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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September, 2009 Election)		
Deon E. Senchina	President	2009
James R. Kenyon	Vice President	2011
Richard Vande Kieft	Board Member	2011
Joyce E. Coil	Board Member	2011
Duane L. Hamilton	Board Member	2011
Susan Lantz	Board Member	2009
Tom Reister	Board Member	2009

**Board of Education**  
(After September, 2009 Election)

Deon E. Senchina	President	2013
Joyce E. Coil	Vice President	2011
Richard Vande Kieft	Board Member	2011
James R. Kenyon	Board Member	2011
Duane L. Hamilton	Board Member	2011
Susan Lantz	Board Member	2013
Jim Brown	Board Member	2013

**School Officials**

Dr. David Stoakes	Superintendent	2010
Doug Nefzger	District Secretary	2010
John Steen	District Treasurer	2010
John C. Larsen	Attorney	Indefinite



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Cedar Falls, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of Cedar Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included on pages 41 through 48, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

December 21, 2010

**Cedar Falls Community School District**

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

**Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2010**

This section of the Cedar Falls Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the fiscal year ending June 30, 2010.

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

**Financial Highlights**

Key financial highlights for the 2009-10 fiscal year include the following:

In total, net assets increased by \$3,777,447 or 7.05% from fiscal 2008-09. Net assets in governmental activities increased \$3,621,559, which represented a 6.84% increase from fiscal year 2009. Increases in property tax receipts, Federal American Reinvestment and Recovery Act (ARRA) stimulus and other Federal grants made up the majority of the increase. Net assets in the business-type activity, which represents the District's food service operations, increased \$155,888, which represented a 26.47% increase from fiscal year 2009. Increases in lunch prices and Federal reimbursements are the primary reasons for the increase.

General Fund revenues (which include the Instructional Support fund) accounted for \$39,814,377 in revenue or 81.38% of all revenues. General Fund expenses (which include the Instructional Support fund) accounted for \$40,345,517 in expenditures or 70.22% of all expenses.

**Using the Basic Financial Statements**

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

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

## Reporting the School District as a Whole

### **Statement of Net Assets and Statement of Activities**

While this report includes all the funds used by the District to provide programs and activities, the report strives to show how the District performed financially during the 2010 fiscal year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash was received or paid.

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

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

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

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

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

## Reporting the School District's Most Significant Funds

### **Fund Financial Statements**

Fund financial reports provide detailed information about the District's major fund(s). The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal 2010 are the General and Capital Projects funds.

## Governmental Funds

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

## Enterprise Fund

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

### The School District as a Whole

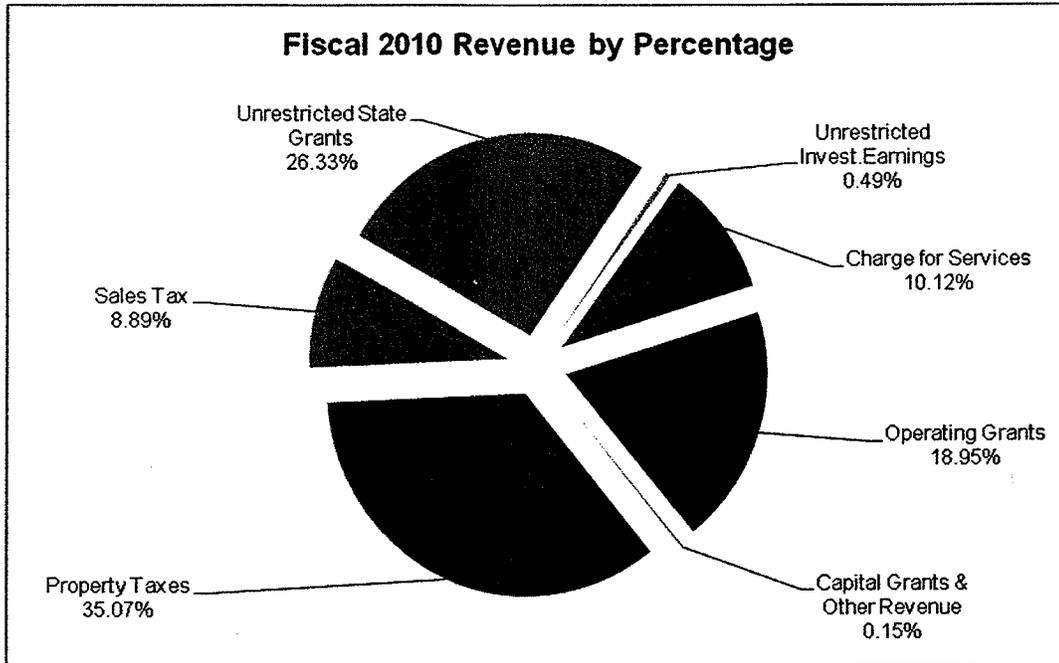
The following is a summary of the statement of net assets of the District as a whole. The Cedar Falls Community School District's net assets at the end of fiscal year 2010 totaled \$57,346,856, up 7.05% from the previous fiscal year.

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2009	2010	2009	2010	2009	2010	
Current & Other Assets	\$ 48,684,788	40,839,589	\$ 511,940	666,846	\$ 49,196,728	41,506,435	-15.63%
Capital Assets	38,624,135	51,491,839	166,442	179,467	38,790,577	51,671,306	33.21%
<b>Total Assets</b>	<b>87,308,923</b>	<b>92,331,428</b>	<b>678,382</b>	<b>846,313</b>	<b>87,987,305</b>	<b>93,177,741</b>	<b>5.90%</b>
Long-term Obligations:							
Due within one year	127,641	10,168,840	-	-	127,641	10,168,840	7866.75%
Due after one year	10,285,000	761,520	-	-	10,285,000	761,520	-92.60%
Other Liabilities	23,937,737	24,798,995	89,487	101,530	24,027,224	24,900,525	3.63%
<b>Total Liabilities</b>	<b>34,350,378</b>	<b>35,729,355</b>	<b>89,487</b>	<b>101,530</b>	<b>34,439,865</b>	<b>35,830,885</b>	<b>4.04%</b>
Net Assets							
Invested in Capital Assets -							
Net of Related Debt	28,664,135	41,511,839	166,442	179,467	28,830,577	41,691,306	44.61%
Restricted	5,173,117	5,934,700	-	-	5,173,117	5,934,700	14.72%
Unrestricted	19,121,293	9,155,534	422,453	565,316	19,543,746	9,720,850	-50.26%
<b>Net Assets</b>	<b>52,958,545</b>	<b>56,602,073</b>	<b>588,895</b>	<b>744,783</b>	<b>53,547,440</b>	<b>57,346,856</b>	<b>7.10%</b>
Retroactive Intangible Assets	21,969	-	-	-	21,969	-	-100.00%
<b>Total Net Assets</b>	<b>\$ 52,980,514</b>	<b>56,602,073</b>	<b>588,895</b>	<b>744,783</b>	<b>53,569,409</b>	<b>57,346,856</b>	<b>7.05%</b>

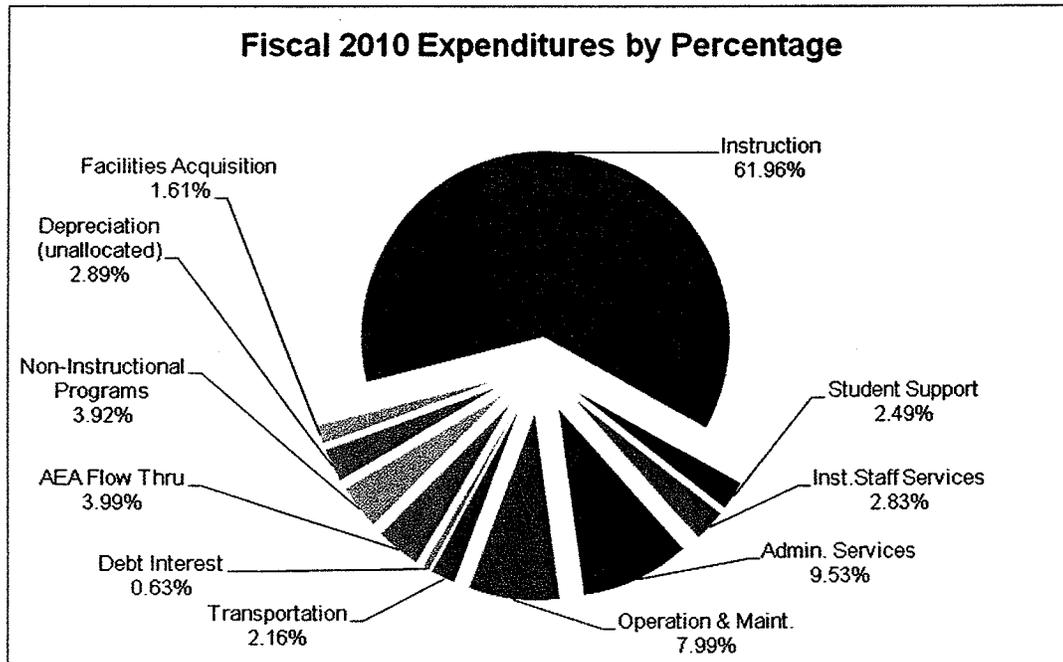
The following analysis shows the change in net assets for the year ending June 30, 2010:

