

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
IOWA FALLS, IOWA

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

JUNE 30, 2013

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IOWA FALLS COMMUNITY SCHOOL DISTRICT

OFFICIALS

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

DOUGLAS T. HUNT, CPA  
DONALD D. KAIN  
CHUCK C. CONVERSE, CPA  
RUSSELL S. TERPSTRA, CPA  
MICHAEL G. STANLEY, CPA  
DEE A.A. HOKE, CPA

**HUNT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Iowa 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 Iowa Falls Community School District, Iowa 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.

Auditor's 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 auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District 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 7 through 16 and 52 through 54 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 Iowa Falls Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 financials statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014 on our consideration of Iowa 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 and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Iowa Falls Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
January 6, 2014

*Hunt & Associates, P.C.*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Iowa Falls Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues and other financing sources increased from \$11,361,157 in fiscal year 2012 to \$11,801,323 in fiscal year 2013, while General Fund expenditures increased from \$11,162,555 in fiscal year 2012 to \$11,537,062 in fiscal year 2013. Revenues outpaced expenditures producing an increase in the District's General Fund balance from \$1,997,813 at the end of fiscal year 2012 to \$2,262,074 at the end of fiscal year 2013, a 13.2% increase.
- The fiscal year 2013 General Fund revenue increase was mainly attributable to increases in state sources of revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

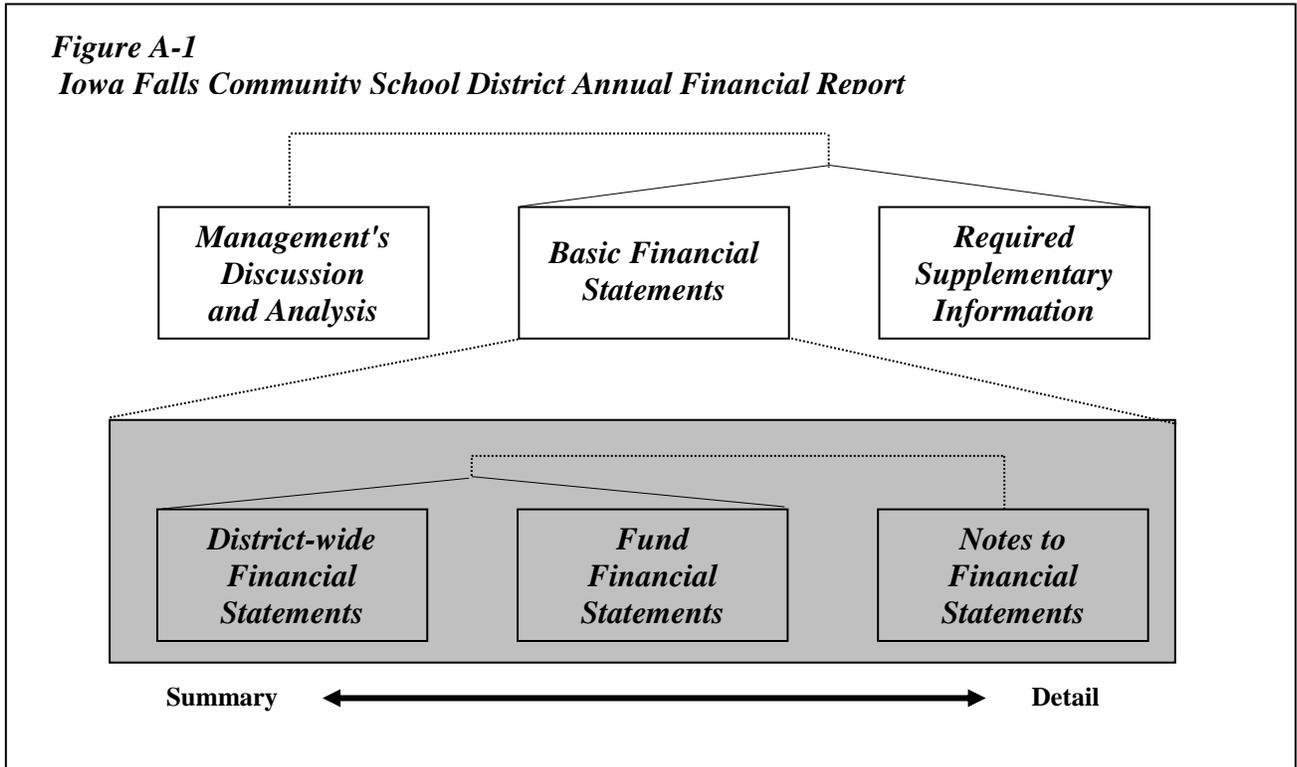


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain monies on behalf of other entities.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2013 compared to June 30, 2012.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Position</b>							
<b>(Expressed in Thousands)</b>							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	9,329,417	7,412,776	50,786	93,478	9,380,203	7,506,254	24.97%
Capital assets	7,054,019	6,896,744	33,771	21,019	7,087,790	6,917,763	2.46%
<b>Total Assets</b>	<b>16,383,436</b>	<b>14,309,520</b>	<b>84,557</b>	<b>114,497</b>	<b>16,467,993</b>	<b>14,424,017</b>	<b>14.17%</b>
Long-term obligations	730,921	949,870	3,772	3,772	734,693	953,642	-22.96%
Other liabilities	5,491,106	4,403,965	15,263	15,636	5,506,369	4,419,601	24.59%
<b>Total liabilities</b>	<b>6,222,027</b>	<b>5,353,835</b>	<b>19,035</b>	<b>19,408</b>	<b>6,241,062</b>	<b>5,373,243</b>	<b>16.15%</b>
Net position:							
Invested in capital assets,							
net of related debt	6,585,269	6,896,744	33,771	21,019	6,619,040	6,917,763	-4.32%
Restricted	1,276,379	717,006	-	-	1,276,379	717,006	78.02%
Unrestricted	2,299,761	1,341,935	31,751	74,070	2,331,512	1,416,005	64.65%
<b>Total net position</b>	<b>10,161,409</b>	<b>8,955,685</b>	<b>65,522</b>	<b>95,089</b>	<b>10,226,931</b>	<b>9,050,774</b>	<b>13.00%</b>

The District’s total net position increased 13%, or approximately \$1,176,000, from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt.

