CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
	Board of Education	
	(Before September, 2013 Election)	
Deon E. Senchina	President	2013
Joyce E. Coil	Vice President	2015
Susan Lantz	Board Member	2013
Jim Brown	Board Member	2013
James R. Kenyon	Board Member	2015
David Williams	Board Member	2015
Jenny Leeper	Board Member	2015
	(After September, 2013 Election)	
Joyce E. Coil	President	2015
David Williams	Vice President	2015
James R. Kenyon	Board Member	2015
Jenny Leeper	Board Member	2015
Susan Lantz	Board Member	2017
Jim Brown	Board Member	2017
Doug Shaw	Board Member	2017
	School Officials	
Dr. Andrew Pattee	Superintendent	2014
Doug Nefzger	District Secretary	2014
John Steen	District Treasurer	2014
John C. Larsen	Attorney	Indefinite

Cedar Falls Community School District

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cedar Falls Community School District, Cedar Falls, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cedar Falls Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 41 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included on pages 44 - 53, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing 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 12, 2015 on our consideration of Cedar Falls Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance with the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cedar Falls Community School District's internal control over financial reporting and compliance.

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

Waterloo, Iowa
January 12, 2015

CEDAR FALLS COMMUNITY SCHOOL DISTRICT
CEDAR FALLS, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

This section of the Cedar Falls Community School District's annual financial report presents the District's management discussion and analysis of the District's financial activities during the 2014 fiscal year which ended on June 30, 2014.

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

Financial Highlights

Key financial highlights for the 2014 fiscal year include the following:

In total, net assets increased by $4,183,011 or 6.16% from fiscal 2013. Net assets in governmental activities increased $4,257,505, which represented a 6.33% increase from fiscal year 2013. Increases in property tax receipts, state-wide one-cent sales tax receipts and operating grants made up the majority of the increase. Net assets in the business-type activity, which represents the Districts food service operations, decreased $74,494, which represented a 10.32% decrease from fiscal year 2013. Increases in operational costs accounted for the decrease.

General Fund revenues (which include the Instructional Support fund) accounted for $53,669,312 in revenue or 85.09% of all revenues. General Fund expenses (which include the Instructional Support fund) accounted for $51,987,623 in expenditures or 75.90% of all expenses.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report includes all the funds used by the District to provide programs and activities, the report strives to show how the District performed financially during the 2014 fiscal year. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash was received or paid.

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

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund(s). The District uses different funds in accordance with the Uniform Financial Accounting for Iowa LEA's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds for fiscal 2014 are the General and Capital Projects funds.

Governmental Funds

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

Enterprise Fund

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

The School District as a Whole

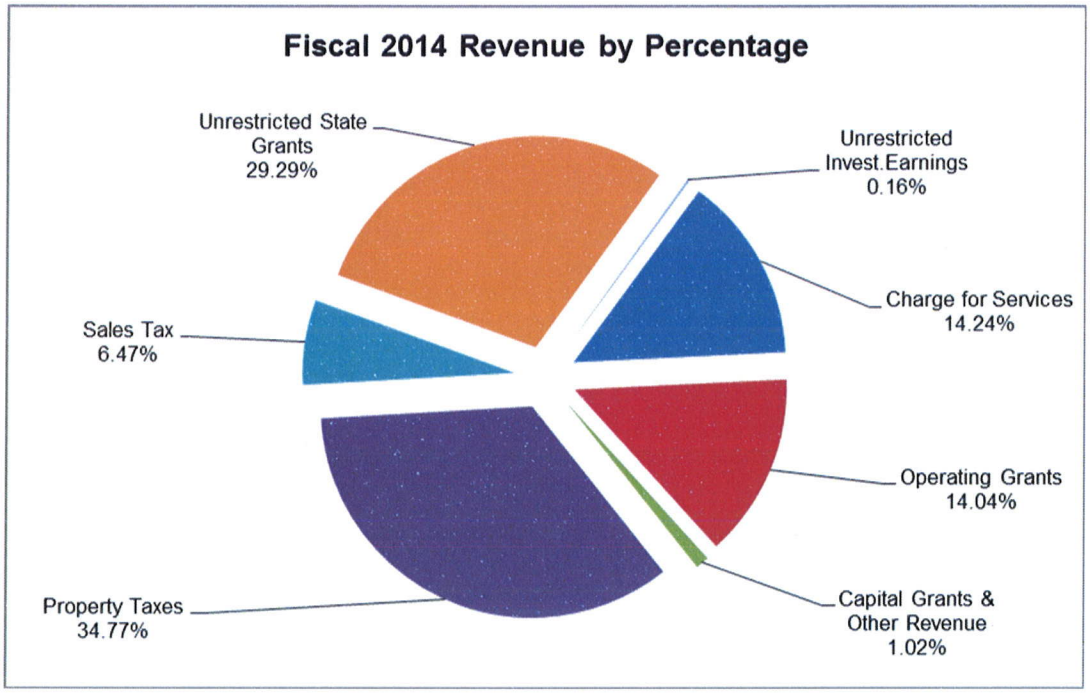
The following is a summary of the statement of net assets of the District as a whole. The Cedar Falls Community School District's net assets at the end of fiscal year 2014 totaled $72,139,949, up 6.16% from the previous fiscal year.

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total		Percent
	2013	2014	2013	2014	2013	2014	Change
Current & Other Assets	$ 47,537,654	51,126,458	$ 672,352	613,012	$ 48,210,006	51,739,470	7.32%
Capital Assets	69,210,092	76,543,508	115,744	110,070	69,325,836	76,653,578	10.57%
Total Assets	116,747,746	127,669,966	788,096	723,082	117,535,842	128,393,048	9.24%
Long-term Obligations:							
Due within one year	1,027,092	2,377,101	-	-	1,027,092	2,377,101	131.44%
Due after one year	18,605,150	25,026,990	-	-	18,605,150	25,026,990	34.52%
Other Liabilities	7,020,730	7,375,628	66,327	75,807	7,087,057	7,451,435	5.14%
Total Liabilities	26,652,972	34,779,719	66,327	75,807	26,719,299	34,855,526	30.45%
Deferred Inflows of Resources	22,859,605	21,397,573	-	-	22,859,605	21,397,573	-6.40%
Net Assets							
Invested in Capital Assets - Net of Related Debt	50,596,342	50,157,863	115,744	110,070	50,712,086	50,267,933	-0.88%
Restricted	6,489,797	6,351,727	-	-	6,489,797	6,351,727	-2.13%
Unrestricted	10,149,030	14,983,084	606,025	537,205	10,755,055	15,520,289	44.31%
Total Net Assets	$ 67,235,169	71,492,674	$ 721,769	647,275	$ 67,956,938	72,139,949	6.16%

The following analysis shows the change in net assets for the year ending June 30, 2014:

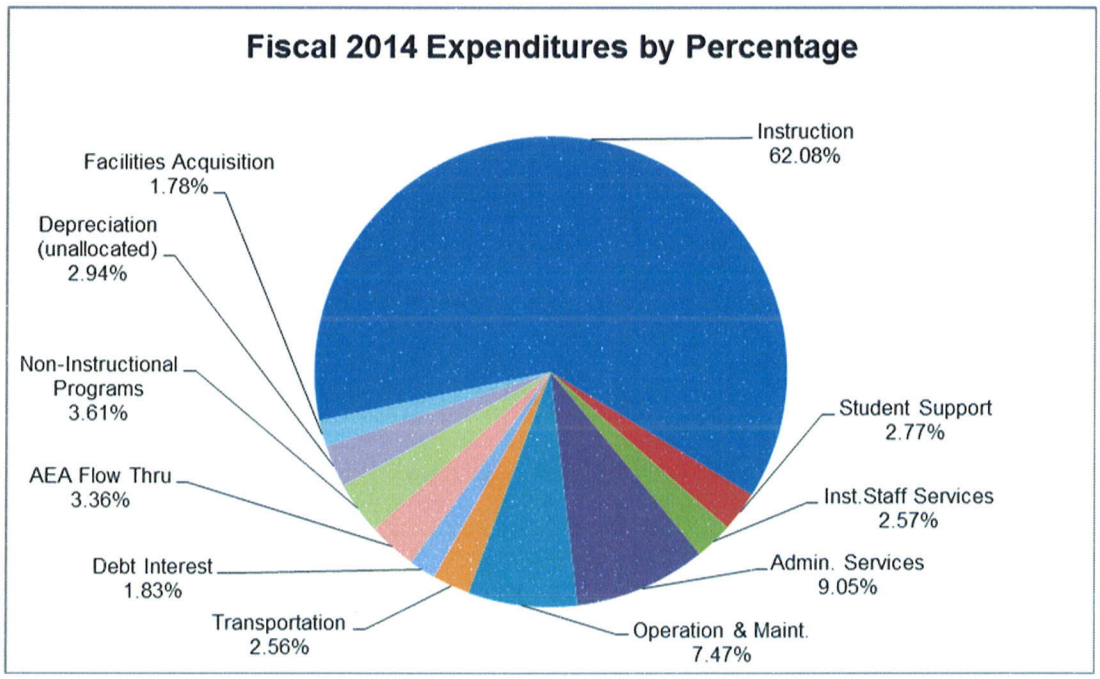
	Change in Net Assets						
	Governmental Activities		Business-type Activities		Total		Percent
	2013	2014	2013	2014	2013	2014	Change
Revenue							
Program Revenue							
Charge for Services	$ 7,845,147	7,918,265	$ 1,344,524	1,384,696	$ 9,189,671	9,302,961	1.23%
Operating Grants	7,090,879	8,430,706	712,416	744,935	7,803,295	9,175,641	17.59%
Capital Grants	144,880	537,485	-	-	144,880	537,485	270.99%
General Revenue							
Property Taxes	20,782,040	22,720,487	-	-	20,782,040	22,720,487	9.33%
Sales and Income Tax	4,468,108	4,227,019	-	-	4,468,108	4,227,019	-5.40%
Unrestricted State Grants	19,222,595	19,137,954	-	-	19,222,595	19,137,954	-0.44%
Unrestricted Invest. Earnings	73,145	101,974	951	1,935	74,096	103,909	40.24%
Other Revenue	145,857	131,592	-	-	145,857	131,592	-9.78%
Total Revenue	59,772,651	63,205,482	2,057,891	2,131,566	61,830,542	65,337,048	5.67%
Program Expense							
Instruction	36,861,796	37,961,900	-	-	36,861,796	37,961,900	2.98%
Student Support	1,264,247	1,693,477	-	-	1,264,247	1,693,477	33.95%
Instructional Staff Services	1,389,867	1,572,126	-	-	1,389,867	1,572,126	13.11%
Administration Services	5,038,062	5,533,381	-	-	5,038,062	5,533,381	9.83%
Operation & Maint. Services	3,526,120	4,567,119	-	-	3,526,120	4,567,119	29.52%
Transportation Services	1,402,225	1,564,450	-	-	1,402,225	1,564,450	11.57%
Long Term Debt Interest	919,462	1,122,089	-	-	919,462	1,122,089	22.04%
Facilities Acquisition	2,270,580	1,085,761	-	-	2,270,580	1,085,761	-52.18%
AEA Flow Thru	1,929,402	2,052,254	-	-	1,929,402	2,052,254	6.37%
Non-Instructional Programs	-	-	2,066,561	2,206,060	2,066,561	2,206,060	6.75%
Depreciation (unallocated)	1,642,347	1,795,420	-	-	1,642,347	1,795,420	9.32%
Total Expenses	56,244,108	58,947,977	2,066,561	2,206,060	58,310,669	61,154,037	4.88%
Increase (Decrease) Net Assets	3,528,543	4,257,505	(8,670)	(74,494)	3,519,873	4,183,011	18.84%
Net Assets Beginning of Year	63,706,626	67,235,169	730,439	721,769	64,437,065	67,956,938	5.46%
Net Assets End of Year	$ 67,235,169	71,492,674	$ 721,769	647,275	$ 67,956,938	72,139,949	6.16%

The following chart indicates total fiscal 2014 District revenue by percentage:



Note: Due to rounding percentages may not total 100.00 %

The following chart indicates total fiscal 2014 District expenses by percentage:



Note: Due to rounding percentages may not total 100.00 %

Financial Analysis of the District's Funds

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

The District governmental funds reported combined fund balances of $22,438,472. This is a $4,709,955 increase from the 2013 fiscal year combined fund balances of $17,728,517. The sale of state-wide sales tax revenue bonds to finance the completion of additions and remodeling of Hansen and Southdale elementary schools in the Capital Projects fund contributed to the overall increase in combined fund balances for the year.

The District's General Fund (including the Instructional Support Fund) end of year fund balance increased $1,692,361 to $8,018,948 from the 2013 fiscal year end balance of $6,326,587. The increase in fund balance is due to an increase in local, state and other revenue.

Budgeting Highlights

The Cedar Falls Community School District Board of Education annually adopts a budget as required by Iowa law. Proper public notice and a required public hearing are held before final approval of the budget. The State of Iowa requires approval of the budget on or before April 15th of each year. The budget documents present functional disbursements by fund and the legal level of control is at the expense level by total Instruction, total Support Services, total Non-Instructional Programs, total Other Expenditures and Total Expenditures. The District amends the budget, as allowed by Iowa law, to reflect the additional revenues and expenditures that may occur during the school year. The District amended its budget for fiscal 2014 to allow for an increase in debt services payments due to the sale of $9,950,000 revenue bonds in July 2013 and the Hansen Elementary Phase II addition/remodeling project taking longer to complete than originally estimated.

The following chart shows the original and amended budget for fiscal 2014 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	Original Budget	Final Amended	Actual	Variance
Revenue				
Local Sources	$ 40,213,764	$ 40,213,764	$ 36,396,062	$ (3,817,702)
Intermediate Sources	-	-	-	-
State Sources	25,086,830	25,086,830	25,411,223	324,393
Federal Sources	2,891,127	2,891,127	3,384,680	493,553
Total Budget Revenue	$ 68,191,721	$ 68,191,721	$ 65,191,965	$ (2,999,756)
Expenditures				
Instruction	$ 42,294,821	$ 42,294,821	$ 37,976,969	$ (4,317,852)
Support Services	15,901,644	15,901,644	15,048,590	(853,054)
Non-Instructional	2,373,919	2,373,919	2,206,060	(167,859)
Other Expenditures	15,844,128	16,077,200	15,469,193	(608,007)
Total Budget Expenses	$ 76,414,512	$ 76,647,584	$ 70,700,812	$ (5,946,772)

Fund Balance vs. Unspent (Unused) Budget Authority

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

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

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

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

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

The following chart shows the change in Unspent Budget Authority between fiscal years 2013 and 2014.

	Unspent Budget Authority Comparison		
	2013	2014	Change
Budget Revenue			
Maximum General Fund District Cost	$ 39,293,802	$ 39,759,034	$ 465,232
Preschool Foundation Aid	138,023	192,812	54,789
Instructional Support Fund	2,234,359	2,373,016	138,657
Other Miscellaneous Income	8,821,889	9,965,205	1,143,316
Previous Year Unspent Budget Authority	7,888,478	8,888,612	1,000,134
Maximum Budget Authority	$ 58,376,551	$ 61,178,679	$ 2,802,128
Total Expenditures	$ 49,487,939	$ 51,987,623	$ 2,499,684
End Fiscal Year Unspent Budget Authority	$ 8,888,612	$ 9,191,056	$ 302,444

Capital Assets and Debt Administration

Capital Assets

At the end of the 2014 fiscal year, the District had invested $76,653,578 (net of accumulated depreciation) in a broad range of capital assets, including land, buildings, vehicles, technology, media/audio visual equipment, and classroom equipment. The District had depreciation expense of $2,356,067 and total accumulated depreciation of $29,793,504 as of June 30, 2014. The following chart shows the comparison in capital assets for 2013 and 2014

	Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Total		Percent
	2013	2014	2013	2014	2013	2014	Change
Land	$ 1,725,334	1,725,334	$ -	-	$ 1,725,334	1,725,334	0.00%
Construction in Progress	10,025,150	10,601,920	-	-	10,025,150	10,601,920	5.75%
Land Improvements	3,169,966	3,169,966	-	-	3,169,966	3,169,966	0.00%
Buildings	75,480,625	83,846,649	-	-	75,480,625	83,846,649	11.08%
Furniture & Equipment	5,861,205	6,374,304	719,077	728,909	6,580,282	7,103,213	7.95%
Total	$ 96,262,280	105,718,173	$ 719,077	728,909	$ 96,981,357	106,447,082	9.76%

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

Debt

As of June 30, 2014, total District outstanding long-term debt is $27,404,091. Debt consists of $26,385,645 in bond obligations and $1,018,446 in other liabilities. $2,213,655 of long term debt and $163,446 in other liabilities is due in fiscal 2015. The sale of $9,950,000 in long-term revenue bonds accounts for the increase. The following chart shows the debt comparison between 2013 and 2014.