	<b>Change in Net Assets</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percent Change</b>
	<b>Activities</b>		<b>Activities</b>				
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	
<b>Revenue</b>							
Program Revenue							
Charge for Services	\$ 3,342,208	3,741,351	\$ 1,366,648	1,394,648	\$ 4,708,856	5,135,999	9.07%
Operating Grants	6,060,004	9,021,462	534,189	600,408	6,594,193	9,621,870	45.91%
Capital Grants	45,721	65,765	--	--	45,721	65,765	43.84%
General Revenue							
Property Taxes	16,967,541	17,804,500	--	--	16,967,541	17,804,500	4.93%
Sales and Income Tax	4,516,507	4,514,284	--	--	4,516,507	4,514,284	-0.05%
Unrestricted State Grants	16,549,690	13,369,578	--	--	16,549,690	13,369,578	-19.22%
Unrestricted Invest. Earnings	355,083	248,774	5,739	1,907	360,822	250,681	-30.53%
Other Revenue	3,698	10,658	--	--	3,698	10,658	188.21%
<b>Total Revenue</b>	<b>47,840,452</b>	<b>48,776,372</b>	<b>1,906,576</b>	<b>1,996,963</b>	<b>49,747,028</b>	<b>50,773,335</b>	<b>2.06%</b>
<b>Program Expense</b>							
Instruction	27,936,541	29,120,708	--	--	27,936,541	29,120,708	4.24%
Student Support	1,146,552	1,171,805	--	--	1,146,552	1,171,805	2.20%
Instructional Staff Services	1,319,383	1,327,160	--	--	1,319,383	1,327,160	0.59%
Administration Services	4,009,777	4,480,688	--	--	4,009,777	4,480,688	11.74%
Operation & Maint. Services	3,335,232	3,756,075	--	--	3,335,232	3,756,075	12.62%
Transportation Services	1,256,484	1,016,497	--	--	1,256,484	1,016,497	-19.10%
Long Term Debt Interest	153,227	295,928	--	--	153,227	295,928	93.13%
Facilities Acquisition	1,745,604	753,866	--	--	1,745,604	753,866	-56.81%
AEA Flow Thru	1,595,539	1,875,964	--	--	1,595,539	1,875,964	17.58%
Non-Instructional Programs	--	--	1,754,139	1,841,075	1,754,139	1,841,075	4.96%
Depreciation (unallocated)	1,338,911	1,356,122	--	--	1,338,911	1,356,122	1.29%
<b>Total Expenses</b>	<b>43,837,250</b>	<b>45,154,813</b>	<b>1,754,139</b>	<b>1,841,075</b>	<b>45,591,389</b>	<b>46,995,888</b>	<b>3.08%</b>
<b>Increase (decrease) net assets</b>	<b>4,003,202</b>	<b>3,621,559</b>	<b>152,437</b>	<b>155,888</b>	<b>4,155,639</b>	<b>3,777,447</b>	<b>-9.10%</b>
<b>Net Assets Beginning of Year</b>	<b>48,955,343</b>	<b>52,980,514</b>	<b>436,458</b>	<b>588,895</b>	<b>49,391,801</b>	<b>53,569,409</b>	<b>8.46%</b>
<b>Retroactive Intangible Assets</b>	<b>21,969</b>	<b>0</b>	<b>--</b>	<b>--</b>	<b>21,969</b>	<b>0</b>	<b>-100.00%</b>
<b>Net Assets End of Year</b>	<b>\$ 52,980,514</b>	<b>\$ 56,602,073</b>	<b>\$ 588,895</b>	<b>\$ 744,783</b>	<b>\$ 53,569,409</b>	<b>\$ 57,346,856</b>	<b>7.05%</b>

The following chart indicates total fiscal 2010 District revenue by percentage:



The following chart indicates total fiscal 2010 District expenses by percentage:



**Financial Analysis of the District's Funds**

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

The District governmental funds reported combined fund balances of \$15,978,710. This is an \$8,535,581 decrease from the 2009 fiscal year end balance of \$24,514,291. Construction and remodeling of Holmes and Peet junior high schools in the Capital Projects fund as well as a decrease in fund balance in the General fund all contributed to the overall decrease in fund balance for the year.

The District's General Fund (including the Instructional Support Fund) end of year fund balance decreased \$531,140 to \$4,081,626 from the 2009 fiscal year end balance of \$4,612,766. The decrease in fund balance is due to reductions in State of Iowa foundation school aid.

### Budgeting Highlights

The District's Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. The State of Iowa requires approval of the budget on or before April 15<sup>th</sup> of each year. The budget documents present functional disbursements by fund and the legal level of control is at the expense level by total Instruction, total Support Services, total Non-Instructional Programs, total Other Expenditures and Total Expenditures. The District amends the budget, as allowed by Iowa law, to reflect the additional revenues and expenditures that may occur during the school year. The District did not need to amend its budget for 2010.

The following chart shows the original and amended budget for fiscal 2010 as well as the actual revenue and expenditures for the year:

<b>Budgetary Comparison Schedule</b>				
	Original Budget	Final Amended	Actual	Variance
<b>Revenue</b>				
Local Sources	\$ 26,317,184	\$ 26,317,184	\$ 27,714,215	\$ 1,397,031
Intermediate Sources	0	0	0	0
State Sources	22,464,187	22,464,187	18,009,952	-4,454,235
Federal Sources	1,606,923	1,606,923	5,166,555	3,559,632
<b>Total Budget Revenue</b>	<b>\$ 50,388,294</b>	<b>\$ 50,388,294</b>	<b>\$ 50,890,722</b>	<b>\$ 502,428</b>
<b>Expenditures</b>				
Instruction	\$ 30,023,760	\$ 30,023,760	\$ 28,659,243	\$ -1,364,517
Support Services	12,530,819	12,530,819	11,956,955	-573,864
Non-Instructional	2,058,050	2,058,050	1,841,075	-216,975
Other Expenditures	34,060,754	34,060,754	16,777,876	-17,282,878
<b>Total Budget Expenses</b>	<b>\$ 78,673,383</b>	<b>\$ 78,673,383</b>	<b>\$ 59,235,149</b>	<b>\$ -19,438,234</b>

## Capital Assets and Debt Administration

### Capital Assets

At the end of the 2010 fiscal year, the District had invested \$51,671,306 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology (including computer equipment), media/audio visual equipment, and classroom equipment. The District had depreciation expense of \$1,890,721 for fiscal 2010 and total accumulated depreciation of \$26,078,080 as of June 30, 2010. The following chart shows the comparison in capital assets for 2009 and 2010.

	<b>Capital Assets (net of depreciation)</b>						
	Governmental Activities		Business-type Activities		Total		Percent Change
	2009	2010	2009	2010	2009	2010	
Land	\$ 1,264,860	1,264,860	\$ 0	0	\$ 1,264,860	1,264,860	0.00%
Construction in Progress	2,727,443	15,860,222	0	0	2,727,443	15,860,222	481.51%
Land Improvements	2,742,749	3,136,771	0	0	2,742,749	3,136,771	14.37%
Buildings	48,122,227	48,419,524	0	0	48,122,227	48,419,524	0.62%
Furniture & Equipment	7,604,623	7,943,367	940,550	978,165	8,545,173	8,921,532	4.40%
Intangibles	146,477	146,477	0	0	146,477	146,477	0.00%
<b>Total</b>	<b>\$ 62,608,379</b>	<b>76,771,221</b>	<b>\$ 940,550</b>	<b>978,165</b>	<b>\$ 63,548,929</b>	<b>77,749,386</b>	<b>22.35%</b>

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

### Debt

As of June 30, 2010, the District has \$10,930,360 in outstanding long-term debt, \$10,168,840 of which is due in fiscal 2011, compared to \$10,412,641 on June 30, 2009. The implementation of a one-time early retirement incentive for selected employee groups and increases in other post employment benefits (OPEB) accounted for the increase. The following chart shows the debt comparison between 2009 and 2010.

