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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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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

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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>		
<b>(Before September 2011 Election)</b>		
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
<b>(After September 2011 Election)</b>		
Deon E. Senchina	President	2013
Joyce E. Coil	Vice President	2015
Susan Lantz	Board Member	2013
Jim Brown	Board Member	2013
James R. Kenyon	Board Member	2015
David Williams	Board Member	2015
Jenny Leeper	Board Member	2015
<b>School Officials</b>		
Dr. David Stoakes	Superintendent	2012
Doug Nefzger	District Secretary	2012
John Steen	District Treasurer	2012
John C. Larsen	Attorney	Indefinite

Cedar Falls Community School District

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, 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, 2012, 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, 2012, 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 January 18, 2013, 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.

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 40 through 42 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included on pages 43 through 52, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with accounting principles generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

January 18, 2013

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

**Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2012**

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 2012 fiscal year which ended on June 30, 2012.

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 2012 fiscal year include the following:

In total, net assets increased by \$2,240,075 or 3.60% from fiscal 2011. Net assets in governmental activities increased \$2,282,797, which represented a 3.72% increase from fiscal year 2011. Increases in property tax receipts and State foundation aid made up the majority of the increase. Net assets in the business-type activity, which represents the District's food service operations, decreased \$42,722, which represented a 5.53% decrease from fiscal year 2011. Increases in operational costs accounted for the decrease.

General Fund revenues (which include the Instructional Support fund) accounted for \$46,322,152 in revenue or 85.08% of all revenues. General Fund expenses (which include the Instructional Support fund) accounted for \$45,162,085 in expenditures or 78.91% 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 2012 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 2012 are the General, Debt Service 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

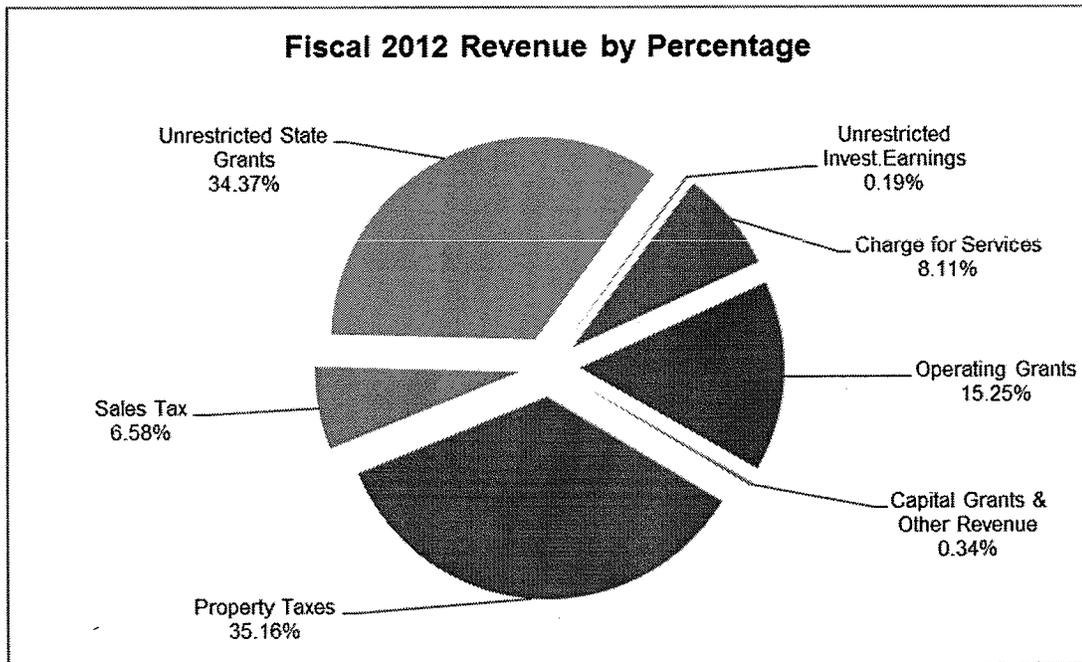
The following is a summary of the statement of net assets of the District as a whole. The Cedar Falls Community School District's net assets at the end of fiscal year 2012 totaled \$64,437,065, up 3.60% from the previous fiscal year.

	Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total		Percent Change	
	2011	2012	2011	2012	2011	2012		
Current & Other Assets	\$ 51,142,524	49,689,565	\$ 721,078	663,994	\$ 51,863,602	50,353,559	-2.91%	
Capital Assets	57,734,385	62,504,262	135,517	130,197	57,869,902	62,634,459	8.23%	
<b>Total Assets</b>	<b>108,876,909</b>	<b>112,193,827</b>	<b>856,595</b>	<b>794,191</b>	<b>109,733,504</b>	<b>112,988,018</b>	<b>2.97%</b>	
Long-term Obligations:								
Due within one year	1,056,425	985,560	-	-	1,056,425	985,560	-6.71%	
Due after one year	20,180,728	19,316,750	-	-	20,180,728	19,316,750	-4.28%	
Other Liabilities	26,215,927	28,184,891	721,078	63,752	26,937,005	28,248,643	4.87%	
<b>Total Liabilities</b>	<b>47,453,080</b>	<b>48,487,201</b>	<b>721,078</b>	<b>63,752</b>	<b>48,174,158</b>	<b>48,550,953</b>	<b>0.78%</b>	
Net Assets								
Invested in Capital Assets -								
Net of Related Debt	37,438,435	43,041,912	135,517	130,197	37,573,952	43,172,109	14.90%	
Restricted	6,436,109	5,373,879	-	-	6,436,109	5,373,879	-16.50%	
Unrestricted	17,549,285	15,290,835	637,644	600,242	18,186,929	15,891,077	-12.62%	
<b>Total Net Assets</b>	<b>\$ 61,423,829</b>	<b>63,706,626</b>	<b>\$ 773,161</b>	<b>730,439</b>	<b>\$ 62,196,990</b>	<b>64,437,065</b>	<b>3.60%</b>	

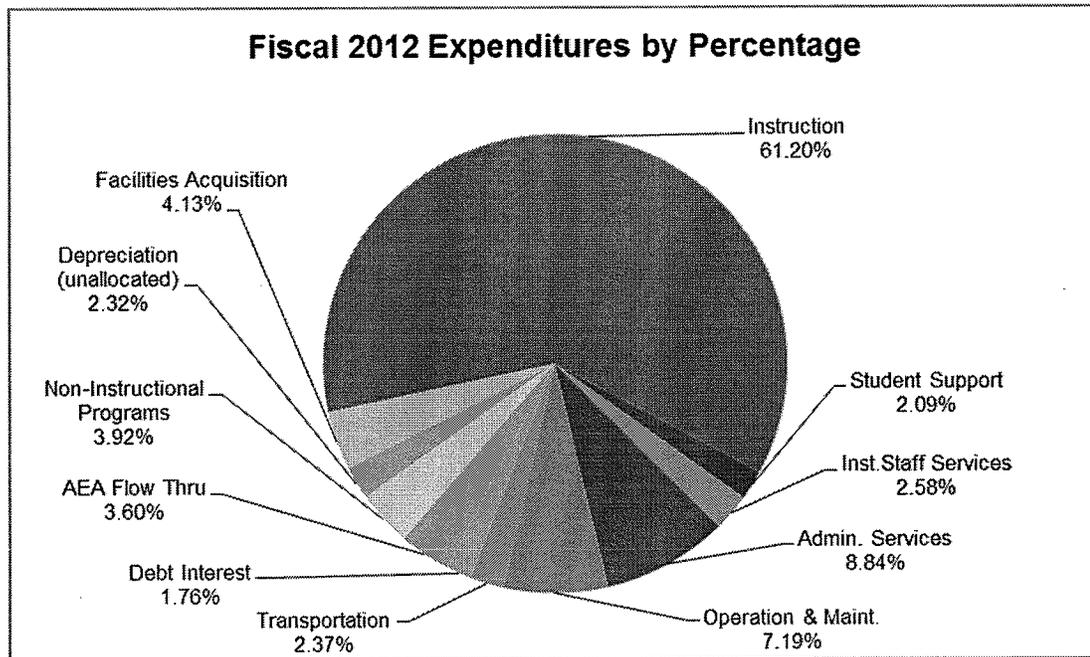
The following analysis shows the change in net assets for the year ending June 30, 2012:

	Change in Net Assets								
	Governmental		Business-type				Total		Percent Change
	Activities		Activities						
	2011	2012	2011	2012	2011	2012			
<b>Revenue</b>									
<b>Program Revenue</b>									
Charge for Services	\$ 3,836,402	3,166,844	\$ 1,320,200	1,362,945	\$ 5,156,602	4,529,789	-12.16%		
Operating Grants	8,148,422	7,817,522	643,152	693,439	8,791,574	8,510,961	-3.19%		
Capital Grants	36,878	71,128	-	-	36,878	71,128	92.87%		
<b>General Revenue</b>									
Property Taxes	18,885,142	19,620,548	-	-	18,885,142	19,620,548	3.89%		
Sales and Income Tax	3,607,002	3,672,221	-	-	3,607,002	3,672,221	1.81%		
Unrestricted State Grants	16,323,230	19,179,555	-	-	16,323,230	19,179,555	17.50%		
Unrestricted Invest. Earnings	87,739	108,070	2,288	1,411	90,027	109,481	21.61%		
Other Revenue	214,932	117,264	-	-	214,932	117,264	-45.44%		
<b>Total Revenue</b>	<b>51,139,747</b>	<b>53,753,152</b>	<b>1,965,640</b>	<b>2,057,795</b>	<b>53,105,387</b>	<b>55,810,947</b>	<b>5.09%</b>		
<b>Program Expense</b>									
Instruction	30,335,912	32,787,621	-	-	30,335,912	32,787,621	8.08%		
Student Support	1,215,980	1,117,153	-	-	1,215,980	1,117,153	-8.13%		
Instructional Staff Services	1,333,187	1,384,235	-	-	1,333,187	1,384,235	3.83%		
Administration Services	4,474,264	4,733,580	-	-	4,474,264	4,733,580	5.80%		
Operation & Maint. Services	3,602,287	3,853,961	-	-	3,602,287	3,853,961	6.99%		
Transportation Services	893,375	1,269,052	-	-	893,375	1,269,052	42.05%		
Long Term Debt Interest	488,600	945,049	-	-	488,600	945,049	93.42%		
Facilities Acquisition	851,334	2,209,762	-	-	851,334	2,209,762	159.56%		
AEA Flow Thru	1,952,999	1,925,667	-	-	1,952,999	1,925,667	-1.40%		
Non-Instructional Programs	-	-	1,937,262	2,100,517	1,937,262	2,100,517	8.43%		
Depreciation (unallocated)	1,170,053	1,244,275	-	-	1,170,053	1,244,275	6.34%		
<b>Total Expenses</b>	<b>46,317,991</b>	<b>51,470,355</b>	<b>1,937,262</b>	<b>2,100,517</b>	<b>48,255,253</b>	<b>53,570,872</b>	<b>11.02%</b>		
<b>Increase (Decrease) Net Assets</b>	<b>4,821,756</b>	<b>2,282,797</b>	<b>28,378</b>	<b>(42,722)</b>	<b>4,850,134</b>	<b>2,240,075</b>	<b>-53.81%</b>		
<b>Net Assets Beginning of Year</b>	<b>56,602,073</b>	<b>61,423,829</b>	<b>744,783</b>	<b>773,161</b>	<b>57,346,856</b>	<b>62,196,990</b>	<b>8.46%</b>		
<b>Net Assets End of Year</b>	<b>\$ 61,423,829</b>	<b>63,706,626</b>	<b>\$ 773,161</b>	<b>730,439</b>	<b>\$ 62,196,990</b>	<b>64,437,065</b>	<b>3.60%</b>		

The following chart indicates total fiscal 2012 District revenue by percentage:



The following chart indicates total fiscal 2012 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 \$21,571,943. This is an \$2,670,817 decrease from the 2011 fiscal year end balance of \$24,242,760. Expenditures in conjunction with the additions and remodeling of Hansen and Southdale elementary schools in the Capital Projects fund 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 increased \$1,168,251 to \$5,375,937 from the 2011 fiscal year end balance of \$4,207,686. The increase in fund balance is due to an increase in property taxes and 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 amended its budget for fiscal 2012 to allow for unanticipated increases in special education instruction, utility, maintenance and transportation expenses.

The following chart shows the original and amended budget for fiscal 2012 as well as the actual revenue and expenditures for the year:

	<u>Budgetary Comparison Schedule</u>			
	<u>Original Budget</u>	<u>Final Amended</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenue</b>				
Local Sources	\$ 28,665,049	\$ 28,665,049	\$ 28,746,670	\$ 81,621
Intermediate Sources	-	-	-	-
State Sources	24,929,605	24,929,605	24,642,839	(286,766)
Federal Sources	1,854,256	1,854,256	3,109,079	1,254,823
<b>Total Budget Revenue</b>	<b>\$ 55,448,910</b>	<b>\$ 55,448,910</b>	<b>\$ 56,498,588</b>	<b>\$ 1,049,678</b>
<b>Expenditures</b>				
Instruction	\$ 32,146,136	\$ 32,388,218	\$ 32,592,570	\$ 204,352
Support Services	12,235,132	12,848,921	12,562,359	(286,562)
Non-Instructional	2,021,862	2,021,862	2,100,517	78,655
Other Expenditures	15,170,500	15,170,500	12,045,663	(3,124,837)
<b>Total Budget Expenses</b>	<b>\$ 61,573,630</b>	<b>\$ 62,429,501</b>	<b>\$ 59,301,109</b>	<b>\$ (3,128,392)</b>

While the District did not exceed its total budget for fiscal 2012, it does acknowledge that it did exceed the final published amended budget amounts in the areas of instruction and non-instructional expenditures due to unanticipated end of year expenditures. The District will re-examine the budgeting process and implement additional safeguards in order to not exceed the published budget limits in the future.

### **Fund Balance vs. Unspent (Unused) Budget Authority**

Unspent Budget Authority is a unique feature of the Iowa School Foundation Formula. Iowa public school districts are required to keep track of fund balance and unused budget authority.

Simply stated Fund Balance is the balance on the books assuming the District would cease operations at the end of the fiscal year. The following pages within the audit report will state fund balances for the various funds required to operate the District.

The Iowa public school funding formula is a pupil based formula. Each district receives an amount of funding (cash) and the authority to spend it (authority). Another way to look at authority is to think of it as a credit card limit. Simply stated the budget authority is the number of student's times the formula amount per student. Unspent budget authority is the total authority (credit card limit) minus expenditures for the fiscal year. This "unspent budget authority" amount is carried forward to be included in the total authorized budget or spending authority for the next fiscal year.

Total authorized budget or spending authority is the legal limit an Iowa public school district can spend in a fiscal year. As stated above, this is not the same as cash or fund balance. The State of Iowa has established spending authority to enforce per pupil spending equity across the state. Unspent Budget Authority gained more importance in 2007 when the Iowa Legislature passed a law allowing the initiation of a Phase II review of public school districts that overspend their budget spending authority for two consecutive years. This review is both a financial viability review as well as a full academic review. At the completion of the review, the School Budget Review Committee (SBRC), through the State Board of Education, may order remedies up to and including dissolution of the school district.

Adequate unspent budget authority is critical in management of the District in the event of unforeseen increases or decreases in enrollment as well unanticipated mid-year across the board reductions in state foundation aid. With approximately 80% of a public school districts expenses directly tied to labor contracts, it is very difficult to make mid-year corrections when state mandated across the board funding reductions are implemented.

The following chart shows the change in Unspent Budget Authority between fiscal years 2011 and 2012.

	<b>Unspent Budget Authority Comparison</b>		
	<b>2011</b>	<b>2012</b>	<b>Change</b>
<b>Budget Revenue</b>			
Maximum General Fund District Cost	\$ 36,239,519	\$ 38,504,099	\$ 2,264,580
Instructional Support Fund & Pre-School	2,100,082	2,418,057	317,975
Other Miscellaneous Income	5,088,462	5,586,558	498,096
Previous Year Unspent Budget Authority	5,060,205	6,530,902	1,470,697
<b>Maximum Budget Authority</b>	<b>\$ 48,488,268</b>	<b>\$ 53,039,616</b>	<b>\$ 4,551,348</b>
<b>Total Expenditures</b>	<b>\$ 41,957,366</b>	<b>\$ 45,152,544</b>	<b>\$ 3,195,178</b>
<b>End Fiscal Year Unspent Budget Authority</b>	<b>\$ 6,530,902</b>	<b>\$ 7,887,072</b>	<b>\$ 1,356,170</b>

### Capital Assets and Debt Administration

#### Capital Assets

At the end of the 2012 fiscal year, the District had invested \$62,634,459 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology, media/audio visual equipment, and classroom equipment. The District had depreciation expense of \$1,713,109 for fiscal 2012 and total accumulated depreciation of \$25,569,810 as of June 30, 2012. The following chart shows the comparison in capital assets for 2011 and 2012.