The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$559,373 or 78%, over the prior year. The increase was primarily a result of an increase in the Capital Projects restriction.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$915,507, or 64.65%.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

**Figure A-4**

	Changes In Net Position							Total Change 2012-2013
	Governmental Activities		Business Type Activities		Total District			
	6/30/13	6/30/12	6/30/13	6/30/12	6/30/13	6/30/12		
Revenues:								
Program revenues:								
Charges for service	1,657,932	1,476,631	278,202	263,516	1,936,134	1,740,147	11.26%	
Operating grants, contributions and restricted interest	1,577,594	778,988	353,488	325,002	1,931,082	1,103,990	74.92%	
Capital grants, contributions and restricted interest	225,498	58,085	-	-	225,498	58,085	288.22%	
General revenues:								
Property tax	3,769,826	4,093,449	-	-	3,769,826	4,093,449	-7.91%	
Income Surtax	464,450	354,545	-	-	464,450	354,545	31.00%	
Statewide sales, services and use tax Unrestricted state and federal grants	884,081	750,758	-	-	884,081	750,758	17.76%	
Unrestricted investment earnings	5,175,803	5,460,217	-	-	5,175,803	5,460,217	-5.21%	
Other	14,408	22,252	109	106	14,517	22,358	-35.07%	
Other	80,793	93,802	-	-	80,793	93,802	-13.87%	
Total revenues	<u>13,850,385</u>	<u>13,088,727</u>	<u>631,799</u>	<u>588,624</u>	<u>14,482,184</u>	<u>13,677,351</u>	<u>5.88%</u>	
Program expenses:								
Instructional	8,416,823	8,872,306	-	-	8,416,823	8,872,306	-5.13%	
Support services	3,437,800	3,426,569	60,028	48,316	3,497,828	3,474,885	0.66%	
Non-instructional programs	812	1,467	601,338	541,937	602,150	543,404	10.81%	
Other expenses	789,226	686,811	-	-	789,226	686,811	14.91%	
Total expenses	<u>12,644,661</u>	<u>12,987,153</u>	<u>661,366</u>	<u>590,253</u>	<u>13,306,027</u>	<u>13,577,406</u>	<u>-2.00%</u>	
Increase (decrease) in net position	1,205,724	101,574	(29,567)	(1,629)	1,176,157	99,945	1076.80%	
Net position beginning of year	<u>8,955,685</u>	<u>8,854,111</u>	<u>95,089</u>	<u>96,718</u>	<u>9,050,774</u>	<u>8,950,829</u>	<u>1.12%</u>	
Net position end of year	<u>10,161,409</u>	<u>8,955,685</u>	<u>65,522</u>	<u>95,089</u>	<u>10,226,931</u>	<u>9,050,774</u>	<u>13.00%</u>	

In fiscal year 2013, property tax and unrestricted state grants accounted for 64.6% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue. The District's total revenues were approximately \$14.48 million, of which approximately \$13.85 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.88% increase in revenues and a 2% decrease in expenses. The decrease in expenses is related to the large purchase of laptops in FY12.

### Governmental Activities

Revenues for governmental activities were \$13,850,385 and expenses were \$12,644,661 for the year ended June 30, 2013.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	8,416,823	8,872,306	-5.13%	5,761,245	7,139,099	-19.30%
Support Services	3,437,800	3,426,569	0.33%	3,290,902	3,262,075	0.88%
Non-Instructional Programs	812	1,467	-44.65%	812	1,467	-44.65%
Other Expenses	789,226	686,811	14.91%	130,678	270,808	-51.75%
<b>Totals</b>	<b>12,644,661</b>	<b>12,987,153</b>	<b>-2.64%</b>	<b>9,183,637</b>	<b>10,673,449</b>	<b>-13.96%</b>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,657,932.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,803,092.
- The net cost of governmental activities was financed with \$4,234,276 in property and other taxes, \$884,081 in statewide sales, services and use tax, \$5,175,803 in unrestricted state and federal grants, \$14,408 in interest income and \$80,793 in other revenues.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$631,799, representing a 7.3% increase over the prior year, while expenses totaled \$661,366, a 12% increase over the prior year. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,410,701, well above last year's ending fund balances of \$2,600,121. The increase is primarily attributable to the increases in the General Fund and Capital Projects balances.

### **Governmental Fund Highlights**

- The District's General Fund balance increased from \$1,997,813 on June 30, 2012 to \$2,262,074 on June 30, 2013. The change in the District's financial position is the result of many factors. Growth during the year in state sources resulted in an increase in revenues. General Fund expenses also increased, but were outpaced by revenues producing the improvement in the District's General Fund financial position.
- The Capital Projects Fund balance increased \$553,396 during the current year, from a balance of \$402,087 to \$955,483.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$88,314 at June 30, 2012 to \$47,466 at June 30, 2013, representing a decrease of approximately 46%.

The Day Care Fund net position increased \$11,281 from \$6,775 at June 30, 2012 to \$18,056 at June 30, 2013.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$727,457 more than total budgeted revenues, a variance of 5.29%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures using realistic projections for the following year. The District then manages or controls actual spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2013, the District had invested \$7,087,790, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-6) This represents a net increase of 2.46% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$356,355.

The original cost of the District's capital assets was \$16,250,356. Governmental funds account for \$16,048,254, with the remainder of \$202,102 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$316,550 at June 30, 2013, compared to \$0 reported at June 30, 2012. This significant increase resulted from construction activity not yet completed.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	128,358	\$128,358			128,358	128,358	0.00%
Construction in progress	316,550	\$0			316,550	-	N/A
Buildings	5,646,593	\$5,832,461			5,646,593	5,832,461	-3.19%
Improvements other than buildings	160,554	\$150,784			160,554	150,784	6.48%
Machinery and equipment	801,964	\$785,141	\$33,771	\$21,019	835,735	806,160	3.67%
<b>Total</b>	<b>7,054,019</b>	<b>6,896,744</b>	<b>33,771</b>	<b>21,019</b>	<b>7,087,790</b>	<b>6,917,763</b>	<b>2.46%</b>

## Long-Term Debt

At June 30, 2013, the District had \$734,693 in bonds payable and other long-term debt outstanding. This represents a decrease of 22.96% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had outstanding Revenue Bonds payable of \$468,750 at June 30, 2013. The District had total outstanding early retirement benefits payable from the Special Revenue, Management Levy Fund of \$27,943 at June 30, 2013. The District had a net OPEB liability of \$238,000 at June 30, 2013.

