CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
	Board of Education	
Deon E. Senchina	President	2013
Joyce E. Coil	Vice President	2015
Susan Lantz	Board Member	2013
Jim Brown	Board Member	2013
James R. Kenyon	Board Member	2015
David Williams	Board Member	2015
Jenny Leeper	Board Member	2015
	School Officials	
Mr. Michael Wells	Superintendent	2013
Doug Nefzger	District Secretary	2013
John Steen	District Treasurer	2013
John C. Larsen	Attorney	Indefinite

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cedar Falls Community School District, Cedar Falls, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design, audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Cedar Falls Community School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cedar Falls Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 5 through 15 and 41 through 43 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 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 inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included on pages 44 - 53, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standard's In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014 on our consideration of Cedar Falls Community School District's internal control over financial reporting and on 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 with 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* in considering Cedar Falls Community School District's internal control over financial reporting and compliance.

Carney, Alexander, Mauld + Co., L.L.P.

Waterloo, Iowa
January 22, 2014

CEDAR FALLS COMMUNITY SCHOOL DISTRICT
CEDAR FALLS, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2013

This section of the Cedar Falls Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the 2013 fiscal year which ended on June 30, 2013.

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

Financial Highlights

Key financial highlights for the 2013 fiscal year include the following:

In total, net assets increased by $3,519,873 or 5.46% from fiscal 2012. Net assets in governmental activities increased $3,528,543, which represented a 5.54% increase from fiscal year 2012. Increases in property and state-wide one-cent sales tax receipts made up the majority of the increase. Net assets in the business-type activity, which represents the Districts food service operations, decreased $8,670, which represented a 1.19% decrease from fiscal year 2012. Increases in operational costs accounted for the decrease.

General Fund revenues (which include the Instructional Support fund) accounted for $50,424,323 in revenue or 84.56% of all revenues. General Fund expenses (which include the Instructional Support fund) accounted for $49,489,530 in expenditures or 77.79% of all expenses.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report includes all the funds used by the District to provide programs and activities, the report strives to show how the District performed financially during the 2013 fiscal year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash was received or paid.

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

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund(s). The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal 2013 are the General, Debt Service and Capital Projects funds.

Governmental Funds

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

Enterprise Fund

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

The School District as a Whole

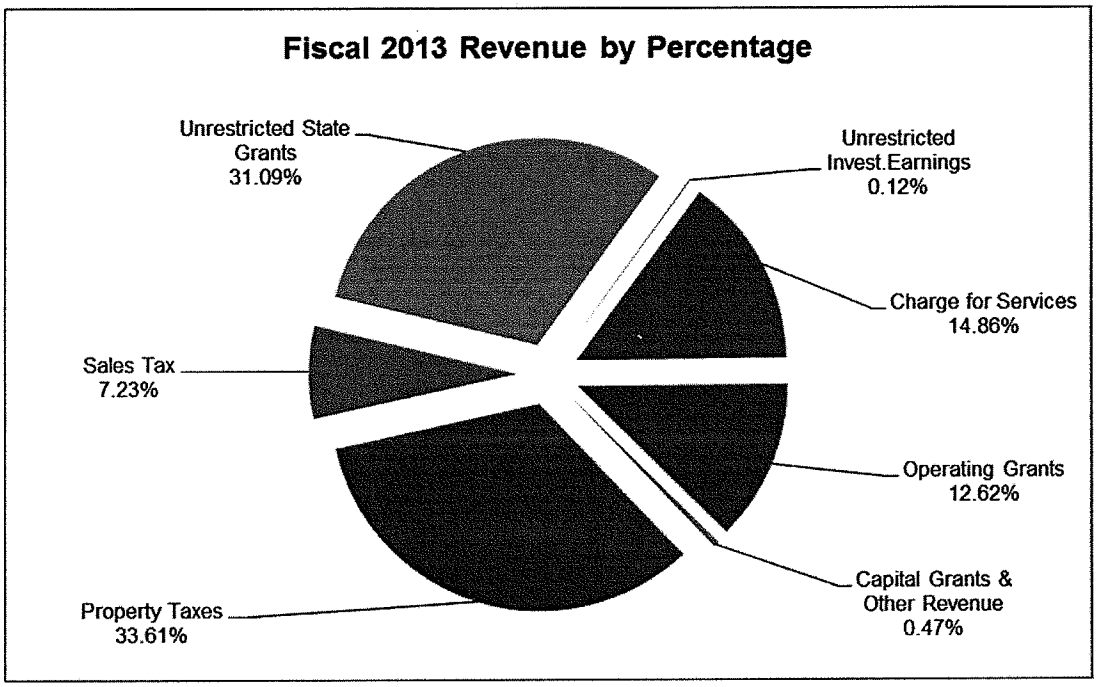
The following is a summary of the statement of net assets of the District as a whole. The Cedar Falls Community School District's net assets at the end of fiscal year 2013 totaled $67,956,938, up 5.46% from the previous fiscal year.

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total		Percent
	2012	2013	2012	2013	2012	2013	Change
Current & Other Assets	$ 49,689,565	47,537,654	$ 663,994	672,352	$ 50,353,559	48,210,006	-4.26%
Capital Assets	62,504,262	69,210,092	130,197	115,744	62,634,459	69,325,836	10.68%
Total Assets	112,193,827	116,747,746	794,191	788,096	112,988,018	117,535,842	4.03%
Long-term Obligations:							
Due within one year	985,560	1,027,092	-	-	985,560	1,027,092	4.21%
Due after one year	19,316,750	18,605,150	-	-	19,316,750	18,605,150	-3.68%
Other Liabilities	28,184,891	29,880,335	63,752	66,327	28,248,643	29,946,662	6.01%
Total Liabilities	48,487,201	49,512,577	63,752	66,327	48,550,953	49,578,904	2.12%
Net Assets							
Invested in Capital Assets - Net of Related Debt	43,041,912	50,596,342	130,197	115,744	43,172,109	50,712,086	17.46%
Restricted	5,373,879	6,489,797	-	-	5,373,879	6,489,797	20.77%
Unrestricted	15,290,835	10,149,030	600,242	606,025	15,891,077	10,755,055	-32.32%
Total Net Assets	$ 63,706,626	67,235,169	$ 730,439	721,769	$ 64,437,065	67,956,938	5.46%

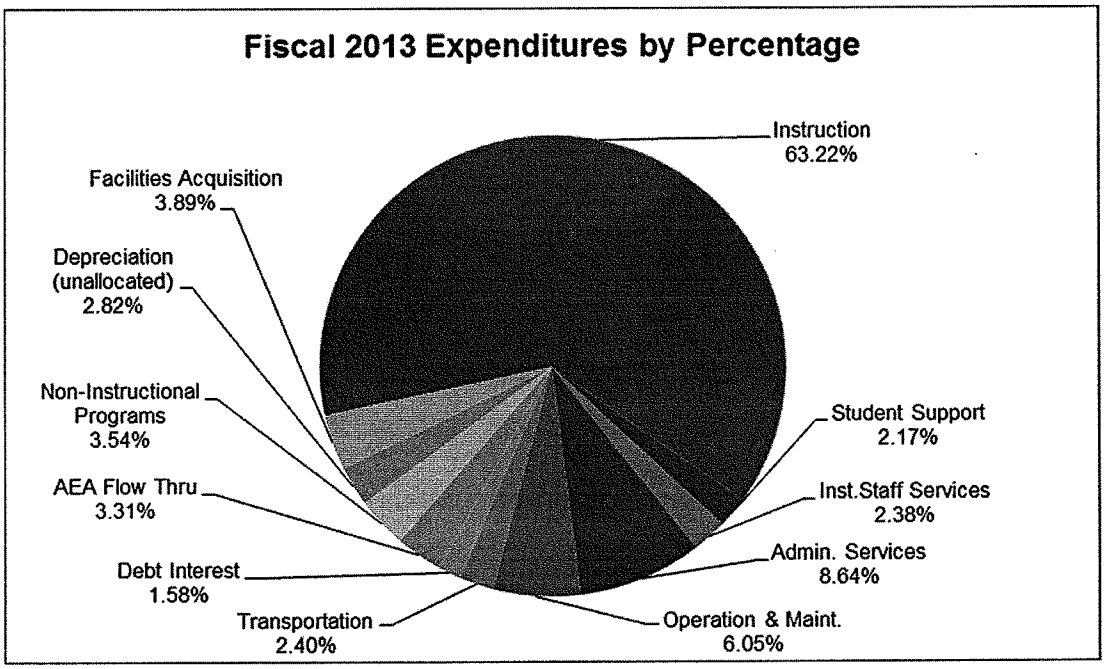
The following analysis shows the change in net assets for the year ending June 30, 2013:

	Change in Net Assets						
	Governmental Activities		Business-type Activities		Total		Percent
	2012	2013	2012	2013	2012	2013	Change
Revenue							
Program Revenue							
Charge for Services	$ 3,166,844	7,845,147	$ 1,362,945	1,344,524	$ 4,529,789	9,189,671	102.87%
Operating Grants	7,817,522	7,090,879	693,439	712,416	8,510,961	7,803,295	-8.31%
Capital Grants	71,128	144,880	-	-	71,128	144,880	103.69%
General Revenue							
Property Taxes	19,620,548	20,782,040	-	-	19,620,548	20,782,040	5.92%
Sales and Income Tax	3,672,221	4,468,108	-	-	3,672,221	4,468,108	21.67%
Unrestricted State Grants	19,179,555	19,222,595	-	-	19,179,555	19,222,595	0.22%
Unrestricted Invest. Earnings	108,070	73,145	1,411	951	109,481	74,096	-32.32%
Other Revenue	117,264	145,857	-	-	117,264	145,857	24.38%
Total Revenue	53,753,152	59,772,651	2,057,795	2,057,891	55,810,947	61,830,542	10.79%
Program Expense							
Instruction	32,787,621	36,861,796	-	-	32,787,621	36,861,796	12.43%
Student Support	1,117,153	1,264,247	-	-	1,117,153	1,264,247	13.17%
Instructional Staff Services	1,384,235	1,389,867	-	-	1,384,235	1,389,867	0.41%
Administration Services	4,733,580	5,038,062	-	-	4,733,580	5,038,062	6.43%
Operation & Maint. Services	3,853,961	3,526,120	-	-	3,853,961	3,526,120	-8.51%
Transportation Services	1,269,052	1,402,225	-	-	1,269,052	1,402,225	10.49%
Long Term Debt Interest	945,049	919,462	-	-	945,049	919,462	-2.71%
Facilities Acquisition	2,209,762	2,270,580	-	-	2,209,762	2,270,580	2.75%
AEA Flow Thru	1,925,667	1,929,402	-	-	1,925,667	1,929,402	0.19%
Non-Instructional Programs	-	-	2,100,517	2,066,561	2,100,517	2,066,561	-1.62%
Depreciation (unallocated)	1,244,275	1,642,347	-	-	1,244,275	1,642,347	31.99%
Total Expenses	51,470,355	56,244,108	2,100,517	2,066,561	53,570,872	58,310,669	8.85%
Increase (Decrease) Net Assets	2,282,797	3,528,543	(42,722)	(8,670)	2,240,075	3,519,873	57.13%
Net Assets Beginning of Year	61,423,829	63,706,626	773,161	730,439	62,196,990	64,437,065	3.60%
Net Assets End of Year	$ 63,706,626	67,235,169	$ 730,439	721,769	$ 64,437,065	67,956,938	5.46%

The following chart indicates total fiscal 2013 District revenue by percentage:



The following chart indicates total fiscal 2013 District expenses by percentage:



Financial Analysis of the District's Funds

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

The District governmental funds reported combined fund balances of $17,728,517. This is a $3,843,426 decrease from the 2012 fiscal year end balance of $21,571,943. Increases in other instruction costs due to the inclusion of River Hills School in the General fund and expenditures in conjunction with the additions and remodeling of Hansen and Southdale elementary schools in the Capital Projects fund contributed to the overall decrease in fund balance for the year.

The District's General Fund (including the Instructional Support Fund) end of year fund balance increased $950,650 to $6,326,587 from the 2012 fiscal year end balance of $5,375,937. The increase in fund balance is due to an increase in tuition revenue and property taxes.

Budgeting Highlights

The Cedar Falls Community School District Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. The State of Iowa requires approval of the budget on or before April 15th of each year. The budget documents present functional disbursements by fund and the legal level of control is at the expense level by total Instruction, total Support Services, total Non-Instructional Programs, total Other Expenditures and Total Expenditures. The District amends the budget, as allowed by Iowa law, to reflect the additional revenues and expenditures that may occur during the school year. The District amended its budget for fiscal 2013 to allow for unanticipated increases in special education instruction due to the mandated transfer of River Hills School from AEA267 to the District as well as additional expenses associated with the implementation of the new USDA Healthy Hungry-Free Kids Act.

The following chart shows the original and amended budget for fiscal 2013 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	Original Budget	Final Amended	Actual	Variance
Revenue				
Local Sources	$ 30,393,961	$ 30,393,961	$ 34,547,198	$ 4,153,237
Intermediate Sources	-	-	-	-
State Sources	24,806,777	24,806,777	24,509,136	(297,641)
Federal Sources	2,194,852	2,194,852	2,625,510	430,658
Total Budget Revenue	$ 57,395,590	$ 57,395,590	$ 61,681,844	$ 4,286,254
Expenditures				
Instruction	$ 34,232,869	$ 39,434,516	$ 36,400,714	$ (3,033,802)
Support Services	14,258,771	15,881,258	13,208,223	(2,673,035)
Non-Instructional	2,042,300	2,362,176	2,066,561	(295,615)
Other Expenditures	17,037,241	17,037,241	13,967,648	(3,069,593)
Total Budget Expenses	$ 67,571,181	$ 74,715,191	$ 65,643,146	$ (9,072,045)

Fund Balance vs. Unspent (Unused) Budget Authority

Unspent budget authority is a unique feature of the Iowa school foundation formula. Iowa public school districts are required to keep track of fund balance and unused budget authority.

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

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

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

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

The following chart shows the change in Unspent Budget Authority between fiscal years 2012 and 2013.

	Unspent Budget Authority Comparison		
	2012	2013	Change
Budget Revenue			
Maximum General Fund District Cost	$ 38,505,505	$ 39,293,802	$ 788,297
Preschool Foundation Aid	276,501	138,023	(138,478)
Instructional Support Fund	2,141,556	2,234,359	92,803
Other Miscellaneous Income	5,586,558	8,821,889	3,235,331
Previous Year Unspent Budget Authority	6,530,902	7,888,478	1,357,576
Maximum Budget Authority	$ 53,041,022	$ 58,376,551	$ 5,335,529
Total Expenditures	$ 45,152,544	$ 49,487,939	$ 4,335,395
End Fiscal Year Unspent Budget Authority	$ 7,888,478	$ 8,888,612	$ 1,000,134

Capital Assets and Debt Administration

Capital Assets

At the end of the 2013 fiscal year, the District had invested $69,325,836 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology, media/audio visual equipment, and classroom equipment. The District had depreciation expense of $2,256,150 and total accumulated depreciation of $27,655,521 as of June 30, 2013. The following chart shows the comparison in capital assets for 2012 and 2013.

	Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total		Percent
	2012	2013	2012	2013	2012	2013	Change
Land	$ 1,725,334	1,725,334	$ -	-	$ 1,725,334	1,725,334	0.00%
Construction in Progress	2,896,697	10,025,150	-	-	2,896,697	10,025,150	246.09%
Land Improvements	3,169,966	3,169,966	-	-	3,169,966	3,169,966	0.00%
Buildings	74,624,498	75,480,625	-	-	74,624,498	75,480,625	1.15%
Furniture & Equipment	5,075,908	5,861,205	711,866	719,077	5,787,774	6,580,282	13.69%
Total	$ 87,492,403	96,262,280	$ 711,866	719,077	$ 88,204,269	96,981,357	9.95%

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

Debt

As of June 30, 2013, the District has $18,613,750 in outstanding long-term debt, $1,027,092 of which is due in fiscal 2014, compared to $20,302,310 on June 30, 2012. An installment payment towards the District's outstanding debt obligation is the reason for the decrease. The following chart shows the debt comparison between 2012 and 2013.