	<b>Capital Assets (net of depreciation)</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Percent Change</b>
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	
Land	\$ 1,247,860	1,725,334	\$ -	-	\$ 1,247,860	1,725,334	38.26%
Construction in Progress	21,294,575	2,896,697	-	-	21,294,575	2,896,697	-86.40%
Land Improvements	3,169,966	3,169,966	-	-	3,169,966	3,169,966	0.00%
Buildings	50,605,609	74,624,498	-	-	50,605,609	74,624,498	47.46%
Furniture & Equipment	4,909,980	5,075,908	696,968	711,866	5,606,948	5,787,774	3.23%
<b>Total</b>	<b>\$ 81,227,990</b>	<b>87,492,403</b>	<b>\$ 696,968</b>	<b>711,866</b>	<b>\$ 81,924,958</b>	<b>88,204,269</b>	<b>7.66%</b>

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

#### Debt

As of June 30, 2012, the District has \$20,302,310 in outstanding long-term debt, \$985,560 of which is due in fiscal 2013, compared to \$21,237,153 on June 30, 2011. An installment payment towards the District's outstanding debt obligation is the reason for the decrease. The following chart shows the debt comparison between 2011 and 2012.

	<b>Long-term Debt Obligations</b>			
	<b>Balance</b>		<b>Balance</b>	
	<b>July 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2012</b>
<b>Revenue Bonds</b>				
Bonds Payable	20,500,000	-	845,000	19,655,000
Discount	(204,050)	-	11,400	(192,650)
<b>Total Bonds/Capital Loan Notes</b>	<b>\$ 20,295,950</b>	<b>\$ -</b>	<b>\$ 856,400</b>	<b>\$ 19,462,350</b>
<b>Other Liabilities</b>				
Compensated Absences	130,557	121,582	130,557	121,582
Early Retirement	107,646	-	92,268	15,378
Net OPEB Liability	703,000	-	-	703,000
<b>Total Other Liabilities</b>	<b>\$ 941,203</b>	<b>\$ 121,582</b>	<b>\$ 222,825</b>	<b>\$ 839,960</b>
<b>Total Long-term Debt</b>	<b>\$ 21,237,153</b>	<b>\$ 121,582</b>	<b>\$ 1,079,225</b>	<b>\$ 20,302,310</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.

- At the conclusion of the 2012 Legislative session, the Iowa Legislature and Governor agreed not to change the 2% increase in "allowable growth" funding for the 2012-13 school year, or \$118 per student. No provisions were made for an increase in "allowable growth" for the 2013-14 school year.
- Other changes in funding that were approved by the Iowa Legislature and signed by the Governor:
  - Modifications to the Dropout Prevention/Modified Allowable Growth.
  - \$3 million dollar increase to the University of Northern Iowa Science (UNI), Technology, Engineering and Math (STEM) initiative. The District applied for and received STEM funding through UNI for expansion of its Robotics and Lego League programs.
- The District expended the remaining \$813,697 in Education Jobs Bill funding during the 2012-13 school year.
- Certified enrollment, the student count that is used to determine state foundation aid for the District, for 2012-13 school year increased by 81.1 students from 2011-12. The number of open enrollment students from neighboring district's increased by 42.0 from 317.0 to 359.0. The number of open enrollment students attending neighboring district's decreased by 171.98 from 292.98 to 121.0.
- On February 23, 2012 the University of Northern Iowa announced the closing of Malcolm Price Laboratory School, pending approval by the Iowa Board of Regents. The Board of Regents approved the closing on February 27, 2012. A group of 37 individuals filed a lawsuit on March 27, 2012 overturning the closing. The lawsuit was dismissed by

District court on June 25, 2012. The large decrease in open enrollment students attending neighboring districts is due to the closing of Malcolm Price Laboratory School.

- The District has experienced a cumulative increase in taxable assessed valuation of 26.57% in the last four years, including an 11.91% increase in 2012. Demand for homes and continued growth in new home construction, new industrial construction, the opening of the Cedar Falls North Industrial Park, expansion of retail shopping (Target department store, planned Scheels department store and Menards home center) along the Viking Road corridor and the Pinnacle Prairie planned retail center will increase the District's assessed valuation growth for the foreseeable future.
- Revenue received from the State Secure an Advanced Vision for Education (SAVE) one-cent sales tax increased by \$65,219 to \$3,672,221 for 2012. Revenue from the SAVE fund is determined by dividing the total number of dollars generated in those counties included in the state wide sales tax by the total public school student count in the same counties. Actual revenue received was for fiscal 2012 was \$178,129 more than the original projection of \$3,494,092.
- Implementation of the State of Iowa Health Kids Act and the USDA Healthy, Hunger-Free Kids act will significantly impact the District's nutrition fund. The majority of a la carte items previously offered for sale to students no longer meet the minimum nutritional requirements as established by the new legislation. In addition, the USDA Healthy, Hunger-Free Kids act will require the District to provide larger serving sizes of approved fruits and vegetables. These requirements will result in less revenue from a la carte sales and an overall increase in food costs for the nutrition fund.
- On July 1, 2012, Mr. Mike Wells assumed the duties of Superintendent of Schools. Mr. Wells replaced Dr. David Stoakes, who retired on as Superintendent of Schools on June 30, 2012.
- Due to an anticipated increase in elementary school enrollment, on July 23, 2012 the Board of Education approved moving the attendance area west of Union Rd, between West 12<sup>th</sup> Street and West 27<sup>th</sup> Street from the Lincoln Elementary School to Hansen Elementary School effective with the start of the 2012-13 school year.
- Due to continued increases in elementary school enrollment, on September 10, 2012 the Board of Education accepted the low bid of \$9,364,040 from Cardinal Construction, Waterloo, Iowa for the Phase II addition and remodeling of Hansen Elementary School. The District will need to issue approximately \$10 million in additional State Secure an Advanced Vision for Education (SAVE) revenue bonds during fiscal 2013 in order to fund both the Southdale Elementary School expansion and this project.
- Area Education Agency 267 (AEA 267) has operated special education schools for over 40 years. Due to a change in the interpretation of Federal Department of Education regulations, AEA 267 was notified that it no longer had authority to operate special education schools, including River Hills School which is located within the Cedar Falls Community School District. The Department of Education now considers the District as the official Local Education Agency (LEA) of record for River Hills School. On September 24, 2012 the Board of Education approved an agreement with AEA 267 for

the day to day operations of River Hills School. The two year agreement allows AEA 267 to continue to operate the school on behalf of the District.

- Because of the change in the operation of River Hills School, the District will now be the fiscal agent for all students attending River Hills School. Tuition from school districts sending students to River Hills School will be sent to the District. AEA267 will invoice the District for the actual cost to operate River Hills School. Because of this change the District will need to amend its fiscal 2013 year budget.
- On November 26, 2012, the Board of Education heard the recommendation from the District's Facility Committee to build a new high school on a site to be determined. Estimated cost for the new high school is \$73 million.
- In addition to the high school, the District will need to address facility needs at North Cedar Elementary, Orchard Hill Elementary as well as construction of 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.
- The District continues to work with the Federal Emergency Management Agency (FEMA) and Iowa Homeland Security on the design and construction of a storm safe room for Robinson-Dresser Sports Complex. Construction is anticipated to begin in the second half of fiscal 2013.

### **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. Douglas J. 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, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$27,555,273	\$ 613,205	\$28,168,478
Receivables:			
Property tax:			
Delinquent	88,745	-	88,745
Succeeding year	20,762,101	-	20,762,101
Accounts	621,956	543	622,499
Accrued interest:			
Other	5,505	80	5,585
Due from other governments	597,003	-	597,003
Due from other funds	24,637	-	24,637
Inventories	34,345	50,166	84,511
Capital assets, net of accumulated depreciation	62,504,262	130,197	62,634,459
Total assets	112,193,827	794,191	112,988,018
<b>Liabilities</b>			
Accounts payable	2,698,566	34,846	2,733,412
Salaries and benefits payable	4,610,246	28,906	4,639,152
Due to other governments	40,701	-	40,701
Accrued interest payable	73,277	-	73,277
Deferred revenue, succeeding year property tax	20,762,101	-	20,762,101
Long-term liabilities:			
Portion due within one year:			
Compensated absences	121,582	-	121,582
Early retirement	15,378	-	15,378
Revenue bonds	848,600	-	848,600
Portion due after one year:			
Revenue bonds	18,613,750	-	18,613,750
Net OPEB liability	703,000	-	703,000
Total liabilities	48,487,201	63,752	48,550,953
<b>Net assets</b>			
Invested in capital assets, net of related debt	43,041,912	130,197	43,172,109
Restricted for:			
Categorical funding	627,423	-	627,423
Management levy	1,140,649	-	1,140,649
Student activities	583,896	-	583,896
Other special revenue purposes	10,746	-	10,746
Physical plant and equipment levy	1,540,969	-	1,540,969
Permanent fund	1,470,196	-	1,470,196
Unrestricted	15,290,835	600,242	15,891,077
Total net assets	\$63,706,626	\$ 730,439	\$64,437,065