	<b>Long-term Debt Obligations</b>			
	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010
	<b>Bonds/Capital Loan Notes</b>			
Sales Tax Revenue	10,000,000	0	0	10,000,000
Discount	(40,000)	0	20,000	(20,000)
<b>Total Bonds/Capital Loan Notes</b>	<b>\$ 9,960,000</b>	<b>\$ 0</b>	<b>\$ 20,000</b>	<b>\$ 9,980,000</b>
<b>Other Liabilities</b>				
Compensated Absences	127,641	111,950	127,641	111,950
Early Retirement	0	184,536	0	184,536
Net OPEB Liability	325,000	328,874	0	653,874
<b>Total Other Liabilities</b>	<b>\$ 452,641</b>	<b>\$ 625,360</b>	<b>\$ 127,641</b>	<b>\$ 950,360</b>
<b>Total Long-term Debt</b>	<b>\$ 10,412,641</b>	<b>\$ 625,360</b>	<b>\$ 147,641</b>	<b>\$ 10,930,360</b>

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

### Current Issues

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

- On October 8, 2009, Governor Culver announced a 10% across the board reduction in state foundation aid and categorical funding for all Iowa school districts for the remainder of the 2009-10 school year. The reduction for the Cedar Falls Community School District is \$2,052,213.
- Revenue received by the State of Iowa for regular program costs for fiscal year 2010 was \$4,554,235 less than the original April 2009 certified budget projection. Supplemental Federal American Recovery and Reinvestment Act (ARRA) funding reduced the net state aid reduction to \$2,624,525.
- Due to a continued shortfall in state revenues, in late March 2010 the Iowa Legislature approved a 2% increase in allowable growth for the 2010/11 school year, but underfunded the appropriation by \$162 million. The net effect of this action gave the District additional budget authority for the 2010/11 school year of \$1,027,133, but underfunded the District's total state aid allocation by \$1,876,074. In total, the District will have sustained a cash shortfall of \$4,087,346 between December 22, 2008 and June 30, 2011. At the time this report was prepared, the Iowa Legislature had not yet determined the allowable growth funding increase for fiscal 2012. Due to the unprecedented reduction in state foundation aid, the District has used a combination of cash reserves, spending freezes, implementation of a limited early retirement incentive, not filling vacant positions and changes in programming to meet the funding shortfall.
- Due to continued economic issues, the District received the following American Recovery and Reinvestment Act (ARRA) stimulus funding during the 2009-10 school year:
  - Replacement of Iowa state aid funding \$2,190,283
  - Replacement of Iowa Instructional Support state aid funding \$ 110,693
  - Additional Title I reading/mathematics funding \$ 134,322
  - Additional IDEA Part B special education funding \$ 611,498
  - Professional development to implement Iowa Core Curriculum \$ 17,738
- The District is scheduled to receive the following Federal American Recovery and Reinvestment Act (ARRA) and Federal Education Jobs bill funding during the 2010-11 school year:
  - Replacement of Iowa state aid funding (ARRA) \$ 440,778
  - Additional Title I reading/mathematics funding (ARRA) \$ 135,045
  - Education Jobs Bill funding \$ 885,245

- Enrollment for 2010-11 school year increased by 358.9 students from 2009-10. This increase includes 56.4 students enrolled in the District's new preschool program and 258 students open enrolled to Price Laboratory School (PLS) on the campus of the University of Northern Iowa. Previously PLS students were not included in the District's certified enrollment count. Legislation enacted in 2009 mandates that students living in the Cedar Falls school district now be included in the District's certified enrollment and be considered as open enrolled students. The number of open enrollment students from neighboring district's increased by 4.0 from 296.0 to 300.0. The number of open enrollment students attending neighboring district's increased by 258.9 from 53.9 to 312.8. Price Laboratory students accounted for 258.0 of the increase. The net increase in enrollment (after subtracting out PLS and preschool students) of 44.5 is contributed to more families moving into the Cedar Falls school district. Not counting the PLS and preschool student, overall District enrollment has increased an average of 48.9 students per year for the last five years. The District expects open enrollment and resident enrollment to increase at a similar rate over the next five years.
- The District has experienced a cumulative increase in taxable assessed valuation of 20.52% in the last four years, including a 3.81% increase in 2010. Strong demand for homes and continued growth in new home construction, new industrial construction, expansion of the Target, Inc. distribution warehouse, the construction of Peregrine Financial Group new corporate headquarters, the opening of the Cedar Falls North Industrial Park and the Pinnacle Prairie planned retail center will increase the District's assessed valuation growth for the foreseeable future.
- Revenue received from the one-cent local option sales tax increased by \$5,809 to \$4,489,825 for 2010. In 2008, the Iowa Legislature repealed the local option sales tax for schools and replaced it with the State Secure an Advanced Vision for Education (SAVE) fund state wide one-cent sales tax. As individual school local option sales tax levies expire (Black Hawk County schools original levy expired June 30, 2009), school districts will automatically be enrolled in the SAVE state wide one-cent sales tax for schools. Revenue is determined by dividing the total number of students in those counties included in the state wide sales tax divided by the total public student population. Revenue for the 2010-11 school year is projected to decrease to \$3,384,507 as Cedar Falls enters the SAVE pool.
- In addition to entering the SAVE pool, legislation mandates that a revenue purpose statement be approved by the voters of a district if a district wishes to use 100% of the funds received from the SAVE state wide one-cent sales tax fund on school infrastructure needs. In 2006, Black Hawk County voters extended the current local option sales tax until 2019. On December 13, 2010, the Board of Education set February 1, 2011 at the date for citizens of the Cedar Falls Community School District to vote on extending the current revenue purpose statement to 2029.
- The current Instructional Support levy for the District expired June 30, 2012. On December 13, 2010, the Board of Education set February 1, 2011 at the date for citizens of the Cedar Falls Community School District to vote on extending this levy for an additional ten years. For the 2010-11 school year, the Instructional Support levy will generate \$2,034,416 in local property tax dollars plus an additional \$65,666 in Instructional Support state aid funding for a total of \$2,100,082. These funds are used to

support additional teachers and counselors, technology and technical support staff as well as individual building funds for supplies and equipment.

- Work continues on the renovations and additions to Holmes and Peet Junior High Schools. Funding for these projects comes from the issuance of \$10.0 million in Bond Anticipation notes and local option sales tax revenues on hand. Holmes Junior High is scheduled to be completed in March 2011. Peet Junior High is scheduled to be completed in August 2011.
- On November 8, 2010, the Board of Education approved the purchase of property at 3809 Cedar Heights Drive in Cedar Falls for \$700,000. The District has budgeted an additional \$500,000 for the remodeling of the facility. Once completed, this facility will house the District's Alternative High School, transition alliance program, behavioral disorder program and District's Information Technology department. Previously, these four programs were housed in separate facilities or students were sent to neighboring districts that offered a behavioral disorder program.
- The \$10.0 million Bond Anticipation Notes sold by the District on December 15, 2008 is due June 1, 2011. The District intends to refinance these notes with State Secure an Advanced Vision for Education revenue bonds during the second half of the fiscal year 2011.
- Due to continued increases in student enrollment, District elementary schools are at or near maximum student capacity. Other facility needs include remodeling and expansion of the High School and a new central kitchen facility. The District's Facilities Committee is working with the Administration to address both short and long term facility needs of the District, including long term financing of future projects.

### **Contacting the School District's Financial Management**

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

It is the policy of the Cedar Falls Community School District to not discriminate in its educational activities on the basis of race, color, creed, marital status, socio-economic status, national origin, religion, sexual orientation, gender identity or disability.

