IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Iowa Falls Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2011 Election)	
T.J. Norman	President	2011
Todd Bicknese	Vice President	2013
Elaine Loring	Board Member	2011
Shane Krukow	Board Member	2011
Deanna Krause	Board Member	2013
	(After September 2011 Election)	
T.J. Norman	President	2015
Todd Bicknese	Vice President	2013
Elaine Loring	Board Member	2015
David Gimer	Board Member	2015
Deanna Krause	Board Member	2013
	School Officials	
Dr. John Robbins	Superintendent	2012
Trish Lee	District Secretary/ Treasurer	2012
Clark McNeal	Attorney	2012
Rick Engel	Attorney	2012

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report

To the Board of Education of the
Iowa 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 Iowa Falls Community School District, Iowa Falls, 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. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa 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 U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2013 on our consideration of Iowa Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 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 operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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 inquires, the basic financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide 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 Iowa Falls Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Iowa Falls Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $11,195,845 in fiscal 2011 to $11,361,157 in fiscal 2012, while General Fund expenditures increased from $10,711,240 in fiscal 2011 to $11,162,555 in fiscal 2012. Revenues outpaced expenditures producing an increase in the District's General Fund balance from $1,799,211 in fiscal 2011 to $1,997,813 in fiscal 2012, a 11.04% increase from the prior year.

- The increase in General Fund revenues was mainly attributable to increases in state sources of revenue in fiscal 2012. The increase in expenditures occurred primarily in the instruction functional area.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds as well as the Capital Projects Accounts. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the District.

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

Figure A-1
Iowa Falls Community School District Annual Financial Report

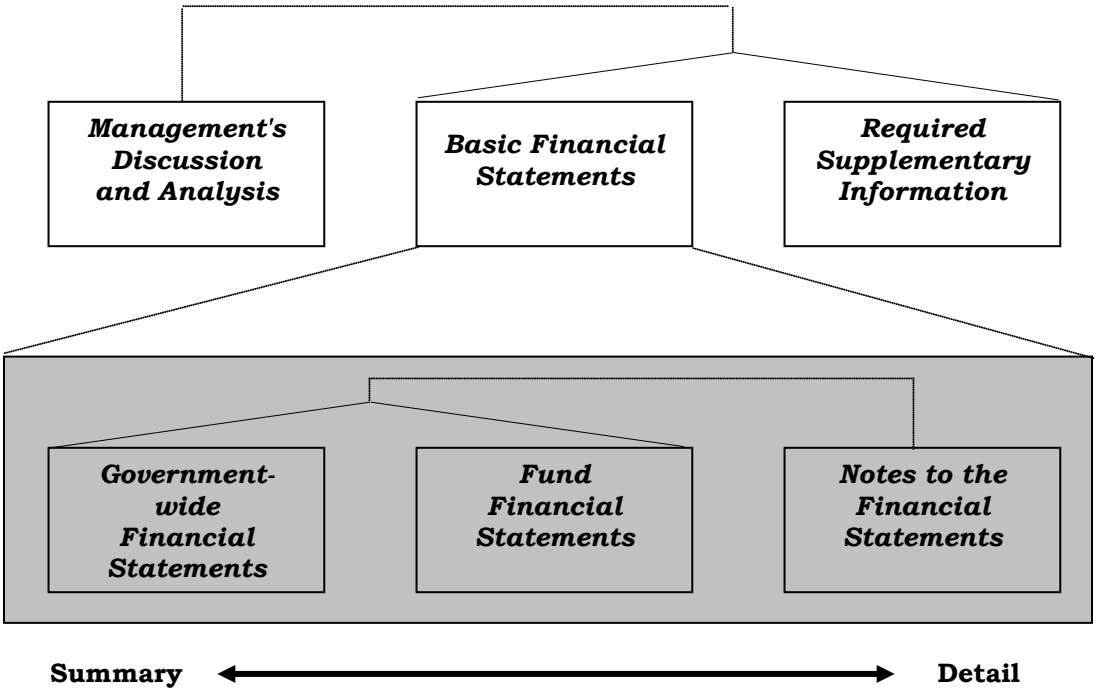

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

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

Fund Financial Statements

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

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

The District has three kinds of funds:

1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

   The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

   The required financial statements for proprietary funds include a Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Fund Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

- Agency Funds - These are funds through which the District administers and accounts for certain moneys on behalf of other entities.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	$ 7,412,776	7,859,039	93,478	79,186	7,506,254	7,938,225	-5.44%
Capital assets	6,896,744	6,786,957	21,019	25,128	6,917,763	6,812,085	1.55%
Total assets	14,309,520	14,645,996	114,497	104,314	14,424,017	14,750,310	-2.21%
Long-term obligations	949,870	647,896	3,772	-	953,642	647,896	47.19%
Other liabilities	4,403,965	5,143,989	15,636	7,596	4,419,601	5,151,585	-14.21%
Total liabilities	5,353,835	5,791,885	19,408	7,596	5,373,243	5,799,481	-7.35%
Net assets:							
Invested in capital assets, net of related debt	6,896,744	6,511,957	21,019	25,128	6,917,763	6,537,085	5.82%
Restricted	717,006	663,230	-	-	717,006	663,230	8.11%
Unrestricted	1,341,935	1,678,924	74,070	71,590	1,416,005	1,750,514	-19.11%
Total net assets	$ 8,955,685	8,854,111	95,089	96,718	9,050,774	8,950,829	1.12%

The District's combined net assets increased by 1.12% or $99,945 from the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased $53,776 or 8.11% from the prior year. The increase can be attributed in part to an increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirements - decreased $334,509 or 19.11%. The decrease was mainly due to the issuance of revenue bonds during the year to purchase computers which were not capitalized.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes of Net Assets