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

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	\$ 21,709,465	\$ 1,006,178	\$ 5,037,310	\$ -
Special instruction	6,830,364	1,032,656	672,415	-
Other instruction	4,247,792	773,946	129,203	-
	<u>32,787,621</u>	<u>2,812,780</u>	<u>5,838,928</u>	<u>-</u>
<b>Support services:</b>				
Student services	1,117,153	-	-	-
Instructional staff services	1,384,235	-	-	-
Administration services	4,733,580	120,527	-	-
Operation and maintenance of plant services	3,853,961	195,984	-	-
Transportation services	1,269,052	37,553	52,927	-
	<u>12,357,981</u>	<u>354,064</u>	<u>52,927</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	2,209,762	-	-	71,128
Long-term debt interest and other charges	945,049	-	-	-
AEA flowthrough	1,925,667	-	1,925,667	-
Depreciation (unallocated)	1,244,275	-	-	-
	<u>6,324,753</u>	<u>-</u>	<u>1,925,667</u>	<u>71,128</u>
Total governmental activities	<u>51,470,355</u>	<u>3,166,844</u>	<u>7,817,522</u>	<u>71,128</u>
<b>Business Type Activities</b>				
<b>Non-instructional programs:</b>				
School nutrition services	2,100,517	1,362,945	693,439	-
Total	<u>\$ 53,570,872</u>	<u>\$ 4,529,789</u>	<u>\$ 8,510,961</u>	<u>\$ 71,128</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

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Governmental Activities	Business Type Activities	Total
\$(15,665,977)	\$ -	\$(15,665,977)
(5,125,293)	-	(5,125,293)
(3,344,643)	-	(3,344,643)
(24,135,913)	-	(24,135,913)
(1,117,153)	-	(1,117,153)
(1,384,235)	-	(1,384,235)
(4,613,053)	-	(4,613,053)
(3,657,977)	-	(3,657,977)
(1,178,572)	-	(1,178,572)
(11,950,990)	-	(11,950,990)
(2,138,634)	-	(2,138,634)
(945,049)	-	(945,049)
-	-	-
(1,244,275)	-	(1,244,275)
(4,327,958)	-	(4,327,958)
(40,414,861)	-	(40,414,861)
-	(44,133)	(44,133)
(40,414,861)	(44,133)	(40,458,994)
19,620,548	-	19,620,548
3,672,221	-	3,672,221
19,179,555	-	19,179,555
108,070	1,411	109,481
117,264	-	117,264
42,697,658	1,411	42,699,069
2,282,797	(42,722)	2,240,075
61,423,829	773,161	62,196,990
\$ 63,706,626	\$ 730,439	\$ 64,437,065

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2012

Assets	General	Debt Service
Cash and pooled investments:		
Other	\$ 10,070,042	\$ -
Receivables:		
Property tax:		
Delinquent	74,123	-
Succeeding year	17,270,099	-
Accounts	613,838	-
Accrued interest - other	1,408	-
Due from other governments	208,610	-
Due from other funds	24,637	-
Inventories	34,345	-
	<u>\$ 28,297,102</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 994,111	\$ -
Salaries and benefits payable	4,610,246	-
Due to other governments	40,701	-
Deferred revenue:		
Succeeding year property tax	17,270,099	-
Other	6,008	-
Total liabilities	<u>22,921,165</u>	<u>-</u>
Fund balances:		
Nonspendable	34,345	-
Restricted for:		
Categorical funding	627,423	-
Debt service	-	-
Management levy purposes	-	-
Student activities	-	-
Public purpose trust funds	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Unassigned	4,714,169	-
Total fund balances	<u>5,375,937</u>	<u>-</u>
	<u>\$ 28,297,102</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 14,279,309	\$ 3,205,922	\$ 27,555,273
11,657	2,965	88,745
2,948,496	543,506	20,762,101
3,811	4,307	621,956
3,764	333	5,505
388,393	-	597,003
-	-	24,637
-	-	34,345
<u>\$ 17,635,430</u>	<u>\$ 3,757,033</u>	<u>\$ 49,689,565</u>
\$ 1,696,415	\$ 8,040	\$ 2,698,566
-	-	4,610,246
-	-	40,701
-	-	-
2,948,496	543,506	20,762,101
-	-	6,008
<u>4,644,911</u>	<u>551,546</u>	<u>28,117,622</u>
-	1,470,196	1,504,541
-	-	627,423
-	-	-
-	1,140,649	1,140,649
-	583,896	583,896
-	10,746	10,746
11,449,550	-	11,449,550
1,540,969	-	1,540,969
-	-	4,714,169
<u>12,990,519</u>	<u>3,205,487</u>	<u>21,571,943</u>
<u>\$ 17,635,430</u>	<u>\$ 3,757,033</u>	<u>\$ 49,689,565</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

Total fund balances of governmental funds	\$21,571,943
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.	62,504,262
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	6,008
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	(73,277)
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>(20,302,310)</u>
Net assets of governmental activities	<u><u>\$ 63,706,626</u></u>

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Debt Service
Revenues:		
Local sources:		
Local tax	\$ 16,257,530	\$ -
Tuition	2,517,523	-
Other	561,588	-
State sources	24,624,453	-
Federal sources	2,361,058	-
Total revenues	<u>46,322,152</u>	<u>-</u>
Expenditures:		
Current:		
Instruction:		
Regular instruction	21,231,163	-
Special instruction	6,825,387	-
Other instruction	3,423,236	-
	<u>31,479,786</u>	<u>-</u>
Support services:		
Student services	1,117,153	-
Instructional staff services	1,391,869	-
Administration services	4,678,939	-
Operation and maintenance of plant services	3,397,918	-
Transportation services	1,170,753	-
	<u>11,756,632</u>	<u>-</u>
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt:		
Principal	-	845,000
Interest and other charges	-	990,232
AEA flowthrough	1,925,667	-
	<u>1,925,667</u>	<u>1,835,232</u>
Total expenditures	<u>45,162,085</u>	<u>1,835,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,160,067</u>	<u>(1,835,232)</u>
Other financing sources (uses):		
Proceeds from sale of real estate	8,184	-
Operating transfers in	-	1,835,232
Operating transfers out	-	-
Total other financing sources (uses)	<u>8,184</u>	<u>1,835,232</u>
Net change in fund balances	1,168,251	-
Fund balances beginning of year	<u>4,207,686</u>	<u>-</u>
Fund balances end of year	<u>\$ 5,375,937</u>	<u>\$ -</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,384,938	\$ 650,301	\$ 23,292,769
-	-	2,517,523
113,503	899,715	1,574,806
1,474	366	24,626,293
71,128	-	2,432,186
<u>6,571,043</u>	<u>1,550,382</u>	<u>54,443,577</u>
197,687	133,632	21,562,482
-	-	6,825,387
-	812,531	4,235,767
<u>197,687</u>	<u>946,163</u>	<u>32,623,636</u>
-	-	1,117,153
-	-	1,391,869
18,430	126,376	4,823,745
69,246	333,820	3,800,984
204,028	53,827	1,428,608
<u>291,704</u>	<u>514,023</u>	<u>12,562,359</u>
8,284,764	-	8,284,764
-	-	845,000
-	-	990,232
-	-	1,925,667
<u>8,284,764</u>	<u>-</u>	<u>12,045,663</u>
<u>8,774,155</u>	<u>1,460,186</u>	<u>57,231,658</u>
<u>(2,203,112)</u>	<u>90,196</u>	<u>(2,788,081)</u>
109,080	-	117,264
-	26,930	1,862,162
<u>(1,835,232)</u>	<u>(26,930)</u>	<u>(1,862,162)</u>
<u>(1,726,152)</u>	<u>-</u>	<u>117,264</u>
<u>(3,929,264)</u>	<u>90,196</u>	<u>(2,670,817)</u>
<u>16,919,783</u>	<u>3,115,291</u>	<u>24,242,760</u>
<u>\$ 12,990,519</u>	<u>\$ 3,205,487</u>	<u>\$ 21,571,943</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, 2012

Net change in fund balances - total governmental funds \$ (2,670,817)

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	\$ 6,462,768	
Depreciation expense	<u>(1,692,891)</u>	4,769,877