## Basic Financial Statements

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 19,759,570	\$ 595,152	\$ 20,354,722
Receivables:			
Property tax:			
Delinquent	192,618	-	192,618
Succeeding year	18,974,737	-	18,974,737
Accounts	708,620	28,635	737,255
Accrued interest:			
Other	10,581	174	10,755
Due from other governments	1,169,847	-	1,169,847
Inventories	23,616	42,885	66,501
Capital assets, net of accumulated depreciation	51,491,839	179,467	51,671,306
Total assets	92,331,428	846,313	93,177,741
<b>Liabilities</b>			
Accounts payable	1,690,440	69,769	1,760,209
Salaries and benefits payable	4,112,763	31,761	4,144,524
Accrued interest payable	21,055	-	21,055
Deferred revenue, succeeding year property tax	18,974,737	-	18,974,737
Long-term liabilities:			
Portion due within one year:			
Compensated absences	111,950	-	111,950
Early retirement	76,890	-	76,890
Revenue bond anticipation notes	9,980,000	-	9,980,000
Portion due after one year:			
Early retirement	107,646	-	107,646
Net OPEB liability	653,874	-	653,874
Total liabilities	35,729,355	101,530	35,830,885
<b>Net assets</b>			
Invested in capital assets, net of related debt	41,511,839	179,467	41,691,306
Restricted for:			
Management levy	742,976	-	742,976
Physical plant and equipment levy	3,090,081	-	3,090,081
Other special revenue purposes	590,399	-	590,399
Permanent fund	1,511,244	-	1,511,244
Unrestricted	9,155,534	565,316	9,720,850
Total net assets	\$ 56,602,073	\$ 744,783	\$ 57,346,856

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental Activities</b>				
<b>Instruction:</b>				
Regular instruction	\$ 19,097,767	\$ 1,529,730	\$ 6,054,340	\$ -
Special instruction	6,249,305	871,310	894,531	-
Other instruction	3,773,636	917,642	129,006	-
	<u>29,120,708</u>	<u>3,318,682</u>	<u>7,077,877</u>	<u>-</u>
<b>Support services:</b>				
Student services	1,171,805	-	-	-
Instructional staff services	1,327,160	-	-	-
Administration services	4,480,688	156,977	-	-
Operation and maintenance of plant services	3,756,075	249,454	-	-
Transportation services	1,016,497	16,238	67,621	-
	<u>11,752,225</u>	<u>422,669</u>	<u>67,621</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	753,866	-	-	65,765
Long-term debt interest	295,928	-	-	-
AEA flowthrough	1,875,964	-	1,875,964	-
Depreciation (unallocated)	1,356,122	-	-	-
	<u>4,281,880</u>	<u>-</u>	<u>1,875,964</u>	<u>65,765</u>
Total governmental activities	<u>45,154,813</u>	<u>3,741,351</u>	<u>9,021,462</u>	<u>65,765</u>
<b>Business Type Activities</b>				
<b>Non-instructional programs:</b>				
School nutrition services	1,841,075	1,394,648	600,408	-
Total	<u>\$ 46,995,888</u>	<u>\$ 5,135,999</u>	<u>\$ 9,621,870</u>	<u>\$ 65,765</u>
<b>General revenues:</b>				
<b>Taxes:</b>				
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, as restated				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$(11,513,697)	\$ -	\$(11,513,697)
(4,483,464)	-	(4,483,464)
(2,726,988)	-	(2,726,988)
<u>(18,724,149)</u>	<u>-</u>	<u>(18,724,149)</u>
(1,171,805)	-	(1,171,805)
(1,327,160)	-	(1,327,160)
(4,323,711)	-	(4,323,711)
(3,506,621)	-	(3,506,621)
(932,638)	-	(932,638)
<u>(11,261,935)</u>	<u>-</u>	<u>(11,261,935)</u>
(688,101)	-	(688,101)
(295,928)	-	(295,928)
-	-	-
(1,356,122)	-	(1,356,122)
<u>(2,340,151)</u>	<u>-</u>	<u>(2,340,151)</u>
<u>(32,326,235)</u>	<u>-</u>	<u>(32,326,235)</u>
-	153,981	153,981
<u>(32,326,235)</u>	<u>153,981</u>	<u>(32,172,254)</u>
17,804,500	-	17,804,500
4,514,284	-	4,514,284
13,369,578	-	13,369,578
248,774	1,907	250,681
10,658	-	10,658
<u>35,947,794</u>	<u>1,907</u>	<u>35,949,701</u>
3,621,559	155,888	3,777,447
52,980,514	588,895	53,569,409
<u>\$ 56,602,073</u>	<u>\$ 744,783</u>	<u>\$ 57,346,856</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2010

Assets	General	Debt Service
Cash and pooled investments:		
Other	\$ 7,502,702	\$ -
Receivables:		
Property tax:		
Delinquent	158,243	-
Succeeding year	15,653,709	-
Accounts	708,237	-
Accrued interest - other	2,208	-
Due from other governments	426,650	-
Inventories	23,616	-
	<u>\$ 24,475,365</u>	<u>\$ -</u>
<b>Total assets</b>	<b>\$ 24,475,365</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 564,175	\$ -
Salaries and benefits payable	4,112,763	-
Deferred revenue:		
Succeeding year property tax	15,653,709	-
Other	63,092	-
Total liabilities	<u>20,393,739</u>	<u>-</u>
Fund balances:		
Reserved for:		
Inventories	23,616	-
State grants	607,063	-
Unreserved:		
Undesignated	3,450,947	-
Reported in nonmajor Governmental funds	-	-
Total fund balances	<u>4,081,626</u>	<u>-</u>
	<u>\$ 24,475,365</u>	<u>\$ -</u>
<b>Total liabilities and fund balances</b>	<b>\$ 24,475,365</b>	<b>\$ -</b>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,145,727	\$ 6,091,294	\$ 19,739,723
-	34,375	192,618
-	3,321,028	18,974,737
-	383	708,620
6,616	1,757	10,581
720,258	22,939	1,169,847
-	-	23,616
<u>\$ 6,872,601</u>	<u>\$ 9,471,776</u>	<u>\$ 40,819,742</u>
\$ 910,217	\$ 216,048	\$ 1,690,440
-	-	4,112,763
-	3,321,028	18,974,737
-	-	63,092
<u>910,217</u>	<u>3,537,076</u>	<u>24,841,032</u>
-	-	23,616
-	-	607,063
5,962,384	-	9,413,331
-	5,934,700	5,934,700
<u>5,962,384</u>	<u>5,934,700</u>	<u>15,978,710</u>
<u>\$ 6,872,601</u>	<u>\$ 9,471,776</u>	<u>\$ 40,819,742</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

Total fund balances of governmental funds	\$ 15,978,710
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.	51,484,518
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	63,092
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.	19,847
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(21,055)
Long-term liabilities, including notes payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(10,930,360)</u>
Net assets of governmental activities	<u>\$ 56,594,752</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, 2010

	General	Debt Service
Revenues:		
Local sources:		
Local tax	\$ 14,731,275	\$ -
Tuition	2,153,596	-
Other	440,535	-
State sources	17,992,777	-
Federal sources	4,496,194	-
Total revenues	<u>39,814,377</u>	<u>-</u>
Expenditures:		
Current:		
Instruction:		
Regular instruction	18,453,691	-
Special instruction	6,247,935	-
Other instruction	2,918,674	-
	<u>27,620,300</u>	<u>-</u>
Support services:		
Student services	1,169,510	-
Instructional staff services	1,333,883	-
Administration services	4,180,925	-
Operation and maintenance of plant services	3,188,819	-
Transportation services	976,116	-
	<u>10,849,253</u>	<u>-</u>
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt:		
Interest and other charges	-	265,400
AEA flowthrough	1,875,964	-
	<u>1,875,964</u>	<u>265,400</u>
Total expenditures	<u>40,345,517</u>	<u>265,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(531,140)</u>	<u>(265,400)</u>
Other financing sources (uses):		
Revenue bonds issued	-	-
Operating transfers in	-	265,400
Operating transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>265,400</u>
Net change in fund balances	(531,140)	-
Fund balances beginning of year	<u>4,612,766</u>	<u>-</u>
Fund balances end of year	<u>\$ 4,081,626</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,514,284	\$ 3,073,225	\$ 22,318,784
-	-	2,153,596
243,410	1,194,841	1,878,786
-	1,716	17,994,493
-	85,412	4,581,606
<u>4,757,694</u>	<u>4,355,194</u>	<u>48,927,265</u>
-	282,739	18,736,430
-	-	6,247,935
-	824,976	3,743,650
<u>-</u>	<u>1,107,715</u>	<u>28,728,015</u>
-	-	1,169,510
-	-	1,333,883
-	94,058	4,274,983
-	520,147	3,708,966
-	493,497	1,469,613
<u>-</u>	<u>1,107,702</u>	<u>11,956,955</u>
13,258,318	1,378,194	14,636,512
-	-	265,400
-	-	1,875,964
<u>13,258,318</u>	<u>1,378,194</u>	<u>16,777,876</u>
<u>13,258,318</u>	<u>3,593,611</u>	<u>57,462,846</u>
<u>(8,500,624)</u>	<u>761,583</u>	<u>(8,535,581)</u>
-	-	-
-	68,772	334,172
<u>(265,400)</u>	<u>(68,772)</u>	<u>(334,172)</u>
<u>(265,400)</u>	<u>-</u>	<u>-</u>
(8,766,024)	761,583	(8,535,581)
14,728,408	5,173,117	24,514,291
<u>\$ 5,962,384</u>	<u>\$ 5,934,700</u>	<u>\$ 15,978,710</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, 2010