	Long-term Debt Obligations			
	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Revenue Bonds				
Bonds Payable	19,655,000	-	860,000	18,795,000
Discount	(192,650)	-	11,400	(181,250)
Total Bonds	$ 19,462,350	$ -	$ 871,400	$ 18,613,750
Other Liabilities				
Compensated Absences	121,582	163,492	121,582	163,492
Early Retirement	15,378	-	15,378	-
Net OPEB Liability	703,000	302,000	150,000	855,000
Total OtherLiabilities	$ 839,960	$ 465,492	$ 286,960	$ 1,018,492
Total Long-term Debt	$ 20,302,310	$ 465,492	$ 1,158,360	$ 19,632,242

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

Current Issues

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

- At the conclusion of the 2013 Legislative session, the Legislature passed and Governor Branstad signed a 2% plus 2% increase in allowable growth funding for the 2013/14 school year plus an additional 4% increase for the 2014/15 school year. The "plus 2.0%" increase is a one-time amount totaling $583,488. In addition, legislation was passed to change the term "allowable growth amount" to "supplemental state aid" and the term "allowable growth increase" to "state percent of growth".

- Other 2013 legislative session actions that will directly impact Iowa public school districts include:
  - 2013 Property Tax Reform
    - New commercial, industrial & railroad credit beginning in Fy2015
    - Caps annual taxable value growth percentage for agriculture & residential to 3% annually
    - Assessment rollback for commercial, industrial & railroad from to 90% for 2014
    - New Human Habitat commercial property class
    - Telecom property tax exemption
    - Establishes Taxpayer Trust Fund income tax credit
    - Increase in earned income tax credit
  - Education Reform. One of the most significant pieces of education legislation in recent history, the new legislation consists of 16 divisions. Divisions that directly impact school district funding include:
    - Division I – School District Funding
      - Property tax replacement payments for the General fund (see property tax reform above)
    - Division II – Changes in school funding terminology
    - Division III – Iowa Learning Online Initiative
    - Division IV – Training and Employment of Teachers
      - Online job postings
      - Teach Iowa student teacher pilot project
      - Teach Iowa scholar program
    - Division VII – Iowa Teacher Career and Compensation
      - New minimum teacher salary of $33,500
      - Length of initial or intern license
      - Supplemental assistance for high need schools
      - Mandates creation of career path, leadership roles and compensation framework
    - Division IX – Instructional Hours
      - 180 days or 1,080 hours of instruction annually
    - Division X – Private Instruction Exemption
    - Division XI – Independent Private Instruction
    - Division XIII – Driver Education by Teaching Parent
  - Shared Operational Function Incentives
    - Increase sharing opportunities for support positions within the school

- On July 1, 2013, Dr. Andrew Pattee assumed the duties of Superintendent of Schools. Dr. Pattee replaced Mr. Mike Wells, who resigned as Superintendent of Schools on June 30, 2013.

- The October 1, 2013 certified student enrollment count, which is used to determine state foundation aid for the District for 2014-15 school year, decreased by 3.3 students from the October 1, 2012 count. The number of open enrollment students from neighboring district's decreased 6.0 from 359.0 to 353.0. The number of open enrollment students attending neighboring school districts remains unchanged at 121.0.

- The District continues to experience gains in taxable valuation. Overall taxable assessed valuation has increased 38.90% in the last four years, including a 14.68% increase in 2013. Tax Increment Financing (TIF) district assessed valuation decreased by 29.35% from 2012. The TIF decline in valuation is due to when TIF districts assessment begin and end. It is anticipated that this will be a one year decline in assessments.

- The demand for new homes within the District continues to be strong. Five new residential neighborhoods with over 350 lots are planned or under development in the south and west sections of town. New industrial and retail construction, including the opening of the Cedar Falls North Industrial Park, expansion of retail shopping (Scheels Sports department store and Menards home center) along the Viking Road corridor and the Pinnacle Prairie planned retail center will continue to increase the District's assessed valuation growth for the foreseeable future.

- Revenue received from the State Secure an Advanced Vision for Education (SAVE) one-cent sales tax increased by $795,886 to $4,468,108 for Fy2013. Revenue from the SAVE fund is determined by dividing the total number of dollars generated in those counties included in the state wide sales tax by the total public school student count in the same counties.

- The District will continue the contract with Area Education Agency 267 for the day to day operations of the River Hills Special Education School for the 2013-14 school year. Tuition from school districts sending students to River Hills School will be sent to the District. AEA267 will invoice the District for the actual cost to operate River Hills School. A total of $3,547,988 flowed through the District to AEA267 in the 2012-13 school year for the operation of River Hills School. The current contract between the District and AEA267 expires on June 30, 2014.

- On August 26, 2013 the Board of Education approved a District five year technology plan. Over the first three years of the plan, the District will purchase:
  - One Chromebook to each student in grades 7 through 12
  - Approximately one Chromebook for every two students in grades 3 through 6
  - Approximately one iPad for every three students in grades PK through 2
  - Continued replacement of teacher/administrator laptops
  - Replacement of identified specialty computer labs

  The District will be committing approximately $2.7 million in technology hardware purchase over the length of the plan.

- On November 11, 2013, the Board of Education heard the recommendation from Fielding-Nair International for developing a ten-year master facility plan for the District. Facility recommendations include:
  - Phase Ia – Build new three section elementary school
  - Phase Ib – Construct additions and renovate both North Cedar & Orchard Hill elementary schools
  - Phase II – Build new 1,400 student high school
  - Phase III – Create PK classrooms at all elementary schools
  - Phase IV – Develop new space for Central Services
  - Phase V – Construct additions to both Holmes and Peet Junior High Schools
  - Phase VI – Small modifications to remaining schools to provide 21st century learning spaces

- The District continues to work with the Federal Emergency Management Agency (FEMA) and Iowa Homeland Security on the design and construction of a storm safe room for Robinson-Dresser Sports Complex. Construction of the facility is expected to be completed by February 1, 2014.

- Construction continues on the expansion of Hansen Elementary School. The project includes 15 classroom, new cafeteria, gymnasium and administrative offices as well as remodeling of the existing multi-purpose room and other spaces. The $10.55 million project is expected to be completed by August, 2014.

- The District continues to plan for the implementation of the Federal Patient Protection and Affordable Health Care Act. It is estimated the costs associated with providing health insurance benefits for employees working 30 or more hours per week, who currently are not eligible for coverage, will exceed $250,000 annually.