	Governmental Activities June 30, 2012	Governmental Activities June 30, 2011	Business Type Activities June 30, 2012	Business Type Activities June 30, 2011	Total District June 30, 2012	Total District June 30, 2011	Total Change June 30, 2011-12
Revenues:							
Program revenues:							
Charges for services	$ 1,476,631	1,147,598	263,516	268,052	1,740,147	1,415,650	22.92%
Operating grants, contributions and restricted interest	778,988	2,073,469	325,002	275,407	1,103,990	2,348,876	-53.00%
Capital grants, contributions and restricted interest	58,085	-	-	-	58,085	-	100.00%
General revenues:							
Property tax	4,093,449	4,013,585	-	-	4,093,449	4,013,585	1.99%
Income surtax	354,545	406,897	-	-	354,545	406,897	-12.87%
Statewide sales, services and use tax	750,758	818,150	-	-	750,758	818,150	-8.24%
Unrestricted state grants	5,404,318	4,250,203	-	-	5,404,318	4,250,203	27.15%
Nonspecific program federal revenue	55,899	224,548	-	-	55,899	224,548	-75.11%
Unrestricted investment earnings	22,252	20,491	106	14	22,358	20,505	9.04%
Other	93,802	94,522	-	-	93,802	94,522	-0.76%
Total revenues	13,088,727	13,049,463	588,624	543,473	13,677,351	13,592,936	0.62%
Program expenses:							
Governmental activities:							
Instructional	8,872,306	7,483,824	-	-	8,872,306	7,483,824	18.55%
Support services	3,426,569	3,362,132	48,316	-	3,474,885	3,362,132	3.35%
Non-instructional programs	1,467	977	541,937	514,876	543,404	515,853	5.34%
Other expenses	686,811	1,182,697	-	-	686,811	1,182,697	-41.93%
Total expenses	12,987,153	12,029,630	590,253	514,876	13,577,406	12,544,506	8.23%
Change in net assets	101,574	1,019,833	(1,629)	28,597	99,945	1,048,430	-90.47%
Net assets beginning of year	8,854,111	7,834,278	96,718	68,121	8,950,829	7,902,399	13.27%
Net assets end of year	$ 8,955,685	8,854,111	95,089	96,718	9,050,774	8,950,829	1.12%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 81.01% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.98% of the revenue from business type activities. The District's total revenues were approximately $13.68 million, of which approximately $13.09 million was for governmental activities and $0.59 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.62% increase in revenues and a 8.23% increase in expenses.

Governmental Activities

Revenues for governmental activities were $13,088,727 and expenses were $12,987,153.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	$ 8,872,306	7,483,824	18.55%	7,139,099	4,700,364	51.88%
Support services	3,426,569	3,362,132	1.92%	3,262,075	3,216,748	1.41%
Non-instructional programs	1,467	977	50.15%	1,467	977	50.15%
Other expenses	686,811	1,182,697	-41.93%	270,808	665,926	-59.33%
Totals	$ 12,987,153	12,029,630	7.96%	10,673,449	8,584,015	24.34%

- The cost financed by users of the District's programs was $1,476,631.
- Federal and state governments subsidized certain programs with grants and contributions totaling $837,073.
- The net cost of governmental activities was financed with $4,447,994 in local tax, $750,758 in statewide sales, services and use tax, $5,404,318 in unrestricted state grants, $55,899 in nonspecific program federal revenue, $22,252 in interest income and $93,802 in other revenues.

Business Type Activities

Revenues of the District's business type activities were $588,624 and expenses were $590,253. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $2,600,121, over last year's ending fund balances of $2,280,139. The increase is primarily attributable to the increases in the General Fund and Capital Projects: Statewide Sales, Services and Use Tax Fund balances.

Governmental Fund Highlights

- The District's General Fund balance increased from $1,799,211 on June 30, 2011 to $1,997,813 on June 30, 2012. The fluctuation in the District's General Fund financial position is the product of many factors. Increases in state source revenues during the year produced an increase in total revenues. General Fund expenses also increased, but were outpaced by revenues producing the improvement in the District's General Fund financial position.

- The Capital Projects Accounts balance increased $96,920 during the current year, from a balance of $305,167 to $402,087.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $93,728 at June 30, 2011 to $88,314 at June 30, 2012, representing a decrease of approximately 5.78%.

The Day Care Fund net assets increased $3,785 from $2,990 at June 30, 2011 to $6,775 at June 30, 2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, Iowa Falls Community School District amended its budget one time to reflect additional expenditures in the support services functional area.

The District's revenues were $372,459 more than budgeted revenues, a variance of 2.79%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

It is the District's practice to budget expenditures using realistic projections for the following year. The District then manages or controls actual expenditures through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested $6,917,763, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.55% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was $357,765.

The original cost of the District's capital assets was $15,791,712. Governmental funds account for $15,608,749 with the remainder of $182,963 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the improvements other than buildings category. Improvements other than buildings totaled $159,186 at June 30, 2011, compared to $150,784 reported at June 30, 2012. The decrease was primarily the result of depreciation expense recorded during the year.

Figure A-6 Capital Assets, Net of Depreciation	Governmental Activities June 30, 2012	Governmental Activities June 30, 2011	Business Type Activities June 30, 2012	Business Type Activities June 30, 2011	Total District June 30, 2012	Total District June 30, 2011	Total Change June 30, 2011-12
Land	$ 128,358	128,358	-	-	128,358	128,358	0.00%
Buildings	5,832,461	5,740,968	-	-	5,832,461	5,740,968	1.59%
Improvements other than buildings	150,784	159,186	-	-	150,784	159,186	-5.28%
Machinery and equipment	785,141	758,445	21,019	25,128	806,160	783,573	2.88%
Total	$ 6,896,744	6,786,957	21,019	25,128	6,917,763	6,812,085	1.55%

Long-Term Debt

At June 30, 2012, the District had $953,642 in bonds payable and other long-term debt outstanding. This represents an increase of 47.19% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding Revenue Bonds payable of $625,000 at June 30, 2012.

The District had total outstanding early retirement benefits payable from the Special Revenue, Management Levy Fund of $176,539 at June 30, 2012.

The District had a net OPEB liability of $152,103 at June 30, 2012.

Figure A-7 Outstanding Long-Term Obligations	Governmental Activities June 30, 2012	Governmental Activities June 30, 2011	Business Type Activities June 30, 2012	Business Type Activities June 30, 2011	Total District June 30, 2012	Total District June 30, 2011	Total Change June 30, 2011-12
General obligation bonds	$ -	275,000	-	-	-	275,000	-100.00%
Revenue bonds	625,000	-	-	-	625,000	-	100.00%
Early retirement	176,539	307,342	-	-	176,539	307,342	-42.56%
Net OPEB liability	148,331	65,554	3,772	-	152,103	65,554	132.03%
	$ 949,870	647,896	3,772	-	953,642	647,896	47.19%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On July 1, 2012, the IPERS employer contribution increase to 8.67% will increase the Iowa Falls Community School District's employer benefit costs during fiscal 2013. An additional increase to 8.93% is anticipated for fiscal 2014.