Net change in fund balances - total governmental funds \$ (8,535,581)

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

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

Expenditures for capital assets	\$ 14,707,944	
Depreciation expense	<u>(1,862,209)</u>	12,845,735

Certain revenues received are not available to pay current period expenditures and, therefore, are deferred in the government funds. (150,893)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (10,528)

Accretion of discount on long-term liabilities increases long-term liabilities on the Statement of Net Assets, and is included with interest on long-term debt on the Statement of Activities. (20,000)

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

Compensated absences	\$ 15,691	
Early retirement	(184,536)	
Other postemployment benefits	<u>(328,874)</u>	(497,719)

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. (9,455)

Change in net assets of governmental activities \$ 3,621,559

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2010

	Enterprise Fund - School Nutrition	Internal Service Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 595,152	\$ 19,847
Accounts receivable	28,635	-
Accrued interest receivable	174	-
Due from other governments	-	-
Inventories	42,885	-
Capital assets, net of accumulated depreciation	179,467	-
	<u>846,313</u>	<u>19,847</u>
<b>Total assets</b>	<b>846,313</b>	<b>19,847</b>
<b>Liabilities</b>		
Accounts payable	69,769	-
Salaries and benefits payable	31,761	-
	<u>101,530</u>	<u>-</u>
<b>Total liabilities</b>	<b>101,530</b>	<b>-</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	179,467	-
Unrestricted	565,316	19,847
	<u>744,783</u>	<u>19,847</u>
<b>Total net assets</b>	<b>\$ 744,783</b>	<b>\$ 19,847</b>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Fund - School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 1,394,648	\$ -
Other	-	-
Total operating revenues	<u>1,394,648</u>	<u>-</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	578,182	-
Benefits	153,886	9,455
Purchased services	77,096	-
Supplies	1,003,399	-
Depreciation	28,512	-
Total operating expenses	<u>1,841,075</u>	<u>9,455</u>
Operating loss	<u>(446,427)</u>	<u>(9,455)</u>
Non-operating revenues:		
State sources	15,459	-
Federal sources	584,949	-
Interest on investments	1,907	-
Total non-operating revenues	<u>602,315</u>	<u>-</u>
Change in net assets	155,888	(9,455)
Net assets beginning of year	<u>588,895</u>	<u>29,302</u>
Net assets end of year	<u>\$ 744,783</u>	<u>\$ 19,847</u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2010

	Enterprise Fund - School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,387,641	\$ -
Cash received from assessments made to other funds	-	-
Cash payments to employees for services	(730,915)	
Cash payments to suppliers for goods or services	(962,764)	(9,455)
Net cash used by operating activities	<u>(306,038)</u>	<u>(9,455)</u>
Cash flows from non-capital financing activities:		
State grants received	15,459	-
Federal grants received	487,417	-
Net cash provided by non-capital financing activities	<u>502,876</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(41,537)	-
Net cash used by capital and related financing activities	<u>(41,537)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	1,939	-
Net increase (decrease) in cash and cash equivalents	157,240	(9,455)
Cash and cash equivalents at beginning of year	437,912	29,302
Cash and cash equivalents at end of year	<u>\$ 595,152</u>	<u>\$ 19,847</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (446,427)	\$ (9,455)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	108,068	-
Depreciation	28,512	-
Increase in receivables	(7,007)	-
Increase in inventories	(1,227)	-
Increase in accounts payable	10,890	-
Increase in salaries and benefits payable	1,153	-
Net cash used by operating activities	<u>\$ (306,038)</u>	<u>\$ (9,455)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$97,532 of federal commodities.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

	Private Purpose Trust - Scholarships	Agency Funds
<b>Assets</b>		
Cash and pooled investments	\$ 61,739	\$ 3,591
Accrued interest receivable	1,044	-
Due from others	-	5,542
	<u>          </u>	<u>          </u>
<b>Total assets</b>	<b><u>    \$ 62,783</u></b>	<b><u>    \$ 9,133</u></b>
 <b>Liabilities</b>		
Accounts payable	\$ -	\$ 7,214
Due to others	-	1,919
	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<b><u>          -</u></b>	<b><u>    \$ 9,133</u></b>
 <b>Net assets</b>		
Reserved for scholarships	<u>    \$ 62,783</u>	

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trust - Scholarships
Additions:	
Local sources:	
Interest income	\$ 12,972
Deductions:	
Support services:	
Scholarships awarded	6,600
Change in net assets	6,372
Net assets beginning of year	56,411
Net assets end of year	\$ 62,783

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

### (1) Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

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

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

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

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

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

B. Basis of Presentation - (continued)

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

Additionally, the District reports the following funds:

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

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

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

#### B. Basis of Presentation - (continued)

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

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

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

Land	\$	2,000
Buildings and improvements		2,000
Improvements other than buildings		2,000
Intangibles		50,000
Furniture and equipment:		
School Nutrition Fund equipment		2,000
Other furniture and equipment		2,000
Vehicles		2,000

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
Intangibles	5 - 10 years
Furniture and equipment	5 - 20 years
Vehicles	5 years

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

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

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

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

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

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, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

F. Use of Estimates

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

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2010, were entirely covered by Federal depository insurance or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$29,028 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(3) Iowa School Cash Anticipation Program (ISCAP)

The District is eligible, but did not participate in the Iowa Schools Cash Anticipation Program (ISCAP) during the year ended June 30, 2010. ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co., N.A., is the trustee for the program.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,264,860	\$ -	\$ -	\$ 1,264,860
Construction in progress	2,727,443	13,277,711	144,932	15,860,222
<b>Total capital assets not being depreciated</b>	<b>3,992,303</b>	<b>13,277,711</b>	<b>144,932</b>	<b>17,125,082</b>
<b>Capital assets being depreciated/amortized:</b>				
Buildings and improvements	48,122,227	297,297	-	48,419,524
Improvements other than buildings	2,742,749	394,022	-	3,136,771
Furniture and equipment	5,339,571	317,199	403,606	5,253,164
Vehicles	2,265,052	566,647	141,496	2,690,203
Intangibles	146,477	-	-	146,477
<b>Total capital assets being depreciated/amortized</b>	<b>58,616,076</b>	<b>1,575,165</b>	<b>545,102</b>	<b>59,646,139</b>
<b>Less accumulated depreciation/amortization for:</b>				
Buildings and improvements	16,305,232	1,163,993	-	17,469,225
Improvements other than buildings	1,670,673	144,189	-	1,814,862
Furniture and equipment	4,054,232	353,084	403,606	4,003,710
Vehicles	1,807,630	186,295	141,496	1,852,429
Intangibles	124,508	14,648	-	139,156
<b>Total accumulated depreciation/amortization</b>	<b>23,962,275</b>	<b>1,862,209</b>	<b>545,102</b>	<b>25,279,382</b>
<b>Total capital assets being depreciated/amortized, net</b>	<b>34,653,801</b>	<b>(287,044)</b>	<b>-</b>	<b>34,366,757</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 38,646,104</b>	<b>\$ 12,990,667</b>	<b>\$ 144,932</b>	<b>\$ 51,491,839</b>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(4) Capital Assets - (continued)