**Figure A-7**  
**Outstanding Long-Term Obligations**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Revenue bonds	468,750	625,000			468,750	625,000	-25.00%
Early Retirement	27,943	176,539			27,943	176,539	-84.17%
Net OPEB liability	234,228	148,331	3,772	3,772	238,000	152,103	56.47%
<b>Total</b>	<b>730,921</b>	<b>949,870</b>	<b>3,772</b>	<b>3,772</b>	<b>734,693</b>	<b>953,642</b>	<b>-22.96%</b>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- On July 1, 2013, the IPERS employer contribution increase to 8.93% will increase the Iowa Falls Community School District's employer benefit costs during fiscal 2014. We do not anticipate an increase for fiscal 2015.
- The District continues a two-way sharing agreement with Alden Community School District. Continuation of this agreement will continue to benefit the District.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## Basic Financial Statements

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,325,375	\$ 32,567	\$ 4,357,942
Receivables:			
Property tax:			
Current year	61,028	-	61,028
Succeeding year	4,002,143	-	4,002,143
Income surtax	431,430	-	431,430
Accounts	167,458	2,860	170,318
Due from other governments	320,499	4,324	324,823
Inventories	-	11,035	11,035
Prepaid expenses	21,484	-	21,484
Capital assets, net of accumulated depreciation (note 4)	7,054,019	33,771	7,087,790
	<hr/>	<hr/>	<hr/>
Total assets	16,383,436	84,557	16,467,993
Liabilities			
Accounts payable	302,028	1,710	303,738
Salaries and benefits payable	1,170,873	7,208	1,178,081
Accrued interest payable	3,820	-	3,820
Deposits payable	10,247	-	10,247
Deferred revenue:			
Succeeding year property tax	4,002,143	-	4,002,143
Other	1,995	6,345	8,340
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	18,035	-	18,035
Bonds payable	156,250	-	156,250
Portion due after one year:			
Early retirement	9,908	-	9,908
Bonds payable	312,500	-	312,500
Net OPEB liability	234,228	3,772	238,000
	<hr/>	<hr/>	<hr/>
Total liabilities	6,222,027	19,035	6,241,062

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 6,585,269	\$ 33,771	\$ 6,619,040
Restricted for:			
Categorical funding	159,515	-	159,515
Management levy purposes	8,999	-	8,999
Physical plant and equipment levy purposes	325,154	-	325,154
Student activities	149,739	-	149,739
Debt service	2,643	-	2,643
Capital projects	630,329	-	630,329
Unrestricted	<u>2,299,761</u>	<u>31,751</u>	<u>2,331,512</u>
 Total net position	 <u>\$ 10,161,409</u>	 <u>\$ 65,522</u>	 <u>\$ 10,226,931</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 5,019,084	\$ 1,032,101	\$ 738,907	\$ -
Special instruction	1,790,106	280,615	223,031	-
Other instruction	1,607,633	323,517	57,407	-
	<u>8,416,823</u>	<u>1,636,233</u>	<u>1,019,345</u>	<u>-</u>
Support services:				
Student	390,577	-	41,758	-
Instructional staff	432,821	-	81,673	-
Administration	1,235,776	-	-	-
Operation and maintenance of plant	911,526	13,803	-	-
Transportation	467,100	7,896	1,768	-
	<u>3,437,800</u>	<u>21,699</u>	<u>125,199</u>	<u>-</u>
Non-instructional programs	<u>812</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	146,563	-	-	225,498
Long-term debt interest and fiscal charges	7,640	-	-	-
AEA flowthrough	433,050	-	433,050	-
Depreciation (unallocated) *	201,973	-	-	-
	<u>789,226</u>	<u>-</u>	<u>433,050</u>	<u>225,498</u>
Total governmental activities	<u>12,644,661</u>	<u>1,657,932</u>	<u>1,577,594</u>	<u>225,498</u>

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,248,076)	\$ -	\$ (3,248,076)
(1,286,460)	-	(1,286,460)
<u>(1,226,709)</u>	<u>-</u>	<u>(1,226,709)</u>
<u>(5,761,245)</u>	<u>-</u>	<u>(5,761,245)</u>
(348,819)	-	(348,819)
(351,148)	-	(351,148)
(1,235,776)	-	(1,235,776)
(897,723)	-	(897,723)
<u>(457,436)</u>	<u>-</u>	<u>(457,436)</u>
<u>(3,290,902)</u>	<u>-</u>	<u>(3,290,902)</u>
<u>(812)</u>	<u>-</u>	<u>(812)</u>
78,935	-	78,935
(7,640)	-	(7,640)
-	-	-
<u>(201,973)</u>	<u>-</u>	<u>(201,973)</u>
<u>(130,678)</u>	<u>-</u>	<u>(130,678)</u>
<u>(9,183,637)</u>	<u>-</u>	<u>(9,183,637)</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Business-Type Activities:</b>				
Support services:				
Food service operations	\$ 60,028	\$ -	\$ -	\$ -
Non-instructional programs:				
Food service operations	\$ 584,006	\$ 249,689	\$ 353,488	\$ -
Other enterprise operations	17,332	28,513	-	-
	<u>601,338</u>	<u>278,202</u>	<u>353,488</u>	<u>-</u>
Total business-type activities	<u>661,366</u>	<u>278,202</u>	<u>353,488</u>	<u>-</u>
Total	<u>\$ 13,306,027</u>	<u>\$ 1,936,134</u>	<u>\$ 1,931,082</u>	<u>\$ 225,498</u>

General revenues:

Property tax levied for:  
    General purposes  
    Capital outlay  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state and federal grants  
Unrestricted investment earnings  
Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (60,028)	\$ (60,028)
-	-	-
\$ -	\$ 19,171	\$ 19,171
-	11,181	11,181
-	30,352	30,352
-	(29,676)	(29,676)
(9,183,637)	(29,676)	(9,213,313)
\$ 3,461,474	\$ -	\$ 3,461,474
308,352	-	308,352
464,450	-	464,450
884,081	-	884,081
5,175,803	-	5,175,803
14,408	109	14,517
80,793	-	80,793
10,389,361	109	10,389,470
1,205,724	(29,567)	1,176,157
8,955,685	95,089	9,050,774
\$ <u>10,161,409</u>	\$ <u>65,522</u>	\$ <u>10,226,931</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 3,216,665	\$ 931,927	\$ 176,783	\$ 4,325,375
Receivables:				
Property tax:				
Current year	51,731	4,364	4,933	61,028
Succeeding year	3,326,715	327,473	347,955	4,002,143
Income surtax	431,430	-	-	431,430
Accounts	155,133	285	12,040	167,458
Due from other governments	121,051	199,448	-	320,499
Prepaid expenses	21,484	-	-	21,484
	<hr/>			
Total assets	<u>\$ 7,324,209</u>	<u>\$ 1,463,497</u>	<u>\$ 541,711</u>	<u>\$ 9,329,417</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 120,875	\$ 180,541	\$ 612	\$ 302,028
Salaries and benefits payable	1,170,873	-	-	1,170,873
Deposits payable	10,247	-	-	10,247
Deferred revenue:				
Succeeding year property tax	3,326,715	327,473	347,955	4,002,143
Other	433,425	-	-	433,425
<b>Total liabilities</b>	<b><u>5,062,135</u></b>	<b><u>508,014</u></b>	<b><u>348,567</u></b>	<b><u>5,918,716</u></b>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenses	21,484	-	-	21,484
Restricted for:				
Categorical funding (note 10)	159,515	-	-	159,515
Debt service	-	-	6,463	6,463
Management levy purposes	-	-	36,942	36,942
Student activities	-	-	149,739	149,739
School infrastructure	-	630,329	-	630,329
Physical plant and equipment	-	325,154	-	325,154
Unassigned	2,081,075	-	-	2,081,075
<b>Total fund balances</b>	<b><u>2,262,074</u></b>	<b><u>955,483</u></b>	<b><u>193,144</u></b>	<b><u>3,410,701</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 7,324,209</u></b>	<b><u>\$ 1,463,497</u></b>	<b><u>\$ 541,711</u></b>	<b><u>\$ 9,329,417</u></b>