- The District continues a two-way sharing agreement with Alden Community School District. Continuation of this agreement will continue to benefit the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Trish Lee, District Secretary/Treasurer, Iowa Falls Community School District, 710 North Street, Iowa Falls, Iowa, 50126.

Basic Financial Statements

Exhibit A

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	$ 2,704,608	74,810	2,779,418
Receivables:			
Property tax:			
Delinquent	72,067	-	72,067
Succeeding year	3,755,849	-	3,755,849
Income surtax	413,784	-	413,784
Accounts	44,893	-	44,893
Due from other governments	400,950	4,756	405,706
Inventories	-	13,912	13,912
Prepaid expenses	20,625	-	20,625
Capital assets, net of accumulated depreciation	6,896,744	21,019	6,917,763
Total assets	14,309,520	114,497	14,424,017
Liabilities			
Accounts payable	499,738	3,569	503,307
Salaries and benefits payable	92,498	6,434	98,932
Accrued interest payable	5,094	-	5,094
Deferred revenue:			
Succeeding year property tax	3,755,849	-	3,755,849
Other	50,786	-	50,786
Unearned revenue	-	5,633	5,633
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	156,250	-	156,250
Early retirement	148,596	-	148,596
Portion due after one year:			
Revenue bonds	468,750	-	468,750
Early retirement	27,943	-	27,943
Net OPEB liability	148,331	3,772	152,103
Total liabilities	5,353,835	19,408	5,373,243
Net Assets			
Invested in capital assets, net of related debt	6,896,744	21,019	6,917,763
Restricted for:			
Categorical funding	167,269	-	167,269
Debt service	6,463	-	6,463
Student activities	141,187	-	141,187
School infrastructure	389,862	-	389,862
Physical plant and equipment levy	12,225	-	12,225
Unrestricted	1,341,935	74,070	1,416,005
Total net assets	$ 8,955,685	95,089	9,050,774

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit B

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern-mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	$ 5,523,109	824,144	95,099	-	(4,603,866)	-	(4,603,866)
Special	1,904,429	265,994	72,471	-	(1,565,964)	-	(1,565,964)
Other	1,444,768	290,603	184,896	-	(969,269)	-	(969,269)
	8,872,306	1,380,741	352,466	-	(7,139,099)	-	(7,139,099)
Support services:							
Student	299,047	-	7,053	-	(291,994)	-	(291,994)
Instructional staff	541,534	-	530	-	(541,004)	-	(541,004)
Administration	1,154,149	68,695	-	-	(1,085,454)	-	(1,085,454)
Operation and maintenance of plant	986,681	-	-	58,085	(928,596)	-	(928,596)
Transportation	445,158	27,195	2,936	-	(415,027)	-	(415,027)
	3,426,569	95,890	10,519	58,085	(3,262,075)	-	(3,262,075)
Non-instructional programs	1,467	-	-	-	(1,467)	-	(1,467)
Long-term debt interest	15,662	-	-	-	(15,662)	-	(15,662)
Other expenditures:							
AEA flowthrough	416,003	-	416,003	-	-	-	-
Depreciation(unallocated)*	255,146	-	-	-	(255,146)	-	(255,146)
	671,149	-	416,003	-	(255,146)	-	(255,146)
Total governmental activities	12,987,153	1,476,631	778,988	58,085	(10,673,449)	-	(10,673,449)
Business type activities:							
Support services:							
Student	5,567	-	-	-	-	(5,567)	(5,567)
Administration	16,061	-	-	-	-	(16,061)	(16,061)
Operation and maintenance of plant	25,182	-	-	-	-	(25,182)	(25,182)
Transportation	1,506	-	-	-	-	(1,506)	(1,506)
	48,316	-	-	-	-	(48,316)	(48,316)
Non-instructional programs:							
Food service operations	527,862	244,753	325,002	-	-	41,893	41,893
Community service operations	14,075	18,763	-	-	-	4,688	4,688
	541,937	263,516	325,002	-	-	46,581	46,581
Total business type activities	590,253	263,516	325,002	-	-	(1,735)	(1,735)
Total	$ 13,577,406	1,740,147	1,103,990	58,085	(10,673,449)	(1,735)	(10,675,184)
General Revenues:							
Property tax levied for:							
General purposes					$ 3,761,853	-	3,761,853
Debt service					229,845	-	229,845
Capital outlay					101,751	-	101,751
Income surtax					354,545	-	354,545
Statewide sales, services and use tax					750,758	-	750,758
Unrestricted state grants					5,404,318	-	5,404,318
Nonspecific program federal revenue					55,899	-	55,899
Unrestricted investment earnings					22,252	106	22,358
Other					93,802	-	93,802
Total general revenues					10,775,023	106	10,775,129
Change in net assets					101,574	(1,629)	99,945
Net assets beginning of year					8,854,111	96,718	8,950,829
Net assets end of year					$ 8,955,685	95,089	9,050,774

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

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit C

IOWA FALLS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and cash equivalents	$ 2,052,256	452,383	199,969	2,704,608
Receivables:				
Property tax:				
Delinquent	61,241	2,393	8,433	72,067
Succeeding year	3,146,288	309,560	300,001	3,755,849
Income surtax	413,784	-	-	413,784
Accounts	39,665	5,196	32	44,893
Due from other governments	273,883	127,067	-	400,950
Prepaid expenses	20,625	-	-	20,625
Total assets	$ 6,007,742	896,599	508,435	7,412,776
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 306,573	184,952	8,213	499,738
Salaries and benefits payable	92,498	-	-	92,498
Deferred revenue:				
Succeeding year property tax	3,146,288	309,560	300,001	3,755,849
Income surtax	413,784	-	-	413,784
Other	50,786	-	-	50,786
Total liabilities	4,009,929	494,512	308,214	4,812,655
Fund balances:				
Nonspendable	20,625	-	-	20,625
Restricted for:				
Categorical funding	167,269	-	-	167,269
Debt service	-	-	6,463	6,463
Management levy purposes	-	-	60,186	60,186
Student activities	-	-	141,187	141,187
School infrastructure	-	389,862	-	389,862
Physical plant and equipment levy	-	12,225	-	12,225
Unassigned:				
General	1,809,919	-	-	1,809,919
Student activities	-	-	(7,615)	(7,615)
Total fund balances	1,997,813	402,087	200,221	2,600,121
Total liabilities and fund balances	$ 6,007,742	896,599	508,435	7,412,776