Capital assets activity for the year ended June 30, 2010 is as follows - (continued):

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Business type activities:				
Furniture, equipment, vehicles	\$ 940,550	\$ 41,537	\$ 3,922	\$ 978,165
Less accumulated depreciation	<u>774,108</u>	<u>28,512</u>	<u>3,922</u>	<u>798,698</u>
Business type activities capital assets, net	<u>\$ 166,442</u>	<u>\$ 13,025</u>	<u>\$ -</u>	<u>\$ 179,467</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 226,353
Special	9,028
Other	41,588

Support services:

Support staff	2,295
Instructional staff	29,723
Administration	26,729
Operation and maintenance of plant	55,838
Transportation	114,533

506,087

Unallocated depreciation/amortization

1,356,122

Total depreciation/amortization expense - governmental activities

\$ 1,862,209

Business type activities:

School nutrition	<u>\$ 28,512</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Notes payable	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	\$ 10,000,000
Discount	<u>(40,000)</u>	<u>-</u>	<u>20,000</u>	<u>(20,000)</u>	<u>(20,000)</u>
	9,960,000	-	20,000	9,980,000	9,980,000
Compensated absences	127,641	111,950	127,641	111,950	111,950
Early retirement	-	184,536	-	184,536	76,890
Net OPEB liab.	<u>325,000</u>	<u>328,874</u>	<u>-</u>	<u>653,874</u>	<u>-</u>
Total	<u>\$ 10,412,641</u>	<u>\$ 625,360</u>	<u>\$ 147,641</u>	<u>\$ 10,930,360</u>	<u>\$ 10,168,840</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(5) Long-Term Liabilities - (continued)

Revenue bond anticipation notes:

Details of the District's June 30, 2010 School infrastructure sales, services and use tax bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued December 1, 2008			
	Interest Rate	Principal	Interest	Total
2011	2.65%	<u>\$ 10,000,000</u>	<u>\$ 265,000</u>	<u>\$ 10,265,000</u>
		<u><u>\$ 10,000,000</u></u>	<u><u>\$ 265,000</u></u>	<u><u>\$ 10,265,000</u></u>

The District has pledged future school infrastructure sales, services and use tax revenues to repay the \$10,000,000 of notes issued December 1, 2008. The notes were issued for the purpose of financing a portion of the costs associated with site acquisition, construction, reconstruction, remodeling, and refurbishing certain of the district's facilities and to pay the cost of issuance of the notes. The notes are not a general obligation of the district, however, the debt is subject to the constitutional debt limitation of the District.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the area education agency. The District's actual amount for this purpose totaled \$1,875,964 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$1,724,618, \$1,560,777, and \$1,396,002, respectively, equal to required contributions for each year.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 470 active and 51 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through two fully-insured plans with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the district, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	325,000
Interest on net OPEB obligation		16,250
Adjustment to annual required contribution		(12,376)
Annual OPEB cost		328,874
Contributions made		-
Increase in net OPEB obligation		328,874
Net OPEB obligation beginning of year		325,000
Net OPEB obligation end of year	\$	653,874

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$235,300, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 328,874	0.00%	\$ 653,874

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2010

(8) Other Postemployment Benefits (OPEB) - (continued)

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$2.941 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.941 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$25,060,000, and the ratio of the UAAL to covered payroll was 11.74%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate assuming Cedar Falls Community School District will fund the retirement benefit on a pay-as-you-go basis. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan range from \$516 per month for retirees at age 55 to \$889 per month for retirees at age 64. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(9) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling \$22,418,445. As of June 30, 2010, costs of \$15,860,222 on these contracts had been incurred, \$14,837,250 had been paid, and \$1,022,972 was included in the accounts payable on the balance sheet. The balance of \$6,558,223 remaining at June 30, 2010 will be paid as work on the various projects progresses.

(10) Contingencies and Risk Management

At June 30, 2010, 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.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was implemented during fiscal year 2010. Beginning net assets and capital assets for governmental activities were restated to retroactively report intangible assets acquired prior to July 1, 2009, as follows:

	Net Assets	Capital Assets
Balances June 30, 2009, as previously reported	\$ 52,958,545	\$ 38,624,135
Increase for intangible assets, less accumulated amortization	21,969	21,969
Balances July 1, 2009, as restated	\$ 52,980,514	\$ 38,646,104

(12) Subsequent Events

Management has evaluated subsequent events through December 21, 2010, the date which the financial statements were available for issue.

## Required Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 26,351,166	\$ 1,396,555
Intermediate sources	-	-
State sources	17,994,493	15,459
Federal sources	4,581,606	584,949
Total receipts	<u>48,927,265</u>	<u>1,996,963</u>
Expenditures		
Instruction	28,728,015	-
Support services	11,956,955	-
Non-instructional programs	-	1,841,075
Other expenditures	16,777,876	-
Total disbursements	<u>57,462,846</u>	<u>1,841,075</u>
Excess (deficiency) of revenues over (under) expenditures	(8,535,581)	155,888
Other financing sources, net	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(8,535,581)	155,888
Balance beginning of year	<u>24,514,291</u>	<u>588,895</u>
Balance end of year	<u><u>\$ 15,978,710</u></u>	<u><u>\$ 744,783</u></u>

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
\$ 33,506	\$ 27,714,215	\$ 26,317,184	\$ 26,317,184	\$ 1,397,031
-	-	-	-	-
-	18,009,952	22,464,187	22,464,187	(4,454,235)
-	5,166,555	1,606,923	1,606,923	3,559,632
<u>33,506</u>	<u>50,890,722</u>	<u>50,388,294</u>	<u>50,388,294</u>	<u>502,428</u>
68,772	28,659,243	30,023,760	\$ 30,023,760	1,364,517
-	11,956,955	12,530,819	12,530,819	573,864
-	1,841,075	2,058,050	2,058,050	216,975
-	16,777,876	34,060,754	34,060,754	17,282,878
<u>68,772</u>	<u>59,235,149</u>	<u>78,673,383</u>	<u>78,673,383</u>	<u>19,438,234</u>
(35,266)	(8,344,427)	(28,285,089)	(28,285,089)	19,940,662
-	-	17,542,000	17,542,000	(17,542,000)
(35,266)	(8,344,427)	(10,743,089)	(10,743,089)	2,398,662
<u>1,564,022</u>	<u>23,539,164</u>	<u>21,591,930</u>	<u>21,591,930</u>	<u>1,947,234</u>
<u>\$ 1,528,756</u>	<u>\$ 15,194,737</u>	<u>\$ 10,848,841</u>	<u>\$ 10,848,841</u>	<u>\$ 4,345,896</u>

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

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

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

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted in any functional area and the District did not exceed its General Fund unspent authorized budget.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan (in thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$ 2,941	\$ 2,941	0.00%	\$ 19,031	15.45%
2010	July 1, 2008	\$ -	\$ 2,941	\$ 2,941	0.00%	\$ 25,060	11.74%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2010