See notes to financial statements.

IOWA 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	\$ 3,410,701
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,054,019
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	431,430
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.	(3,820)
Long-term liabilities, including bonds payable, early retirement, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(730,921)</u>
Net position of governmental activities	<u>\$ 10,161,409</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,605,247	\$ 1,192,276	\$ 301,160	\$ 5,098,683
Tuition	1,029,728	-	-	1,029,728
Other	402,460	227,327	310,333	940,120
State sources	6,437,365	157	163	6,437,685
Federal sources	317,741	-	-	317,741
Total revenues	<u>11,792,541</u>	<u>1,419,760</u>	<u>611,656</u>	<u>13,823,957</u>
Expenditures:				
Current:				
Instruction	<u>7,975,536</u>	<u>16,478</u>	<u>441,729</u>	<u>8,433,743</u>
Support services:				
Student	390,577	-	-	390,577
Instructional staff	368,905	93,537	13,000	475,442
Administration	1,173,956	-	52,251	1,226,207
Operation and maintenance of plant	811,915	5,588	86,965	904,468
Transportation	382,311	35,600	24,788	442,699
	<u>3,127,664</u>	<u>134,725</u>	<u>177,004</u>	<u>3,439,393</u>
Non-instructional programs	<u>812</u>	<u>-</u>	<u>-</u>	<u>812</u>
Other expenditures:				
Facilities acquisition	-	549,997	-	549,997
Long term debt:				
Principal	-	-	156,250	156,250
Interest and fiscal charges	-	-	8,914	8,914
AEA flowthrough	433,050	-	-	433,050
	<u>433,050</u>	<u>549,997</u>	<u>165,164</u>	<u>1,148,211</u>
Total expenditures	<u>11,537,062</u>	<u>701,200</u>	<u>783,897</u>	<u>13,022,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>255,479</u>	<u>718,560</u>	<u>(172,241)</u>	<u>801,798</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 8,782	\$ -	\$ -	\$ 8,782
Interfund transfers in (note 3)	-	-	165,164	165,164
Interfund transfers out (note 3)	-	(165,164)	-	(165,164)
Total other financing sources (uses)	<u>8,782</u>	<u>(165,164)</u>	<u>165,164</u>	<u>8,782</u>
Net change in fund balances	264,261	553,396	(7,077)	810,580
Fund balances beginning of year	<u>1,997,813</u>	<u>402,087</u>	<u>200,221</u>	<u>2,600,121</u>
Fund balances end of year	<u>\$ 2,262,074</u>	<u>\$ 955,483</u>	<u>\$ 193,144</u>	<u>\$ 3,410,701</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ 810,580

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. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 507,243	
Depreciation expense	<u>(349,968)</u>	157,275

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. 17,646

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 156,250

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,274

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:

Early retirement	148,596	
Net OPEB liability	<u>(85,897)</u>	<u>62,699</u>

Change in net position of governmental activities \$ 1,205,724

See notes to financial statements.

## IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2013

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Assets			
Cash and cash equivalents	\$ 15,041	\$ 17,526	\$ 32,567
Receivables:			
Accounts	610	2,250	2,860
Due from other governments	4,324	-	4,324
Inventories	11,035	-	11,035
Capital assets, net of accumulated depreciation (note 4)	33,771	-	33,771
Total assets	<u>64,781</u>	<u>19,776</u>	<u>84,557</u>
Liabilities			
Accounts payable	1,710	-	1,710
Salaries and benefits payable	5,488	1,720	7,208
Unearned revenue	6,345	-	6,345
Net OPEB liability (note 6)	3,772	-	3,772
Total liabilities	<u>17,315</u>	<u>1,720</u>	<u>19,035</u>
Net Position			
Net investment in capital assets	33,771	-	33,771
Unrestricted	13,695	18,056	31,751
Total net position	<u>\$ 47,466</u>	<u>\$ 18,056</u>	<u>\$ 65,522</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 249,689	\$ 28,513	\$ 278,202
Operating expenses:			
Support services:			
Salaries	28,000	-	28,000
Benefits	4,570	-	4,570
Services	25,930	-	25,930
Supplies	1,208	-	1,208
Other	320	-	320
	<u>60,028</u>	<u>-</u>	<u>60,028</u>
Non-instructional programs:			
Food service operations:			
Salaries	183,695	-	183,695
Benefits	65,512	-	65,512
Services	248	-	248
Supplies	328,164	-	328,164
Depreciation	6,387	-	6,387
	<u>584,006</u>	<u>-</u>	<u>584,006</u>
Daycare operations:			
Salaries	-	14,034	14,034
Benefits	-	2,170	2,170
Supplies	-	1,128	1,128
	<u>-</u>	<u>17,332</u>	<u>17,332</u>
Total operating expenses	<u>644,034</u>	<u>17,332</u>	<u>661,366</u>
Operating income (loss)	<u>(394,345)</u>	<u>11,181</u>	<u>(383,164)</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Non-operating revenues:			
Interest income	9	100	109
State sources	5,503	-	5,503
Federal sources	347,985	-	347,985
Total non-operating revenues	<u>353,497</u>	<u>100</u>	<u>353,597</u>
Change in net position	(40,848)	11,281	(29,567)
Net position beginning of year	<u>88,314</u>	<u>6,775</u>	<u>95,089</u>
Net position end of year	<u>\$ 47,466</u>	<u>\$ 18,056</u>	<u>\$ 65,522</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 247,649	\$ -	\$ 247,649
Cash received from miscellaneous	2,142	26,263	28,405
Cash payments to employees for services	(282,723)	(14,484)	(297,207)
Cash payments to suppliers for goods or services	(308,049)	(2,992)	(311,041)
Net cash provided by (used by) operating activities	<u>(340,981)</u>	<u>8,787</u>	<u>(332,194)</u>
Cash flows from non-capital financing activities:			
State grants received	5,503	-	5,503
Federal grants received	303,478	-	303,478
Net cash provided by non-capital financing activities	<u>308,981</u>	<u>-</u>	<u>308,981</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(19,139)</u>	<u>-</u>	<u>(19,139)</u>
Cash flows from investing activities:			
Interest on investments	<u>9</u>	<u>100</u>	<u>109</u>
Net increase (decrease) in cash and cash equivalents	(51,130)	8,887	(42,243)
Cash and cash equivalents beginning of year	<u>66,171</u>	<u>8,639</u>	<u>74,810</u>
Cash and cash equivalents end of year	<u>\$ 15,041</u>	<u>\$ 17,526</u>	<u>\$ 32,567</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (394,345)	\$ 11,181	\$ (383,164)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Commodities used	44,939	-	44,939
Depreciation	6,387	-	6,387
Decrease in inventories	2,877	-	2,877
(Increase) in accounts receivable	(610)	(2,250)	(2,860)
Increase (decrease) in accounts payable	5	(1,864)	(1,859)
Increase (decrease) in salaries and benefits payable	(946)	1,720	774
Increase in unearned revenue	712	-	712
Net cash provided by (used by) operating activities	\$ <u>(340,981)</u>	\$ <u>8,787</u>	\$ <u>(332,194)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$44,939 of federal commodities.

