

IOWA FALLS COMMUNITY SCHOOL DISTRICT
IOWA FALLS, IOWA

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

JUNE 30, 2014

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IOWA FALLS COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
T.J. Norman	President	2015
Todd Bicknese	Vice President	2013
Deanna Krause	Board Member	2013
Elaine Loring	Board Member	2015
David Gimer	Board Member	2015
(After September 2013 election)		
T.J. Norman	President	2015
Todd Bicknese	Vice President	2017
Elaine Loring	Board Member	2015
David Gimer	Board Member	2015
Deanna Krause	Board Member	2017
<u>School Officials</u>		
Dr. John Robbins	Superintendent	2014
Trish Lee	District Secretary/Treasurer	2014
Rick Engel	Attorney	2014

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District as of June 30, 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*Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight years ended June 30, 2012 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the third paragraph of this report, who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures and 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2014 on our consideration of Iowa Falls Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Iowa Falls Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
November 10, 2014

Hunt + Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Iowa Falls Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues and other financing sources increased from \$11,801,323 in fiscal year 2013 to \$12,092,705 in fiscal year 2014, while General Fund expenditures increased from \$11,537,062 in fiscal year 2013 to \$12,371,803 in fiscal year 2014. The District's General Fund balance decreased from \$2,262,074 at the end of fiscal year 2013 to \$1,982,976 at the end of fiscal year 2014, a 12.3% decrease.
- The fiscal year 2014 General Fund revenue increase was mainly attributable to increases in state sources of revenue and local tax collections. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund revenue for fiscal year 2014. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

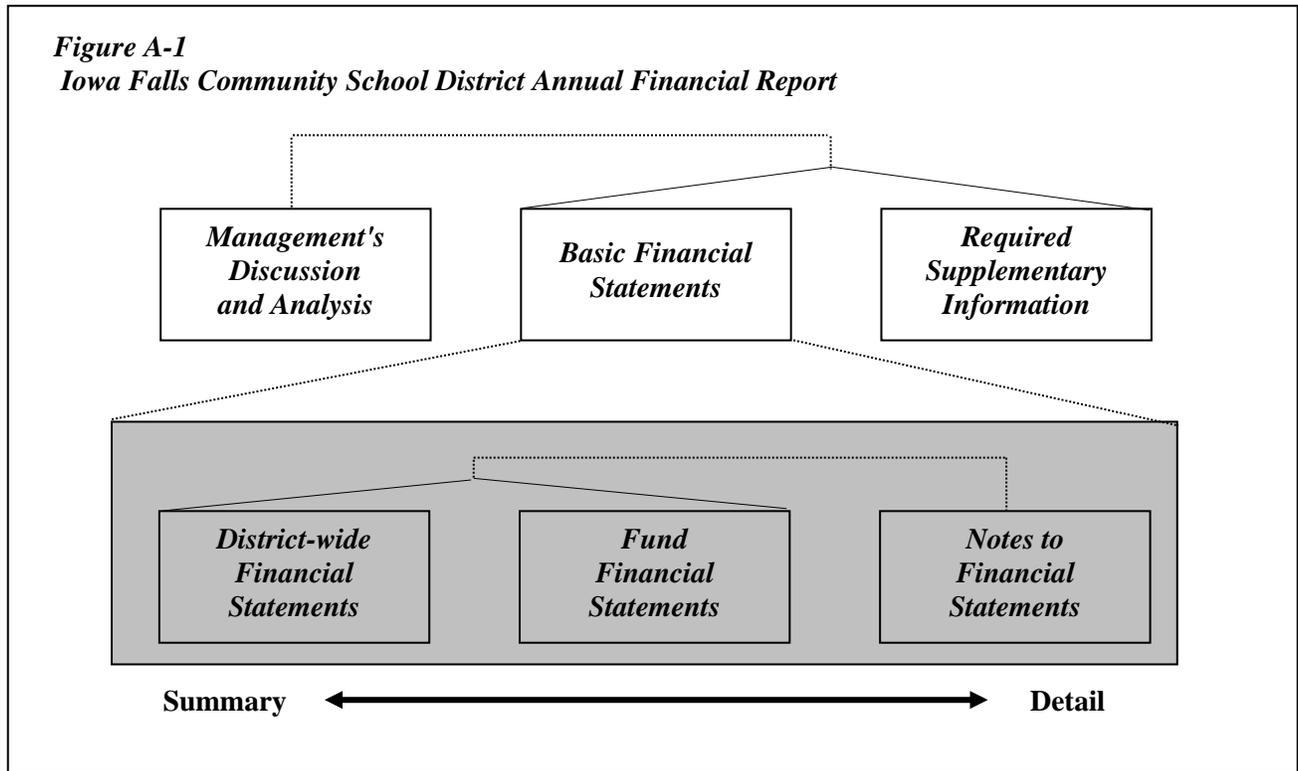


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2014 compared to June 30, 2013.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	8,785,288	9,329,417	53,000	50,786	8,838,288	9,380,203	-5.78%
Capital assets	7,761,347	7,054,019	28,733	33,771	7,790,080	7,087,790	9.91%
Total Assets	16,546,635	16,383,436	81,733	84,557	16,628,368	16,467,993	.97%
Long-term obligations	833,968	730,921	3,772	3,772	837,740	734,693	14.03%
Other liabilities	1,533,783	1,488,963	16,803	15,263	1,550,586	1,504,226	3.08%
Total liabilities	2,367,751	2,219,884	20,575	19,035	2,388,326	2,238,919	6.67%
Deferred inflows of resources	3,727,778	4,002,143	-	-	3,727,778	4,002,143	-6.86%
Net position:							
Net Investment in							
Capital assets	7,448,847	6,585,269	28,733	33,771	7,477,580	6,619,040	12.97%
Restricted	1,147,343	1,276,379	-	-	1,147,343	1,276,379	-10.11%
Unrestricted	1,854,916	2,299,761	32,425	31,751	1,887,341	2,331,512	-19.05%
Total net position	10,451,106	10,161,409	61,158	65,522	10,512,264	10,226,931	2.79%