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit D

IOWA 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(page 20)	$	2,600,121
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.		6,896,744
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		413,784
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.		(5,094)
Long-term liabilities, including bonds payable, early retirement payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(949,870)
Net assets of governmental activities(page 18)	$	8,955,685

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit E

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	$ 3,828,761	850,548	540,053	5,219,362
Tuition	980,481	-	-	980,481
Other	368,884	46,541	292,663	708,088
State sources	5,886,561	2,019	323	5,888,903
Federal sources	295,464	19,000	-	314,464
Total revenues	11,360,151	918,108	833,039	13,111,298
Expenditures:				
Current:				
Instruction:				
Regular	4,717,676	709,970	171,016	5,598,662
Special	1,877,312	-	-	1,877,312
Other	1,161,878	-	273,901	1,435,779
	7,756,866	709,970	444,917	8,911,753
Support services:				
Student	296,619	-	-	296,619
Instructional staff	398,866	118,360	20,505	537,731
Administration	1,134,497	446	9,852	1,144,795
Operation and maintenance of plant	772,384	-	79,231	851,615
Transportation	385,853	93,728	20,062	499,643
	2,988,219	212,534	129,650	3,330,403
Community service operations	1,467	-	-	1,467
Capital outlay	-	470,684	-	470,684
Long-term debt:				
Principal	-	-	275,000	275,000
Interest and fiscal charges	-	-	12,012	12,012
	-	-	287,012	287,012
Other expenditures:				
AEA flowthrough	416,003	-	-	416,003
Total expenditures	11,162,555	1,393,188	861,579	13,417,322
Excess(Deficiency) of revenues over(under) expenditures	197,596	(475,080)	(28,540)	(306,024)
Other financing sources(uses):				
Operating transfers in	-	-	53,000	53,000
Operating transfers out	-	(53,000)	-	(53,000)
Revenue bonds issued	-	625,000	-	625,000
Sale of Equipment	1,006	-	-	1,006
Total other financing sources(uses)	1,006	572,000	53,000	626,006
Net change in fund balances	198,602	96,920	24,460	319,982
Fund balances beginning of year	1,799,211	305,167	175,761	2,280,139
Fund balances end of year	$ 1,997,813	402,087	200,221	2,600,121

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit F

IOWA FALLS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22)		$ 319,982
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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays exceeded depreciation expense in the current year as follows:		
Capital outlays	$ 462,026	
Depreciation expense	(352,239)	109,787
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	(625,000)	
Repaid	275,000	(350,000)
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.		(3,650)
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(22,571)
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.		
Early retirement	130,803	
Other postemployment benefits	(82,777)	48,026
Changes in net assets of governmental activities(page 19)		$ 101,574

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit G

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Nonmajor Enterprise Funds		
	School Nutrition	Day Care Fund	Total
Assets			
Cash and cash equivalents	$ 66,171	8,639	74,810
Due from other governments	4,756	-	4,756
Inventories	13,912	-	13,912
Capital assets, net of accumulated depreciation	21,019	-	21,019
Total assets	105,858	8,639	114,497
Liabilities			
Accounts payable	1,705	1,864	3,569
Salaries and benefits payable	6,434	-	6,434
Unearned revenue	5,633	-	5,633
Net OPEB liability	3,772	-	3,772
Total liabilities	17,544	1,864	19,408
Net Assets			
Invested in capital assets	21,019	-	21,019
Unrestricted	67,295	6,775	74,070
Total net assets	$ 88,314	6,775	95,089

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit H

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Nonmajor Enterprise Funds		
	School Nutrition	Day Care Fund	Total
Operating revenues:			
Local sources:			
Charges for services	$ 244,753	18,763	263,516
Operating expenses:			
Support services:			
Student:			
Salaries	4,811	-	4,811
Benefits	756	-	756
Administration:			
Salaries	12,019	-	12,019
Benefits	1,889	-	1,889
Services	1,813	-	1,813
Other	340	-	340
Operation and maintenance of plant:			
Salaries	12,238	-	12,238
Benefits	1,924	-	1,924
Services	10,928	-	10,928
Supplies	92	-	92
Transportation:			
Salaries	422	-	422
Benefits	68	-	68
Supplies	1,016	-	1,016
	48,316	-	48,316
Non-instructional programs:			
Food service operations:			
Salaries	169,084	-	169,084
Benefits	66,157	-	66,157
Services	288	-	288
Supplies	285,804	1,003	286,807
Depreciation	5,526	-	5,526
	526,859	1,003	527,862
Community service operations:			
Salaries	-	12,305	12,305
Benefits	-	1,690	1,690
Supplies	-	80	80
	-	14,075	14,075
Total operating expenses	575,175	15,078	590,253
Operating income(loss)	(330,422)	3,685	(326,737)
Non-operating revenues:			
State sources	5,473	-	5,473
Federal sources	319,529	-	319,529
Interest income	6	100	106
Total non-operating revenues	325,008	100	325,108
Change in net assets	(5,414)	3,785	(1,629)
Net assets beginning of year	93,728	2,990	96,718
Net assets end of year	$ 88,314	6,775	95,089

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit I

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Nonmajor Enterprise Funds		
	School Nutrition	Day Care Fund	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	$ 245,902	-	245,902
Cash received from miscellaneous	-	18,763	18,763
Cash paid to employees for services	(259,162)	(12,131)	(271,293)
Cash paid to suppliers for goods or services	(252,442)	(1,083)	(253,525)
Net cash provided by(used in) operating activities	(265,702)	5,549	(260,153)
Cash flows from non-capital financing activities:			
State grants received	5,473	-	5,473
Federal grants received	264,884	-	264,884
Net cash provided by non-capital financing activities	270,357	-	270,357
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,417)	-	(1,417)
Cash flows from investing activities:			
Interest on investments	6	100	106
Net increase in cash and cash equivalents	3,244	5,649	8,893
Cash and cash equivalents at beginning of year	62,927	2,990	65,917
Cash and cash equivalents at end of year	$ 66,171	8,639	74,810
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	$ (330,422)	3,685	(326,737)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	49,889	-	49,889
Depreciation	5,526	-	5,526
Increase in inventories	(644)	-	(644)
Decrease in accounts receivable	1	-	1
Increase(decrease) in accounts payable	(1,406)	1,864	458
Increase in salaries and benefits payable	6,434	-	6,434
Increase in unearned revenue	1,148	-	1,148
Increase in net OPEB liability	3,772	-	3,772
Net cash provided by(used in) operating activities	$ (265,702)	5,549	(260,153)

Non-cash investing, capital and related financing activities:
During the year ended June 30, 2012, the District received $49,889 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit J

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	$ 23,874	24,067
Accounts receivable	1	-
	23,875	24,067
Liabilities		
Due to other groups	-	24,067
Net Assets		
Restricted for scholarships	$ 23,875	-

SEE NOTES TO FINANCIAL STATEMENTS.