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Cash and pooled investments	\$ 169,678	\$ 25,437
Accrued interest receivable	87	-
Total assets	169,765	25,437
Liabilities:		
Due to other groups	-	25,437
Net position:		
Restricted for scholarships	\$ 169,765	\$ -

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2013

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 159,476	
Interest	388	
Total additions	<u>159,864</u>	
Deductions:		
Support services:		
Scholarships awarded		<u>13,974</u>
Change in net position	145,890	
Net position beginning of year		<u>23,875</u>
Net position end of year	\$ <u>169,765</u>	
See notes to financial statements.		

# IOWA FALLS COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### Note 1. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

District-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 service.

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 and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two 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 governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-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 Projects Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

The District reports the nonmajor Enterprise, Day Care Fund as an additional enterprise fund.

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 with restrictions of 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.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the 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.

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.

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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 government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements on the consumption method.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	125,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Intangibles	2 or more years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers 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, the succeeding year property tax receivable, other receivables not collected within sixty days after year end and unearned meal revenues.

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the instruction function exceeded the amount budgeted.

Note 2. Cash 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.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Cash and Pooled Investments (continued)

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>630</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor’s Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>165,164</u>

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 128,358	\$ -	\$ -	\$ 128,358
Construction in progress	-	316,550	-	316,550
Total capital assets not being depreciated	<u>128,358</u>	<u>316,550</u>	<u>-</u>	<u>444,908</u>
Capital assets being depreciated:				
Buildings	10,488,514	-	-	10,488,514
Improvements other than buildings	810,483	25,875	-	836,358
Furniture and equipment	4,181,394	164,818	67,738	4,278,474
Total capital assets being depreciated	<u>15,480,391</u>	<u>190,693</u>	<u>67,738</u>	<u>15,603,346</u>
Less accumulated depreciation for:				
Buildings	4,656,053	185,868	-	4,841,921
Improvements other than buildings	659,699	16,105	-	675,804
Furniture and equipment	3,396,253	147,995	67,738	3,476,510
Total accumulated depreciation	<u>8,712,005</u>	<u>349,968</u>	<u>67,738</u>	<u>8,994,235</u>
Total capital assets being depreciated, net	<u>6,768,386</u>	<u>(159,275)</u>	<u>-</u>	<u>6,609,111</u>
Governmental activities capital assets, net	<u>\$ 6,896,744</u>	<u>\$ 157,275</u>	<u>\$ -</u>	<u>\$ 7,054,019</u>
<b>Business-type activities:</b>				
Furniture and equipment	\$ 182,963	\$ 19,139	\$ -	\$ 202,102
Less accumulated depreciation	161,944	6,387	-	168,331
Business-type activities capital assets, net	<u>\$ 21,019</u>	<u>\$ 12,752</u>	<u>\$ -</u>	<u>\$ 33,771</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction \$ 91,449

Support services:

Transportation 56,546

147,995

Unallocated depreciation 201,973

Total depreciation expense - governmental activities \$ 349,968

Business-type activities:

Food service operations \$ 6,387

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 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
Governmental activities:					
Early retirement	\$ 176,539	\$ -	\$ 148,596	\$ 27,943	\$ 18,035
Revenue bonds	625,000	-	156,250	468,750	156,250
Net OPEB liability	148,331	85,897	-	234,228	-
<b>Total</b>	<b>\$ 949,870</b>	<b>\$ 85,897</b>	<b>\$ 304,846</b>	<b>\$ 730,921</b>	<b>\$ 174,285</b>
Business-type activities:					
Net OPEB liability	\$ 3,772	\$ -	\$ -	\$ 3,772	\$ -

Early Retirement

The District offered a voluntary early retirement plan for eligible employees in the prior year. Eligible employees must be at least age fifty-five and employees must have completed twelve years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee was based on the employee's salary in effect the last year of employment. Early retirement benefits were to be distributed over a three year period of time and deposited into a Board-approved investment plan in the retiree's name.

At June 30, 2013, the District had obligations to 5 participants with a total liability of \$27,943. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$148,596. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2013 statewide sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	1.63 %	\$ 156,250	\$ 6,367	\$ 162,617
2015	1.63	156,250	3,820	160,070
2016	1.63	156,250	1,274	157,524
		<u>\$ 468,750</u>	<u>\$ 11,461</u>	<u>\$ 480,211</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$625,000 of bonds issued in September 2011. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District and are not subject to the constitutional debt limitation of the District. The bonds were purchased by Green Belt Bank and Trust, bear an interest rate of 1.63 percent, and do not require reserve or sinking funds. Annual principal and interest payments on the bonds are expected to require approximately 18.4 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$480,211. For the current year, \$156,250 of principal and \$8,914 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$884,081.