Assets	Management Levy	Student Activity	Special Revenue Physical Plant and Equipment Levy
Cash and pooled investments	\$ 741,625	\$ 602,610	\$ 3,218,750
Receivables:			
Property tax:			
Delinquent	6,444	-	27,931
Succeeding year	735,097	-	2,585,931
Accounts	-	383	-
Accrued interest	171	178	961
Due from other governments	-	-	22,939
	<u>\$ 1,483,337</u>	<u>\$ 603,171</u>	<u>\$ 5,856,512</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 5,264	\$ 30,284	\$ 180,500
Salaries and benefits payable	-	-	-
Interfund payable	-	-	-
Deferred revenue:			
Succeeding year property tax	735,097	-	2,585,931
Other	-	-	-
Total liabilities	<u>740,361</u>	<u>30,284</u>	<u>2,766,431</u>
Fund balances:			
Unreserved, undesignated fund balances	<u>742,976</u>	<u>572,887</u>	<u>3,090,081</u>
	<u>\$ 1,483,337</u>	<u>\$ 603,171</u>	<u>\$ 5,856,512</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue	Permanent Fund	Total
\$ 17,511	\$ 4,580,496	\$ 1,510,798	\$ 6,091,294
-	34,375	-	34,375
-	3,321,028	-	3,321,028
-	383	-	383
1	1,311	446	1,757
-	22,939	-	22,939
<u>\$ 17,512</u>	<u>\$ 7,960,532</u>	<u>\$ 1,511,244</u>	<u>\$ 9,471,776</u>
\$ -	\$ 216,048	\$ -	\$ 216,048
-	-	-	-
-	-	-	-
-	3,321,028	-	3,321,028
-	-	-	-
<u>-</u>	<u>3,537,076</u>	<u>-</u>	<u>3,537,076</u>
<u>17,512</u>	<u>4,423,456</u>	<u>1,511,244</u>	<u>5,934,700</u>
<u>\$ 17,512</u>	<u>\$ 7,960,532</u>	<u>\$ 1,511,244</u>	<u>\$ 9,471,776</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Management Levy	Student Activity	Special Revenue Physical Plant and Equipment Levy
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 599,886	\$ -	\$ 2,473,339
Other	158,435	922,462	80,438
State sources	377	-	1,339
Federal sources	-	-	85,412
Total revenues	<u>758,698</u>	<u>922,462</u>	<u>2,640,528</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular instruction	145,263	-	68,704
Special instruction	-	-	-
Other instruction	-	824,976	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	45,871	-	48,187
Operating and maintenance of plant services	340,246	-	179,901
Transportation services	63,484	-	430,013
Other expenditures:			
Facilities acquisition and construction	-	-	1,378,194
Total expenditures	<u>594,864</u>	<u>824,976</u>	<u>2,104,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>163,834</u>	<u>97,486</u>	<u>535,529</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	163,834	97,486	535,529
Fund balances beginning of year	<u>579,142</u>	<u>475,401</u>	<u>2,554,552</u>
Fund balances end of year	<u>\$ 742,976</u>	<u>\$ 572,887</u>	<u>\$ 3,090,081</u>

See accompanying independent auditors' report.

Public Purpose Trust Fund	Total Special Revenue Funds	Permanent Fund	Total
\$ -	\$ 3,073,225	\$ -	\$ 3,073,225
9,962	1,171,297	23,544	1,194,841
-	1,716	-	1,716
-	85,412	-	85,412
<u>9,962</u>	<u>4,331,650</u>	<u>23,544</u>	<u>4,355,194</u>
68,772	282,739	-	282,739
-	-	-	-
-	824,976	-	824,976
-	-	-	-
-	-	-	-
-	94,058	-	94,058
-	520,147	-	520,147
-	493,497	-	493,497
-	1,378,194	-	1,378,194
<u>68,772</u>	<u>3,593,611</u>	<u>-</u>	<u>3,593,611</u>
<u>(58,810)</u>	<u>738,039</u>	<u>23,544</u>	<u>761,583</u>
68,772	68,772	-	68,772
-	-	(68,772)	(68,772)
<u>68,772</u>	<u>68,772</u>	<u>(68,772)</u>	<u>-</u>
9,962	806,811	(45,228)	761,583
7,550	3,616,645	1,556,472	5,173,117
<u>\$ 17,512</u>	<u>\$ 4,423,456</u>	<u>\$ 1,511,244</u>	<u>\$ 5,934,700</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Investment income	\$ 83,729	\$ 4,820	\$ -	\$ (4,000)	\$ 84,549
Miscellaneous	18,529	15,633	15,002	-	19,160
Drama arts	12,482	9,462	5,597	-	16,347
Speech	1,554	2,193	2,409	-	1,338
Recog.-music/speech	4,316	3,790	2,750	-	5,356
Yearbook	53,467	26,899	7,751	-	72,615
Music/vocal	6,898	12,352	13,241	-	6,009
Music/orchestra	1,793	76,249	75,142	-	2,900
Music/band	2,349	17,901	15,086	-	5,164
Athletics	(22,267)	157,133	82,852	(35,850)	16,164
Athletic resale	(162)	4,947	2,847	-	1,938
Track meets	10,373	8,192	9,264	(3,000)	6,301
Tennis	6,276	120	439	-	5,957
Golf	5,879	1,465	6,521	7,500	8,323
Cheerleaders	(2,242)	50,081	43,335	3,300	7,804
Pom poms	4,623	10,860	16,535	3,550	2,498
Basketball-boys	10,691	7,619	6,987	-	11,323
Football	21,759	40,276	53,803	-	8,232
Soccer-boys	(949)	6,790	6,793	4,000	3,048
Baseball	(34)	6,460	11,470	10,000	4,956
Track-boys	4,193	2,954	10,055	7,000	4,092
Swimming-boys	4,864	2,874	1,300	-	6,438
Wrestling	3,513	6,271	12,954	4,200	1,030
Basketball-girls	6,466	5,972	18,967	4,000	(2,529)
Volleyball	3,889	7,287	9,596	7,000	8,580
Soccer-girls	2,726	2,892	10,161	3,500	(1,043)
Softball	13,231	6,821	9,943	4,000	14,109
Track-girls	4,498	4,430	7,917	3,000	4,011
Swimming-girls	6,097	3,559	6,963	-	2,693
Concessions-Robinsen/Dresser	(4,573)	14,756	3,294	(4,200)	2,689
A.P.A.	(33,280)	11,035	7,562	-	(29,807)
Student Forum	75	-	-	-	75
A.V. Dept.	-	1,055	633	-	422
P.C.B.C.	54,633	5,104	-	-	59,737
Campus improvement	2,022	2,270	2,643	-	1,649
CFHS Memorial Fund	3,284	-	132	-	3,152
CHAT	100	-	-	-	100
Food Bank	3,744	1,849	8,294	3,900	1,199
DECA	(2,493)	13,397	14,835	-	(3,931)
Drug/alcohol prevention	448	-	-	-	448
English resource center	13,465	19,826	28,280	-	5,011
FBLA	53	-	-	-	53
Food service	131	100	150	-	81
General store	1,141	-	-	-	1,141
Activity tickets/Jr. high	666	18,000	80	(18,000)	586
Jr/Sr prom	(8,785)	4,778	8,801	4,548	(8,260)
Library	10,132	2,133	2,575	-	9,690
Mc Elroy Fund	2,796	-	790	-	2,006
Office education	(1,372)	-	-	-	(1,372)

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
M.R.C.	632	824	1,271	-	185
Pop	13,069	5,069	4,056	-	14,082
AP textbooks	1,539	-	-	-	1,539
Programs	(4,411)	1,798	100	-	(2,713)
Revolving	(2,995)	72,105	59,742	-	9,368
Science club	189	-	40	-	149
Faculty	(4,450)	11,515	4,832	-	2,233
T & I Club	(138)	60	-	-	(78)
Tiger Hi-Line	1,632	3,863	2,301	-	3,194
Y.F.U.	2,752	-	138	-	2,614
Student forum	4,466	16,765	13,447	(2,400)	5,384
Renaissance	122	-	-	-	122
Class of 2003	569	2,967	1,662	-	1,874
Class of 2004	691	-	-	-	691
Class of 2005	1,604	-	-	-	1,604
Class of 2008	852	-	-	-	852
Special needs	552	159	121	-	590
Tiger bizness	-	4,205	4,105	-	100
PTA	2,097	935	2,219	-	813
Student council	19,628	34,462	28,496	-	25,594
Pictures	18,057	24,219	22,483	-	19,793
Lego League	2,309	5,402	2,635	-	5,076
Student activities	8,658	26,631	13,084	(6,048)	16,157
Special Olympics	1,202	-	-	-	1,202
Math club	430	-	-	-	430
Magazines	52,038	47,131	52,042	-	47,127
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	1,885	820	9	-	2,696
Recycling	4,890	269	100	-	5,059
Alpha	1,472	2,923	3,069	-	1,326
Robotics	8,864	34,153	38,972	-	4,045
TJ-TR Account	33	348	46	-	335
SADD	407	2,247	723	-	1,931
Video yearbook	121	-	-	-	121
Weight room	(115)	-	-	4,000	3,885
Culture Fair	7	-	-	-	7
PLAAD	1,742	10,677	11,669	-	750
Drama clubs	10,355	7,667	10,048	-	7,974
Tech clubs	45	-	-	-	45
Choral/Dramatic	2,288	-	-	-	2,288
Echoes concessions	3,554	719	169	-	4,104
Amnesty International	-	-	-	-	-
PATT concessions	(283)	3,166	2,766	-	117
Brick Fundraiser	5,649	150	485	-	5,314
Art Club	196	395	175	-	416
Baseball Booster	463	213	222	-	454
	<u>\$ 475,401</u>	<u>\$ 922,462</u>	<u>\$ 824,976</u>	<u>\$ -</u>	<u>\$ 572,887</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, 2010