	Long-term Debt Obligations			
	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Revenue Bonds				
Bonds Payable	18,795,000	9,950,000	2,235,000	26,510,000
Discount	(181,250)	-	(11,400)	(169,850)
Premium	-	49,287	3,792	45,495
Total Bonds	$ 18,613,750	$ 9,999,287	$ 2,227,392	$ 26,385,645
Other Liabilities				
Compensated Absences	163,492	163,446	163,492	163,446
Early Retirement	-	-	-	-
Net OPEB Liability	855,000	-	-	855,000
Total OtherLiabilities	$ 1,018,492	$ 163,446	$ 163,492	$ 1,018,446
Total Long-term Debt	$ 19,632,242	$ 10,162,733	$ 2,390,884	$ 27,404,091

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

Current Issues

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

- At the end of the 2013 legislative session, the Legislature and Governor agreed to an additional 4% ($245 per pupil) increase in supplemental state aid for the 2014/15 school year. At the conclusion of the 2014 Legislative session, the Legislature and Governor Branstad could not agree on providing additional supplemental state aid (allowable growth) for public schools in Iowa for the 2015/16 school year.

- Other 2014 legislative session actions that will directly impact Iowa public school districts include:
  - Funding of the new Teacher Leadership and Compensation System
    - $50 million for the first year of implementation in Fy2015
      - Three years to fully implement across the entire State of Iowa
  - The goal of the Teacher Leadership and Compensation System is to
    - Promote continuous improvement in Iowa teachers
    - Provide Iowa teachers opportunities for career recognition as educational leaders
    - Raise annual Iowa minimum teacher salary to $33,500
    - Retain effective teachers by providing enhanced career opportunities
    - Develop and support opportunities for school districts statewide to learn from each other
    - Provide pathways for teaching career opportunities that come with increased leadership responsibilities and increased compensation

- The October 1, 2014 certified student enrollment count, which is used to determine state foundation aid for the District for 2015-16 school year, increased by 48.3 students from the October 1, 2013 count. The number of open enrollment students from neighboring district's increased 2.0 from 353.0 to 355.0. The number of open enrollment students attending neighboring school districts decreased 13.0 from 121.0 to 108.0. The 247 open enrollment student net gain provides approximately $1.51 million in revenue for the District general operating fund.

- The District's 4 year old (pre-school) program continues to grow with the addition of a new classroom at Hansen Elementary school. Enrollment in the program increased 31 students to a total of 128. The State of Iowa provides funding for 4 year old students enrolled in the program at 50% of regular program cost per student, or $3,183 per student for the 2014/15 school year.

- The District continues to experience gains in taxable valuation. Overall taxable assessed valuation has increased 23.40% in the last four years. Tax Increment Financing (TIF) assessed valuation increased by $192 million from Fy2014. The increase in TIF valuation is due to when TIF districts assessment begin and end. There was a one year reduction in TIF valuation during Fy2014.

- The demand for new homes within the District continues to be strong. Five new residential neighborhoods with over 500 lots are planned or under development in the southern and western sections of Cedar Falls. New industrial and retail construction, including the new Cedar Falls North Industrial Park, expansion of Viking Road retail shopping district as well as the Pinnacle Prairie planned retail center will continue to increase the District's assessed valuation growth for the foreseeable future.

- Revenue received from the State Secure an Advanced Vision for Education (SAVE) one-cent sales tax decreased slightly from $4,468,108 in Fy2013 to $4,227,019 in Fy2014. Revenue from the SAVE fund is determined by dividing the total amount of one cent sales tax dollars generated throughout Iowa by the total number of student enrolled in Iowa public schools. Due to an increase in statewide sales tax receipts, the District is projected to receive $4.45 million in Fy2015.

- The operation of the River Hills Special Education School will transition to a consortium of approximately 25 Iowa public school districts in Fy2015. Each school district will have an equal vote in curriculum and day to day operation of the River Hills program. The Cedar Falls Community School District will be the host member school as well as the fiscal agent for the program. The consortium will continue to contract with Area Education Agency 267 for the day to day programming and operation of the school.

- On July 21, 2014 the Board of Education accepted the petition from the "Yes to Invest" committee and approved the resolution to place before the public a $118 million general obligation bond issue that would:
  - Construct, furnish and equip a new elementary school and improve the site
  - Construct, furnish and equip additions to Orchard Hill Elementary and improve the site
  - Construct, furnish and equip additions to North Cedar Elementary and improve the site
  - Construct, furnish and equip a new high school and improve the site
  - Remodel, improve and equip the original high school building for educational purposed to improve the site

- The District held a ribbon cutting for the expanded Hansen Elementary school on September 4, 2014. The project included 15 classroom, new cafeteria, gymnasium and administrative offices as well as remodeled the former multi-purpose room and other spaces. The final cost of the project is estimated to be $10.55 million.

- On September 9, 2014 citizens of the Cedar Falls Community School District voted on the $118 million dollar bond issue as stated above. Results of the vote were 4,218 in favor, 5,788 opposed. 42.15% in favor. By Iowa law, the issue needed a 60% approval for passage.

- On October 30, 2014, the Board of Education approved the application to the Iowa Department of Education for the Teacher Leadership Compensation (TLC) grant. Total initial grant application is approximately $1.5 million annually. If approved, the District will use the grant to fund:
  - Approximately 30 current staff with mentor teacher responsibilities
  - Approximately 90 current staff with building leadership responsibilities

- Approximately 45 current staff with building instructional technology leadership responsibilities
- Approximately 15 new teacher instructional coaches
- One new community partner/STEM facilitator
- One new curriculum professional development leader

The District was notified on December 19, 2014 that its application for TLC funding was approved beginning with the 2016/17 school year.

- The District continues to plan for the implementation of the Federal Patient Protection and Affordable Health Care Act (ACA). Most para-educators and clerical staff hours were changed for Fy2015 to comply with the District's collective bargaining agreement and/or ACA requirements for health insurance coverage. It is estimated that meeting the ACA requirements for District employees who are not covered by a collective bargaining agreement will exceed an additional $100,000 annually.

Contacting the School District's Financial Management

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

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

Basic Financial Statements

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	$27,210,447	$ 539,436	$27,749,883
Receivables:			
Property tax:			
Delinquent	118,307	-	118,307
Succeeding year	21,397,573	-	21,397,573
Accounts	1,213,286	204	1,213,490
Accrued interest	746	-	746
Due from other governments	1,152,640	-	1,152,640
Due from other funds	765	-	765
Inventories	32,694	73,372	106,066
Capital assets, net of accumulated depreciation	76,543,508	110,070	76,653,578
Total assets	127,669,966	723,082	128,393,048
Liabilities			
Accounts payable	2,319,942	57,274	2,377,216
Salaries and benefits payable	4,857,210	18,533	4,875,743
Due to other governments	113,261	-	113,261
Due to other funds	-	-	-
Accrued interest payable	85,215	-	85,215
Long-term liabilities:			
Portion due within one year:			
Compensated absences	163,446	-	163,446
Revenue bonds	2,213,655	-	2,213,655
Portion due after one year:			
Revenue bonds	24,171,990	-	24,171,990
Net OPEB liability	855,000	-	855,000
Total liabilities	34,779,719	75,807	34,855,526
Deferred Inflows of Resources			
Unavailable property tax revenue	21,397,573	-	21,397,573
Net Position			
Net investment in capital assets	50,157,863	110,070	50,267,933
Restricted for:			
Categorical funding	966,459	-	966,459
Management levy	1,062,507	-	1,062,507
Student activities	571,100	-	571,100
Other special revenue purposes	15,034	-	15,034
Physical plant and equipment levy	2,293,941	-	2,293,941
Permanent fund	1,442,686	-	1,442,686
Unrestricted	14,983,084	537,205	15,520,289
Total net position	$71,492,674	$ 647,275	$72,139,949

