,613	(568)	26,939
Science club	1,405	1,436	1,774	-	1,067
Faculty	1,698	5,170	5,641	-	1,227
T & I Club	903	352	314	-	941
Tiger Hi-Line	38	40	-	-	78
Y.F.U.	369	(45)	97	-	227
Student forum	1,450	12,959	12,347	-	2,062
Renaissance	58	524	-	-	582
Class of 2001	284	-	-	-	284
Class of 2003	819	-	-	-	819
Class of 2004	800	2,581	2,690	-	691
Class of 2005	(30)	-	-	800	770
Class of 2006	-	-	-	-	-
PTA	225	657	6,296	-	(5,414)
Student council	15,072	28,269	29,380	-	13,961
Pictures	8,861	10,465	6,290	-	13,036
Student activities	9,781	19,642	15,359	(4,992)	9,072
Special Olympics	-	-	-	-	-
Math club	580	-	15	-	565
Magazines	60,300	78,850	74,651	(6,000)	58,499
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	110	306	-	-	416
Recycling	5,274	502	402	-	5,374
Alpha	430	7,860	7,830	-	460
Robotics	112	6,475	8,264	2,600	923
TJ-TR Account	63	1,578	1,191	-	450
SADD	1	100	100	-	1
Video yearbook	121	-	-	-	121
Weight room	4,908	2,742	5,138	-	2,512
Culture Fair	7	-	-	-	7
PLAAD	393	1,891	1,379	-	905
Drama clubs	-	2,925	3,991	4,882	3,816
Tech clubs	45	-	-	-	45
Echoes concessions	-	1,938	469	-	1,469
PATT concessions	-	284	284	-	-
	<u>\$ 389,827</u>	<u>\$ 727,110</u>	<u>\$ 688,253</u>	<u>\$ -</u>	<u>\$ 428,684</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2004

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash	\$ 28,186	\$ 227,163	\$ 206,853	\$ 48,496
Due from others	<u>7,095</u>	<u>1,366</u>	<u>7,095</u>	<u>1,366</u>
Total assets	<u>\$ 35,281</u>	<u>\$ 228,529</u>	<u>\$ 213,948</u>	<u>\$ 49,862</u>
Liabilities				
Accounts payable	\$ 1,512	\$ 7,772	\$ 1,512	\$ 7,772
Due to others	<u>33,769</u>	<u>221,434</u>	<u>213,113</u>	<u>42,090</u>
Total liabilities	<u>\$ 35,281</u>	<u>\$ 229,206</u>	<u>\$ 214,625</u>	<u>\$ 49,862</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	Years ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 16,520,308	\$ 16,003,368	\$ 14,832,828	\$ 13,639,413
Tuition	1,626,894	1,526,842	1,525,918	1,461,342
Other	2,631,928	1,800,949	2,120,001	2,034,053
Intermediate sources	-	-	-	-
State sources	16,132,001	16,165,932	16,494,066	16,760,303
Federal sources	1,085,395	1,516,393	1,169,893	1,287,952
Total revenues	<u>\$ 37,996,526</u>	<u>\$ 37,013,484</u>	<u>\$ 36,142,706</u>	<u>\$ 35,183,063</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 14,200,102	\$ 14,384,887	\$ 14,389,215	\$ 14,182,324
Special instruction	4,469,541	4,933,571	3,925,935	3,865,208
Other instruction	2,647,017	1,777,260	2,675,291	2,642,395
Support services:				
Student services	1,073,346	1,102,026	1,046,622	1,025,970
Instructional staff services	1,092,475	1,151,890	1,398,485	1,287,113
Administration services	3,206,356	3,023,114	2,987,775	2,803,773
Operation and maintenance of plant services	2,738,832	2,569,879	2,304,314	2,588,508
Transportation services	622,904	569,884	532,250	683,684
Central support services	-	-	-	-
Other expenditures:				
Facilities acquisition and construction	2,151,702	4,386,440	6,583,904	3,981,212
Long-term debt:				
Principal	-	5,000,000	-	-
Interest and other charges	-	250,300	250,300	250,300
AEA flowthrough	1,211,772	1,279,580	1,288,214	1,321,347
Total expenditures	<u>\$ 33,414,047</u>	<u>\$ 40,428,831</u>	<u>\$ 37,382,305</u>	<u>\$ 34,631,834</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash food distribution program)	10.550	N/A	<u>\$ 96,315</u>
Child Nutrition Cluster Programs:			
National School Lunch Program	10.555	N/A	289,286
School Breakfast Program	10.553	N/A	<u>42,633</u>
			<u>331,919</u>
U.S. Total Department of Agriculture			<u>428,234</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY03Suppl	4,250
Title I Grants to Local Education Agencies	84.010	FY03	15,168
Title I Grants to Local Education Agencies	84.010	FY03C	30,009
Title I Grants to Local Education Agencies	84.010	FY04	<u>373,955</u>
			<u>423,382</u>
Special Education - Grants to States (Success 4 Planning)	84.027	FY04	4,705
Special Education - Grants to States (IDEA)	84.027	FY04	<u>156,583</u>
			<u>161,288</u>
Vocational Education - Basic Grants to States	84.048A	FY04	<u>48,081</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY04	<u>51,959</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186A	FY04	<u>18,478</u>
Fund for the Improvement of Education	84.215	FY02	<u>118,184</u>
Innovative Education Program Strategies (Title V)	84.298A	FY04	<u>24,095</u>
Literacy Through School Libraries	84.364B	FY04	<u>8,752</u>
Improving Teacher Quality State Grants	84.367	FY04	<u>182,437</u>
Grants for State Assessments and Related Activities	84.369	FY04	<u>25,818</u>