Certain revenues received are not available to pay current period expenditures and, therefore, are deferred in the government funds. (807,689)

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. 56,583

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 845,000

Repayments

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. (11,400)

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	\$ 8,975	
Early retirement	92,268	
Other postemployment benefits	<u>-</u>	<u>101,243</u>

Change in net assets of governmental activities \$ 2,282,797

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2012

	Enterprise Fund - School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 613,205
Accounts receivable	543
Accrued interest receivable	80
Due from other governments	-
Inventories	50,166
Capital assets, net of accumulated depreciation	<u>130,197</u>
<b>Total assets</b>	<u>794,191</u>
<b>Liabilities</b>	
Accounts payable	34,846
Salaries and benefits payable	<u>28,906</u>
<b>Total liabilities</b>	<u>63,752</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	130,197
Unrestricted	<u>600,242</u>
<b>Total net assets</b>	<u><u>\$ 730,439</u></u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Enterprise Fund - School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 1,351,321
Other	11,624
Total operating revenues	<u>1,362,945</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	627,706
Benefits	169,371
Purchased services	50,477
Supplies	1,232,745
Depreciation	20,218
Total operating expenses	<u>2,100,517</u>
Operating loss	<u>(737,572)</u>
Non-operating revenues:	
State sources	16,546
Federal sources	676,893
Interest on investments	1,411
Total non-operating revenues	<u>694,850</u>
Change in net assets	(42,722)
Net assets beginning of year	<u>773,161</u>
Net assets end of year	<u><u>\$ 730,439</u></u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2012

	Enterprise Fund - School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 1,387,376
Cash received from assessments made to other funds	-
Cash payments to employees for services	(806,588)
Cash payments to suppliers for goods or services	(1,165,989)
Net cash used by operating activities	<u>(585,201)</u>
Cash flows from non-capital financing activities:	
State grants received	16,546
Federal grants received	558,389
Net cash provided by non-capital financing activities	<u>574,935</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(14,898)
Disposition of capital assets	-
Net cash used by capital and related financing activities	<u>(14,898)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,525</u>
Net increase (decrease) in cash and cash equivalents	(23,639)
Cash and cash equivalents at beginning of year	<u>636,844</u>
Cash and cash equivalents at end of year	<u>\$ 613,205</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (737,572)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	128,570
Depreciation	20,218
Decrease in receivables	24,431
Increase in inventories	(1,166)
Decrease in accounts payable	(10,171)
Decrease in salaries and benefits payable	(9,511)
Net cash used by operating activities	<u>\$ (585,201)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$118,504 of federal commodities.

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2012

	Private Purpose Trust - Scholarships	Agency Funds
<b>Assets</b>		
Cash and pooled investments	\$ 17,406	\$ -
Accrued interest receivable	2	-
Due from others	-	39,636
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 17,408</b>	<b>\$ 39,636</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 10,531
Due to other funds	-	24,637
Due to others	-	4,468
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>-</b>	<b>\$ 39,636</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Net assets</b>		
Reserved for scholarships	<b>\$ 17,408</b>	
	<hr/> <hr/>	

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust - Scholarships
Additions:	
Local sources:	
Gifts and contributions	\$ 11,000
Interest income	174
Total additions	<u>11,174</u>
Deductions:	
Support services:	
Scholarships awarded	<u>6,650</u>
Total deductions	<u>6,650</u>
Change in net assets	4,524
Net assets beginning of year	<u>12,884</u>
Net assets end of year	<u>\$ 17,408</u>

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

### (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 pre-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/amortization 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, 2012

(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 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. Combining schedules are also included for the Capital Project Fund accounts.

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 property tax and other revenues to be used 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 and other capital assets.

The District reports the following major proprietary fund:

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

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

(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, 2012

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

Proprietary funds distinguish operating revenues and expenses from 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.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

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

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

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

Property tax revenue recognized in these funds 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012

(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, 2012. 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, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form, such as inventories, or legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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

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

Assigned - Amounts that are constrained by the intent of the Board of Education, but are neither restricted nor committed.

Unassigned - All amounts not included in other spendable classifications.

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.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the instruction and non-instructional functions exceeded the amounts budgeted, 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, 2012 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.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

(2) Cash and Pooled Investments - (continued)

During the year, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940, and the balance at June 30, 2012 was \$0. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,247,860	\$ 477,474	\$ -	\$ 1,725,334
Construction in progress	21,294,575	5,658,532	24,056,410	2,896,697
Total capital assets not being depreciated	<u>22,542,435</u>	<u>6,136,006</u>	<u>24,056,410</u>	<u>4,622,031</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	50,605,609	24,018,889	-	74,624,498
Improvements other than buildings	3,169,966	-	-	3,169,966
Furniture and equipment	2,159,696	107,086	99,521	2,167,261
Vehicles	2,750,284	257,197	98,834	2,908,647
Intangibles	-	-	-	-
Total capital assets being depreciated/amortized	<u>58,685,555</u>	<u>24,383,172</u>	<u>198,355</u>	<u>82,870,372</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	18,039,423	1,242,765	-	19,282,188
Improvements other than buildings	1,937,861	136,077	-	2,073,938
Furniture and equipment	1,473,824	111,199	99,521	1,485,502
Vehicles	2,042,497	202,850	98,834	2,146,513
Intangibles	-	-	-	-
Total accumulated depreciation/amortization	<u>23,493,605</u>	<u>1,692,891</u>	<u>198,355</u>	<u>24,988,141</u>
Total capital assets being depreciated/amortized, net	<u>35,191,950</u>	<u>22,690,281</u>	<u>-</u>	<u>57,882,231</u>
Governmental activities capital assets, net	<u>\$ 57,734,385</u>	<u>\$ 28,826,287</u>	<u>\$ 24,056,410</u>	<u>\$ 62,504,262</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

(3) Capital Assets - (continued)

Capital assets activity for the year ended June 30, 2012 is as follows - (continued):

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Business type activities:				
Furniture, equipment, vehicles	\$ 696,968	\$ 14,898	\$ -	\$ 711,866
Less accumulated depreciation	<u>561,451</u>	<u>20,218</u>	<u>-</u>	<u>581,669</u>
Business type activities capital assets, net	<u>\$ 135,517</u>	<u>\$ (5,320)</u>	<u>\$ -</u>	<u>\$ 130,197</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 211,611
Special	8,465
Other	33,858

Support services:

Support staff	-
Instructional staff	25,393
Administration	16,929
Operation and maintenance of plant	50,787
Transportation	<u>101,573</u>

Unallocated depreciation/amortization

448,616  
1,244,275

Total depreciation/amortization expense - governmental activities

\$ 1,692,891

Business type activities:

School nutrition	<u>\$ 20,218</u>
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(4) 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$2,170,106, \$1,807,692, and \$1,724,618, respectively, equal to required contributions for each year.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

(5) 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, 2012. 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. Bankers Trust Co., N.A., is the trustee for the program.

(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 \$1,925,667 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Bonds payable	\$ 20,500,000	\$ -	\$ 845,000	\$ 19,655,000	\$ 860,000
Discount	(204,050)	-	11,400	(192,650)	(11,400)
	<u>20,295,950</u>	<u>-</u>	<u>856,400</u>	<u>19,462,350</u>	<u>848,600</u>
Compensated absences	130,557	121,582	130,557	121,582	121,582
Early retirement	107,646	-	92,268	15,378	15,378
Net OPEB liab.	703,000	-	-	703,000	-
Total	<u>\$ 21,237,153</u>	<u>\$ 121,582</u>	<u>\$ 1,079,225</u>	<u>\$ 20,302,310</u>	<u>\$ 985,560</u>

Revenue bonds:

The District has pledged future school infrastructure sales, services and use tax revenues to repay the \$20,500,000 of bonds issued June 1, 2011. The bonds were issued for the purpose of: (i) financing the completion of the construction, furnishing, and equipping of additions to the existing school buildings and related remodeling and improvements; (ii) currently refund the District's outstanding School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Notes, Series 2008; (iii) fund a debt service reserve fund in approximate amount of \$1,720,000; and (iv) to pay the cost of issuance of the bonds. The bonds are not a general obligation of the district, however, the debt is subject to the constitutional debt limitation of the District.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

(7) Long-Term Liabilities - (continued)

Details of the District's June 30, 2012 School Infrastructure Sales, Services and Use Tax bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued June 1, 2011			
	Interest Rate	Principal	Interest	Total
2013	3.000%	\$ 860,000	\$ 909,641	\$ 1,769,641
2014	3.000%	875,000	883,841	1,758,841
2015	3.000%	900,000	857,591	1,757,591
2016	3.000%	925,000	830,591	1,755,591
2017	4.500%	950,000	802,841	1,752,841
2018	4.500%	985,000	760,092	1,745,092
2019	4.500%	1,020,000	715,766	1,735,766
2020	4.500%	1,065,000	669,866	1,734,866
2021	4.500%	1,105,000	621,941	1,726,941
2022	4.750%	1,155,000	572,216	1,727,216
2023	5.000%	1,205,000	517,354	1,722,354
2024	5.125%	1,265,000	457,104	1,722,104
2025	5.125%	1,325,000	392,273	1,717,273
2026	5.375%	1,390,000	324,366	1,714,366
2027	5.375%	1,465,000	249,654	1,714,654
2028	5.480%	1,540,000	170,910	1,710,910
2029	5.480%	1,625,000	87,750	1,712,750
		<u>\$ 19,655,000</u>	<u>\$ 9,823,797</u>	<u>\$ 29,478,797</u>

(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 520 active and 33 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through three 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.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	178,000
Interest on net OPEB obligation		29,000
Adjustment to annual required contribution		(25,000)
Annual OPEB cost		182,000
Contributions made		(182,000)
Increase in net OPEB obligation		-
Net OPEB obligation beginning of year		703,000
Net OPEB obligation end of year	\$	703,000

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, 2012.