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Instruction:				
Regular instruction	$ 23,996,798	$ 2,039,357	$ 5,736,318	$ -
Special instruction	6,688,670	4,634,606	449,301	-
Other instruction	7,276,432	972,852	109,095	-
	37,961,900	7,646,815	6,294,714	-
Support services:				
Student services	1,693,477	-	-	-
Instructional staff services	1,572,126	-	-	-
Administration services	5,533,381	24,683	-	-
Operation and maintenance of plant services	4,567,119	210,244	-	-
Transportation services	1,564,450	36,523	83,738	-
	14,930,553	271,450	83,738	-
Other expenditures:				
Facilities acquisition	1,085,761	-	-	537,485
Long-term debt interest and other charges	1,122,089	-	-	-
AEA flowthrough	2,052,254	-	2,052,254	-
Depreciation (unallocated)	1,795,420	-	-	-
	6,055,524	-	2,052,254	537,485
Total governmental activities	58,947,977	7,918,265	8,430,706	537,485
Business Type Activities				
Non-instructional programs:				
Food service operations	2,206,060	1,384,696	744,935	-
Total	$ 61,154,037	$ 9,302,961	$ 9,175,641	$ 537,485
General revenues:				
Property taxes, levied for:				
General purposes				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
$(16,221,123)	$ -	$(16,221,123)
(1,604,763)	-	(1,604,763)
(6,194,485)	-	(6,194,485)
(24,020,371)	-	(24,020,371)
(1,693,477)	-	(1,693,477)
(1,572,126)	-	(1,572,126)
(5,508,698)	-	(5,508,698)
(4,356,875)	-	(4,356,875)
(1,444,189)	-	(1,444,189)
(14,575,365)	-	(14,575,365)
(548,276)	-	(548,276)
(1,122,089)	-	(1,122,089)
-	-	-
(1,795,420)	-	(1,795,420)
(3,465,785)	-	(3,465,785)
(42,061,521)	-	(42,061,521)
-	(76,429)	(76,429)
(42,061,521)	(76,429)	(42,137,950)
22,720,487	-	22,720,487
4,227,019	-	4,227,019
19,137,954	-	19,137,954
101,974	1,935	103,909
131,592	-	131,592
46,319,026	1,935	46,320,961
4,257,505	(74,494)	4,183,011
67,235,169	721,769	67,956,938
$ 71,492,674	$ 647,275	$ 72,139,949

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Debt Service
Assets		
Cash, cash equivalents and pooled investments	$ 12,312,144	$ -
Receivables:		
Property tax:		
Delinquent	100,313	-
Succeeding year	17,767,588	-
Accounts	1,213,286	-
Accrued interest	-	-
Due from other governments	483,824	-
Due from other funds	765	-
Inventories	32,694	-
Total assets	$ 31,910,614	$ -
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	$ 1,153,607	$ -
Salaries and benefits payable	4,857,210	-
Due to other governments	113,261	-
Due to other funds	-	-
Total liabilities	6,124,078	-
Deferred Inflows of Resources:		
Unavailable revenues:		
Succeeding year property tax	17,767,588	-
Fund balances:		
Nonspendable	32,694	-
Restricted for:		
Categorical funding	966,459	-
Debt service	-	-
Management levy purposes	-	-
Student activities	-	-
Public purpose trust funds	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Unassigned	7,019,795	-
Total fund balances	8,018,948	-
Total liabilities, deferred inflows of resources and fund balances	$ 31,910,614	$ -

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ 11,764,155	$ 3,134,148	$ 27,210,447
15,655	2,339	118,307
3,132,046	497,939	21,397,573
-	-	1,213,286
746	-	746
668,816	-	1,152,640
-	-	765
-	-	32,694
$ 15,581,418	$ 3,634,426	$ 51,126,458
$ 1,121,175	$ 45,160	$ 2,319,942
-	-	4,857,210
-	-	113,261
-	-	-
1,121,175	45,160	7,290,413
3,132,046	497,939	21,397,573
-	1,442,686	1,475,380
-	-	966,459
-	-	-
-	1,062,507	1,062,507
-	571,100	571,100
-	15,034	15,034
9,034,256	-	9,034,256
2,293,941	-	2,293,941
-	-	7,019,795
11,328,197	3,091,327	22,438,472
$ 15,581,418	$ 3,634,426	$ 51,126,458

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2014

Total fund balances of governmental funds	$22,438,472
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	76,543,508
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	(85,215)
Long-term liabilities, including notes payable, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(27,404,091)
Net position of governmental activities	$71,492,674

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	General	Debt Service
Revenues:		
Local sources:		
Local tax	$ 19,238,661	$ -
Tuition	6,327,680	-
Other	591,043	4,010
State sources	25,329,974	-
Federal sources	2,181,954	-
Total revenues	53,669,312	4,010
Expenditures:		
Current:		
Instruction:		
Regular instruction	23,052,822	-
Special instruction	6,691,764	-
Other instruction	6,228,662	-
	35,973,248	-
Support services:		
Student services	1,691,188	-
Instructional staff services	1,547,129	-
Administration services	5,451,619	-
Operation and maintenance of plant services	4,021,709	-
Transportation services	1,250,476	-
	13,962,121	-
Other expenditures:		
Facilities acquisition and construction	-	-
Long-term debt:		
Principal	-	2,235,000
Interest and other charges	-	1,041,279
AEA flowthrough	2,052,254	-
	2,052,254	3,276,279
Total expenditures	51,987,623	3,276,279
Excess (deficiency) of revenues over (under) expenditures	1,681,689	(3,272,269)
Other financing sources (uses):		
Revenue bonds issued	-	-
Revenue bonds issued premium	-	-
Proceeds from sale of real estate	10,672	-
Operating transfers in	-	3,272,269
Operating transfers out	-	-
Total other financing sources (uses)	10,672	3,272,269
Change in fund balances	1,692,361	-
Fund balances beginning of year	6,326,587	-
Fund balances end of year	$ 8,018,948	$ -

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ 7,260,823	$ 448,022	$ 26,947,506
-	-	6,327,680
137,584	1,015,099	1,747,736
64,584	205	25,394,763
474,251	-	2,656,205
7,937,242	1,463,326	63,073,890
879,484	105,726	24,038,032
-	-	6,691,764
-	1,018,573	7,247,235
879,484	1,124,299	37,977,031
-	-	1,691,188
-	-	1,547,129
83,852	50,302	5,585,773
119,912	378,897	4,520,518
376,357	77,149	1,703,982
580,121	506,348	15,048,590
10,081,475	-	10,081,475
-	-	2,235,000
59,185	-	1,100,464
-	-	2,052,254
10,140,660	-	15,469,193
11,600,265	1,630,647	68,494,814
(3,663,023)	(167,321)	(5,420,924)
9,950,000	-	9,950,000
49,287	-	49,287
120,920	-	131,592
-	-	3,272,269
(3,272,269)	-	(3,272,269)
6,847,938	-	10,130,879
3,184,915	(167,321)	4,709,955
8,143,282	3,258,648	17,728,517
$ 11,328,197	$ 3,091,327	$ 22,438,472

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

Net change in fund balances - total governmental funds		$ 4,709,955
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation in the current year, as follows:		
Expenditures for capital assets	$ 9,667,082	
Depreciation expense	(2,333,666)	7,333,416
Proceeds from issuing long-term liabilities provides current financing resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		
Issuance	$ (9,950,000)	
Discount	(49,287)	(9,999,287)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:		
Repayments		2,235,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(14,017)
Accretion of discount on long-term liabilities increases long-term liabilities on the Statement of Net Position, and is included with interest on long-term debt on the Statement of Activities.		(11,400)
Amortization of premium on long-term liabilities decreases long-term liabilities on the Statement of Net Position, and is included with interest on long-term debt on the Statement of Activities.		3,792
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	$ 46	
Other postemployment benefits	-	46
Change in net position of governmental activities		$ 4,257,505