Contacting the School District's Financial Management

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

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

Basic Financial Statements

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
Other	$21,816,460	$ 598,598	$22,415,058
Receivables:			
Property tax:			
Delinquent	189,447	-	189,447
Succeeding year	22,859,605	-	22,859,605
Accounts	1,126,726	1,321	1,128,047
Accrued interest:			
Other	6,494	72	6,566
Due from other governments	1,091,354	-	1,091,354
Due from other funds	24,720	-	24,720
Inventories	25,305	72,361	97,666
Prepaid expenses	397,543	-	397,543
Capital assets, net of accumulated depreciation	69,210,092	115,744	69,325,836
Total assets	116,747,746	788,096	117,535,842
Liabilities			
Accounts payable	2,080,896	39,560	2,120,456
Salaries and benefits payable	4,752,399	26,767	4,779,166
Due to other governments	98,157	-	98,157
Due to other funds	18,080	-	18,080
Accrued interest payable	71,198	-	71,198
Deferred revenue, succeeding year property tax	22,859,605	-	22,859,605
Long-term liabilities:			
Portion due within one year:			
Compensated absences	163,492	-	163,492
Early retirement	-	-	-
Revenue bonds	863,600	-	863,600
Portion due after one year:			
Revenue bonds	17,750,150	-	17,750,150
Net OPEB liability	855,000	-	855,000
Total liabilities	49,512,577	66,327	49,578,904
Net Position			
Net investment in capital assets	50,596,342	115,744	50,712,086
Restricted for:			
Categorical funding	552,895	-	552,895
Management levy	1,199,505	-	1,199,505
Student activities	614,852	-	614,852
Other special revenue purposes	12,612	-	12,612
Physical plant and equipment levy	2,678,254	-	2,678,254
Permanent fund	1,431,679	-	1,431,679
Unrestricted	10,149,030	606,025	10,755,055
Total net position	$67,235,169	$ 721,769	$67,956,938

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Instruction:				
Regular instruction	$ 22,256,919	$ 2,107,020	$ 4,433,418	$ -
Special instruction	6,503,865	4,482,024	544,157	-
Other instruction	8,101,012	964,358	126,637	-
	36,861,796	7,553,402	5,104,212	-
Support services:				
Student services	1,264,247	-	-	-
Instructional staff services	1,389,867	-	-	-
Administration services	5,038,062	64,751	-	-
Operation and maintenance of plant services	3,526,120	184,923	-	-
Transportation services	1,402,225	42,071	57,265	-
	12,620,521	291,745	57,265	-
Other expenditures:				
Facilities acquisition	2,270,580	-	-	144,880
Long-term debt interest and other charges	919,462	-	-	-
AEA flowthrough	1,929,402	-	1,929,402	-
Depreciation (unallocated)	1,642,347	-	-	-
	6,761,791	-	1,929,402	144,880
Total governmental activities	56,244,108	7,845,147	7,090,879	144,880
Business Type Activities				
Non-instructional programs:				
School nutrition services	2,066,561	1,344,524	712,416	-
Total	$ 58,310,669	$ 9,189,671	$ 7,803,295	$ 144,880
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local option taxes, levied for capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$(15,716,481)	$ -	$(15,716,481)
(1,477,684)	-	(1,477,684)
(7,010,017)	-	(7,010,017)
(24,204,182)	-	(24,204,182)
(1,264,247)	-	(1,264,247)
(1,389,867)	-	(1,389,867)
(4,973,311)	-	(4,973,311)
(3,341,197)	-	(3,341,197)
(1,302,889)	-	(1,302,889)
(12,271,511)	-	(12,271,511)
(2,125,700)	-	(2,125,700)
(919,462)	-	(919,462)
-	-	-
(1,642,347)	-	(1,642,347)
(4,687,509)	-	(4,687,509)
(41,163,202)	-	(41,163,202)
-	(9,621)	(9,621)
(41,163,202)	(9,621)	(41,172,823)
20,782,040	-	20,782,040
4,468,108	-	4,468,108
19,222,595	-	19,222,595
73,145	951	74,096
145,857	-	145,857
44,691,745	951	44,692,696
3,528,543	(8,670)	3,519,873
63,706,626	730,439	64,437,065
$ 67,235,169	$ 721,769	$ 67,956,938

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Debt Service
Assets		
Cash and pooled investments:		
Other	$ 10,273,529	$ -
Receivables:		
Property tax:		
Delinquent	160,016	-
Succeeding year	19,343,087	-
Accounts	1,126,350	-
Accrued interest - other	1,539	-
Due from other governments	411,438	-
Due from other funds	24,720	-
Inventories	25,305	-
Prepaid expenses	397,543	-
Total assets	$ 31,763,527	$ -
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$ 1,243,297	$ -
Salaries and benefits payable	4,752,399	-
Due to other governments	98,157	-
Due to other funds	-	-
Deferred revenue:		
Succeeding year property tax	19,343,087	-
Other	-	-
Total liabilities	25,436,940	-
Fund balances:		
Nonspendable	25,305	-
Restricted for:		
Categorical funding	552,895	-
Debt service	-	-
Management levy purposes	-	-
Student activities	-	-
Public purpose trust funds	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Unassigned	5,748,387	-
Total fund balances	6,326,587	-
Total liabilities and fund balances	$ 31,763,527	$ -

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ 8,248,521	$ 3,294,410	$ 21,816,460
24,395	5,036	189,447
3,066,395	450,123	22,859,605
-	376	1,126,726
3,646	1,309	6,494
679,916	-	1,091,354
-	-	24,720
-	-	25,305
-	-	397,543
$ 12,022,873	$ 3,751,254	$ 47,537,654
$ 813,196	$ 24,403	$ 2,080,896
-	-	4,752,399
-	-	98,157
-	18,080	18,080
	-	
3,066,395	450,123	22,859,605
-	-	-
3,879,591	492,606	29,809,137
-	1,431,679	1,456,984
-	-	552,895
-	-	-
-	1,199,505	1,199,505
-	614,852	614,852
-	12,612	12,612
5,465,028	-	5,465,028
2,678,254	-	2,678,254
-	-	5,748,387
8,143,282	3,258,648	17,728,517
$ 12,022,873	$ 3,751,254	$ 47,537,654

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

Total fund balances of governmental funds	$17,728,517
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.	69,210,092
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	(71,198)
Long-term liabilities, including notes payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(19,632,242)
Net position of governmental activities	$67,235,169

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Debt Service
Revenues:		
Local sources:		
Local tax	$ 17,287,221	$ -
Tuition	6,215,310	-
Other	646,073	-
State sources	24,484,799	-
Federal sources	1,790,920	-
Total revenues	50,424,323	-
Expenditures:		
Current:		
Instruction:		
Regular instruction	21,570,634	-
Special instruction	6,490,150	-
Other instruction	7,125,351	-
	35,186,135	-
Support services:		
Student services	1,264,113	-
Instructional staff services	1,358,477	-
Administration services	4,936,325	-
Operation and maintenance of plant services	3,619,128	-
Transportation services	1,195,950	-
	12,373,993	-
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt:		
Principal	-	860,000
Interest and other charges	-	910,141
AEA flowthrough	1,929,402	-
	1,929,402	1,770,141
Total expenditures	49,489,530	1,770,141
Excess (deficiency) of revenues over (under) expenditures	934,793	(1,770,141)
Other financing sources (uses):		
Proceeds from sale of real estate	15,857	-
Operating transfers in	-	1,770,141
Operating transfers out	-	-
Total other financing sources (uses)	15,857	1,770,141
Net change in fund balances	950,650	-
Fund balances beginning of year	5,375,937	-
Fund balances end of year	$ 6,326,587	$ -

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ 7,418,883	$ 544,044	$ 25,250,148
-	-	6,215,310
59,369	1,039,672	1,745,114
8,459	287	24,493,545
137,765	-	1,928,685
7,624,476	1,584,003	59,632,802
156,727	169,134	21,896,495
-	-	6,490,150
-	934,218	8,059,569
156,727	1,103,352	36,446,214
-	-	1,264,113
-	-	1,358,477
31,383	35,375	5,003,083
35,312	328,485	3,982,925
340,045	63,630	1,599,625
406,740	427,490	13,208,223
10,268,105	-	10,268,105
-	-	860,000
-	-	910,141
-	-	1,929,402
10,268,105	-	13,967,648
10,831,572	1,530,842	63,622,085
(3,207,096)	53,161	(3,989,283)
130,000	-	145,857
-	45,000	1,815,141
(1,770,141)	(45,000)	(1,815,141)
(1,640,141)	-	145,857
(4,847,237)	53,161	(3,843,426)
12,990,519	3,205,487	21,571,943
$ 8,143,282	$ 3,258,648	$ 17,728,517

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

Net change in fund balances - total governmental funds		$ (3,843,426)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation in the current year, as follows:		
Expenditures for capital assets	$ 8,940,316	
Depreciation expense	(2,234,486)	6,705,830
Certain revenues received are not available to pay current period expenditures and, therefore, are deferred in the government funds.		(6,008)
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.		2,079
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:		
Repayments		860,000
Accretion of discount on long-term liabilities increases long-term liabilities on the Statement of Net Position, and is included with interest on long-term debt on the Statement of Activities.		(11,400)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	$ (41,910)	
Early retirement	15,378	
Other postemployment benefits	(152,000)	(178,532)
Change in net position of governmental activities		$ 3,528,543