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect:			
U.S. Department of Education (continued):			
Iowa Department of Education (continued):			
Waterloo Community School District:			
Twenty-First Century Community Learning Centers	84.287	FY04	\$ 22,922
Total U.S. Department of Education			<u>1,085,396</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,513,630</u></u>

Basis of Presentation

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

See accompanying independent auditors' report.

Internal Controls and Compliance

Independent Auditors' Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education
Cedar Falls Community School District

We have audited the financial statements of Cedar Falls Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar Falls Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Prior year reportable conditions have all been resolved.

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

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

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

November 15, 2004

Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance

To the Board of Education
Cedar Falls Community School District

Compliance

We have audited the compliance of Cedar Falls Community School District, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Cedar Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cedar Falls Community School District's management. Our responsibility is to express an opinion on Cedar Falls Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar Falls Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cedar Falls Community School District's compliance with those requirements.

In our opinion, Cedar Falls Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Cedar Falls Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs.

In planning and performing our audit, we considered Cedar Falls Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

November 15, 2004

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any reportable conditions in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did not disclose any reportable conditions in internal control over major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 Title I Grants to Local Educational Agencies
 - CFDA Number 10.550 Food Donation
 - Clustered Programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar Falls Community School District did not qualify as a low-risk auditee.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-04 Official Depositories - Official depositories have been adopted by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.
- IV-C-04 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04 Business Transactions - We noted no business transactions between the District and District officials or employees.
- IV-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-04 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-H-04 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

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Cedar Falls Community Schools

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Phone: 319-277-8800 Fax: 319-277-0614

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ADMINISTRATION

Daniel H. Smith, Ph.D., *Superintendent*

Clair E. Brooks, Ph.D., *Personnel*

Daniel E. Conrad, *Secondary Education*

Craig R. Hansel, *Business Affairs*

Janice M. Ott, Ed.D., *Elementary Education*

Educating each student to be a lifelong learner and a caring, responsible citizen

Corrective Action Plan for Federal Audit Findings

Year ended June 30, 2004

<u>Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person Title Phone Number</u>	<u>Anticipated Date of Completion</u>
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There were no federal audit findings required to be reported in accordance with OMB Circular A-133 for the year ended June 30, 2004.

Cedar Falls Community Schools

1002 West First Street, Cedar Falls, Iowa 50613-2214

Phone: 319-277-8800 Fax: 319-277-0614

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Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2004

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
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There were no prior federal audit findings in the report for the year ended June 30, 2003.