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2014

	Enterprise Fund - School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	$ 539,436
Accounts receivable	204
Accrued interest receivable	-
Due from other governments	-
Inventories	73,372
Total current assets	613,012
Noncurrent assets:	
Capital assets, net of accumulated depreciation	110,070
Total assets	723,082
Liabilities	
Current liabilities:	
Accounts payable	57,274
Salaries and benefits payable	18,533
Total liabilities	75,807
Net position	
Investment in capital assets	110,070
Unrestricted	537,205
Total net position	$ 647,275

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Enterprise Fund - School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 1,374,180
Other	10,516
Total operating revenues	1,384,696
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	626,646
Benefits	181,070
Purchased services	49,076
Supplies	1,326,867
Depreciation	22,401
Total operating expenses	2,206,060
Operating loss	(821,364)
Non-operating revenues:	
State sources	16,460
Federal sources	728,475
Interest on investments	1,935
Total non-operating revenues	746,870
Change in net position	(74,494)
Net position beginning of year	721,769
Net position end of year	$ 647,275

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Enterprise Fund - School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 1,385,813
Cash payments to employees for services	(815,950)
Cash payments to suppliers for goods or services	(1,291,922)
Net cash used by operating activities	(722,059)
Cash flows from non-capital financing activities:	
State grants received	16,460
Federal grants received	661,157
Net cash provided by non-capital financing activities	677,617
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(16,727)
Disposition of capital assets	-
Net cash used by capital and related financing activities	(16,727)
Cash flows from investing activities:	
Interest on investments	2,007
Net increase (decrease) in cash and cash equivalents	(59,162)
Cash and cash equivalents at beginning of year	598,598
Cash and cash equivalents at end of year	$ 539,436
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (821,364)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	67,318
Depreciation	22,401
Decrease in receivables	1,117
Increase in inventories	(1,011)
Increase in accounts payable	17,714
Decrease in salaries and benefits payable	(8,234)
Net cash used by operating activities	$ (722,059)

Non-cash investing, capital and financing activities:
During the year ended June 30, 2014, the District received $67,318 of federal commodities.

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust - Scholarships	Agency Funds
Assets		
Cash, cash equivalents and pooled investments	$ 16,171	$ 5,805
Accrued interest receivable	-	-
Due from others	-	10,199
Total assets	16,171	16,004
Liabilities		
Accounts payable	10,000	8,166
Due to other funds	-	765
Due to others	-	7,073
Total liabilities	10,000	16,004
Net position		
Reserved for scholarships	$ 6,171	$ -

See notes to financial statements.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust - Scholarships
Additions:	
Local sources:	
Gifts and contributions	$ 5,000
Interest income	39
Total additions	5,039
Deductions:	
Support services:	
Scholarships awarded	15,050
Total deductions	15,050
Change in net position	(10,011)
Net position beginning of year	16,182
Net position end of year	$ 6,171

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

B. Basis of Presentation - (continued)

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

B. Basis of Presentation - (continued)

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

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

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Deferred Inflows of Resources - 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 inflows of resources 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 inflows of resources consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures in by functions did not exceed the amounts budgeted, and the District did not exceed its General Fund unspent authorized budget.

F. Use of Estimates

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

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by Federal depository insurance or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

During the year, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940, and the balance at June 30, 2014 was $0. The investments in the Iowa Schools Joint Investment Trust were rated AAAm by Moody's Investors Service.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District is eligible, but did not participate in the Iowa Schools Cash Anticipation Program (ISCAP) during the year ended June 30, 2014. ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co., N.A., is the trustee for the program.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance, Beginning of Year	Increases	Decreases	Balance, End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,725,334	$ -	$ -	$ 1,725,334
Construction in progress	10,025,150	8,550,012	7,973,242	10,601,920
Total capital assets not being depreciated	11,750,484	8,550,012	7,973,242	12,327,254
Capital assets being depreciated/amortized:				
Buildings and improvements	75,480,625	8,366,024	-	83,846,649
Improvements other than buildings	3,169,966	-	-	3,169,966
Furniture and equipment	2,746,854	265,567	108,767	2,903,654
Vehicles	3,114,351	458,721	102,422	3,470,650
Intangibles	-	-	-	-
Total capital assets being depreciated/amortized	84,511,796	9,090,312	211,189	93,390,919
Less accumulated depreciation/amortization for:				
Buildings and improvements	20,962,135	1,681,730	-	22,643,865
Improvements other than buildings	2,204,327	127,989	-	2,332,316
Furniture and equipment	1,637,866	273,385	108,767	1,802,484
Vehicles	2,247,860	250,562	102,422	2,396,000
Intangibles	-	-	-	-
Total accumulated depreciation/ amortization	27,052,188	2,333,666	211,189	29,174,665
Total capital assets being depreciated/amortized, net	57,459,608	6,756,646	-	64,216,254
Governmental activities capital assets, net	$ 69,210,092	$ 15,306,658	$ 7,973,242	$ 76,543,508

(4) Capital Assets - (continued)

Business type activities:

Furniture, equipment, vehicles	$ 719,077	$ 16,727	$ 6,895	$ 728,909
Less accumulated depreciation	603,333	22,401	6,895	618,839
Business type activities capital assets, net	$ 115,744	$ (5,674)	$ -	$ 110,070

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	$ 72,158
Special	2,141
Other	37,363
Support services:	
Support staff	382
Instructional staff	20,071
Administration	15,422
Operation and maintenance of plant	178,624
Transportation	212,085
	538,246
Unallocated depreciation/amortization	1,795,420
Total depreciation/amortization expense - governmental activities	$ 2,333,666
Business type activities:	
School nutrition	$ 22,401

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Bonds payable	$ 18,795,000	$ -	$ 875,000	$ 17,920,000	$ 900,000
Discount	(181,250)	-	(11,400)	(169,850)	(11,400)
	18,613,750	-	863,600	17,750,150	888,600
Bonds payable	$ -	$ 9,950,000	$ 1,360,000	$ 8,590,000	$ 1,320,000
Premium	-	49,287	3,792	45,495	5,055
	-	9,999,287	1,363,792	8,635,495	1,325,055
Compensated absences	163,492	163,446	163,492	163,446	163,446
Net OPEB liab.	855,000	-	-	855,000	-
Total	$ 19,632,242	$ 10,162,733	$ 2,390,884	$ 27,404,091	$ 2,377,101

(5) Long-Term Liabilities - (continued)

Revenue bonds:

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

The District has pledged future school infrastructure sales, services and use tax revenues to repay the $9,950,000 of bonds issued September 23, 2013. These bonds were issued to (i) finance the completion of the construction, furnishing, and equipping of additions to the existing school buildings and related remodeling and improvements; (ii) fund a debt service reserve fund in the amount of $995,000; and (iii) pay the cost of issuance of the Bonds. The bonds are not a general obligation of the district, however, the debt is subject to the constitutional debt limitation of the District.