Note 6. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 112 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

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	\$ 122,039
Interest on net OPEB obligation	3,803
Adjustment to annual required contribution	12,490
Annual OPEB cost	<u>113,352</u>
Contributions made	<u>27,455</u>
Increase in net OPEB obligation	85,897
Net OPEB obligation beginning of year	<u>152,103</u>
Net OPEB obligation end of year	<u><u>\$ 238,000</u></u>

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

For the year ended June 30, 2013, the District contributed \$27,455 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2011	\$ 159,714	85.8%	\$ 65,554
2012	108,965	20.6%	152,103
2013	113,352	24.2%	238,000

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 \$600,446, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$600,446. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,572,000, and the ratio of the UAAL to covered payroll was 23.3%. As of June 30, 2013, there were no trust fund assets.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Other Postemployment Benefits (OPEB) (continued)

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, will present 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 to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis.

Projected claim costs of the medical plan are \$835 per month for retirees less than age 65. The UAAL is being amortized as a level dollar cost over service of the group on a closed group basis over 30 years.

Note 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 for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$589,665, \$524,706, and \$431,075, respectively, equal to the required contributions for each year.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Risk Management

Iowa Falls Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$433,050 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.

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 55,200
Teacher salary supplement	53,334
Professional development for model core curriculum	42,134
Returning dropouts and dropout prevention programs	5,468
Professional development	<u>3,379</u>
 Total	 \$ <u><u>159,515</u></u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$903,391 for athletic field improvements and a ceiling and lighting improvement project. As of June 30, 2013, costs of \$213,465 had been incurred against the contracts. The balance of \$689,926 remaining at June 30, 2013 will be paid as work on the project progresses.

Required Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 7,068,531	\$ 278,311	\$ 7,346,842	\$ 6,757,588	\$ 589,254
State sources	6,437,685	5,503	6,443,188	6,476,908	(33,720)
Federal sources	317,741	347,985	665,726	493,803	171,923
Total revenues	<u>13,823,957</u>	<u>631,799</u>	<u>14,455,756</u>	<u>13,728,299</u>	<u>727,457</u>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	8,433,743	-	8,433,743	8,311,879	(121,864)
Support services	3,439,393	60,028	3,499,421	3,906,194	406,773
Non-instructional programs	812	601,338	602,150	603,143	993
Other expenditures	1,148,211	-	1,148,211	1,242,923	94,712
Total expenditures/expenses	<u>13,022,159</u>	<u>661,366</u>	<u>13,683,525</u>	<u>14,064,139</u>	<u>380,614</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	801,798	(29,567)	772,231	(335,840)	1,108,071
Other financing sources, net	8,782	-	8,782	-	8,782
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	810,580	(29,567)	781,013	(335,840)	1,116,853
Balance beginning of year	<u>2,600,121</u>	<u>95,089</u>	<u>2,695,210</u>	<u>2,366,516</u>	<u>328,694</u>
Balance end of year	<u>\$ 3,410,701</u>	<u>\$ 65,522</u>	<u>\$ 3,476,223</u>	<u>\$ 2,030,676</u>	<u>\$ 1,445,547</u>

See accompanying independent auditor's report.

IOWA 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 Governmental 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 internal service, 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 a 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 or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2013, expenditures in the instruction function exceeded the amount budgeted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	Percentage of Covered Payroll ( (b-a)/c )
2009	July 1, 2008	\$ -	\$ 1,676	\$ 1,676	0.0%	\$ 6,262	26.8%
2010	July 1, 2008	-	1,676	1,676	0.0%	6,472	25.9%
2011	July 1, 2008	-	1,676	1,676	0.0%	6,334	26.5%
2012	July 1, 2011	-	681	681	0.0%	6,193	11.0%
2013	July 1, 2011	-	600	600	0.0%	2,572	23.3%

See note 6 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 auditor's report.

Supplementary Information

## IOWA FALLS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Assets				
Cash and pooled investments	\$ 24,775	\$ 145,545	\$ 6,463	\$ 176,783
Receivables:				
Property tax:				
Current year	4,933	-	-	4,933
Succeeding year	347,955	-	-	347,955
Accounts	7,266	4,774	-	12,040
Total assets	<u>\$ 384,929</u>	<u>\$ 150,319</u>	<u>\$ 6,463</u>	<u>\$ 541,711</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 32	\$ 580	\$ -	\$ 612
Deferred revenue:				
Succeeding year property tax	347,955	-	-	347,955
Total liabilities	<u>347,987</u>	<u>580</u>	<u>-</u>	<u>348,567</u>
Fund balances:				
Restricted for:				
Debt service	-	-	6,463	6,463
Management levy purposes	36,942	-	-	36,942
Student activities	-	149,739	-	149,739
Total fund balances	<u>36,942</u>	<u>149,739</u>	<u>6,463</u>	<u>193,144</u>
Total liabilities and fund balances	<u>\$ 384,929</u>	<u>\$ 150,319</u>	<u>\$ 6,463</u>	<u>\$ 541,711</u>

See accompanying independent auditor's report.

## IOWA FALLS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2013

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 301,160	\$ -	\$ -	\$ 301,160
Other	13,004	297,329	-	310,333
State sources	163	-	-	163
Total revenues	<u>314,327</u>	<u>297,329</u>	<u>-</u>	<u>611,656</u>
Expenditures:				
Current:				
Instruction	160,567	281,162	-	441,729
Support services:				
Instructional staff	13,000	-	-	13,000
Administration	52,251	-	-	52,251
Operation and maintenance of plant	86,965	-	-	86,965
Transportation	24,788	-	-	24,788
Other expenditures:				
Long term debt:				
Principal	-	-	156,250	156,250
Interest and fiscal charges	-	-	8,914	8,914
Total expenditures	<u>337,571</u>	<u>281,162</u>	<u>165,164</u>	<u>783,897</u>
Excess (deficiency) of revenues over (under) expenditures	(23,244)	16,167	(165,164)	(172,241)
Other financing sources (uses):				
Interfund transfers in	<u>-</u>	<u>-</u>	<u>165,164</u>	<u>165,164</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2013

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Net change in fund balances	\$ (23,244)	\$ 16,167	\$ -	\$ (7,077)
Fund balances beginning of year	<u>60,186</u>	<u>133,572</u>	<u>6,463</u>	<u>200,221</u>
Fund balances end of year	<u>\$ 36,942</u>	<u>\$ 149,739</u>	<u>\$ 6,463</u>	<u>\$ 193,144</u>

See accompanying independent auditor's report.