Exhibit K

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Interest	$ 622
Donations	5,843
Total additions	6,465
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	6,230
	6,230
Change in net assets	235
Net assets beginning of year	23,640
Net assets end of year	$ 23,875

SEE NOTES TO FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

Iowa Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Iowa Falls, Iowa, and the predominate agricultural territory in Hardin and Franklin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin County Assessors' 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 support.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or

directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary 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 not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District reports the following nonmajor proprietary funds:

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

The Enterprise, Day Care Fund is used to account for the day care operations of the District.

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

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

The Agency Fund is used to account for assets held by the District as an agent 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 to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Items - The District prepaid items in the General Fund. These included health insurance premiums for the succeeding year.

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

Asset Class	Amount
Land	$ 2,000
Buildings	10,000
Land improvements	10,000
Intangibles	125,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

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

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

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

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include prepaid items.

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

Unassigned - All amounts not included in the preceding 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 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 exceeded the amounts budgeted in the instruction functional area.

(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 an instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2012, the District had no investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	$ 53,000

The Capital Projects: Statewide Sales, Services and Use Tax Fund transfer to the Debt Service Fund was needed to fulfill interest requirements associated with the District's revenue bonded indebtedness and to provide $50,000 of general obligation debt relief.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 128,358	-	-	128,358
Total capital assets not being depreciated	128,358	-	-	128,358
Capital assets being depreciated:				
Buildings	10,169,708	318,806	-	10,488,514
Land improvements	791,052	19,431	-	810,483
Machinery and equipment	4,057,605	123,789	-	4,181,394
Total capital assets being depreciated	15,018,365	462,026	-	15,480,391
Less accumulated depreciation for:				
Buildings	4,428,740	227,313	-	4,656,053
Land improvements	631,866	27,833	-	659,699
Machinery and equipment	3,299,160	97,093	-	3,396,253
Total accumulated depreciation	8,359,766	352,239	-	8,712,005
Total capital assets being depreciated, net	6,658,599	109,787	-	6,768,386
Governmental activities capital assets, net	$ 6,786,957	109,787	-	6,896,744
Business type activities:				
Machinery and equipment	$ 181,546*	1,417	-	182,963
Less accumulated depreciation	156,418*	5,526	-	161,944
Business type activities capital assets, net	$ 25,128	(4,109)	-	21,019

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 63,021
Support services:	
Transportation	34,072
	97,093
Unallocated depreciation	255,146
Total governmental activities depreciation expense	$ 352,239
Business type activities:	
Food service operations	$ 5,526

*Beginning Balance Adjustment - In previous years, the District's practice was to remove fully depreciated assets from the capital asset listing in the School Nutrition Fund. To reflect the changes for the asset adjustment, the beginning balances for machinery and equipment and accumulated depreciation were adjusted to $181,546 and $156,418 respectively. The assets involved in the adjustment were fully depreciated so there was no change to the net beginning business type assets of $25,128 or to the beginning total net assets of $93,728 on pages 19 and 25.

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 275,000	-	275,000	-	-
Revenue Bonds	-	625,000	-	625,000	156,250
Early Retirement	307,342	28,093	158,896	176,539	148,956
Net OPEB liability	65,554	82,777	-	148,331	-
Total	$ 647,896	735,870	433,896	949,870	305,206
Business type activities:					
Net OPEB liability	$ -	3,772		3,772	-

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are a s follows:

Year Ended June 30,	Bond Issue September 15, 2011			
	Interest Rates	Principal	Interest	Total
2013	1.63%	$ 156,250	8,914	165,164
2014	1.63	156,250	6,367	162,617
2015	1.63	156,250	3,820	160,070
2016	1.63	156,250	1,274	157,524
		$ 625,000	20,375	645,375

The District has pledged future statewide sales, services and use tax revenues to repay the $625,000 of bonds issued in September 2011. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The bonds were purchased by Green Belt Bank and Trust, bear an interest rate of 1.63 percent, and do not require reserve or sinking funds. Annual principal and interest payments on the bonds are expected to require approximately 22.06 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is $645,375. For the current year, no principal and $3,000 of interest was paid on the bonds and total statewide sales, services and use tax revenues were $748,797.

Early Retirement

The District offered a voluntary early retirement plan for eligible employees. Eligible employees must have completed at least twelve years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commenced. The application for early retirement was subject to approval by the Board of Education. The early retirement incentives were based on the employee's salary in effect the last year of employment. The Board of Education determined the percentage of pay in any given year. Early retirement stipends were to be distributed over a 3 year period of time and deposited into a Board-approved Investment Plan in the retiree's name. Early retirement expenditures for the year ended June 30, 2012 totaled $158,896.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were $524,706, $431,075 and $424,075 respectively, equal to the required contributions for each year.

(7) 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 112 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	$	113,006
Interest on net OPEB obligation		1,639
Adjustment to annual required contribution		(5,680)
Annual OPEB cost		108,965
Contributions made		(22,416)
Increase in net OPEB obligation		86,549
Net OPEB obligation beginning of year		65,554
Net OPEB obligation end of year	$	152,103

For calculation of the net OPEB obligation, the actuary has set the transition day 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 $22,416 to the medical plan.

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 June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	$ 158,840	86.30%	$ 42,840
2011	159,714	85.78	65,554
2012	108,965	20.57	152,103

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was $680,946, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $680,946. The covered payroll (annual payroll of active employees covered by the plan) was $6,192,667 and the ratio of the UAAL to covered payroll was 11.0%. 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.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members to 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 to 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 long-term perspective of the calculations.

As of July 1, 2011 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP-2000 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.