The District’s total net position increased 2.79%, or approximately \$285,000 from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$129,036 or 10%, from the prior year. The decrease was primarily a result of a decrease in the Capital Projects restriction.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$444,171, or 19.05%.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

Changes In Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13	2013-2014
Revenues:							
Program revenues:							
Charges for service	1,632,772	1,657,932	283,922	278,202	1,916,694	1,936,134	-1.00%
Operating grants, contributions and restricted interest	1,575,889	1,577,594	358,636	353,488	1,934,525	1,931,082	.18%
Capital grants, contributions and restricted interest	150,835	225,498	-	-	150,835	225,498	-33.11%
General revenues:							
Property tax	4,016,167	3,769,826	-	-	4,016,167	3,769,826	6.53%
Income Surtax	543,930	464,450	-	-	543,930	464,450	17.11%
Statewide sales, services and use tax	953,043	884,081			953,043	884,081	7.80%
Unrestricted state and federal grants	5,212,606	5,175,803			5,212,606	5,175,803	.71%
Unrestricted investment earnings	14,619	14,408	109	109	14,728	14,517	1.45%
Other	123,482	80,793	-	-	123,482	80,793	52.84%
Total revenues	14,223,343	13,850,385	642,667	631,799	14,866,010	14,482,184	2.65%
Program expenses:							
Instructional	9,244,363	8,416,823	-	-	9,244,363	8,416,823	9.83%
Support services	3,818,599	3,437,800	27,587	60,028	3,846,186	3,497,828	9.96%
Non-instructional programs	1,533	812	619,444	601,338	620,977	602,150	3.13%
Other expenses	869,151	789,226	-	-	869,151	789,226	10.13%
Total expenses	13,933,646	12,644,661	647,031	661,366	14,580,677	13,306,027	9.58%
Change in net position	289,697	1,205,724	(4,634)	(29,567)	285,333	1,176,157	-75.74%
Net position beginning of year	10,161,409	8,955,685	65,522	95,089	10,226,931	9,050,774	13.00%
Net position end of year	10,451,106	10,161,409	61,158	65,522	10,512,264	10,226,931	2.79%

In fiscal year 2014, property tax and unrestricted state grants accounted for 64.9% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue. The District's total revenues were approximately \$14.87 million, of which approximately \$14.22 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.65% increase in revenues and a 9.58% increase in expenses. The increase in expenses is related to salary and benefit increases, and the rising costs of special education.

Governmental Activities

Revenues for governmental activities were \$14,223,343 and expenses were \$13,933,646 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	9,244,363	8,416,823	9.83%	6,652,908	5,761,245	15.48%
Support Services	3,818,599	3,437,800	11.08%	3,653,847	3,290,902	11.03%
Non-Instructional Programs	1,533	812	88.79%	1,533	812	88.79%
Other Expenses	869,151	789,226	10.13%	265,862	130,678	103.45%
Totals	13,933,646	12,644,661	10.19%	10,574,150	9,183,637	15.14%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,632,772.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,726,724.
- The net cost of governmental activities was financed with \$4,560,097 in property and other taxes, \$953,043 in statewide sales, services and use tax, \$5,212,606 in unrestricted state and federal grants, \$14,619 in interest income and \$123,482 in other revenues.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$642,667, representing a 1.7% increase over the prior year, while expenses totaled \$647,031, a 2.2% decrease from the prior year. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,079,043, a slight amount less than last year's ending fund balances of \$3,410,701. The decrease is primarily attributable to the decreases in the General Fund and Capital Projects balances.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$2,262,074 on June 30, 2013 to \$1,982,976 on June 30, 2014. The change in the District's financial position is the result of many factors. Growth during the year in state and local sources resulted in an increase in revenues. General Fund expenses also increased, and outpaced revenues producing the decline in the District's General Fund financial position.
- The Capital Projects Fund balance decreased \$139,990 during the current year, from a balance of \$955,483 to \$815,493.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$47,466 at June 30, 2013 to \$39,227 at June 30, 2014, representing a decrease of approximately 17%.

The Day Care Fund net position increased \$3,875 from \$18,056 at June 30, 2013 to \$21,931 at June 30, 2014.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$253,048 more than total budgeted revenues, a variance of 1.73%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$7,790,080, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-6) This represents a net increase of 9.91% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$356,078.

The original cost of the District's capital assets was \$17,269,621. Governmental funds account for \$17,106,009, with the remainder of \$163,612 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$837,989 at June 30, 2014, compared to \$316,550 reported at June 30, 2013. This significant increase resulted from construction activity not yet completed.

Figure A-6
Capital Assets, net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	128,358	\$128,358			128,358	128,358	0.00%
Construction in progress	837,989	316,550			837,989	316,550	164.73%
Buildings	5,592,584	5,646,593			5,592,584	5,646,593	-.96%
Improvements other than buildings	374,050	160,554			374,050	160,554	132.97%%
Furniture and equipment	828,366	801,964	\$28,733	\$33,771	857,099	835,735	2.56%
Total	7,761,347	7,054,019	28,733	33,771	7,790,080	7,087,790	9.91%

Long-Term Debt

At June 30, 2014, the District had \$837,740 in bonds payable and other long-term debt outstanding. This represents an increase of 14.02% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had outstanding Revenue Bonds payable of \$312,500 at June 30, 2014. The District had total outstanding early retirement benefits payable from the Special Revenue, Management Levy Fund of \$196,240 at June 30, 2014. The District had a net OPEB liability of \$329,000 at June 30, 2014.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Revenue bonds	312,500	468,750			312,500	468,750	-33.33%
Early Retirement	196,240	27,943			196,240	27,943	602.29%
Net OPEB liability	325,228	234,228	3,772	3,772	329,000	238,000	38.24%
Total	833,968	730,921	3,772	3,772	837,740	734,693	14.03%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was not aware of any existing circumstances that would significantly affect its financial health in the future.