## IOWA FALLS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS

June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 559,912	\$ 372,015	\$ 931,927
Receivables:			
Property tax:			
Current year	-	4,364	4,364
Succeeding year	-	327,473	327,473
Accounts	285	-	285
Due from other governments	199,448	-	199,448
	<u>759,645</u>	<u>703,852</u>	<u>1,463,497</u>
<b>Total assets</b>	<b>\$ 759,645</b>	<b>\$ 703,852</b>	<b>\$ 1,463,497</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 129,316	\$ 51,225	\$ 180,541
Deferred revenue:			
Succeeding year property tax	-	327,473	327,473
<b>Total liabilities</b>	<u>129,316</u>	<u>378,698</u>	<u>508,014</u>
<b>Fund balances:</b>			
Restricted for:			
School infrastructure	630,329	-	630,329
Physical plant and equipment	-	325,154	325,154
<b>Total fund balances</b>	<u>630,329</u>	<u>325,154</u>	<u>955,483</u>
<b>Total liabilities and fund balances</b>	<b>\$ 759,645</b>	<b>\$ 703,852</b>	<b>\$ 1,463,497</b>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2013

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 884,081	\$ 308,195	\$ 1,192,276
Other	10,174	217,153	227,327
State sources	-	157	157
Total revenues	<u>894,255</u>	<u>525,505</u>	<u>1,419,760</u>
Expenditures:			
Current:			
Instruction	16,478	-	16,478
Support services:			
Instructional staff	93,537	-	93,537
Operation and maintenance of plant	-	5,588	5,588
Transportation	-	35,600	35,600
Other expenditures:			
Facilities acquisition	378,609	171,388	549,997
Total expenditures	<u>488,624</u>	<u>212,576</u>	<u>701,200</u>
Excess of revenues over expenditures	405,631	312,929	718,560
Other financing uses:			
Interfund transfers out	<u>(165,164)</u>	-	<u>(165,164)</u>
Net change in fund balances	240,467	312,929	553,396
Fund balances beginning of year	<u>389,862</u>	<u>12,225</u>	<u>402,087</u>
Fund balances end of year	<u>\$ 630,329</u>	<u>\$ 325,154</u>	<u>\$ 955,483</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Activity Tickets	\$ 349	\$ 17,194	\$ 17,543	\$ -
HS Musical Theater	13,520	2,915	2,009	14,426
HS Speech	-	368	368	-
HS Vocal	1,864	159	465	1,558
HS Band	2,088	2,934	996	4,026
HS Athletics Misc.	2,825	15,683	15,647	2,861
HS Athletics Supplies	(602)	9,287	8,685	-
MS Cross Country	32	-	-	32
Boys Basketball	5,080	10,374	15,454	-
Football	(129)	24,382	24,253	-
Soccer	2,074	4,355	4,047	2,382
Baseball	(3,250)	8,827	5,577	-
Boys Track	(600)	2,849	2,249	-
Boys Cross Country	-	543	543	-
Boys Tennis	-	120	120	-
Boys Golf	-	1,900	1,900	-
Wrestling	233	5,321	5,554	-
HS Cheerleaders	881	1,265	1,993	153
HS Drill Team	1,773	900	964	1,709
Girls Basketball	1,805	6,441	8,246	-
Volleyball	-	15,351	15,493	(142)
Girls Softball	(2,730)	8,861	6,451	(320)
Girls Track	(304)	2,162	1,858	-
Girls Cross Country	-	1,125	1,125	-
Girls Tennis	-	758	758	-
Girls Golf	-	1,077	1,077	-
Resale - HS Band	101	276	198	179
HS Band Uniform Maintenance	2,399	687	1,212	1,874
Resale - Elementary Band	1,567	235	-	1,802
Resale - MS Band	1,764	221	-	1,985
RR - Lion's Lead Dog Account	4,102	6,048	5,691	4,459
Elementary Vocal Account	207	3,218	345	3,080
Pineview School	11,593	29,129	20,436	20,286
Rock Run School	21,787	7,402	16,571	12,618
HS - SAAD Account	35	525	-	560
MS - LIFE Girls Group	2,346	2,000	2,067	2,279
MS - Science Club	171	95	334	(68)
MS - Student Council	88	11,231	10,766	553
MS - Rachel's Challenge	38	-	-	38

IOWA 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	Expenditures	Balance End of Year
HS - SCI	\$ 3,175	\$ 3,678	\$ 3,632	\$ 3,221
HS - T-shirt Account	4,869	5,671	7,093	3,447
HS - Marketing Club	490	-	-	490
HS FCCLA	825	4,590	5,215	200
HS Future Nurses	125	-	-	125
HS National Honor Society	89	275	130	234
HS Art Club	1,305	450	-	1,755
HS Future Farmers of America	6,549	38,940	32,380	13,109
HS Student Council	1,296	2,506	2,812	990
HS International Club	785	1,008	1,104	689
HS HEARTS Class	976	3,837	3,789	1,024
HS Speech Club Invitational	9,478	338	1,466	8,350
HS Math Club	308	1,122	287	1,143
HS Class of 2012	1,219	75	1,232	62
HS Class of 2013	5,107	880	3,884	2,103
HS Class of 2014	2,622	8,156	5,099	5,679
HS Class of 2015	44	5,839	2,018	3,865
HS Popcorn Fund	3,023	14,006	15,284	1,745
HS Yearbook	19,137	28,905	24,373	23,669
Local Revenue - Interest	1,043	466	-	1,509
Less: Intrafund transfers	-	(29,631)	(29,631)	-
<b>Total</b>	<b>\$ 133,572</b>	<b>\$ 297,329</b>	<b>\$ 281,162</b>	<b>\$ 149,739</b>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u>24,067</u>	\$ <u>12,092</u>	\$ <u>10,722</u>	\$ <u>25,437</u>
Liabilities				
Due to other groups	\$ <u>24,067</u>	\$ <u>12,092</u>	\$ <u>10,722</u>	\$ <u>25,437</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2013	2012	2011	2010
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,098,683	\$ 5,219,362	\$ 5,245,243	\$ 4,863,060
Tuition	1,029,728	980,481	1,011,234	882,724
Other	940,120	708,088	728,073	604,529
State sources	6,437,685	5,888,903	5,530,276	4,926,308
Federal sources	317,741	314,464	535,643	927,357
<b>Total revenues</b>	<b>\$ 13,823,957</b>	<b>\$ 13,111,298</b>	<b>\$ 13,050,469</b>	<b>\$ 12,203,978</b>
<b>Expenditures:</b>				
Instruction	\$ 8,433,743	\$ 8,911,753	\$ 7,658,517	\$ 7,467,313
Support services:				
Student	390,577	296,619	345,037	380,930
Instructional staff	475,442	537,731	636,241	397,460
Administration	1,226,207	1,144,795	1,156,241	1,122,720
Operation and maintenance of plant	904,468	851,615	913,169	929,912
Transportation	442,699	499,643	385,843	397,400
Non-instructional programs	812	1,467	977	1,305
Other expenditures:				
Facilities acquisition	549,997	470,684	489,818	477,005
Long-term debt:				
Principal	156,250	275,000	610,000	590,000
Interest and fiscal charges	8,914	12,012	27,873	45,203
AEA flowthrough	433,050	416,003	455,726	448,336
<b>Total expenditures</b>	<b>\$ 13,022,159</b>	<b>\$ 13,417,322</b>	<b>\$ 12,679,442</b>	<b>\$ 12,257,584</b>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005	2004
\$	4,425,507	\$ 4,205,049	\$ 4,131,910	\$ 3,797,258	\$ 3,947,659	\$ 3,429,851
	941,463	909,851	920,235	778,711	697,387	302,960
	650,422	658,951	857,693	845,315	529,728	429,504
	5,763,655	5,490,019	5,298,716	4,908,993	4,558,433	4,320,386
	407,506	225,053	271,055	272,801	277,022	225,561
\$	<u>12,188,553</u>	<u>11,488,923</u>	<u>11,479,609</u>	<u>10,603,078</u>	<u>10,010,229</u>	<u>8,708,262</u>
\$	7,377,668	\$ 7,191,448	\$ 6,913,178	\$ 6,485,458	\$ 6,417,976	\$ 5,620,739
	373,982	304,984	278,966	266,983	75,269	76,568
	497,609	395,379	305,138	305,943	184,432	208,303
	1,116,906	1,082,225	1,074,310	1,014,899	920,556	822,277
	899,916	783,178	789,718	713,783	650,725	644,017
	310,987	394,148	306,386	347,992	243,628	210,146
	1,428	2,215	22,825	21,368	12,210	1,213
	1,324,071	874,342	1,040,110	424,184	227,948	208,757
	580,000	305,000	300,000	245,000	230,000	215,000
	50,213	42,305	47,867	106,977	166,513	166,564
	380,255	361,604	354,443	321,953	305,072	308,090
\$	<u>12,913,035</u>	<u>11,736,828</u>	<u>11,432,941</u>	<u>10,254,540</u>	<u>9,434,329</u>	<u>8,481,674</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2013