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Enterprise Fund - School Nutrition
Assets	
Cash and cash equivalents	$ 598,598
Accounts receivable	1,321
Accrued interest receivable	72
Due from other governments	-
Inventories	72,361
Capital assets, net of accumulated depreciation	115,744
Total assets	788,096
Liabilities	
Accounts payable	39,560
Salaries and benefits payable	26,767
Total liabilities	66,327
Net position	
Investment in capital assets	115,744
Unrestricted	606,025
Total net position	$ 721,769

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Enterprise Fund - School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 1,320,380
Other	24,144
Total operating revenues	1,344,524
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	601,592
Benefits	163,169
Purchased services	58,241
Supplies	1,221,895
Depreciation	21,664
Total operating expenses	2,066,561
Operating loss	(722,037)
Non-operating revenues:	
State sources	15,591
Federal sources	696,825
Interest on investments	951
Total non-operating revenues	713,367
Change in net position	(8,670)
Net position beginning of year	730,439
Net position end of year	$ 721,769

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Enterprise Fund - School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 1,343,746
Cash received from assessments made to other funds	-
Cash payments to employees for services	(766,900)
Cash payments to suppliers for goods or services	(1,183,026)
Net cash used by operating activities	(606,180)
Cash flows from non-capital financing activities:	
State grants received	15,591
Federal grants received	582,234
Net cash provided by non-capital financing activities	597,825
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(7,211)
Disposition of capital assets	-
Net cash used by capital and related financing activities	(7,211)
Cash flows from investing activities:	
Interest on investments	959
Net increase (decrease) in cash and cash equivalents	(14,607)
Cash and cash equivalents at beginning of year	613,205
Cash and cash equivalents at end of year	$ 598,598
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (722,037)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	114,591
Depreciation	21,664
Increase in receivables	(778)
Increase in inventories	(22,195)
Decrease in accounts payable	4,714
Decrease in salaries and benefits payable	(2,139)
Net cash used by operating activities	$ (606,180)

Non-cash investing, capital and financing activities:
During the year ended June 30, 2013, the District received $114,591 of federal commodities.

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust - Scholarships	Agency Funds
Assets		
Cash and pooled investments	$ 16,180	$ 30
Accrued interest receivable	2	-
Due from others	-	9,110
Total assets	16,182	9,140
Liabilities		
Accounts payable	-	6,639
Due to other funds	-	663
Due to others	-	1,838
Total liabilities	-	9,140
Net position		
Reserved for scholarships	$ 16,182	$ -

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust - Scholarships
Additions:	
Local sources:	
Gifts and contributions	$ 5,000
Interest income	24
Total additions	5,024
Deductions:	
Support services:	
Scholarships awarded	6,250
Total deductions	6,250
Change in net position	(1,226)
Net position beginning of year	17,408
Net position end of year	$ 16,182

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

B. Basis of Presentation - (continued)

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

B. Basis of Presentation - (continued)

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

Capital Assets - Capital assets, which include property, furniture, and equipment, and intangibles are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Buildings and improvements	50 years
Improvements other than buildings	20 - 50 years
Intangibles	5 - 10 years
Furniture and equipment	5 - 20 years
Vehicles	5 years

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in by functions did not exceed the amounts budgeted, and the District did not exceed its General Fund unspent authorized budget.

F. Use of Estimates

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

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by Federal depository insurance or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

During the year, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940, and the balance at June 30, 2013 was $0. The investments in the Iowa Schools Joint Investment Trust were rated AAAm by Moody's Investors Service.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District is eligible, but did not participate in the Iowa Schools Cash Anticipation Program (ISCAP) during the year ended June 30, 2013. ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co., N.A., is the trustee for the program.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,725,334	$ -	$ -	$ 1,725,334
Construction in progress	2,896,697	8,179,063	1,050,610	10,025,150
Total capital assets not being depreciated	4,622,031	8,179,063	1,050,610	11,750,484
Capital assets being depreciated/amortized:				
Buildings and improvements	74,624,498	856,127	-	75,480,625
Improvements other than buildings	3,169,966	-	-	3,169,966
Furniture and equipment	2,167,261	618,950	39,357	2,746,854
Vehicles	2,908,647	336,786	131,082	3,114,351
Intangibles	-	-	-	-
Total capital assets being depreciated/amortized	82,870,372	1,811,863	170,439	84,511,796
Less accumulated depreciation/amortization for:				
Buildings and improvements	19,282,188	1,679,947	-	20,962,135
Improvements other than buildings	2,073,938	130,389	-	2,204,327
Furniture and equipment	1,485,502	191,721	39,357	1,637,866
Vehicles	2,146,513	232,429	131,082	2,247,860
Intangibles	-	-	-	-
Total accumulated depreciation/ amortization	24,988,141	2,234,486	170,439	27,052,188
Total capital assets being depreciated/amortized, net	57,882,231	(422,623)	-	57,459,608
Governmental activities capital assets, net	$ 62,504,262	$ 7,756,440	$ 1,050,610	$ 69,210,092

(4) Capital Assets - (continued)

Business type activities:

Furniture, equipment, vehicles	$ 711,866	$ 7,211	$ -	$ 719,077
Less accumulated depreciation	581,669	21,664	-	603,333
Business type activities capital assets, net	$ 130,197	$ (14,453)	$ -	$ 115,744

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	$ 279,311
Special	11,172
Other	44,690
Support services:	
Support staff	-
Instructional staff	33,517
Administration	22,345
Operation and maintenance of plant	67,035
Transportation	134,069
	592,139
Unallocated depreciation/amortization	1,642,347
Total depreciation/amortization expense - governmental activities	$ 2,234,486
Business type activities:	
School nutrition	$ 21,664

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Bonds payable	$ 19,655,000	$ -	$ 860,000	$ 18,795,000	$ 875,000
Discount	(192,650)	-	(11,400)	(181,250)	(11,400)
	19,462,350	-	848,600	18,613,750	863,600
Compensated absences	121,582	163,492	121,582	163,492	163,492
Early retirement	15,378	-	15,378	-	-
Net OPEB liab.	703,000	302,000	150,000	855,000	-
Total	$ 20,302,310	$ 465,492	$ 1,135,560	$ 19,632,242	$ 1,027,092

(5) Long-Term Liabilities - (continued)

Revenue bonds:

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

Details of the District's June 30, 2013 School Infrastructure Sales, Services and Use Tax bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued June 1, 2011			
	Interest Rate	Principal	Interest	Total
2014	3.000%	$ 875,000	$ 883,841	$ 1,758,841
2015	3.000%	900,000	857,591	1,757,591
2016	3.000%	925,000	830,591	1,755,591
2017	4.500%	950,000	802,841	1,752,841
2018	4.500%	985,000	760,092	1,745,092
2019	4.500%	1,020,000	715,766	1,735,766
2020	4.500%	1,065,000	669,866	1,734,866
2021	4.500%	1,105,000	621,941	1,726,941
2022	4.750%	1,155,000	572,216	1,727,216
2023	5.000%	1,205,000	517,354	1,722,354
2024	5.125%	1,265,000	457,104	1,722,104
2025	5.125%	1,325,000	392,273	1,717,273
2026	5.375%	1,390,000	324,366	1,714,366
2027	5.375%	1,465,000	249,654	1,714,654
2028	5.480%	1,540,000	170,910	1,710,910
2029	5.480%	1,625,000	87,750	1,712,750
		$ 18,795,000	$ 8,914,156	$ 27,709,156

(6) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling $19,134,201. As of June 30, 2013, costs of $10,025,150 on these contracts had been incurred, $9,333,592 had been paid, and $691,558 was included in the accounts payable on the balance sheet. The balance of $9,109,051 remaining at June 30, 2013 will be paid as work on the various projects progresses.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were $2,442,366, $2,170,106, and $1,807,692, respectively, equal to required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 516 active and 27 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	$ 297,000
Interest on net OPEB obligation	32,000
Adjustment to annual required contribution	(27,000)
Annual OPEB cost	302,000
Contributions made	(150,000)
Increase in net OPEB obligation	152,000
Net OPEB obligation beginning of year	703,000
Net OPEB obligation end of year	$ 855,000

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

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed $0 to the medical plan. Plan members eligible for benefits contributed $208,353, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$ 49,126	0.00%	$ 703,000
June 30, 2012	-	0.00%	703,000
June 30, 2013	152,000	0.00%	855,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $2.406 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2.406 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately $24,946,000, and the ratio of the UAAL to covered payroll was 9.64%. As of June 30, 2013, there were no trust fund assets.