The District does continue a two-way sharing agreement with Alden Community School District. The school boards modified and extended the agreement for an additional four years. Continuation of this agreement will continue to benefit the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,002,763	\$ 34,932	\$ 4,037,695
Receivables:			
Property tax:			
Current year	48,616	-	48,616
Succeeding year	3,727,778	-	3,727,778
Income surtax	447,231	-	447,231
Accrued interest	1,453	-	1,453
Accounts	163,219	917	164,136
Due from other governments	372,432	5,746	378,178
Inventories	-	11,405	11,405
Prepaid expenses	21,796	-	21,796
Capital assets, net of accumulated depreciation (note 4)	7,761,347	28,733	7,790,080
Total assets	16,546,635	81,733	16,628,368
Liabilities			
Accounts payable	326,306	2,089	328,395
Salaries and benefits payable	1,183,103	7,910	1,191,013
Deposits payable	21,827	-	21,827
Unearned revenue	-	6,804	6,804
Accrued interest payable	2,547	-	2,547
Long-term liabilities (note 5):			
Portion due within one year:			
Early retirement	72,030	-	72,030
Bonds payable	156,250	-	156,250
Portion due after one year:			
Early retirement	124,210	-	124,210
Bonds payable	156,250	-	156,250
Net OPEB liability	325,228	3,772	329,000
Total liabilities	2,367,751	20,575	2,388,326
Deferred Inflows of Resources			
Unavailable property tax revenue	3,727,778	-	3,727,778

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 7,448,847	\$ 28,733	\$ 7,477,580
Restricted for:			
Categorical funding	181,292	-	181,292
Capital projects	579,323	-	579,323
Physical plant and equipment levy purposes	233,623	-	233,623
Student activities	153,105	-	153,105
Unrestricted	<u>1,854,916</u>	<u>32,425</u>	<u>1,887,341</u>
Total net position	<u>\$ 10,451,106</u>	<u>\$ 61,158</u>	<u>\$ 10,512,264</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 5,628,811	\$ 919,115	\$ 717,054	\$ -
Special instruction	1,813,009	354,628	203,246	-
Other instruction	1,802,543	343,469	53,943	-
	<u>9,244,363</u>	<u>1,617,212</u>	<u>974,243</u>	<u>-</u>
Support services:				
Student	373,009	-	54,143	-
Instructional staff	528,082	-	95,049	-
Administration	1,296,304	-	-	-
Operation and maintenance of plant	1,135,518	14,810	-	-
Transportation	485,686	750	-	-
	<u>3,818,599</u>	<u>15,560</u>	<u>149,192</u>	<u>-</u>
Non-instructional programs	<u>1,533</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	198,521	-	-	150,835
Long-term debt interest and fiscal charges	5,094	-	-	-
AEA flowthrough	452,454	-	452,454	-
Depreciation (unallocated) *	213,082	-	-	-
	<u>869,151</u>	<u>-</u>	<u>452,454</u>	<u>150,835</u>
Total governmental activities	<u>13,933,646</u>	<u>1,632,772</u>	<u>1,575,889</u>	<u>150,835</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,992,642)	\$ -	\$ (3,992,642)
(1,255,135)	-	(1,255,135)
(1,405,131)	-	(1,405,131)
(6,652,908)	-	(6,652,908)
(318,866)	-	(318,866)
(433,033)	-	(433,033)
(1,296,304)	-	(1,296,304)
(1,120,708)	-	(1,120,708)
(484,936)	-	(484,936)
(3,653,847)	-	(3,653,847)
(1,533)	-	(1,533)
(47,686)	-	(47,686)
(5,094)	-	(5,094)
-	-	-
(213,082)	-	(213,082)
(265,862)	-	(265,862)
(10,574,150)	-	(10,574,150)

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Operating Grants and Contributions	Capital Grants and Contributions
Business-Type Activities:				
Support services:				
Food service operations	27,587	-	-	-
Non-instructional programs:				
Food service operations	599,902	260,605	358,636	-
Other enterprise operations	19,542	23,317	-	-
	<u>619,444</u>	<u>283,922</u>	<u>358,636</u>	<u>-</u>
Total business-type activities	<u>647,031</u>	<u>283,922</u>	<u>358,636</u>	<u>-</u>
Total	<u>\$ 14,580,677</u>	<u>\$ 1,916,694</u>	<u>\$ 1,934,525</u>	<u>\$ 150,835</u>

General revenues:

- Property tax levied for:
 - General purposes
 - Capital outlay
- Income surtax
- 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

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
-	(27,587)	(27,587)
-	19,339	19,339
-	3,775	3,775
-	23,114	23,114
-	(4,473)	(4,473)
(10,574,150)	(4,473)	(10,578,623)
<hr/>		
\$ 3,687,732	\$ -	\$ 3,687,732
328,435	-	328,435
543,930	-	543,930
953,043	-	953,043
5,212,606	-	5,212,606
14,619	109	14,728
123,482	-	123,482
10,863,847	109	10,863,956
289,697	(4,364)	285,333
10,161,409	65,522	10,226,931
<u>\$ 10,451,106</u>	<u>\$ 61,158</u>	<u>\$ 10,512,264</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 3,058,253	\$ 683,485	\$ 261,025	\$ 4,002,763
Receivables:				
Property tax:				
Current year	40,516	3,798	4,302	48,616
Succeeding year	2,990,809	330,969	406,000	3,727,778
Income surtax	447,231	-	-	447,231
Accrued interest	1,222	231	-	1,453
Accounts	140,192	-	23,027	163,219
Due from other governments	109,575	262,857	-	372,432
Prepaid expenses	21,796	-	-	21,796
	<hr/>			
Total assets	<u>\$ 6,809,594</u>	<u>\$ 1,281,340</u>	<u>\$ 694,354</u>	<u>\$ 8,785,288</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 183,648	\$ 134,878	\$ 7,780	\$ 326,306
Salaries and benefits payable	1,183,103	-	-	1,183,103
Deposits payable	21,827	-	-	21,827
Total liabilities	<u>1,388,578</u>	<u>134,878</u>	<u>7,780</u>	<u>1,531,236</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,990,809	330,969	406,000	3,727,778
Other	447,231	-	-	447,231
Total deferred inflows of resources	<u>3,438,040</u>	<u>330,969</u>	<u>406,000</u>	<u>4,175,009</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	21,796	-	-	21,796
Restricted for:				
Categorical funding (note 10)	181,292	-	-	181,292
School infrastructure	-	581,870	-	581,870
Physical plant and equipment	-	233,623	-	233,623
Management levy purposes	-	-	127,469	127,469
Student activities	-	-	153,105	153,105
Unassigned	1,779,888	-	-	1,779,888
Total fund balances	<u>1,982,976</u>	<u>815,493</u>	<u>280,574</u>	<u>3,079,043</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,809,594</u>	<u>\$ 1,281,340</u>	<u>\$ 694,354</u>	<u>\$ 8,785,288</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total fund balances of governmental funds	\$ 3,079,043
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,761,347
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	447,231
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(2,547)
Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(833,968)</u>
Net position of governmental activities	<u>\$ 10,451,106</u>
See notes to financial statements.	