For the year ended June 30, 2012, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$218,509, 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, 2012 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
June 30, 2011	49,126	0.00%	703,000
June 30, 2012	-	0.00%	703,000

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1.648 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.648 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$21,847,000, and the ratio of the UAAL to covered payroll was 7.54%. As of June 30, 2012, 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.

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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

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, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Cedar Falls Community School District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan approximate \$770 per month for retirees under age 64. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling \$10,638,991. As of June 30, 2012, costs of \$2,896,697 on these contracts had been incurred, \$1,442,268 had been paid, and \$1,454,429 was included in the accounts payable on the balance sheet. The balance of \$7,742,294 remaining at June 30, 2012 will be paid as work on the various projects progresses.

(10) Contingencies and Risk Management

At June 30, 2012, 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.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

(11) Subsequent Events

Management has evaluated subsequent events through January 18, 2013, 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, 2012

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	\$ 27,385,098	\$ 1,364,356
Intermediate sources	-	-
State sources	24,626,293	16,546
Federal sources	2,432,186	676,893
Total receipts	<u>54,443,577</u>	<u>2,057,795</u>
Expenditures		
Instruction	32,623,636	-
Support services	12,562,359	-
Non-instructional programs	-	2,100,517
Other expenditures	12,045,663	-
Total disbursements	<u>57,231,658</u>	<u>2,100,517</u>
Excess (deficiency) of revenues over (under) expenditures	(2,788,081)	(42,722)
Other financing sources, net	<u>117,264</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,670,817)	(42,722)
Balance beginning of year	<u>24,242,760</u>	<u>773,161</u>
Balance end of year	<u><u>\$ 21,571,943</u></u>	<u><u>\$ 730,439</u></u>

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
\$ 2,784	\$ 28,746,670	\$ 28,665,049	\$ 28,665,049	\$ 81,621
-	-	-	-	-
-	24,642,839	24,929,605	24,929,605	(286,766)
-	3,109,079	1,854,256	1,854,256	1,254,823
<u>2,784</u>	<u>56,498,588</u>	<u>55,448,910</u>	<u>55,448,910</u>	<u>1,049,678</u>
31,066	32,592,570	32,146,136	32,388,218	(204,352)
-	12,562,359	12,235,132	12,848,921	286,562
-	2,100,517	2,021,862	2,021,862	(78,655)
-	12,045,663	15,170,500	15,170,500	3,124,837
<u>31,066</u>	<u>59,301,109</u>	<u>61,573,630</u>	<u>62,429,501</u>	<u>3,128,392</u>
(28,282)	(2,802,521)	(6,124,720)	(6,980,591)	4,178,070
-	117,264	82,000	82,000	35,264
(28,282)	(2,685,257)	(6,042,720)	(6,898,591)	4,213,334
<u>1,509,224</u>	<u>23,506,697</u>	<u>33,601,805</u>	<u>33,601,805</u>	<u>(10,095,108)</u>
<u>\$ 1,480,942</u>	<u>\$ 20,821,440</u>	<u>\$ 27,559,085</u>	<u>\$ 26,703,214</u>	<u>\$ (5,881,774)</u>

# CEDAR FALLS COMMUNITY SCHOOL DISTRICT

## Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

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 adopted one budget amendment increasing budgeted expenditures by \$855,871.

During the year ended June 30, 2012, expenditures in the instruction and non-instructional functions exceeded the amounts budgeted, 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)
2010	July 1, 2008	\$ -	\$ 2,941	\$ 2,941	0.00%	\$ 25,060	11.74%
2011	July 1, 2010	\$ -	\$ 1,648	\$ 1,648	0.00%	\$ 21,358	7.72%
2012	July 1, 2010	\$ -	\$ 1,648	\$ 1,648	0.00%	\$ 21,847	7.54%

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.

See accompanying independent auditors' report.

Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue		
	Manage- ment Levy	Student Activity	Public Purpose Trust Fund
Cash and pooled investments	\$ 1,139,494	\$ 585,668	\$ 10,745
Receivables:			
Property tax:			
Delinquent	2,965	-	-
Succeeding year	543,506	-	-
Accounts	2,550	1,757	-
Accrued interest	74	77	1
Due from other governments	-	-	-
	\$ 1,688,589	\$ 587,502	\$ 10,746
<b>Total assets</b>	<b>\$ 1,688,589</b>	<b>\$ 587,502</b>	<b>\$ 10,746</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 4,434	\$ 3,606	\$ -
Salaries and benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	543,506	-	-
Other	-	-	-
Total liabilities	547,940	3,606	-
Fund balances:			
Nonspendable	-	-	-
Restricted for:			
Management levy purposes	1,140,649	-	-
Student activities	-	583,896	-
Public purpose trust funds	-	-	10,746
Total fund balances	1,140,649	583,896	10,746
	\$ 1,688,589	\$ 587,502	\$ 10,746
<b>Total liabilities and fund balances</b>	<b>\$ 1,688,589</b>	<b>\$ 587,502</b>	<b>\$ 10,746</b>

See accompanying independent auditors' report.

Total Special Revenue	Permanent Fund	Total
\$ 1,735,907	\$ 1,470,015	\$ 3,205,922
2,965	-	2,965
543,506	-	543,506
4,307	-	4,307
152	181	333
-	-	-
<u>\$ 2,286,837</u>	<u>\$ 1,470,196</u>	<u>\$ 3,757,033</u>
\$ 8,040	\$ -	\$ 8,040
-	-	-
543,506	-	543,506
-	-	-
<u>551,546</u>	<u>-</u>	<u>551,546</u>
-	1,470,196	1,470,196
1,140,649	-	1,140,649
583,896	-	583,896
10,746	-	10,746
<u>1,735,291</u>	<u>1,470,196</u>	<u>3,205,487</u>
<u>\$ 2,286,837</u>	<u>\$ 1,470,196</u>	<u>\$ 3,757,033</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Public Purpose Trust Fund
Revenues:			
Local sources:			
Local tax	\$ 650,301	\$ -	\$ -
Other	121,653	775,278	-
State sources	366	-	-
Federal sources	-	-	-
Total revenues	<u>772,320</u>	<u>775,278</u>	<u>-</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	102,566	-	31,066
Special instruction	-	-	-
Other instruction	-	812,531	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	126,376	-	-
Operating and maintenance of plant services	333,820	-	-
Transportation services	53,827	-	-
Other expenditures:			
Facilities acquisition and construction	-	-	-
Total expenditures	<u>616,589</u>	<u>812,531</u>	<u>31,066</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,731</u>	<u>(37,253)</u>	<u>(31,066)</u>
Other financing sources (uses):			
Operating transfers in	-	-	26,930
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>26,930</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	155,731	(37,253)	(4,136)
Fund balances beginning of year	<u>984,918</u>	<u>621,149</u>	<u>14,882</u>
Fund balances end of year	<u>\$ 1,140,649</u>	<u>\$ 583,896</u>	<u>\$ 10,746</u>

See accompanying independent auditors' report.