Projected claim costs of the medical plan are $757 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Iowa Falls Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $416,003 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.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2012, expenditures in the instruction functional area exceeded the certified budgeted amounts.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program		Amount
Home School Assistance Program	$	48,369
Teacher Salary Supplement		67,856
Market Factor		1,300
Professional Development for Model Core Curriculum		43,611
Professional Development		6,133
Total	$	167,269

(12) Unassigned Fund Balances

The District had deficit balances in the Special Revenue: Student Activity Fund totaling $7,615 at June 30, 2012.

Required Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 6,907,931	263,622	7,171,553	6,847,057	6,847,057	324,496
State sources	5,888,903	5,473	5,894,376	5,967,406	5,967,406	(73,030)
Federal sources	314,464	319,529	633,993	513,000	513,000	120,993
Total revenues	13,111,298	588,624	13,699,922	13,327,463	13,327,463	372,459
Expenditures/expenses:						
Instruction	8,911,753	-	8,911,753	8,296,748	8,296,748	(615,005)
Support services	3,330,403	48,316	3,378,719	3,796,932	4,232,297	853,578
Non-instructional programs	1,467	541,937	543,404	552,652	552,652	9,248
Other expenditures	1,173,699	-	1,173,699	1,470,210	1,470,210	296,511
Total expenditures/expenses	13,417,322	590,253	14,007,575	14,116,542	14,551,907	544,332
Deficiency of revenues under expenditures/expenses	(306,024)	(1,629)	(307,653)	(789,079)	(1,224,444)	916,791
Other financing sources, net	626,006	-	626,006	-	-	626,006
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	319,982	(1,629)	318,353	(789,079)	(1,224,444)	1,542,797
Balances beginning of year	2,280,139	96,718	2,376,857	1,829,642	1,829,642	547,215
Balances end of year	$ 2,600,121	95,089	2,695,210	1,040,563	605,198	2,090,012

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA 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 Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 function 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 $435,365.

During the year ended June 30, 2012, expenditures in the instruction functional area exceeded the amounts budgeted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

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	-	$1,676,000	1,676,000	0.0%	$6,472,000	25.9%
2011	July 1, 2008	-	1,676,000	1,676,000	0.0	6,334,000	26.5
2012	July 1, 2011	-	680,946	680,946	0.0	6,192,667	11.0

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

Schedule 1

IOWA FALLS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue				
	Student Activity	Management Levy	Total	Debt Service	Total Nonmajor
Assets					
Cash and pooled investments	$ 141,753	54,531	196,284	3,685	199,969
Receivables:					
Property tax:					
Delinquent	-	5,655	5,655	2,778	8,433
Succeeding year	-	300,001	300,001	-	300,001
Accounts	32	-	32	-	32
Total assets	$ 141,785	360,187	501,972	6,463	508,435
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 8,213	-	8,213	-	8,213
Deferred revenue:					
Succeeding year property tax	-	300,001	300,001	-	300,001
Total liabilities	8,213	300,001	308,214	-	308,214
Fund balances:					
Restricted for:					
Debt service	-	-	-	6,463	6,463
Management levy purposes	-	60,186	60,186	-	60,186
Student activities	141,187	-	141,187	-	141,187
Unassigned	(7,615)	-	(7,615)	-	(7,615)
Total fund balances	133,572	60,186	193,758	6,463	200,221
Total liabilities and fund balances	$ 141,785	360,187	501,972	6,463	508,435

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 2

IOWA FALLS COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Student Activity	Manage-ment Levy	Total	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	$ -	310,208	310,208	229,845	540,053
Other	286,194	6,369	292,563	100	292,663
State sources	-	191	191	132	323
Total revenues	286,194	316,768	602,962	230,077	833,039
Expenditures:					
Current:					
Instruction:					
Regular	-	171,016	171,016	-	171,016
Other	273,901	-	273,901	-	273,901
Support services:					
Instructional staff	-	20,505	20,505	-	20,505
Administration	-	9,852	9,852	-	9,852
Operation and maintenance of plant	-	79,231	79,231	-	79,231
Transportation	-	20,062	20,062	-	20,062
Long-term debt:					
Principal	-	-	-	275,000	275,000
Interest and fiscal charges	-	-	-	12,012	12,012
Total expenditures	273,901	300,666	574,567	287,012	861,579
Excess(deficiency) of revenues over(under) expenditures	12,293	16,102	28,395	(56,935)	(28,540)
Other financing sources:					
Operating transfers in	-	-	-	53,000	53,000
Net change in fund balances	12,293	16,102	28,395	(3,935)	24,460
Fund balances beginning of year	121,279	44,084	165,363	10,398	175,761
Fund balances end of year	$ 133,572	60,186	193,758	6,463	200,221

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

IOWA FALLS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	$ 442,551	9,832	452,383
Receivables:			
Property tax:			
Delinquent	-	2,393	2,393
Succeeding year	-	309,560	309,560
Accounts	5,196	-	5,196
Due from other governments	127,067	-	127,067
Total assets	$ 574,814	321,785	896,599
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 184,952	-	184,952
Deferred revenue:			
Suceeding year property tax	-	309,560	309,560
Total liabilities	184,952	309,560	494,512
Fund Balances:			
Restricted for:			
School infrastructure	389,862	-	389,862
Physical plant and equipment	-	12,225	12,225
Total fund balances	389,862	12,225	402,087
Total liabilities and fund balances	$ 574,814	321,785	896,599

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA 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
Revenues:			
Local sources:			
Local tax	$ 748,797	101,751	850,548
Other	46,341	200	46,541
State sources	1,961	58	2,019
Federal sources	19,000	-	19,000
Total revenues	816,099	102,009	918,108
Expenditures:			
Current:			
Instruction:			
Regular	709,970	-	709,970
Support services:			
Instructional staff	118,360	-	118,360
Administration	-	446	446
Transportation	4,730	88,998	93,728
Capital outlay	469,339	1,345	470,684
Total expenditures	1,302,399	90,789	1,393,188
Excess(deficiency) of revenues over(under) expenditures	(486,300)	11,220	(475,080)
Other financing sources(uses):			
Operating transfers out	(53,000)	-	(53,000)
Revenue bonds issued	625,000	-	625,000
Total other financing sources(uses)	572,000	-	572,000
Net change in fund balances	85,700	11,220	96,920
Fund balaces beginning year	304,162	1,005	305,167
Fund balances end of year	$ 389,862	12,225	402,087