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,864,978	\$ 328,277	\$ 349,015	\$ 4,542,270
Tuition	1,111,584	-	-	1,111,584
Other	325,015	158,074	326,092	809,181
State sources	6,509,066	953,202	177	7,462,445
Federal sources	281,120	-	-	281,120
Total revenues	<u>12,091,763</u>	<u>1,439,553</u>	<u>675,284</u>	<u>14,206,600</u>
Expenditures:				
Current:				
Instruction	8,485,120	98,028	352,468	8,935,616
Support services:				
Student	373,009	-	-	373,009
Instructional staff	449,988	78,094	-	528,082
Administration	1,265,394	-	25,297	1,290,691
Operation and maintenance of plant	939,816	11,582	175,441	1,126,839
Transportation	404,489	29,104	28,185	461,778
	<u>3,432,696</u>	<u>118,780</u>	<u>228,923</u>	<u>3,780,399</u>
Non-instructional programs	1,533	-	-	1,533
Other expenditures:				
Facilities acquisition	-	1,206,581	-	1,206,581
Long term debt:				
Principal	-	-	156,250	156,250
Interest and fiscal charges	-	-	6,367	6,367
AEA flowthrough	452,454	-	-	452,454
	<u>452,454</u>	<u>1,206,581</u>	<u>162,617</u>	<u>1,821,652</u>
Total expenditures	<u>12,371,803</u>	<u>1,423,389</u>	<u>744,008</u>	<u>14,539,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(280,040)</u>	<u>16,164</u>	<u>(68,724)</u>	<u>(332,600)</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 942	\$ -	\$ -	\$ 942
Interfund transfers in (note 3)	-	-	156,154	156,154
Interfund transfers out (note 3)	-	(156,154)	-	(156,154)
Total other financing sources (uses)	<u>942</u>	<u>(156,154)</u>	<u>156,154</u>	<u>942</u>
Net change in fund balances	(279,098)	(139,990)	87,430	(331,658)
Fund balances beginning of year	<u>2,262,074</u>	<u>955,483</u>	<u>193,144</u>	<u>3,410,701</u>
Fund balances end of year	<u>\$ 1,982,976</u>	<u>\$ 815,493</u>	<u>\$ 280,574</u>	<u>\$ 3,079,043</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (331,658)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the current year are as follows:

	Capital outlays	\$ 1,057,755	
	Depreciation expense	<u>(350,427)</u>	707,328

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 15,801

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

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,273

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

	Early retirement	(168,297)	
	Net OPEB liability	<u>(91,000)</u>	<u>(259,297)</u>

Change in net position of governmental activities \$ 289,697

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Assets			
Cash and cash equivalents	\$ 11,749	\$ 23,183	\$ 34,932
Receivables:			
Accounts	917	-	917
Due from other governments	5,746	-	5,746
Inventories	11,405	-	11,405
Capital assets, net of accumulated depreciation (note 4)	28,733	-	28,733
Total assets	<u>58,550</u>	<u>23,183</u>	<u>81,733</u>
Liabilities			
Accounts payable	2,027	62	2,089
Salaries and benefits payable	6,720	1,190	7,910
Unearned revenue	6,804	-	6,804
Net OPEB liability (note 5)	3,772	-	3,772
Total liabilities	<u>19,323</u>	<u>1,252</u>	<u>20,575</u>
Fund Net Position			
Net investment in capital assets	28,733	-	28,733
Unrestricted	10,494	21,931	32,425
Total fund net position	<u>\$ 39,227</u>	<u>\$ 21,931</u>	<u>\$ 61,158</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 Year Ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 260,605	\$ 23,317	\$ 283,922
Operating expenses:			
Support services:			
Salaries	6,385	-	6,385
Benefits	1,037	-	1,037
Services	18,645	-	18,645
Supplies	1,395	-	1,395
Other	125	-	125
	<u>27,587</u>	<u>-</u>	<u>27,587</u>
Non-instructional programs:			
Food service operations:			
Salaries	195,807	-	195,807
Benefits	64,010	-	64,010
Supplies	334,434	-	334,434
Depreciation	5,651	-	5,651
	<u>599,902</u>	<u>-</u>	<u>599,902</u>
Daycare operations:			
Salaries	-	15,873	15,873
Benefits	-	2,381	2,381
Supplies	-	1,288	1,288
	<u>-</u>	<u>19,542</u>	<u>19,542</u>
Total operating expenses	<u>627,489</u>	<u>19,542</u>	<u>647,031</u>
Operating income (loss)	(366,884)	3,775	(363,109)