Details of the District's June 30, 2014 School Infrastructure Sales, Services and Use Tax bonded indebtedness are as follows:

Year Ending June 30,	Bond Issued June 1, 2011			Bond Issued September 23, 2013		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2015	3.000%	$ 900,000	$ 857,591	2.000%	$ 1,320,000	$ 200,250
2016	3.000%	925,000	830,591	2.000%	850,000	173,850
2017	4.500%	950,000	802,841	2.000%	860,000	156,850
2018	4.500%	985,000	760,092	2.000%	880,000	139,650
2019	4.500%	1,020,000	715,766	2.000%	900,000	122,050
2020	4.500%	1,065,000	669,866	2.500%	920,000	104,050
2021	4.500%	1,105,000	621,941	2.500%	950,000	81,050
2022	4.750%	1,155,000	572,216	3.000%	965,000	57,300
2023	5.000%	1,205,000	517,354	3.000%	945,000	28,350
2024	5.125%	1,265,000	457,104			
2025	5.125%	1,325,000	392,273			
2026	5.375%	1,390,000	324,366			
2027	5.375%	1,465,000	249,654			
2028	5.480%	1,540,000	170,910			
2029	5.480%	1,625,000	87,750			
		$ 17,920,000	$ 8,030,315		$ 8,590,000	$ 1,063,400

(5) Long-Term Liabilities - (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	$ 2,220,000	$ 1,057,841	$ 3,277,841
2016	1,775,000	1,004,441	2,779,441
2017	1,810,000	959,691	2,769,691
2018	1,865,000	899,742	2,764,742
2019	1,920,000	837,816	2,757,816
2020	1,985,000	773,916	2,758,916
2021	2,055,000	702,991	2,757,991
2022	2,120,000	629,516	2,749,516
2023	2,150,000	545,704	2,695,704
2024	1,265,000	457,104	1,722,104
2025	1,325,000	392,273	1,717,273
2026	1,390,000	324,366	1,714,366
2027	1,465,000	249,654	1,714,654
2028	1,540,000	170,910	1,710,910
2029	1,625,000	87,750	1,712,750
	$ 26,510,000	$ 9,093,715	$ 35,603,715

(6) Construction Commitment

The District has entered into contracts for various building improvement and roofing projects totaling $12,777,895. As of June 30, 2014, costs of $10,601,920 on these contracts had been incurred, $9,572,559 had been paid, and $1,029,361 was included in the accounts payable on the balance sheet. The balance of $2,175,975 remaining at June 30, 2014 will be paid as work on the various projects progresses.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were $2,669,772 $2,442,366, and $2,170,106, respectively, equal to required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 487 active and 21 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

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

For calculation of the net OPEB obligation, the actuary has set the transition date as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed $0 to the medical plan. Plan members eligible for benefits contributed $172,503, or 100% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	-	0.00%	703,000
June 30, 2013	152,000	0.00%	855,000
June 30, 2014	-	0.00%	855,000

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

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was $2.406 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $2.406 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately $26,676,000, and the ratio of the UAAL to covered payroll was 9.02%. As of June 30, 2014, there were no trust fund assets.

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

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

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

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and education services provided through the Area Education Agency. The District's actual amount for this purpose totaled $2,052,254 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Contingencies and Risk Management

At June 30, 2014, the District is involved in various claims and lawsuits against the District that arise in the normal course of operations, many of which are covered by insurance. The outcome and eventual liability of the District, if any, from these claims and any unasserted claims is not known at this time. The District is also exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Interfund Transfers

Transfer to:	Transfer from:	
	Capital Projects Fund:	
Debt Service Fund	Stateside Sales, Services and Use Tax	$ 3,272,269

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

(12) Subsequent Events

Management has evaluated subsequent events through January 12, 2015, the date which the financial statements were available for issue.

Required Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Revenues:		
Local sources	$ 35,022,922	$ 1,386,631
Intermediate sources	-	-
State sources	25,394,763	16,460
Federal sources	2,656,205	728,475
Total receipts	63,073,890	2,131,566
Expenditures		
Instruction	37,977,031	-
Support services	15,048,590	-
Non-instructional programs	-	2,206,060
Other expenditures	15,469,193	-
Total disbursements	68,494,814	2,206,060
Excess (deficiency) of revenues over (under) expenditures	(5,420,924)	(74,494)
Other financing sources, net	10,130,879	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,709,955	(74,494)
Balance beginning of year	17,728,517	721,769
Balance end of year	$ 22,438,472	$ 647,275

See accompanying independent auditors' report.

Budget Adjustments	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance-Positive (Negative)
$ 13,491	$ 36,396,062	$ 40,213,764	$ 40,213,764	$ (3,817,702)
-	-	-	-	-
-	25,411,223	25,086,830	25,086,830	324,393
-	3,384,680	2,891,127	2,891,127	493,553
13,491	65,191,965	68,191,721	68,191,721	(2,999,756)
62	37,976,969	42,294,821	42,294,821	4,317,852
-	15,048,590	15,901,644	15,901,644	853,054
-	2,206,060	2,373,919	2,373,919	167,859
-	15,469,193	15,844,128	16,077,200	608,007
62	70,700,812	76,414,512	76,647,584	5,946,772
13,429	(5,508,847)	(8,222,791)	(8,455,863)	2,947,016
-	10,130,879	82,000	82,000	10,048,879
13,429	4,622,032	(8,140,791)	(8,373,863)	12,995,895
1,444,291	17,005,995	17,811,856	17,811,856	(805,861)
$ 1,457,720	$ 21,628,027	$ 9,671,065	$ 9,437,993	$ 12,190,034

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by $233,072.

During the year ended June 30, 2014, expenditures by functions did not exceed the amounts budgeted, and the District did not exceed its General Fund unspent authorized budget.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	$ -	$ 2,941	$ 2,941	0.00%	$ 19,031	15.45%
2010	July 1, 2008	$ -	$ 2,941	$ 2,941	0.00%	$ 25,060	11.74%
2011	July 1, 2010	$ -	$ 1,648	$ 1,648	0.00%	$ 21,358	7.72%
2012	July 1, 2010	$ -	$ 1,648	$ 1,648	0.00%	$ 21,847	7.54%
2013	July 1, 2012	$ -	$ 2,406	$ 2,406	0.00%	$ 24,946	9.64%
2014	July 1, 2012	$ -	$ 2,406	$ 2,406	0.00%	$ 26,676	9.02%

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

See accompanying independent auditors' report.

Supplementary Information

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

Assets	Special Revenue		
	Management Levy	Student Activity	Public Purpose Trust Fund
Cash, cash equivalents and pooled investments	$ 1,068,854	$ 607,574	$ 15,034
Receivables:			
Property tax:			
Delinquent	2,339	-	-
Succeeding year	497,939	-	-
Accounts	-	-	-
Accrued interest	-	-	-
Due from other governments	-	-	-
Total assets	$ 1,569,132	$ 607,574	$ 15,034
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 8,686	$ 36,474	$ -
Salaries and benefits payable	-	-	-
Due to other funds			
Total liabilities	8,686	36,474	-
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax	497,939	-	-
Fund balances:			
Nonspendable	-	-	-
Restricted for:			
Management levy purposes	1,062,507	-	-
Student activities	-	571,100	-
Public purpose trust funds	-	-	15,034
Total fund balances	1,062,507	571,100	15,034
Total liabilities, deferred inflows of resources and fund balances	$ 1,569,132	$ 607,574	$ 15,034

See accompanying independent auditors' report.

Total Special Revenue	Permanent Fund	Total
$ 1,691,462	$ 1,442,686	$ 3,134,148
2,339	-	2,339
497,939	-	497,939
-	-	-
-	-	-
-	-	-
$ 2,191,740	$ 1,442,686	$ 3,634,426
$ 45,160	$ -	$ 45,160
-	-	-
-	-	-
45,160	-	45,160
497,939	-	497,939
-	1,442,686	1,442,686
1,062,507	-	1,062,507
571,100	-	571,100
15,034	-	15,034
1,648,641	1,442,686	3,091,327
$ 2,191,740	$ 1,442,686	$ 3,634,426

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Public Purpose Trust Fund
Revenues:			
Local sources:			
Local tax	$ 448,022	$ -	$ -
Other	26,787	974,821	2,484
State sources	205	-	-
Federal sources	-	-	-
Total revenues	475,014	974,821	2,484
Expenditures:			
Current:			
Instruction:			
Regular instruction	105,664	-	62
Special instruction	-	-	-
Other instruction	-	1,018,573	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	50,302	-	-
Operating and maintenance of plant services	378,897	-	-
Transportation services	77,149	-	-
Other expenditures:			
Facilities acquisition and construction	-	-	-
Total expenditures	612,012	1,018,573	62
Excess (deficiency) of revenues over (under) expenditures	(136,998)	(43,752)	2,422
Other financing sources (uses):			
Operating transfers in	-	-	
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Change in fund balances	(136,998)	(43,752)	2,422
Fund balances beginning of year	1,199,505	614,852	12,612
Fund balances end of year	$ 1,062,507	$ 571,100	$ 15,034

See accompanying independent auditors' report.