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi-tures	Intra-Fund Transfers	Balance End of Year
HS Activity Tickets	$ -	15,485	-	(15,136)	349
HS Musical Theater	12,143	3,032	1,186	(469)	13,520
HS Speech	-	54	523	469	-
HS Vocal	2,190	201	527	-	1,864
HS Band	-	3,610	1,522	-	2,088
HS Athletics Misc	2,292	6,056	5,523	-	2,825
HS Athletics Supplies	1	-	4,812	4,209	(602)
MS Cross Country	32	-	-	-	32
Boys Basketball	2,163	12,271	9,354	-	5,080
Football	-	20,481	21,905	1,295	(129)
Soccer	(3,379)	9,677	4,224	-	2,074
Baseball	1	7,593	14,932	4,088	(3,250)
Boys Track	-	2,334	4,169	1,235	(600)
Boys Cross Country	-	181	457	276	-
Boys Tennis	-	48	133	85	-
Boys Golf	-	283	1,004	721	-
Wrestling	4,984	17,264	22,015	-	233
HS Cheerleaders	641	1,336	1,096	-	881
HS Drill Team	3,462	1,800	3,489	-	1,773
Girls Basketball	-	7,660	5,855	-	1,805
Volleyball	709	4,459	5,327	159	-
Girls Softball	2,324	2,102	7,646	490	(2,730)
Girls Track	-	2,007	4,520	2,209	(304)
Girls Cross Country	-	1,400	1,526	126	-
Girls Tennis	-	-	128	128	-
Girls Golf	-	30	145	115	-
Resale - HS Band	-	139	38	-	101
HS Band Uniform Maintenance	2,335	620	556	-	2,399
Resale - Elementary Band	1,368	199	-	-	1,567
Resale - MS Band	1,564	200	-	-	1,764
RR - Lion's Lead Dog Account	4,272	5,111	5,281	-	4,102
Elementary Vocal Account	1,404	2,675	3,872	-	207
Pineview School	19,242	13,225	20,874	-	11,593
Rock Run School	13,453	22,646	14,312	-	21,787
HS - SAAD Account	36	309	310	-	35
MS - LIFE Girls Group	2,239	2,000	1,893	-	2,346
MS - Science Club	(537)	867	159	-	171
MS - Student Council	4,864	13,689	18,465	-	88
MS - Rachel's Challenge	38	-	-	-	38
HS - SCI	2,075	1,400	300	-	3,175
HS - Tshirt Account	3,799	7,397	6,327	-	4,869
HS - Marketing Club	490	-	-	-	490
HS FCCLA	17	1,462	654	-	825
HS Future Nurses	125	-	-	-	125
HS National Honor Society	-	3,685	3,596	-	89
HS Art Club	1,005	300	-	-	1,305
HS Future Farmers of America	(883)	33,806	26,374	-	6,549
HS Student Council	2,330	1,455	2,489	-	1,296
HS International Club	256	1,314	785	-	785
HS HEARTS Class	976	-	-	-	976
HS Speech Club Invitational	7,950	1,528	-	-	9,478
HS Math Club	(176)	1,084	600	-	308
HS Class of 2010	313	-	-	(313)	-
HS Class of 2011	2,401	-	-	(2,401)	-
HS Class of 2012	2,200	200	1,181	-	1,219
HS Class of 2013	1,965	7,840	4,698	-	5,107
HS Class of 2014	-	4,011	1,702	313	2,622
HS Class of 2015	-	200	2,557	2,401	44
HS Popcorn Fund	3,636	12,045	12,658	-	3,023
HS Yearbook	14,286	27,027	22,176	-	19,137
Local Revenue - Interest	673	396	26	-	1,043
Total	$ 121,279	286,194	273,901	-	133,572

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	$ 19,771	14,933	10,637	24,067
Liabilities				
Due to other groups	$ 19,771	14,933	10,637	24,067

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	$ 5,219,362	5,245,243	4,863,060	4,425,507	4,205,049	4,131,910	3,797,258	3,947,659	3,429,851	3,453,720
Tuition	980,481	1,011,234	882,724	941,463	909,851	920,235	778,711	697,387	302,960	301,391
Other	708,088	728,073	604,529	650,422	658,951	857,693	845,315	529,728	429,504	407,221
State sources	5,888,903	5,530,276	4,926,308	5,763,655	5,490,019	5,298,716	4,908,993	4,558,433	4,320,386	4,447,239
Federal sources	314,464	535,643	927,357	407,506	225,053	271,055	272,801	277,022	225,561	252,726
Total	$ 13,111,298	13,050,469	12,203,978	12,188,553	11,488,923	11,479,609	10,603,078	10,010,229	8,708,262	8,862,297
Expenditures:										
Instruction:										
Regular	$ 5,598,662	7,658,517*	7,467,313*	7,377,668*	7,191,448*	4,504,675	4,156,134	4,053,370	3,571,312	3,687,663
Special	1,877,312	-	-	-	-	1,284,111	1,149,358	1,063,467	1,259,125	1,343,791
Other	1,435,779	-	-	-	-	1,124,392	1,179,966	1,301,139	790,302	739,657
Support services:										
Student	296,619	345,037	380,930	373,982	304,984	278,966	266,983	75,269	76,568	194,857
Instructional staff	537,731	636,241	397,460	497,609	395,379	305,138	305,943	184,432	208,303	201,590
Administration	1,144,795	1,156,241	1,122,720	1,116,906	1,082,225	1,074,310	1,014,899	920,556	822,277	740,894
Operation and maintenance of plant	851,615	913,169	929,912	899,916	783,178	789,718	713,783	650,725	644,017	592,275
Transportation	499,643	385,843	397,400	310,987	394,148	306,386	347,992	243,628	210,146	290,524
Non-instructional programs	1,467	977	1,305	1,428	2,215	22,825	21,368	12,210	1,213	1,220
Capital outlay	470,684	489,818	477,005	1,324,071	874,342	1,040,110	424,184	227,948	208,757	87,565
Long-term debt:										
Principal	275,000	610,000	590,000	580,000	305,000	300,000	245,000	230,000	215,000	205,000
Interest	12,012	27,873	45,203	50,213	42,305	47,867	106,977	166,513	166,564	143,228
Other expenditures:										
AEA flow-through	416,003	455,726	448,336	380,255	361,604	354,443	321,953	305,072	308,090	322,323
Total	$ 13,417,322	12,679,442	12,257,584	12,913,035	11,736,828	11,432,941	10,254,540	9,434,329	8,481,674	8,550,587