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds		Total
	School Nutrition	Nonmajor Enterprise Fund	
Non-operating revenues:			
Interest income	9	100	109
State sources	5,323	-	5,323
Federal sources	353,313	-	353,313
Total non-operating revenues	<u>358,645</u>	<u>100</u>	<u>358,745</u>
Change in fund net position	(8,239)	3,875	(4,364)
Fund net position beginning of year	<u>47,466</u>	<u>18,056</u>	<u>65,522</u>
Fund net position end of year	<u>\$ 39,227</u>	<u>\$ 21,931</u>	<u>\$ 61,158</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 256,119	\$ -	\$ 256,119
Cash received from miscellaneous	4,638	25,567	30,205
Cash payments to employees for services	(266,007)	(18,784)	(284,791)
Cash payments to suppliers for goods or services	(310,283)	(1,226)	(311,509)
Net cash provided by (used by) operating activities	<u>(315,533)</u>	<u>5,557</u>	<u>(309,976)</u>
Cash flows from non-capital financing activities:			
State grants received	5,323	-	5,323
Federal grants received	307,522	-	307,522
Net cash provided by non-capital financing activities	<u>312,845</u>	<u>-</u>	<u>312,845</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(613)</u>	<u>-</u>	<u>(613)</u>
Cash flows from investing activities:			
Interest on investments	<u>9</u>	<u>100</u>	<u>109</u>
Net increase (decrease) in cash and cash equivalents	(3,292)	5,657	2,365
Cash and cash equivalents beginning of year	<u>15,041</u>	<u>17,526</u>	<u>32,567</u>
Cash and cash equivalents end of year	<u>\$ 11,749</u>	<u>\$ 23,183</u>	<u>\$ 34,932</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	Enterprise Funds		
	School Nutrition	Nonmajor Enterprise Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (366,884)	\$ 3,775	\$ (363,109)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Commodities used	44,369	-	44,369
Depreciation	5,651	-	5,651
(Increase) in inventories	(370)	-	(370)
(Increase) decrease in accounts receivable	(307)	2,250	1,943
Increase in accounts payable	317	62	379
Increase (decrease) in salaries and benefits payable	1,232	(530)	702
Increase in unearned revenue	459	-	459
Net cash provided by (used by) operating activities	\$ <u>(315,533)</u>	\$ <u>5,557</u>	\$ <u>(309,976)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$44,369 of federal commodities.

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ 168,284	\$ 24,121
Accrued interest receivable	<u>1</u>	<u></u>
Total assets	<u>168,285</u>	<u>24,121</u>
Liabilities:		
Due to other groups	<u>-</u>	<u>24,121</u>
Fiduciary Net Position:		
Restricted for scholarships	<u>\$ 168,285</u>	<u>\$ -</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2014

	<u>Private Purpose</u>	<u>Trust</u>
	<u>Scholarship</u>	
Additions:		
Local sources:		
Gifts and contributions	\$	158,711
Interest		<u>260</u>
Total additions		<u>158,971</u>
Deductions:		
Support services:		
Scholarships awarded		<u>160,451</u>
Change in fiduciary net position		(1,480)
Fiduciary net position beginning of year		<u>169,765</u>
Fiduciary net position end of year	\$	<u><u>168,285</u></u>
See notes to financial statements.		

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows 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 and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the 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.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

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

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

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

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

Unearned Revenue – Meal program proceeds which have been received by the District but will be earned in a succeeding fiscal year have been accrued as liabilities.

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who 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.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the 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 which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted.

Note 2. Cash 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 ensure there will be no loss of public funds.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

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.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>790</u>

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

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>156,154</u>

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 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	\$ 128,358	\$ -	\$ -	\$ 128,358
Construction in progress	316,550	521,439	-	837,989
Land	<u>444,908</u>	<u>521,439</u>	-	<u>966,347</u>
Capital assets being depreciated:				
Buildings	10,488,514	134,550	-	10,623,064
Improvements other than buildings	836,358	241,546	-	1,077,904
Furniture and equipment	4,278,474	160,220	-	4,438,694
Total capital assets being depreciated	<u>15,603,346</u>	<u>536,316</u>	-	<u>16,139,662</u>
Less accumulated depreciation for:				
Buildings	4,841,921	188,559	-	5,030,480
Improvements other than buildings	675,804	28,050	-	703,854
Furniture and equipment	3,476,510	133,818	-	3,610,328
Total accumulated depreciation	<u>8,994,235</u>	<u>350,427</u>	-	<u>9,344,662</u>
Total capital assets being depreciated, net	<u>6,609,111</u>	<u>185,889</u>	-	<u>6,795,000</u>
Governmental activities capital assets, net	<u>\$ 7,054,019</u>	<u>\$ 707,328</u>	<u>\$ -</u>	<u>\$ 7,761,347</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 202,102	\$ 613	\$ 39,103	\$ 163,612
Less accumulated depreciation	168,331	5,651	39,103	134,879
Business-type activities capital assets, net	<u>\$ 33,771</u>	<u>\$ (5,038)</u>	<u>\$ -</u>	<u>\$ 28,733</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 87,890

Support services:

Transportation 49,455

137,345

Unallocated depreciation

213,082

Total depreciation expense - governmental activities

\$ 350,427

Business-type activities:

Food service operations

\$ 5,651

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 27,943	\$ 186,332	\$ 18,035	\$ 196,240	\$ 72,030
Revenue bonds	468,750	-	156,250	312,500	156,250
Net OPEB liability	234,228	91,000	-	325,228	-
Total	\$ 730,921	\$ 277,332	\$ 174,285	\$ 833,968	\$ 228,280
Business-type activities:					
Net OPEB liability	\$ 3,772	\$ -	\$ -	\$ 3,772	\$ -

Early Retirement

The District offers a voluntary early retirement plan to its certified and full-time support employees. Eligible employees must be at least age fifty-five and employees must have completed twelve years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule, less any supplemental pay, extended contract pay and teacher quality pay. Early retirement benefits will be paid over a three-year period. The employee may also participate in the District's health insurance program at the employee's own expense until the employee reaches age 65 or otherwise becomes eligible for other insurance.