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

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Cedar Falls Community School District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. an inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan approximate $800 per month for retirees under age 64. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the Area Education Agency. The District's actual amount for this purpose totaled $1,929,402 for the year ended June 30, 2013, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Contingencies and Risk Management

At June 30, 2013, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. The District is also exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Interfund Transfers

Transfer to:	Transfer from:	
	Capital Projects Fund:	
Debt Service Fund	Stateside Sales, Services and Use Tax	$ 1,770,141

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

(12) Subsequent Events

Management has evaluated subsequent events through January 22, 2014, the date which the financial statements were available for issue.

Subsequent to year end, on September 23, 2013, the District issued $9,950,000 School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2013. These notes were issued to (i) finance the completion of the construction, furnishing, and equipping of additions to the existing school buildings and related remodeling and imptovements; (ii) fund a debt service reserve fund in the amoung of $995,000; and (iii) pay the cost of issuance of the Bonds. Interest on the notes will be paid each June 1 and December 1, commencing June 1, 2014 at a rate of approximately 2.37% per annum. The notes will mature June 1, 2023.

Required Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	$ 33,210,572	$ 1,345,475
Intermediate sources	-	-
State sources	24,493,545	15,591
Federal sources	1,928,685	696,825
Total receipts	59,632,802	2,057,891
Expenditures		
Instruction	36,446,214	-
Support services	13,208,223	-
Non-instructional programs	-	2,066,561
Other expenditures	13,967,648	-
Total disbursements	63,622,085	2,066,561
Excess (deficiency) of revenues over (under) expenditures	(3,989,283)	(8,670)
Other financing sources, net	145,857	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,843,426)	(8,670)
Balance beginning of year	21,571,943	730,439
Balance end of year	$ 17,728,517	$ 721,769

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance-Positive (Negative)
$ 8,849	$ 34,547,198	$ 30,393,961	$ 30,393,961	$ 4,153,237
-	-	-	-	-
-	24,509,136	24,806,777	24,806,777	(297,641)
-	2,625,510	2,194,852	2,194,852	430,658
8,849	61,681,844	57,395,590	57,395,590	4,286,254
45,500	36,400,714	34,232,869	39,434,516	3,033,802
-	13,208,223	14,258,771	15,881,258	2,673,035
-	2,066,561	2,042,300	2,362,176	295,615
-	13,967,648	17,037,241	17,037,241	3,069,593
45,500	65,643,146	67,571,181	74,715,191	9,072,045
(36,651)	(3,961,302)	(10,175,591)	(17,319,601)	13,358,299
-	145,857	12,082,000	12,082,000	(11,936,143)
(36,651)	(3,815,445)	1,906,409	(5,237,601)	1,422,156
1,480,942	20,821,440	19,634,026	19,634,026	1,187,414
$ 1,444,291	$ 17,005,995	$ 21,540,435	$ 14,396,425	$ 2,609,570

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by $7,144,010.

During the year ended June 30, 2013, expenditures by functions did not exceed the amounts budgeted, and the District did not exceed its General Fund unspent authorized budget.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	$ -	$ 2,941	$ 2,941	0.00%	$ 19,031	15.45%
2010	July 1, 2008	$ -	$ 2,941	$ 2,941	0.00%	$ 25,060	11.74%
2011	July 1, 2010	$ -	$ 1,648	$ 1,648	0.00%	$ 21,358	7.72%
2012	July 1, 2010	$ -	$ 1,648	$ 1,648	0.00%	$ 21,847	7.54%
2013	July 1, 2012	$ -	$ 2,406	$ 2,406	0.00%	$ 24,946	9.64%

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

See accompanying independent auditors' report.

Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

Assets	Special Revenue		
	Management Levy	Student Activity	Public Purpose Trust Fund
Cash and pooled investments	$ 1,203,833	$ 629,361	$ 12,612
Receivables:			
Property tax:			
Delinquent	5,036	-	-
Succeeding year	450,123	-	-
Accounts	350	26	-
Accrued interest	74	80	-
Due from other governments	-	-	-
Total assets	$ 1,659,416	$ 629,467	$ 12,612
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 9,788	$ 14,615	$ -
Salaries and benefits payable	-	-	-
Due to other funds			
Deferred revenue:			
Succeeding year property tax	450,123	-	-
Other	-	-	-
Total liabilities	459,911	14,615	-
Fund balances:			
Nonspendable	-	-	-
Restricted for:			
Management levy purposes	1,199,505	-	-
Student activities	-	614,852	-
Public purpose trust funds	-	-	12,612
Total fund balances	1,199,505	614,852	12,612
Total liabilities and fund balances	$ 1,659,416	$ 629,467	$ 12,612

See accompanying independent auditors' report.

Total Special Revenue	Permanent Fund	Total
$ 1,845,806	$ 1,448,604	$ 3,294,410
5,036	-	5,036
450,123	-	450,123
376	-	376
154	1,155	1,309
-	-	-
$ 2,301,495	$ 1,449,759	$ 3,751,254
$ 24,403	$ -	$ 24,403
-	-	-
-	18,080	18,080
450,123	-	450,123
-	-	-
474,526	18,080	492,606
-	1,431,679	1,431,679
1,199,505	-	1,199,505
614,852	-	614,852
12,612	-	12,612
1,826,969	1,431,679	3,258,648
$ 2,301,495	$ 1,449,759	$ 3,751,254

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Public Purpose Trust Fund
Revenues:			
Local sources:			
Local tax	$ 544,044	$ -	$ -
Other	65,649	965,174	2,366
State sources	287	-	-
Federal sources	-	-	-
Total revenues	609,980	965,174	2,366
Expenditures:			
Current:			
Instruction:			
Regular instruction	123,634	-	45,500
Special instruction	-	-	-
Other instruction	-	934,218	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	35,375	-	-
Operating and maintenance of plant services	328,485	-	-
Transportation services	63,630	-	-
Other expenditures:			
Facilities acquisition and construction	-	-	-
Total expenditures	551,124	934,218	45,500
Excess (deficiency) of revenues over (under) expenditures	58,856	30,956	(43,134)
Other financing sources (uses):			
Operating transfers in	-	-	45,000
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	45,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	58,856	30,956	1,866
Fund balances beginning of year	1,140,649	583,896	10,746
Fund balances end of year	$ 1,199,505	$ 614,852	$ 12,612

See accompanying independent auditors' report.