* Unable to breakout instruction expenditures due to lack of information.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE ODF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Grant Number	Expendi-tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	$ 46,290
National School Lunch Program	10.555	FY12	268,484 *
Summer Food Service Program for Children	10.559	FY12	4,755
			319,529
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY12	118,183
Fund for the Improvement of Education	84.215	FY12	19,000
Improving Teacher Quality State Grants	84.367	FY12	28,934
Grants for State Assessments and Related Activities	84.369	FY12	7,053
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY11	1,866
Education Jobs Fund	84.410	FY11	54,033
Area Education Agency 267:			
Special Education - Grants to States	84.027	FY12	53,135
Career and Technical Education - Basic Grants to States	84.048	FY12	12,080
ARRA - State Fiscal Stabilization Fund - Investing in Innovation (i3) Fund, Recovery Act	84.396	FY12	844
Total			$ 614,657

* Includes $49,889 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District 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 March 19, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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 a 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. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-12 through II-D-12 to be significant deficiencies.

Compliance and Other Matters

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

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.

Iowa Falls Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Iowa Falls Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Falls Community School District and other parties to whom Iowa Falls Community School District may report, including federal awarding agencies and pass-through entities, 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 Iowa Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Corman & Johnson PC

NOLTE, CORMAN & JOHNSON, P.C.

March 19, 2013

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(a professional corporation)
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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

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

Compliance

We have audited Iowa Falls Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Iowa Falls Community School District's major federal programs for the year ended June 30, 2012. Iowa 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 Iowa Falls Community School District's management. Our responsibility is to express an opinion on Iowa Falls Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 non-compliance 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 Iowa 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 Iowa Falls Community School District's compliance with those requirements.

In our opinion, Iowa Falls Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Iowa 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 Iowa 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 Iowa Falls Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

Iowa Falls Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit Iowa Falls Community School District's response and, accordingly, we express no opinion on it.

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

Nolte, Cornman & Johnson PC

NOLTE, CORNMAN & JOHNSON, P.C.

March 19, 2013

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results:

(a) Unqualified opinions were issued on the financial statements.

(b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) A material weakness in internal control over the major programs were disclosed by the audit of the financial statements.

(e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.

(f) The audit disclosed audit 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 10.559 - Summer Food Service Program for Children

(h) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(i) Iowa Falls Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District divides many incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel. Additionally, one individual currently enters payroll contracts into the system; however, another individual does not review the entries to verify the payroll contracts have been entered correctly.

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

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-12 Supporting Documentation - We noted instances of checks being written to vendors from a purchase order or credit card statement without a cancelled invoice or detailed receipt to be used subsequently for supporting documentation.

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - The District will review the procedures in place to ensure that all bills are supported, approved, and paid from an invoice.

Conclusion - Response accepted.

II-C-12 Purchase Orders - We noted during our audit that the District currently uses purchases orders in the purchasing process, however 6 out of 27 disbursements tested in the Student Activity Fund had purchase orders that were completed after the product had been ordered. We also noted multiple instances of purchase orders dated subsequent to receipts for purchases made with the District's Hy-Vee card.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review its' purchase order system and make the necessary changes so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Conclusion - Response accepted.

II-D-12 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

Response - We will study this recommendation, review our payroll procedures and put a plan in place.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District divides many incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel. Additionally, one individual currently enters payroll contracts into the system; however, another individual does not review the entries to verify the payroll contracts have been entered correctly.

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

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, exceeded the amounts budgeted in the instruction functional area.

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 - We will amend the budget in the future.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - We noted during our audit the purchase of prizes including limo rides and Ipods to be given to individual students for being top sellers in fundraisers. We also noted the purchase of gift cards to be given to volunteers in a mentoring program recognizing their efforts and time donated to the District and gas cards to be given to individuals as incentives to attend a school program. These expenditures do not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to individual students as performance incentives, for being top sellers in fund raisers or for good behavior. Additionally, the District should refrain from purchasing cash cards/gift certificates as the Board cannot audit the final purchase. Concerning gifts for volunteers, expenditures in this "gray" area should be evaluated and determined through the criteria of "public Purpose" and the Board should document the public purpose served including how the public benefits through the expenditure of public funds for the particular purpose such as gifts to volunteers. Documentation should be in the Board minutes and/or through established Board policy. The decision and documentation should be in place prior to spending the public funds.

Response - The District will refrain from these types of purchases unless the Board determines and documents "public purpose".

Conclusion - Response accepted.

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 - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Bicknese, Board Member Spouse owns Bel Floral	Supplies	$265

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse of the Board Member do not appear to represent a conflict of interest.

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 have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will publish the minutes in a timely manner.

Conclusion- Response accepted.

IV-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.

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 certified timely with the Department of Education and we noted no significant deficiencies in the amounts reported.

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, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		$ 304,162
Revenues:		
Sales tax revenues	$ 748,797	
Other local revenues	46,341	
School infrastructure supplemental amount	1,961	
Federal revenues	19,000	
Sale of long-term debt	625,000	1,441,099
		1,745,261
Expenditures/transfer out:		
School infrastructure construction	$ 413,448	
Equipment	816,378	
Other	72,573	
Transfer to other funds:		
Debt service fund	53,000	1,355,399
Ending Balance		$ 389,862

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per $1000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	$ 0.16457	$ 50,000

IV-M-12 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District has obtained written authorization from each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.

IV-N-12 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We noted the purchase of instructional items including Ipads and library books from the Pineview School and MS Student Council accounts within the Student Activity Fund. We also noted a Nutrition Mini Grant recorded in the Student Activity Fund which appears to be instructional in nature and therefore, more appropriately handled in the General Fund.

Recommendation - The District should record activity associated with instructional items in the General Fund.

Response - We will record receipts and expenditures in the proper funds.

Conclusion - Response accepted.

IV-O-12 Contracts - We noted during our audit a contract with a DJ service that was signed by the Middle School Principal. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all contracts.

Conclusion - Response accepted.

IV-P-11 Financial Condition - The District had six accounts in the Student Activity Fund that had deficit balances at the end of the year totaling $7,615.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit accounts.

Response - Activity account deficits can be zeroed out, however, the District wants each activity to know its true balance in order to encourage fiscal responsibility.

Conclusion - Response accepted.