At June 30, 2014, the District had obligations to ten participants with a total liability of \$196,240. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$18,035. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	1.63 %	\$ 156,250	\$ 3,820	\$ 160,070
2016	1.63	156,250	1,274	157,524
		<u>\$ 312,500</u>	<u>\$ 5,094</u>	<u>\$ 317,594</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$625,000 of bonds issued in September 2011. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District and are not subject to the constitutional debt limitation of the District. The bonds were purchased by Green Belt Bank and Trust, bear an interest rate of 1.63 percent, and do not require reserve or sinking funds. Annual principal and interest payments on the bonds are expected to require approximately 16.8 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$317,594. For the current year, \$156,250 of principal and \$6,367 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$953,043.

Note 6. Other Postemployment Benefits (OPEB)

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

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

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.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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	\$ 125,988
Interest on net OPEB obligation	5,947
Adjustment to annual required contribution	<u>13,549</u>
Annual OPEB cost	118,386
Contributions made	<u>27,386</u>
Increase in net OPEB obligation	91,000
Net OPEB obligation beginning of year	<u>238,000</u>
Net OPEB obligation end of year	<u><u>\$ 329,000</u></u>

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

For the year ended June 30, 2014, the District contributed \$27,386 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 108,965	20.6%	\$ 152,103
2013	113,352	24.2%	238,000
2014	118,386	23.1%	329,000

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 \$600,446, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$600,446. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,032,000, and the ratio of the UAAL to covered payroll was 19.8%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

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

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$647,220, \$589,665, and \$524,706, respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$452,454 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.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 10. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 59,132
Professional development for model core curriculum	54,145
Teacher salary supplement	20,613
Returning dropouts and dropout prevention programs	19,298
Successful progression for early readers	13,343
Professional development	10,615
Teacher leadership grants	<u>4,146</u>
Total	<u>\$ 181,292</u>

Note 11. Construction Commitments

The District has entered into various contracts totaling \$813,953 for various construction and improvement projects. As of June 30, 2014, costs of \$712,944 had been incurred against the contracts. The balance of \$101,009 remaining at June 30, 2014 will be paid as work on the projects progresses.

Note 12. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 13. Subsequent Events

On July 18, 2014, the District approved a contract totaling \$136,400 for an exterior lighting project at the Iowa Falls high school building.

On September 19, 2014, the District approved a contract totaling \$185,883 for a temperature control project at the Rock Run elementary building.

Required Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds - Actual	Fund - Actual		Original	Final	
REVENUES:						
Local sources	\$ 6,463,035	\$ 284,031	\$ 6,747,066	\$ 7,452,131	\$ 7,452,131	\$ (705,065)
State sources	7,462,445	5,323	7,467,768	6,649,088	6,649,088	818,680
Federal sources	281,120	353,313	634,433	495,000	495,000	139,433
Total revenues	14,206,600	642,667	14,849,267	14,596,219	14,596,219	253,048
EXPENDITURES/EXPENSES:						
Instruction	8,935,616	-	8,935,616	9,125,475	9,125,475	189,859
Support services	3,780,399	27,587	3,807,986	4,056,300	4,056,300	248,314
Non-instructional programs	1,533	619,444	620,977	559,542	625,000	4,023
Other expenditures	1,821,652	-	1,821,652	2,076,164	2,076,164	254,512
Total expenditures/expenses	14,539,200	647,031	15,186,231	15,817,481	15,882,939	696,708
Excess (deficiency) of revenues over (under) expenditures/ expenses	(332,600)	(4,364)	(336,964)	(1,221,262)	(1,286,720)	949,756
Other financing sources, net	942	-	942	-	-	942
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(331,658)	(4,364)	(336,022)	(1,221,262)	(1,286,720)	950,698
Balance beginning of year	3,410,701	65,522	3,476,223	3,209,295	3,209,295	266,928
Balance end of year	<u>\$ 3,079,043</u>	<u>\$ 61,158</u>	<u>\$ 3,140,201</u>	<u>\$ 1,988,033</u>	<u>\$ 1,922,575</u>	<u>\$ 1,217,626</u>

See accompanying independent auditor's report.

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$65,458.

During the year ended June 30, 2014, expenditures/expenses did not exceed the amounts budgeted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 1,676	\$ 1,676	0.0%	\$ 6,472	25.9%
2011	July 1, 2008	-	1,676	1,676	0.0%	6,334	26.5%
2012	July 1, 2008	-	681	681	0.0%	6,193	11.0%
2013	July 1, 2011	-	600	600	0.0%	2,572	23.3%
2014	July 1, 2011	-	600	600	0.0%	3,032	19.8%