	Total Special Revenue Funds	Permanent Fund	Total
	$ 544,044	$ -	$ 544,044
	1,033,189	6,483	1,039,672
	287	-	287
	-	-	-
	1,577,520	6,483	1,584,003
	169,134	-	169,134
	-	-	-
	934,218	-	934,218
	-	-	-
	-	-	-
	35,375	-	35,375
	328,485	-	328,485
	63,630	-	63,630
	-	-	-
	1,530,842	-	1,530,842
	46,678	6,483	53,161
	45,000	-	45,000
	-	(45,000)	(45,000)
	45,000	(45,000)	-
	91,678	(38,517)	53,161
	1,735,291	1,470,196	3,205,487
	$ 1,826,969	$ 1,431,679	$ 3,258,648

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen-ditures	Intra-Fund Transfers	Balance End of Year
Investment income	$ 59,843	$ 2,841	$ -	$ (2,000)	$ 60,684
Miscellaneous	25,523	19,838	17,713	(1,110)	26,538
Drama arts	16,207	9,175	5,828	-	19,554
Speech	1,513	407	2,183	2,400	2,137
Recog.-music/speech	5,336	3,628	3,000	-	5,964
Yearbook	87,434	27,060	27,941	(80)	86,473
Music/vocal	2,378	19,267	19,924	-	1,721
Music/orchestra	2,869	90,063	92,163	620	1,389
Music/band	4,765	19,972	18,578	150	6,309
Athletics	3,313	103,778	116,407	(13,246)	(22,562)
Athletic resale	1,495	6,646	5,769	-	2,372
Bowling	106	1,345	1,691	500	260
Track meets	6,463	9,373	11,032	1,652	6,456
Tennis	5,275	244	1,883	2,500	6,136
Golf	5,500	3,136	10,438	8,369	6,567
Cheerleaders	10,001	53,388	64,426	3,041	2,004
Pom poms	1,746	21,109	22,277	342	920
Basketball-boys	9,459	28,204	25,739	-	11,924
Football	8,197	62,733	52,147	(400)	18,383
Soccer-boys	3,202	2,689	9,261	6,000	2,630
Baseball	550	9,474	14,783	6,000	1,241
Track-boys	4,881	828	1,973	-	3,736
Swimming-boys	3,244	2,294	1,739	-	3,799
Wrestling	(1,003)	8,051	11,700	4,000	(652)
Basketball-girls	6,663	4,015	10,162	6,000	6,516
Volleyball	7,704	9,193	8,886	-	8,011
Soccer-girls	1,877	2,067	6,710	5,000	2,234
Softball	15,377	3,557	5,839	-	13,095
Track-girls	2,466	3,811	5,975	366	668
Swimming-girls	5,214	6,622	7,283	-	4,553
Concessions-Robinsen/Dresser	16,371	3,174	3,160	(3,174)	13,211
A.P.A.	(47,789)	10,642	3,395	(645)	(41,187)
Student Forum	75	-	-	-	75
A.V. Dept.	427	412	78	-	761
P.C.B.C.	45,835	1,100	-	-	46,935
Campus improvement	3,955	6,141	329	-	9,767
CFHS Memorial Fund	3,111	-	-	-	3,111
CHAT	100	-	-	-	100
Food Bank	1,267	1,310	5,183	3,204	598
DECA	610	14,577	14,303	-	884
Drug/alcohol prevention	448	-	-	-	448
English resource center	8,458	266	931	95	7,888
FBLA	53	-	-	-	53
Food service	174	-	-	-	174
General store	3,786	-	-	-	3,786
Activity tickets/Jr. high	6,803	26,497	-	(18,840)	14,460
Jr/Sr prom	(9,190)	10,635	8,833	(1,000)	(8,388)
Library	8,690	3,733	1,998	(335)	10,090
Mc Elroy Fund	1,844	944	1,320	(14)	1,454
Office education	(1,372)	-	-	-	(1,372)

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen-ditures	Intra-Fund Transfers	Balance End of Year
M.R.C.	142	193	872	550	13
Pop	16,806	1,657	2,330	409	16,542
AP textbooks	1,539	27,524	26,409	320	2,974
Programs	(3,356)	-	-	-	(3,356)
Revolving	14,030	48,083	53,526	2,104	10,691
Science club	149	-	-	-	149
Faculty	2,059	4,859	4,693	390	2,615
T & I Club	(78)	-	-	-	(78)
Tiger Hi-Line	5,021	120	-	50	5,191
Y.F.U.	2,614	-	-	-	2,614
Student forum	4,601	11,795	10,202	(1,245)	4,949
Renaissance	122	-	-	-	122
Class of 2003	2,646	2,950	3,070	-	2,526
Class of 2004	691	-	-	-	691
Cancer funds	1,606	-	-	-	1,606
Class of 2008	1,550	-	-	-	1,550
Special needs	627	6	68	-	565
Tiger bizness	419	4,323	4,050	-	692
PTA	813	-	-	-	813
PTA	-	42,551	23,020	-	19,531
Student council	27,495	33,706	30,411	710	31,500
Pictures	31,311	31,118	28,084	(1,000)	33,345
Lego League	10,838	3,473	2,641	-	11,670
Student activities	17,388	14,599	10,212	(8,092)	13,683
Special Olympics	1,269	-	-	-	1,269
Math club	430	-	-	-	430
Magazines	50,041	59,297	56,414	(3,800)	49,124
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	2,167	1,102	3,002	-	267
Recycling	5,308	75	141	45	5,287
Alpha	1,155	15	-	-	1,170
Robotics	707	37,564	27,659	-	10,612
TJ-TR Account	-	-	-	-	-
SADD	3,938	25	1,438	-	2,525
Video yearbook	121	-	-	-	121
Weight room	2,336	-	14	-	2,322
Culture Fair	7	-	-	-	7
PLAAD	158	9,828	10,158	172	-
Drama clubs	5,933	6,288	3,908	-	8,313
Tech clubs	45	-	-	-	45
Choral/Dramatic	1,535	1,868	-	-	3,403
Echoes concessions	5,135	1,407	2,855	(8)	3,679
Amnesty International	263	69	119	-	213
PATT concessions	3,098	5,804	5,260	-	3,642
Brick Fundraiser	5,642	-	-	-	5,642
Art Club	815	36	126	-	725
Baseball Booster	454	600	500	-	554
AW	1,046	-	56	-	990
	$ 583,896	$ 965,174	$ 934,218	$ -	$ 614,852

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2013

Assets	Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Physical Plant and Equipment Levy	Total
Cash and pooled investments	$ 5,463,115	$ 2,785,406	$ 8,248,521
Receivables:			
Property tax:			
Delinquent	-	24,395	24,395
Succeeding year	-	3,066,395	3,066,395
Accounts	-	-	-
Accrued interest	3,609	37	3,646
Due from other governments	657,378	22,538	679,916
Total assets	$ 6,124,102	$ 5,898,771	$ 12,022,873
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 659,074	$ 154,122	$ 813,196
Salaries and benefits payable	-	-	-
Deferred revenue:			-
Succeeding year property tax	-	3,066,395	3,066,395
Other	-	-	-
Total liabilities	659,074	3,220,517	3,879,591
Fund balances:			
Restricted for:			
Debt service	-	-	-
School infrastructure	5,465,028	-	5,465,028
Physical plant and equipment	-	2,678,254	2,678,254
Total fund balances	5,465,028	2,678,254	8,143,282
Total liabilities and fund balances	$ 6,124,102	$ 5,898,771	$ 12,022,873

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	$ 4,468,108	$ 2,950,775	$ 7,418,883
Other	48,817	10,552	59,369
State sources	-	8,459	8,459
Federal sources	-	137,765	137,765
Total revenues	4,516,925	3,107,551	7,624,476
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	156,727	156,727
Special instruction	-	-	-
Other instruction	-	-	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	-	31,383	31,383
Operating and maintenance of plant services	-	35,312	35,312
Transportation services	-	340,045	340,045
Other expenditures:			
Facilities acquisition and construction	8,731,306	1,536,799	10,268,105
Long -term debt:			
Interest and other charges	-	-	-
Total expenditures	8,731,306	2,100,266	10,831,572
Excess (deficiency) of revenues over (under) expenditures	(4,214,381)	1,007,285	(3,207,096)
Other financing sources (uses):			
Revenue bonds issued	-	-	-
Revenue bonds issued discount	-	-	-
Proceeds of sale of real estate	-	130,000	130,000
Operating transfers in	-	-	-
Operating transfers out	(1,770,141)	-	(1,770,141)
Total other financing sources (uses)	(1,770,141)	130,000	(1,640,141)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(5,984,522)	1,137,285	(4,847,237)
Fund balances beginning of year	11,449,550	1,540,969	12,990,519
Fund balances end of year	$ 5,465,028	$ 2,678,254	$ 8,143,282