	Total Special Revenue Funds	Permanent Fund	Total
	$ 448,022	$ -	$ 448,022
	1,004,092	11,007	1,015,099
	205	-	205
	-	-	-
	1,452,319	11,007	1,463,326
	105,726	-	105,726
	-	-	-
	1,018,573	-	1,018,573
	-	-	-
	-	-	-
	50,302	-	50,302
	378,897	-	378,897
	77,149	-	77,149
	-	-	-
	1,630,647	-	1,630,647
	(178,328)	11,007	(167,321)
	-	-	-
	-	-	-
	-	-	-
	(178,328)	11,007	(167,321)
	1,826,969	1,431,679	3,258,648
	$ 1,648,641	$ 1,442,686	$ 3,091,327

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen-ditures	Intra-Fund Transfers	Balance End of Year
Investment income	$ 60,684	$ 1,969	$ -	$ (3,853)	$ 58,800
Miscellaneous	26,538	21,930	27,511	(2,212)	18,745
Drama arts	19,554	7,764	8,520	(41)	18,757
Speech	2,137	390	2,427	1,800	1,900
Recog.-music/speech	5,964	3,967	3,474	-	6,457
Yearbook	86,473	32,599	27,416	140	91,796
Music/vocal	1,721	109,922	112,052	1,753	1,344
Music/orchestra	1,389	3,933	5,584	1,386	1,124
Music/band	6,309	16,757	18,502	800	5,364
Athletics	(22,562)	120,017	123,781	(15,500)	(41,826)
Athletic resale	2,372	1,231	466	(1,000)	2,137
Bowling	260	873	2,514	1,500	119
Track meets	6,456	8,943	11,557	2,848	6,690
Tennis	6,136	493	2,652	1,500	5,477
Golf	6,567	1,703	7,368	6,131	7,033
Cheerleaders	2,004	53,591	51,021	3,148	7,722
Pom poms	920	15,494	19,981	5,696	2,129
Basketball-boys	11,924	15,704	16,517	(6,000)	5,111
Football	18,383	73,019	59,668	(12,000)	19,734
Soccer-boys	2,630	3,347	4,930	1,500	2,547
Baseball	1,241	6,688	15,066	11,000	3,863
Track-boys	3,736	2,964	8,651	6,000	4,049
Swimming-boys	3,799	4,699	5,067	-	3,431
Wrestling	(652)	8,140	11,528	2,700	(1,340)
Basketball-girls	6,516	9,649	15,858	6,000	6,307
Volleyball	8,011	15,882	27,831	11,000	7,062
Soccer-girls	2,234	4,259	7,160	3,500	2,833
Softball	13,095	6,546	11,154	2,595	11,082
Track-girls	668	1,752	8,647	7,500	1,273
Swimming-girls	4,553	10,038	12,016	-	2,575
Concessions-Robinsen/Dresser	13,211	8,635	5,330	(2,900)	13,616
A.P.A.	(41,187)	7,519	17,849	6,139	(45,378)
Student Forum	75	7,090	5,610	534	2,089
A.V. Dept.	761	-	-	-	761
P.C.B.C.	46,935	2,684	328	-	49,291
Campus improvement	9,767	3,354	962	(7,413)	4,746
CFHS Memorial Fund	3,111	-	-	-	3,111
CHAT	100	-	-	-	100
Food Bank	598	6,505	8,200	2,878	1,781
DECA	884	7,569	8,842	900	511
Drug/alcohol prevention	448	-	-	-	448
English resource center	7,888	8	454	(50)	7,392
FBLA	53	-	-	-	53
Food service	174	-	-	-	174
General store	3,786	-	-	(4,400)	(614)
Activity tickets/Jr. high	14,460	22,537	194	(34,500)	2,303
Jr/Sr prom	(8,388)	7,769	7,231	(878)	(8,728)
Library	10,090	4,013	1,714	(90)	12,299
FTC	-	3,340	1,722	-	1,618
Mc Elroy Fund	1,454	2,199	1,968	(515)	1,170
Office education	(1,372)	-	-	-	(1,372)

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expen-ditures	Intra-Fund Transfers	Balance End of Year
M.R.C.	13	-	634	525	(96)
Pop	16,542	3,214	4,296	300	15,760
AP textbooks	2,974	3,952	-	-	6,926
Programs	(3,356)	-	-	-	(3,356)
Revolving	10,691	57,832	71,081	12,274	9,716
Science club	149	50	153	200	246
Faculty	2,615	3,345	4,641	34	1,353
T & I Club	(78)	-	-	-	(78)
Tiger Hi-Line	5,191	-	-	-	5,191
Y.F.U.	2,614	-	-	-	2,614
Student forum	4,949	14,057	11,651	(1,088)	6,267
Renaissance	122	-	-	-	122
Class of 2003	2,526	3,782	1,816	-	4,492
Class of 2004	691	-	-	-	691
Cancer funds	1,606	-	-	-	1,606
Class of 2008	1,550	-	-	-	1,550
Special needs	565	-	-	-	565
Tiger bizness	692	3,810	4,314	-	188
PTA	813	-	-	-	813
PTA	19,531	30,907	17,037	-	33,401
Student council	31,500	36,981	41,137	782	28,126
Pictures	33,345	23,635	26,062	3,811	34,729
Lego League	11,670	3,945	6,256	16	9,375
Student activities	13,683	15,430	9,456	(5,609)	14,048
Special Olympics	1,269	-	-	-	1,269
Math club	430	-	-	-	430
Magazines	49,124	45,010	45,537	(9,110)	39,487
Student fundraisers club	2,006	-	-	-	2,006
Gym padlocks	267	695	541	-	421
Recycling	5,287	32	73	40	5,286
Alpha	1,170	5,250	4,827	69	1,662
Robotics	10,612	48,604	52,370	-	6,846
TJ-TR Account	-	-	-	-	-
SADD	2,525	403	310	-	2,618
Video yearbook	121	12	-	(12)	121
Weight room	2,322	-	1,381	-	941
Culture Fair	7	-	-	-	7
Trapshooting	-	12,186	10,998	-	1,188
Drama clubs	8,313	2,966	5,975	-	5,304
Tech clubs	45	-	-	-	45
Choral/Dramatic	3,403	2,327	-	-	5,730
Echoes concessions	3,679	2,013	3,609	-	2,083
Amnesty International	213	-	-	-	213
PATT concessions	3,642	6,443	4,821	171	5,435
Brick Fundraiser	5,642	3	-	-	5,645
Art Club	725	152	60	-	817
Baseball Booster	554	300	152	-	702
AW	990	-	62	1	929
	$ 614,852	$ 974,821	$ 1,018,573	$ -	$ 571,100

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2014

Assets	Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Physical Plant and Equipment Levy	Total
Cash, cash equivalents and pooled investments	$ 8,983,895	$ 2,780,260	$ 11,764,155
Receivables:			
Property tax:			
Delinquent	-	15,655	15,655
Succeeding year	-	3,132,046	3,132,046
Accounts	-	-	-
Accrued interest	746	-	746
Due from other governments	668,816	-	668,816
Total assets	$ 9,653,457	$ 5,927,961	$ 15,581,418
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 619,201	$ 501,974	$ 1,121,175
Salaries and benefits payable	-	-	-
Total liabilities	619,201	501,974	1,121,175
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax	-	3,132,046	3,132,046
Fund balances:			
Restricted for:			
Debt service	-	-	-
School infrastructure	9,034,256	-	9,034,256
Physical plant and equipment	-	2,293,941	2,293,941
Total fund balances	9,034,256	2,293,941	11,328,197
Total liabilities, deferred inflows of resources and fund balances	$ 9,653,457	$ 5,927,961	$ 15,581,418