Total Special Revenue Funds	Permanent Fund	Total
\$ 650,301	\$ -	\$ 650,301
896,931	2,784	899,715
366	-	366
-	-	-
<u>1,547,598</u>	<u>2,784</u>	<u>1,550,382</u>
133,632	-	133,632
-	-	-
812,531	-	812,531
-	-	-
-	-	-
126,376	-	126,376
333,820	-	333,820
53,827	-	53,827
-	-	-
<u>1,460,186</u>	<u>-</u>	<u>1,460,186</u>
<u>87,412</u>	<u>2,784</u>	<u>90,196</u>
26,930	-	26,930
-	(26,930)	(26,930)
<u>26,930</u>	<u>(26,930)</u>	<u>-</u>
114,342	(24,146)	90,196
<u>1,620,949</u>	<u>1,494,342</u>	<u>3,115,291</u>
<u>\$ 1,735,291</u>	<u>\$ 1,470,196</u>	<u>\$ 3,205,487</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
Investment income	\$ 86,677	\$ 1,332	\$ -	\$ (28,166)	\$ 59,843
Miscellaneous	23,456	14,232	14,526	2,361	25,523
Drama arts	15,888	9,929	9,610	-	16,207
Speech	1,456	1,877	1,820	-	1,513
Recog.-music/speech	5,276	3,010	2,950	-	5,336
Yearbook	77,352	25,962	15,880	-	87,434
Music/vocal	3,727	10,240	12,289	700	2,378
Music/orchestra	3,004	4,435	4,870	300	2,869
Music/band	3,796	18,415	17,946	500	4,765
Athletics	11,263	86,364	93,130	(1,184)	3,313
Athletic resale	3,003	1,540	1,048	(2,000)	1,495
Bowling	-	1,805	1,699	-	106
Track meets	7,729	10,585	11,969	118	6,463
Tennis	7,411	665	2,801	-	5,275
Golf	6,884	6,062	8,513	1,067	5,500
Cheerleaders	6,350	40,030	38,008	1,629	10,001
Pom poms	2,798	22,664	23,716	-	1,746
Basketball-boys	8,622	23,503	22,666	-	9,459
Football	19,256	52,777	63,836	-	8,197
Soccer-boys	3,216	4,898	6,912	2,000	3,202
Baseball	4,307	18,230	22,220	233	550
Track-boys	6,756	12,351	14,226	-	4,881
Swimming-boys	3,213	3,525	3,494	-	3,244
Wrestling	(1,051)	9,448	11,400	2,000	(1,003)
Basketball-girls	7,489	9,872	10,698	-	6,663
Volleyball	9,106	10,735	12,137	-	7,704
Soccer-girls	4,947	4,747	7,817	-	1,877
Softball	15,318	12,844	12,785	-	15,377
Track-girls	2,179	6,547	6,260	-	2,466
Swimming-girls	5,104	4,129	4,019	-	5,214
Concessions-Robinsen/Dresser	8,932	2,008	4,099	9,530	16,371
A.P.A.	(47,814)	12,721	20,584	7,888	(47,789)
Student Forum	75	-	-	-	75
A.V. Dept.	467	-	20	(20)	427
P.C.B.C.	59,737	1,175	-	(15,077)	45,835
Campus improvement	6,775	3,352	6,172	-	3,955
CFHS Memorial Fund	3,111	-	-	-	3,111
CHAT	100	-	-	-	100
Food Bank	1,483	2,119	2,335	-	1,267
DECA	(849)	13,893	13,738	1,304	610
Drug/alcohol prevention	448	-	-	-	448
English resource center	6,352	26,898	24,792	-	8,458
FBLA	53	-	-	-	53
Food service	137	37	-	-	174
General store	1,141	6,282	-	(3,637)	3,786
Activity tickets/Jr. high	586	1,252	35	5,000	6,803
Jr/Sr prom	(7,481)	6,958	8,667	-	(9,190)
Library	8,813	1,724	2,959	1,112	8,690
Mc Elroy Fund	1,724	977	857	-	1,844
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, 2012

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen- ditures	Intra- Fund Transfers	Balance End of Year
M.R.C.	(24)	957	791	-	142
Pop	15,889	3,926	3,009	-	16,806
AP textbooks	1,539	-	-	-	1,539
Programs	(1,356)	-	-	(2,000)	(3,356)
Revolving	5,281	36,730	42,481	14,500	14,030
Science club	149	-	-	-	149
Faculty	2,330	3,643	4,414	500	2,059
T & I Club	(78)	-	-	-	(78)
Tiger Hi-Line	6,082	1,888	2,949	-	5,021
Y.F.U.	2,614	-	-	-	2,614
Student forum	6,123	10,473	11,995	-	4,601
Renaissance	122	-	-	-	122
Class of 2003	1,255	4,205	2,814	-	2,646
Class of 2004	691	-	-	-	691
Cancer funds	1,606	-	-	-	1,606
Class of 2008	1,550	-	-	-	1,550
Special needs	693	150	216	-	627
Tiger bizness	205	2,874	2,660	-	419
PTA	813	-	-	-	813
Student council	22,171	27,698	22,188	(186)	27,495
Pictures	26,013	27,213	23,430	1,515	31,311
Lego League	9,411	4,200	2,773	-	10,838
Student activities	16,766	11,085	10,463	-	17,388
Special Olympics	1,269	-	-	-	1,269
Math club	430	-	-	-	430
Magazines	54,422	64,223	68,604	-	50,041
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	3,138	461	1,432	-	2,167
Recycling	5,130	204	344	318	5,308
Alpha	1,272	4,379	4,496	-	1,155
Robotics	5,506	33,733	38,532	-	707
TJ-TR Account	305	-	-	(305)	-
SADD	3,269	921	252	-	3,938
Video yearbook	121	-	-	-	121
Weight room	3,885	107	1,656	-	2,336
Culture Fair	7	-	-	-	7
PLAAD	587	10,848	11,277	-	158
Drama clubs	8,801	4,767	7,635	-	5,933
Tech clubs	45	-	-	-	45
Choral/Dramatic	1,535	-	-	-	1,535
Echoes concessions	4,469	1,000	334	-	5,135
Amnesty International	100	188	25	-	263
PATT concessions	1,141	5,844	3,887	-	3,098
Brick Fundraiser	5,631	11	-	-	5,642
Art Club	831	301	317	-	815
Baseball Booster	454	-	-	-	454
AW	-	1,100	54	-	1,046
	<u>\$ 621,149</u>	<u>\$ 775,278</u>	<u>\$ 812,531</u>	<u>\$ -</u>	<u>\$ 583,896</u>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Projects Accounts

June 30, 2012

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Cash and pooled investments	\$ 12,136,796	\$ 2,142,513	\$ 14,279,309
Receivables:			
Property tax:			
Delinquent	-	11,657	11,657
Succeeding year	-	2,948,496	2,948,496
Accounts	-	3,811	3,811
Accrued interest	3,607	157	3,764
Due from other governments	317,107	71,286	388,393
Total assets	\$ 12,457,510	\$ 5,177,920	\$ 17,635,430
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,007,960	\$ 688,455	\$ 1,696,415
Salaries and benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	2,948,496	2,948,496
Other	-	-	-
Total liabilities	1,007,960	3,636,951	4,644,911
Fund balances:			
Restricted for:			
Debt service	-	-	-
School infrastructure	11,449,550	-	11,449,550
Physical plant and equipment	-	1,540,969	1,540,969
Total fund balances	11,449,550	1,540,969	12,990,519
Total liabilities and fund balances	\$ 12,457,510	\$ 5,177,920	\$ 17,635,430

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Projects Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 3,672,221	\$ 2,712,717	\$ 6,384,938
Other	106,027	7,476	113,503
State sources	-	1,474	1,474
Federal sources	-	71,128	71,128
Total revenues	3,778,248	2,792,795	6,571,043
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular instruction	-	197,687	197,687
Special instruction	-	-	-
Other instruction	-	-	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	-	18,430	18,430
Operating and maintenance of plant services	-	69,246	69,246
Transportation services	-	204,028	204,028
Other expenditures:			
Facilities acquisition and construction	4,925,138	3,359,626	8,284,764
Long -term debt:			
Interest and other charges	-	-	-
Total expenditures	4,925,138	3,849,017	8,774,155
Excess (deficiency) of revenues over (under) expenditures	(1,146,890)	(1,056,222)	(2,203,112)
<b>Other financing sources (uses):</b>			
Revenue bonds issued	-	-	-
Revenue bonds issued discount	-	-	-
Proceeds of sale of real estate	-	109,080	109,080
Operating transfers in	-	-	-
Operating transfers out	(1,835,232)	-	(1,835,232)
Total other financing sources (uses)	(1,835,232)	109,080	(1,726,152)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(2,982,122)	(947,142)	(3,929,264)
Fund balances beginning of year	14,431,672	2,488,111	16,919,783
Fund balances end of year	\$ 11,449,550	\$ 1,540,969	\$ 12,990,519