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash and pooled investments	\$ 8,063	\$ 87,540	\$ 92,012	\$ 3,591
Due from others	19,594	5,542	19,594	5,542
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 27,657	\$ 93,082	\$ 111,606	\$ 9,133
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities				
Accounts payable	\$ 10,767	\$ 7,214	\$ 10,767	\$ 7,214
Due to others	16,890	73,488	88,459	1,919
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 27,657	\$ 80,702	\$ 99,226	\$ 9,133
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2010	2009	2008	2007
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 22,318,784	\$ 21,484,048	\$ 19,327,239	\$ 18,191,684
Tuition	2,153,596	1,963,269	2,138,692	2,331,925
Other	1,878,786	1,749,316	2,086,376	2,414,261
State sources	17,994,493	20,934,389	19,951,468	18,280,648
Federal sources	4,581,606	1,495,445	1,085,547	1,038,884
<b>Total revenues</b>	<b>\$ 48,927,265</b>	<b>\$ 47,626,467</b>	<b>\$ 44,589,322</b>	<b>\$ 42,257,402</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 18,736,430	\$ 17,780,433	\$ 16,609,178	\$ 16,382,335
Special instruction	6,247,935	5,673,623	5,495,881	5,067,331
Other instruction	3,743,650	4,117,251	3,508,710	2,812,842
Support services:				
Student services	1,169,510	1,144,030	1,088,585	1,098,064
Instructional staff services	1,333,883	1,300,243	1,212,844	1,275,388
Administration services	4,274,983	3,993,170	3,796,461	3,620,974
Operation and maintenance of plant services	3,708,966	3,360,535	3,327,109	3,213,667
Transportation services	1,469,613	1,363,560	983,877	852,118
Other expenditures:				
Facilities acquisition and construction	14,636,512	4,416,650	2,941,763	3,367,014
Long-term debt:				
Principal	-	-	5,000,000	-
Interest and other charges	265,400	132,700	175,400	175,400
AEA flowthrough	1,875,964	1,595,539	1,477,405	1,373,489
<b>Total expenditures</b>	<b>\$ 57,462,846</b>	<b>\$ 44,877,734</b>	<b>\$ 45,617,213</b>	<b>\$ 39,238,622</b>

See accompanying independent auditors' report.

Modified Accrual Basis

2006	2005	2004	2003	2002	2001
\$ 17,768,871	\$ 16,708,307	\$ 16,520,308	\$ 16,003,368	\$ 14,832,828	\$ 13,639,413
1,921,414	1,830,999	1,626,894	1,526,842	1,525,918	1,461,342
1,855,625	1,823,074	2,631,928	1,800,949	2,120,001	2,034,053
17,610,943	16,264,693	16,132,001	16,165,932	16,494,066	16,760,303
1,078,199	1,045,266	1,085,395	1,516,393	1,169,893	1,287,952
<u>\$ 40,235,052</u>	<u>\$ 37,672,339</u>	<u>\$ 37,996,526</u>	<u>\$ 37,013,484</u>	<u>\$ 36,142,706</u>	<u>\$ 35,183,063</u>
\$ 15,270,446	\$ 15,037,847	\$ 14,200,102	\$ 14,384,887	\$ 14,389,215	\$ 14,182,324
4,720,786	4,861,934	4,469,541	4,933,571	3,925,935	3,865,208
3,039,278	2,505,798	2,647,017	1,777,260	2,675,291	2,642,395
1,078,517	1,107,975	1,073,346	1,102,026	1,046,622	1,025,970
1,254,972	1,125,213	1,092,475	1,151,890	1,398,485	1,287,113
3,386,839	3,099,849	3,206,356	3,023,114	2,987,775	2,803,773
3,025,461	3,201,889	2,738,832	2,569,879	2,304,314	2,588,508
903,632	637,188	622,904	569,884	532,250	683,684
9,991,694	4,918,143	2,151,702	4,386,440	6,583,904	3,981,212
-	-	-	5,000,000	-	-
116,867	-	-	250,300	250,300	250,300
1,296,035	1,221,698	1,211,772	1,279,580	1,288,214	1,321,347
<u>\$ 44,084,527</u>	<u>\$ 37,717,534</u>	<u>\$ 33,414,047</u>	<u>\$ 40,428,831</u>	<u>\$ 37,382,305</u>	<u>\$ 34,631,834</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
U.S. Department of Education:			
Readiness and Emergency Management for Schools (REMS)	84.184E	FY10	\$ 192,848
Carol M. White Physical Education Program	84.215F	FY10	406,088
Total U.S. Department of Education			<u>598,936</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY10	<u>\$ 97,532</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	37,065
National School Lunch Program	10.555	FY10	450,352
			<u>487,417</u>
Total U.S. Department of Agriculture			<u>584,949</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	FY10	411,500
ARRA - Title I Grants to Local Education Agencies, Recovery Act	84.389	FY10	<u>116,324</u>
			<u>527,824</u>
Vocational Education - Basic Grants to States	84.048A	FY10	<u>46,822</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY10	<u>50,767</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186A	FY10	<u>5,435</u>
Improving Teacher Quality State Grants	84.367	FY10	<u>184,644</u>
Grants for State Assessments and Related Activities	84.369	FY10	<u>29,276</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	<u>1,958,141</u>
Area Education Agency 267:			
Special Education (IDEA) Cluster:			
Special Education - Grants to States (IDEA)	84.027	FY10	223,636
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	<u>611,498</u>
			<u>835,134</u>
English Language Acquisition Grants	84.395	FY10	<u>516</u>
Total U.S. Department of Education			<u>3,638,559</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(continued)

U.S. Department of Health & Human Services:			
Tri-County Child & Family Development Council, Inc.:			
Head Start	93.600	FY10	<u>124,662</u>
Total U.S. Department of Health & Human Services			<u>124,662</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Public Assistance Grants	97.036	FY10	<u>34,296</u>
Total U.S. Department of Homeland Security			<u>34,296</u>
U.S. Department of Justice:			
City of Cedar Falls:			
Community Oriented Policing Service (COPS)	16.710	FY10	<u>51,116</u>
Total U.S. Department of Justice			<u>51,116</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,032,518</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 Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the Board of Education  
Cedar Falls Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Cedar Falls Community School District, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

*Carney, Alexander, Macold + Co., L.L.P.*

December 21, 2010

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

To the Board of Education  
Cedar Falls Community School District

Compliance

We have audited the compliance of Cedar Falls Community School District, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Cedar Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Cedar Falls Community School District's management. Our responsibility is to express an opinion on Cedar Falls Community School District's compliance based on our audit.

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

In our opinion, Cedar Falls Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

The management of Cedar Falls Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Cedar Falls Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedar Falls Community School District's internal control over compliance.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

December 21, 2010



CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part II: Findings Related to the Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part III: Findings and Questioned Costs for Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs

Year ended June 30, 2010

### **Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-10      Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amounts budgeted.
- IV-B-10      Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10      Business Transactions - We noted no business transactions between the District and District officials or employees.
- IV-E-10      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-10      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- IV-H-10      Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- IV-I-10      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-10      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.
- IV-K-10      Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-10      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

Dallas E. Voigts, CPA, Partner

Monica M. Haag, CPA, Manager

Janel Ruzicka

Laura Rohe

Jason Kofoed, CPA

# Cedar Falls Community Schools

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

Phone: 319-553-3000 Fax: 319-277-0614

Web Site: [www.cedar-falls.k12.ia.us](http://www.cedar-falls.k12.ia.us)



## ADMINISTRATION

David W. Stoakes, Ed.D., *Superintendent*

Daniel E. Conrad, *Secondary Education*

Cindi F. McDonald, *Elementary Education*

Douglas J. Nefzger, *Business Affairs*

Adrian P. Talbot, Ed.D., S.P.H.R., *Human Resources*

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

## Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2010

<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, 2009.

**Cedar Falls Community Schools**  
1002 West First Street, Cedar Falls, Iowa 50613-2214  
Phone: 319-553-3000 Fax: 319-277-0614  
Web Site: [www.cedar-falls.k12.ia.us](http://www.cedar-falls.k12.ia.us)



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**Corrective Action Plan for Federal Audit Findings**

**Year ended June 30, 2010**

<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, 2010.**