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	$ 4,227,019	$ 3,033,804	$ 7,260,823
Other	89,598	47,986	137,584
State sources	-	64,584	64,584
Federal sources	-	474,251	474,251
Total revenues	4,316,617	3,620,625	7,937,242
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	879,484	879,484
Special instruction	-	-	-
Other instruction	-	-	-
Support services:			
Student services	-	-	-
Instructional staff services	-	-	-
Administration services	-	83,852	83,852
Operating and maintenance of plant services	-	119,912	119,912
Transportation services	-	376,357	376,357
Other expenditures:			
Facilities acquisition and construction	7,415,222	2,666,253	10,081,475
Long -term debt:			
Interest and other charges	59,185	-	59,185
Total expenditures	7,474,407	4,125,858	11,600,265
Excess (deficiency) of revenues over (under) expenditures	(3,157,790)	(505,233)	(3,663,023)
Other financing sources (uses):			
Revenue bonds issued	9,950,000	-	9,950,000
Revenue bonds issued premium	49,287	-	49,287
Proceeds of sale of real estate	-	120,920	120,920
Operating transfers in	-	-	-
Operating transfers out	(3,272,269)	-	(3,272,269)
Total other financing sources (uses)	6,727,018	120,920	6,847,938
Change in fund balances	3,569,228	(384,313)	3,184,915
Fund balances beginning of year	5,465,028	2,678,254	8,143,282
Fund balances end of year	$ 9,034,256	$ 2,293,941	$ 11,328,197

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities

Agency Funds

Year ended June 30, 2014

Assets	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Cash, cash equivalents and pooled investments	$ 30	$ 179,198	$ 173,423	$ 5,805
Due from others	9,110	10,199	9,110	10,199
Total assets	$ 9,140	$ 189,397	$ 182,533	$ 16,004
Liabilities				
Accounts payable	$ 663	$ 8,166	$ 663	$ 8,166
Due to other funds	6,639	765	6,639	765
Due to others	1,838	180,287	175,052	7,073
Total liabilities	$ 9,140	$ 189,218	$ 182,354	$ 16,004

See accompanying independent auditors' report.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function

All Governmental Funds

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	$ 26,947,506	$ 25,250,148	$ 23,292,769	$ 22,492,144
Tuition	6,327,680	6,215,310	2,517,523	2,308,568
Other	1,747,736	1,745,114	1,574,806	1,621,478
State sources	25,394,763	24,493,545	24,626,293	21,450,797
Federal sources	2,656,205	1,928,685	2,432,186	2,301,223
Total revenues	$ 63,073,890	$ 59,632,802	$ 54,443,577	$ 50,174,210
Expenditures:				
Instruction:				
Regular instruction	$ 24,038,032	$ 21,896,495	$ 21,562,482	$ 19,480,531
Special instruction	6,691,764	6,490,150	6,825,387	6,558,307
Other instruction	7,247,235	8,059,569	4,235,767	4,127,564
Support services:				
Student services	1,691,188	1,264,113	1,117,153	1,215,980
Instructional staff services	1,547,129	1,358,477	1,391,869	1,353,387
Administration services	5,585,773	5,003,083	4,823,745	4,495,179
Operation and maintenance of plant services	4,520,518	3,982,925	3,800,984	3,552,168
Transportation services	1,703,982	1,599,625	1,428,608	1,109,410
Other expenditures:				
Facilities acquisition and construction	10,081,475	10,268,105	8,284,764	8,215,722
Long-term debt:				
Principal	2,235,000	860,000	845,000	10,000,000
Interest and other charges	1,100,464	910,141	990,232	358,845
AEA flowthrough	2,052,254	1,929,402	1,925,667	1,952,999
Total expenditures	$ 68,494,814	$ 63,622,085	$ 57,231,658	$ 62,420,092

See accompanying independent auditors' report.

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
$ 22,318,784	$ 21,484,048	$ 19,327,239	$ 18,191,684	$ 17,768,871	$ 16,708,307
2,153,596	1,963,269	2,138,692	2,331,925	1,921,414	1,830,999
1,878,786	1,749,316	2,086,376	2,414,261	1,855,625	1,823,074
17,994,493	20,934,389	19,951,468	18,280,648	17,610,943	16,264,693
4,581,606	1,495,445	1,085,547	1,038,884	1,078,199	1,045,266
$ 48,927,265	$ 47,626,467	$ 44,589,322	$ 42,257,402	$ 40,235,052	$ 37,672,339
$ 18,736,430	$ 17,780,433	$ 16,609,178	$ 16,382,335	$ 15,270,446	$ 15,037,847
6,247,935	5,673,623	5,495,881	5,067,331	4,720,786	4,861,934
3,743,650	4,117,251	3,508,710	2,812,842	3,039,278	2,505,798
1,169,510	1,144,030	1,088,585	1,098,064	1,078,517	1,107,975
1,333,883	1,300,243	1,212,844	1,275,388	1,254,972	1,125,213
4,274,983	3,993,170	3,796,461	3,620,974	3,386,839	3,099,849
3,708,966	3,360,535	3,327,109	3,213,667	3,025,461	3,201,889
1,469,613	1,363,560	983,877	852,118	903,632	637,188
14,636,512	4,416,650	2,941,763	3,367,014	9,991,694	4,918,143
-	-	5,000,000	-	-	-
265,400	132,700	175,400	175,400	116,867	-
1,875,964	1,595,539	1,477,405	1,373,489	1,296,035	1,221,698
$ 57,462,846	$ 44,877,734	$ 45,617,213	$ 39,238,622	$ 44,084,527	$ 37,717,534

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
U.S. Department of Education:			
Carol M. White Physical Education Program (PEP)	84.215F	FY14	$ 440,860
Total U.S. Department of Education			440,860
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY14	67,318
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY14	66,537
National School Lunch Program	10.555	FY14	594,620
			661,157
Total U.S. Department of Agriculture			728,475
U.S. Department of Justice:			
City of Cedar Falls:			
Community Oriented Policing Service (COPS)	16.710	FY14	417
Total U.S. Department of Justice			417
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	FY14	419,654
Vocational Education - Basic Grants to States	84.048A	FY14	33,703
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY14	37,942
Advanced Placement Program	84.330	FY14	264
English Language Acquisition Grants	84.365	FY14	1,998
Improving Teacher Quality State Grants	84.367	FY14	146,165
Grants for State Assessments and Related Activities	84.369	FY14	29,889
Area Education Agency 267:			
Special Education - Grants to States (IDEA)	84.027	FY14	226,890
Total U.S. Department of Education			896,505

(continued)

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health & Human Services:			
Tri-County Child & Family Development Council, Inc.:			
Head Start	93.600	FY14	109,095
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems (Aids Education)	93.938	FY14	170
Total U.S. Department of Health & Human Services			109,265
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security:			
Hazard Mitigation - Safe House	97.039	FY14	474,251
Total U.S. Department of Homeland Security			474,251
Total Expenditures of Federal Awards			$ 2,649,773

Basis of Presentation

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

See accompanying independent auditors' report.

Internal Controls and Compliance

CARNEY,
ALEXANDER,
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Certified Public Accountants

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

To the Board of Education
Cedar Falls Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cedar Falls Community School District as of and for the year ended June 30, 2014 and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statues.

Cedar Falls Community School District's Responses to Findings

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

Purpose of this Report

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

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

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

Waterloo, Iowa
January 12, 2015

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

To the Board of Education
Cedar Falls Community School District

Report on Compliance for Each Major Federal Program

We have audited Cedar Falls Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Cedar Falls Community School District's major federal programs for the year ended June 30, 2014. Cedar Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cedar Falls Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar Falls Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Cedar Falls Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

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

Waterloo, Iowa
January 12, 2015

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part I: Summary of the Independent Auditors' Results

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

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

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

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

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

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

(g) Major programs were as follows:

Clustered Programs:	
CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	National School Lunch Program
CFDA Number 84.215F	Carol M. White Physical Education Program (PEP)
CFDA Number 97.039	Hazard Mitigation - Safe House

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

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

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the amended certified budget amounts.

IV-B-14 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-14 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-14 Business Transactions - We noted no business transactions between the District and District officials or employees.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-14 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.

IV-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

CEDAR FALLS COMMUNITY SCHOOL DISTRICT

Audit Staff

This audit was performed by:

Monica M. Haag, CPA, Partner

Janel Ruzicka, Manager

Heidi Verhagen, CPA

Matt Sweers, CPA

Steven Taylor, CPA