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2012

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash and pooled investments	\$ -	\$ 214,316	\$ 214,316	\$ -
Due from others	22,788	39,636	22,788	39,636
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 22,788	\$ 253,952	\$ 237,104	\$ 39,636
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities				
Accounts payable	\$ 520	\$ 10,531	\$ 520	\$ 10,531
Due to other funds	15,688	24,637	15,688	24,637
Due to others	6,580	206,527	208,639	4,468
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 22,788	\$ 241,695	\$ 224,847	\$ 39,636
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2012	2011	2010	2009
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 23,292,769	\$ 22,492,144	\$ 22,318,784	\$ 21,484,048
Tuition	2,517,523	2,308,568	2,153,596	1,963,269
Other	1,574,806	1,621,478	1,878,786	1,749,316
State sources	24,626,293	21,450,797	17,994,493	20,934,389
Federal sources	2,432,186	2,301,223	4,581,606	1,495,445
	<u>\$ 54,443,577</u>	<u>\$ 50,174,210</u>	<u>\$ 48,927,265</u>	<u>\$ 47,626,467</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 21,562,482	\$ 19,480,531	\$ 18,736,430	\$ 17,780,433
Special instruction	6,825,387	6,558,307	6,247,935	5,673,623
Other instruction	4,235,767	4,127,564	3,743,650	4,117,251
Support services:				
Student services	1,117,153	1,215,980	1,169,510	1,144,030
Instructional staff services	1,391,869	1,353,387	1,333,883	1,300,243
Administration services	4,823,745	4,495,179	4,274,983	3,993,170
Operation and maintenance of plant services	3,800,984	3,552,168	3,708,966	3,360,535
Transportation services	1,428,608	1,109,410	1,469,613	1,363,560
Other expenditures:				
Facilities acquisition and construction	8,284,764	8,215,722	14,636,512	4,416,650
Long-term debt:				
Principal	845,000	10,000,000	-	-
Interest and other charges	990,232	358,845	265,400	132,700
AEA flowthrough	1,925,667	1,952,999	1,875,964	1,595,539
	<u>\$ 57,231,658</u>	<u>\$ 62,420,092</u>	<u>\$ 57,462,846</u>	<u>\$ 44,877,734</u>

See accompanying independent auditors' report.

Modified Accrual Basis

2008	2007	2006	2005	2004	2003
\$ 19,327,239	\$ 18,191,684	\$ 17,768,871	\$ 16,708,307	\$ 16,520,308	\$ 16,003,368
2,138,692	2,331,925	1,921,414	1,830,999	1,626,894	1,526,842
2,086,376	2,414,261	1,855,625	1,823,074	2,631,928	1,800,949
19,951,468	18,280,648	17,610,943	16,264,693	16,132,001	16,165,932
1,085,547	1,038,884	1,078,199	1,045,266	1,085,395	1,516,393
<u>\$ 44,589,322</u>	<u>\$ 42,257,402</u>	<u>\$ 40,235,052</u>	<u>\$ 37,672,339</u>	<u>\$ 37,996,526</u>	<u>\$ 37,013,484</u>
\$ 16,609,178	\$ 16,382,335	\$ 15,270,446	\$ 15,037,847	\$ 14,200,102	\$ 14,384,887
5,495,881	5,067,331	4,720,786	4,861,934	4,469,541	4,933,571
3,508,710	2,812,842	3,039,278	2,505,798	2,647,017	1,777,260
1,088,585	1,098,064	1,078,517	1,107,975	1,073,346	1,102,026
1,212,844	1,275,388	1,254,972	1,125,213	1,092,475	1,151,890
3,796,461	3,620,974	3,386,839	3,099,849	3,206,356	3,023,114
3,327,109	3,213,667	3,025,461	3,201,889	2,738,832	2,569,879
983,877	852,118	903,632	637,188	622,904	569,884
2,941,763	3,367,014	9,991,694	4,918,143	2,151,702	4,386,440
5,000,000	-	-	-	-	5,000,000
175,400	175,400	116,867	-	-	250,300
1,477,405	1,373,489	1,296,035	1,221,698	1,211,772	1,279,580
<u>\$ 45,617,213</u>	<u>\$ 39,238,622</u>	<u>\$ 44,084,527</u>	<u>\$ 37,717,534</u>	<u>\$ 33,414,047</u>	<u>\$ 40,428,831</u>

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
<b>Direct:</b>			
U.S. Department of Education:			
Carol M. White Physical Education Program (PEP)	84.215F	FY12	<u>\$ 236,086</u>
Total U.S. Department of Education			<u>236,086</u>
<b>Indirect:</b>			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY12	<u>128,570</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	51,136
National School Lunch Program	10.555	FY12	<u>507,253</u>
			<u>558,389</u>
Total U.S. Department of Agriculture			<u>686,959</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY12	<u>376,230</u>
Special Education - Grants to States (IDEA)	84.027	FY12	<u>826</u>
Vocational Education - Basic Grants to States	84.048A	FY12	<u>40,722</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY12	<u>47,373</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186A	FY12	<u>378</u>
Improving Teacher Quality State Grants	84.367	FY12	<u>155,303</u>
Grants for State Assessments and Related Activities	84.369	FY12	<u>40,390</u>
Education Jobs Fund	84.410	FY12	<u>826,800</u>
Area Education Agency 267:			
Special Education - Grants to States (IDEA)	84.027	FY12	<u>239,048</u>
Total U.S. Department of Education			<u>1,727,070</u>
U.S. Department of Health & Human Services:			
Tri-County Child & Family Development Council, Inc.:			
Head Start	93.600	FY12	<u>124,680</u>
Total U.S. Department of Health & Human Services			<u>124,680</u>

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
U.S. Department of Justice:			
City of Cedar Falls:			
Community Oriented Policing Service (COPS)	16.710	FY12	<u>69,940</u>
Total U.S. Department of Justice			<u>69,940</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Hazard Mitigation - Safe House	97.039	FY12	<u>1,188</u>
Total U.S. Department of Homeland Security			<u>1,188</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,845,923</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.

## 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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 18, 2013. 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

The management of Cedar Falls Community School district is responsible for establishing and maintaining effective 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 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*.

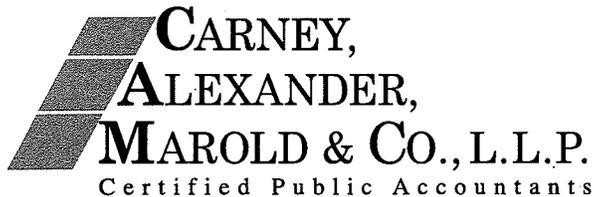
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not 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, and 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, Maxwell + Co., L.L.P.*

January 18, 2013



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Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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, 2012.

## 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 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, and is not intended to be and should not be used by anyone other than these specified parties.

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

January 18, 2013

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part I: Summary of the Independent Auditors' Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) The audit did not disclose any significant deficiencies in internal control over financial reporting.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies in internal control over major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:
    - CFDA Number 10.553      School Breakfast Program
    - CFDA Number 10.555      National School Lunch Program
  - CFDA Number 84.010      Title I Grants to Local Education Agencies
  - CFDA Number 84.410      Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar Falls Community School District did qualify as a low-risk auditee.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**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, 2012

**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, 2012

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

- IV-A-12      Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the amended certified budget amounts in the instruction and non-instructional functions.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the code of Iowa before expenditures were allowed to exceed the budget.
- Response - While the District did not exceed its total budget for fiscal 2012, it does acknowledge that it did exceed the final published amended budget amounts in the areas of instruction and non-instructional expenditures due to unanticipated end of year expenditures. The district will re-examine the budgeting process and implement additional safeguards in order to not exceed the published budget limits in the future.
- Conclusion - Response accepted.
- IV-B-12      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-12      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-12      Business Transactions - We noted no business transactions between the District and District officials or employees.
- IV-E-12      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-12      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-12      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.
- IV-H-12      Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.
- IV-I-12      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-12      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

IV-K-12      Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12      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

Heidi Smith

Ben Bohlender

**Cedar Falls Community Schools**  
1002 West First Street, Cedar Falls, Iowa 50613-2214  
Phone: 319-553-3000 Fax: 319-277-0614  
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ADMINISTRATION

David W. Stoakes, Ed.D., *Superintendent*  
Daniel E. Conrad, *Secondary Education*  
Douglas J. Nefzger, *Business Affairs*  
Adrian P. Talbot, Ed.D., S.P.H.R., *Human Resources*  
Pamela J. Zeigler, *Elementary Education*

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

## Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2012

<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, 2011.

**Cedar Falls Community Schools**  
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**Corrective Action Plan for Federal Audit Findings**

Year ended June 30, 2012

<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, 2012.