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	\$ 55,187
National School Lunch Program	10.555	FY 13	285,534 *
Summer Food Service Program for Children	10.559	FY 13	7,264
			347,985
 Team Nutrition Grant	 10.574	 FY 13	 221
 U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 13	133,204
 Safe and Drug-Free Schools and Communities - National Programs	 84.184	 FY 13	 2,206
Improving Teacher Quality State Grants	84.367	FY 13	31,135
Grants for State Assessments and Related Activities	84.369	FY 13	7,209
 Education Jobs Fund	 84.410	 FY 11	 44,127
Education Jobs Fund	84.410	FY 12	3,189
			47,316
Area Education Agency 267:			
Special Education - Grants to States	84.027	FY 13	55,588
 Career and Technical Education - Basic Grants to States	 84.048	 FY 13	 15,400
 Total			 \$ 640,264

\* = Includes \$44,939 of non-cash awards.

Basis of Presentation –

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

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District as of and for the year ended June 30, 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 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Iowa 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 Iowa Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a significant deficiency.

Compliance and Other Matters

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

Iowa Falls Community School District's Responses to Findings

Iowa Falls Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Iowa 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 integral 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 Iowa Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
January 6, 2014

*Hunt + Associates, P.C.*

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INDEPENDENT AUDITOR'S 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 of  
Iowa Falls Community School District:

Report on Compliance for Each Major Federal Program

We have audited Iowa Falls Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. Iowa 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Iowa 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 Iowa Falls Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Iowa 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 Iowa 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 Iowa 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 Iowa 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs described as item III-A-13 that we consider to be a significant deficiency.

Iowa Falls Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Iowa Falls Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Iowa Falls Community School District as of and for the year ended June 30, 2013, and have issued our report dated January 6, 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 statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Oskaloosa, Iowa  
January 6, 2014

*Hunt & Associates, P.C.*

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Iowa Falls Community School District did not qualify as a low-risk auditee.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. Additionally, one individual currently enters payroll contracts into the system; however, another individual does not review the entries to verify the payroll contracts have been entered correctly.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and elected officials.

Response – We are reviewing these situations and have made changes necessary to mitigate the problems.

Conclusion – Response accepted.

- II-B-13 Financial Reporting – During the audit, we identified a material amount of checks written and held for the July and August payroll contract payments recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly reclassify these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure that all future contract payments are recorded as accrual transactions in the District’s financial statements and avoid situations that involve the writing and holding of checks to protect the underlying asset.

Response – We will properly record these amounts in our financial statements in the future.

Conclusion – Response accepted.

IOWA 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 reported.

Internal Control Deficiency:

CFDA Number 10.553: School Breakfast Program and  
CFDA Number 10.555: National School Lunch Program  
CFDA Number 10.559: Summer Food Service Program for Children  
Federal Award Year: 2013  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

III-A-13 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. Additionally, one individual currently enters payroll contracts into the system; however, another individual does not review the entries to verify the payroll contracts have been entered correctly.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and elected officials.

Response – We are reviewing our internal control processes and will make the necessary changes.

Conclusion – Response accepted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting:

IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, exceeded the amount budgeted in the instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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 – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Bicknese, Board Member Spouse owns Bel Floral	School supplies	\$1,104

In accordance with Chapter 279.7A of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$2,500 for the fiscal year.

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 ensure that the coverage is adequate for current operations.

IV-F-13 Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

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

Response – We will publish the minutes in a timely manner.

Conclusion – Response accepted.

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

IV-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 Deposits and Investments – 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 were noted. However, we noted that one account had an improper person listed as an authorized check signer.

Recommendation – The District should remove the improperly authorized person from the Bank’s authorized signer records. This process should be completed timely in the future.

Response – We have made the necessary change to authorized signers and we will make updates in a more timely manner in the future.

Conclusion – Response accepted.

IV-J-13 Certified Annual Report – Except as noted in item II-B-13, the Certified Annual Report was certified to the Iowa 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 being used to supplant rather than supplement other funds.

IOWA FALLS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$	389,862
Revenues:			
Sales tax revenues	\$	811,713	
Interest		1,654	
Other local revenues		8,520	
School infrastructure supplemental amount		72,368	894,255
Expenditures/transfers out:			
School infrastructure construction		342,087	
Equipment		146,537	
Transfers to other funds:			
Debt Service Fund		165,164	653,788
Ending balance		\$	630,329

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.