See note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 101,818	\$ 159,207	\$ 261,025
Receivables:			
Property tax:			
Current year	4,302	-	4,302
Succeeding year	406,000	-	406,000
Accounts	21,349	1,678	23,027
Total assets	<u>\$ 533,469</u>	<u>\$ 160,885</u>	<u>\$ 694,354</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 7,780	\$ 7,780
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	406,000	-	406,000
Fund balances:			
Management levy purposes	127,469	-	127,469
Student activities	-	153,105	153,105
Total fund balances	<u>127,469</u>	<u>153,105</u>	<u>280,574</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 533,469</u>	<u>\$ 160,885</u>	<u>\$ 694,354</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 349,015	\$ -	\$ -	\$ 349,015
Other	25,044	301,048	-	326,092
State sources	177	-	-	177
Total revenues	<u>374,236</u>	<u>301,048</u>	<u>-</u>	<u>675,284</u>
Expenditures:				
Current:				
Instruction	54,786	297,682	-	352,468
Support services:				
Administration	25,297	-	-	25,297
Operation and maintenance of plant	175,441	-	-	175,441
Transportation	28,185	-	-	28,185
Other expenditures:				
Long term debt:				
Principal	-	-	156,250	156,250
Interest and fiscal charges	-	-	6,367	6,367
Total expenditures	<u>283,709</u>	<u>297,682</u>	<u>162,617</u>	<u>744,008</u>
Excess (deficiency) of revenues over (under) expenditures	90,527	3,366	(162,617)	(68,724)
Other financing sources:				
Interfund transfers in	<u>-</u>	<u>-</u>	<u>156,154</u>	<u>156,154</u>
Net change in fund balances	90,527	3,366	(6,463)	87,430
Fund balances beginning of year	<u>36,942</u>	<u>149,739</u>	<u>6,463</u>	<u>193,144</u>
Fund balances end of year	<u>\$ 127,469</u>	<u>\$ 153,105</u>	<u>\$ -</u>	<u>\$ 280,574</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 443,498	\$ 239,987	\$ 683,485
Receivables:			
Property tax:			
Current year	-	3,798	3,798
Succeeding year	-	330,969	330,969
Accounts	231	-	231
Due from other governments	262,830	27	262,857
 Total assets	 \$ 706,559	 \$ 574,781	 \$ 1,281,340
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 124,689	\$ 10,189	\$ 134,878
 Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	330,969	330,969
 Fund balances:			
Restricted for:			
School infrastructure	581,870	-	581,870
Physical plant and equipment	-	233,623	233,623
Total fund balances	581,870	233,623	815,493
 Total liabilities, deferred inflows of resources and fund balances	 \$ 706,559	 \$ 574,781	 \$ 1,281,340

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 328,277	\$ 328,277
Other	6,975	151,099	158,074
State sources	953,043	159	953,202
Total revenues	<u>960,018</u>	<u>479,535</u>	<u>1,439,553</u>
Expenditures:			
Current:			
Instruction	19,161	78,867	98,028
Support services:			
Instructional staff	78,094	-	78,094
Operation and maintenance of plant	-	11,582	11,582
Transportation	29,104	-	29,104
Other expenditures:			
Facilities acquisition	725,964	480,617	1,206,581
Total expenditures	<u>852,323</u>	<u>571,066</u>	<u>1,423,389</u>
Excess (deficiency) of revenues over (under) expenditures	107,695	(91,531)	16,164
Other financing sources (uses):			
Interfund transfers out	<u>(156,154)</u>	-	<u>(156,154)</u>
Net change in fund balances	(48,459)	(91,531)	(139,990)
Fund balances beginning of year	<u>630,329</u>	<u>325,154</u>	<u>955,483</u>
Fund balances end of year	<u>\$ 581,870</u>	<u>\$ 233,623</u>	<u>\$ 815,493</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Activity Tickets	\$ -	\$ 14,390	\$ 13,812	\$ 578
HS Musical Theater	14,426	1,496	5,179	10,743
HS Speech	-	416	416	-
HS Vocal	1,558	137	25	1,670
HS Band	4,026	2,511	769	5,768
HS Athletics Misc	2,861	18,382	18,934	2,309
HS Athletics Supplies	-	2,788	3,508	(720)
MS Cross Country	32	-	-	32
Boys Basketball	-	5,390	5,390	-
Football	-	15,775	14,252	1,523
Soccer	2,382	5,418	3,281	4,519
Baseball	-	5,982	6,908	(926)
Boys Track	-	2,447	2,454	(7)
Boys Cross Country	-	523	523	-
Boys Tennis	-	697	697	-
Boys Golf	-	1,343	1,343	-
Wrestling	-	8,014	6,609	1,405
HS Cheerleaders	153	11,241	9,192	2,202
HS Drill Team	1,709	1,200	1,409	1,500
Girls Basketball	-	5,449	5,449	-
Volleyball	(142)	13,432	12,190	1,100
Girls Softball	(320)	10,000	9,746	(66)
Girls Track	-	1,937	1,944	(7)
Girls Cross Country	-	2,734	2,734	-
Girls Tennis	-	150	150	-
Girls Golf	-	392	392	-
Resale - HS Band	179	241	-	420
HS Band Uniform Maintenance	1,874	456	1,548	782
Resale - Elementary Band	1,802	200	-	2,002
Resale - MS Band	1,985	430	826	1,589
RR - Lion's Lead Dog Account	4,459	4,869	5,365	3,963
Elementary Vocal Account	3,080	984	1,711	2,353
Pineview School	20,286	10,796	19,345	11,737
Rock Run School	12,618	17,271	13,864	16,025
HS - SAAD Account	560	132	573	119
MS - LIFE Girls Group	2,279	1,800	1,836	2,243
MS - Science Club	(68)	189	104	17
MS - Student Council	553	18,139	17,357	1,335
MS - Rachel's Challenge	38	-	-	38

IOWA FALLS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS - SCI	\$ 3,221	\$ 2,333	\$ 2,412	\$ 3,142
HS - Tshirt Account	3,447	5,100	5,994	2,553
HS - Marketing Club	490	-	-	490
HS FCCLA	200	13,234	7,289	6,145
HS Future Nurses	125	-	-	125
HS National Honor Society	234	600	285	549
HS Art Club	1,755	300	1,749	306
HS Future Farmers of America	13,109	36,092	46,982	2,219
HS Student Council	990	3,782	2,221	2,551
HS International Club	689	600	264	1,025
HS HEARTS Class	1,024	5,399	1,609	4,814
HS Speech Club Invitational	8,350	300	1,604	7,046
HS Math Club	1,143	196	460	879
HS Class of 2012	62	7,160	2,838	4,384
HS Class of 2013	2,103	1,539	2,843	799
HS Class of 2014	5,679	250	5,335	594
HS Class of 2015	3,865	6,816	4,513	6,168
HS Popcorn Fund	1,745	14,147	14,183	1,709
HS Yearbook	23,669	28,294	20,594	31,369
Local Revenue - Interest	1,509	483	-	1,992
Less: Intrafund transfers	-	(13,328)	(13,328)	-
 Total	 <u>\$ 149,739</u>	 <u>\$ 301,048</u>	 <u>\$ 297,682</u>	 <u>\$ 153,105</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash and pooled investments	\$ 25,437	\$ 13,089	\$ 14,405	\$ 24,121
Liabilities				
Due to other groups	\$ 25,437	\$ 13,089	\$ 14,405	\$ 24,121

See accompanying independent auditor's report.