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2013

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash and pooled investments	$ -	$ 81,703	$ 81,673	$ 30
Due from others	39,636	9,110	39,636	9,110
Total assets	$ 39,636	$ 90,813	$ 121,309	$ 9,140
Liabilities				
Accounts payable	$ 10,531	$ 663	$ 10,531	$ 663
Due to other funds	24,637	6,639	24,637	6,639
Due to others	4,468	75,814	78,444	1,838
Total liabilities	$ 39,636	$ 83,116	$ 113,612	$ 9,140

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	$ 25,250,148	$ 23,292,769	$ 22,492,144	$ 22,318,784
Tuition	6,215,310	2,517,523	2,308,568	2,153,596
Other	1,745,114	1,574,806	1,621,478	1,878,786
State sources	24,493,545	24,626,293	21,450,797	17,994,493
Federal sources	1,928,685	2,432,186	2,301,223	4,581,606
Total revenues	$ 59,632,802	$ 54,443,577	$ 50,174,210	$ 48,927,265
Expenditures:				
Instruction:				
Regular instruction	$ 21,896,495	$ 21,562,482	$ 19,480,531	$ 18,736,430
Special instruction	6,490,150	6,825,387	6,558,307	6,247,935
Other instruction	8,059,569	4,235,767	4,127,564	3,743,650
Support services:				
Student services	1,264,113	1,117,153	1,215,980	1,169,510
Instructional staff services	1,358,477	1,391,869	1,353,387	1,333,883
Administration services	5,003,083	4,823,745	4,495,179	4,274,983
Operation and maintenance of plant services	3,982,925	3,800,984	3,552,168	3,708,966
Transportation services	1,599,625	1,428,608	1,109,410	1,469,613
Other expenditures:				
Facilities acquisition and construction	10,268,105	8,284,764	8,215,722	14,636,512
Long-term debt:				
Principal	860,000	845,000	10,000,000	-
Interest and other charges	910,141	990,232	358,845	265,400
AEA flowthrough	1,929,402	1,925,667	1,952,999	1,875,964
Total expenditures	$ 63,622,085	$ 57,231,658	$ 62,420,092	$ 57,462,846

See accompanying independent auditors' report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
$ 21,484,048	$ 19,327,239	$ 18,191,684	$ 17,768,871	$ 16,708,307	$ 16,520,308
1,963,269	2,138,692	2,331,925	1,921,414	1,830,999	1,626,894
1,749,316	2,086,376	2,414,261	1,855,625	1,823,074	2,631,928
20,934,389	19,951,468	18,280,648	17,610,943	16,264,693	16,132,001
1,495,445	1,085,547	1,038,884	1,078,199	1,045,266	1,085,395
$ 47,626,467	$ 44,589,322	$ 42,257,402	$ 40,235,052	$ 37,672,339	$ 37,996,526
$ 17,780,433	$ 16,609,178	$ 16,382,335	$ 15,270,446	$ 15,037,847	$ 14,200,102
5,673,623	5,495,881	5,067,331	4,720,786	4,861,934	4,469,541
4,117,251	3,508,710	2,812,842	3,039,278	2,505,798	2,647,017
1,144,030	1,088,585	1,098,064	1,078,517	1,107,975	1,073,346
1,300,243	1,212,844	1,275,388	1,254,972	1,125,213	1,092,475
3,993,170	3,796,461	3,620,974	3,386,839	3,099,849	3,206,356
3,360,535	3,327,109	3,213,667	3,025,461	3,201,889	2,738,832
1,363,560	983,877	852,118	903,632	637,188	622,904
4,416,650	2,941,763	3,367,014	9,991,694	4,918,143	2,151,702
-	5,000,000	-	-	-	-
132,700	175,400	175,400	116,867	-	-
1,595,539	1,477,405	1,373,489	1,296,035	1,221,698	1,211,772
$ 44,877,734	$ 45,617,213	$ 39,238,622	$ 44,084,527	$ 37,717,534	$ 33,414,047

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
U.S. Department of Education:			
Carol M. White Physical Education Program (PEP)	84.215F	FY13	$ 17,242
Total U.S. Department of Education			17,242
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY13	114,591
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY13	55,194
National School Lunch Program	10.555	FY13	527,040
			582,234
Total U.S. Department of Agriculture			696,825
U.S. Department of Energy:			
Iowa Office of Energy Independence:			
Energy Efficiency and Conservation Block Grant Program	81.128	FY13	84,400
Total U.S. Department of Energy			84,400
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY13	440,864
Vocational Education - Basic Grants to States	84.048A	FY13	40,437
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY13	35,453
English Language Acquisition Grants	84.365	FY13	681
Improving Teacher Quality State Grants	84.367	FY13	159,672
Grants for State Assessments and Related Activities	84.369	FY13	28,897
Area Education Agency 267:			
Special Education - Grants to States (IDEA)	84.027	FY13	245,227
Total U.S. Department of Education			951,231

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health & Human Services:			
Tri-County Child & Family Development Council, Inc.:			
Head Start	93.600	FY13	120,227
Total U.S. Department of Health & Human Services			120,227
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Hazard Mitigation - Safe House	97.039	FY13	53,365
Total U.S. Department of Homeland Security			53,365
Total Expenditures of Federal Awards			$ 1,923,290

Basis of Presentation

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

See accompanying independent auditors' report.

Internal Controls and Compliance

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

To the Board of Education
Cedar Falls Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cedar Falls Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cedar Falls Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedar Falls Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cedar Falls Community School District's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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, 2013 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 statues.

Cedar Falls Community School District's Responses to Findings

Cedar Falls Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Cedar Falls Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an internal part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Waterloo, Iowa
January 22, 2014

CARNEY,
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Independent Auditors' Report on Compliance for Each Major Federal Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Education
Cedar Falls Community School District

Report on Compliance for Each Major Federal Program

We have audited Cedar 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 Cedar Falls Community School District's major federal programs for the year ended June 30, 2013. Cedar Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cedar Falls Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Cedar Falls Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cedar Falls Community School District's compliance.

Members of American Institute of Certified Public Accountants

Opinion on Each Major Federal Program

In our opinion, Cedar Falls Community School District complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

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

A deficiency in 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.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above.

Cedar Falls Community School District's Responses to Findings

Cedar Falls Community School District's responses to the internal control over compliance findings are described in the accompanying Schedule of Findings and Questioned Costs. Cedar Falls Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Cedar Falls Community School District as of and for the year needed June 30, 2013, and have issued our report dated January 22, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 the audit of the financial statement sand 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Waterloo, Iowa
January 22, 2014

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part I: Summary of the Independent Auditors' Results

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

(b) The audit did not disclose any significant deficiencies in internal control over financial reporting.

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

(d) The audit did not disclose any significant deficiencies in internal control over major programs.

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

(f) The audit did not disclose any findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(g) Major programs were as follows:

Clustered Programs:	
CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	National School Lunch Program
CFDA Number 84.010	Title I Grants to Local Education Agencies

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

(i) Cedar Falls Community School District did qualify as a low-risk auditee.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 did not exceed the amended certified budget amounts.

IV-B-13 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-13 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-13 Business Transactions - We noted no business transactions between the District and District officials or employees.

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-13 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.

IV-I-13 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-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

Monica M. Haag, CPA, Partner

Janel Ruzicka, Manager

Heidi Smith Verhagen

Matt Sweers

Cedar Falls Community Schools
1002 West First Street, Cedar Falls, Iowa 50613-2214
Phone: 319-553-3000 Fax: 319-277-0614
Web Site: www.cfschools.org

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

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

Summary Schedule of Prior Federal Audit Findings

Year ended June 30, 2013

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation

There were no prior federal audit findings in the report for the year ended June 30, 2012.

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Corrective Action Plan for Federal Audit Findings

Year ended June 30, 2013

Number	Comment Title	Corrective Action Plan	Contact Person Title Phone Number	Anticipated Date of Completion

There were no federal audit findings required to be reported in accordance with OMB Circular A-133 for the year ended June 30, 2013.