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

	Modified Accrual Basis Years Ended June 30,			
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 4,542,270	\$ 5,098,683	\$ 5,219,362	\$ 5,245,243
Tuition	1,111,584	1,029,728	980,481	1,011,234
Other	809,181	940,120	708,088	728,073
State sources	7,462,445	6,437,685	5,888,903	5,530,276
Federal sources	281,120	317,741	314,464	535,643
Total revenues	\$ <u>14,206,600</u>	\$ <u>13,823,957</u>	\$ <u>13,111,298</u>	\$ <u>13,050,469</u>
Expenditures:				
Instruction	\$ 8,935,616	\$ 8,433,743	\$ 8,911,753	\$ 7,658,517
Support services:				
Student	373,009	390,577	296,619	345,037
Instructional staff	528,082	475,442	537,731	636,241
Administration	1,290,691	1,226,207	1,144,795	1,156,241
Operation and maintenance of plant	1,126,839	904,468	851,615	913,169
Transportation	461,778	442,699	499,643	385,843
Non-instructional programs	1,533	812	1,467	977
Other expenditures:				
Facilities acquisition	1,206,581	549,997	470,684	489,818
Long-term debt:				
Principal	156,250	156,250	275,000	610,000
Interest and fiscal charges	6,367	8,914	12,012	27,873
AEA flowthrough	452,454	433,050	416,003	455,726
Total expenditures	\$ <u>14,539,200</u>	\$ <u>13,022,159</u>	\$ <u>13,417,322</u>	\$ <u>12,679,442</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	4,863,060	\$ 4,425,507	\$ 4,205,049	\$ 4,131,910	\$ 3,797,258	\$ 3,947,659
	882,724	941,463	909,851	920,235	778,711	697,387
	604,529	650,422	658,951	857,693	845,315	529,728
	4,926,308	5,763,655	5,490,019	5,298,716	4,908,993	4,558,433
	927,357	407,506	225,053	271,055	272,801	277,022
\$	<u>12,203,978</u>	<u>12,188,553</u>	<u>11,488,923</u>	<u>11,479,609</u>	<u>10,603,078</u>	<u>10,010,229</u>
\$	7,467,313	\$ 7,377,668	\$ 7,191,448	\$ 6,913,178	\$ 6,485,458	\$ 6,417,976
	380,930	373,982	304,984	278,966	266,983	75,269
	397,460	497,609	395,379	305,138	305,943	184,432
	1,122,720	1,116,906	1,082,225	1,074,310	1,014,899	920,556
	929,912	899,916	783,178	789,718	713,783	650,725
	397,400	310,987	394,148	306,386	347,992	243,628
	1,305	1,428	2,215	22,825	21,368	12,210
	477,005	1,324,071	874,342	1,040,110	424,184	227,948
	590,000	580,000	305,000	300,000	245,000	230,000
	45,203	50,213	42,305	47,867	106,977	166,513
	448,336	380,255	361,604	354,443	321,953	305,072
\$	<u>12,257,584</u>	<u>12,913,035</u>	<u>11,736,828</u>	<u>11,432,941</u>	<u>10,254,540</u>	<u>9,434,329</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Grantor / Program	CFDA Number	Pass-through or Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	3150-14	\$ 53,086
National School Lunch Program	10.555	3150-14	290,917 *
Summer Food Service Program for Children	10.559	3150-14	9,310
			<u>353,313</u>
Team Nutrition Grant	10.574	3150-14	<u>267</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3150-G-14	128,862
Title I Grants to Local Educational Agencies	84.010	3150-GC-14	14,979
			<u>143,841</u>
Safe and Drug-Free Schools and Communities - National Programs	84.184	3150-13	<u>1,264</u>
Advanced Placement Program	84.330	3150-14	<u>99</u>
Improving Teacher Quality State Grants	84.367	3150-14	<u>28,291</u>
Grants for State Assessments and Related Activities	84.369	3150-14	<u>6,248</u>
Area Education Agency 267:			
Special Education - Grants to States	84.027	3150-14	<u>51,624</u>
Career and Technical Education - Basic Grants to States	84.048	3150-13	731
Career and Technical Education - Basic Grants to States	84.048	3150-14	10,365
			<u>11,096</u>
Total			<u>\$ 596,043</u>

* = Includes \$44,369 of non-cash awards.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Basis of Presentation –

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

See accompanying independent auditor's report.

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

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

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

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2014.

Internal Control Over Financial Reporting

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

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item II-A-14 that we consider to be a significant deficiency.

Compliance

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 statutes.

Iowa Falls Community School District's Responses to Findings

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

Purpose of this Report

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

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

Oskaloosa, Iowa
November 10, 2014

Hunt + Associates, P.C.

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1201 HIGH AVENUE WEST
OSKALOOSA, IA 52577
641/672-2541
FAX 641/672-2461

317 EAST ROBINSON
KNOXVILLE, IA 50138
641/842-3184
FAX 641/828-7404

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance 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 non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs described as item III-A-14 that we consider to be a significant deficiency.

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

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.

Oskaloosa, Iowa
November 10, 2014

Hunt + Associates, P.C.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

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

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response – We are reviewing this situation and will make changes where possible.

Conclusion – Response accepted.

IOWA 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 reported.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2014
U.S. Department of Agriculture
Passed through the Iowa Department of Education

- III-A-14 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion – Response accepted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, did not exceed the amounts budgeted.
- IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-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 – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Todd Bicknese, Board Vice President, Spouse owns Bel Floral	School supplies	\$219

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

- 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 ensure that the coverage is adequate for current operations.
- IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-14 Certified Enrollment – We noted an underclaim of two students in the basic enrollment data certified to the Department of Education for Fall 2013 due to residency errors.

Recommendation – The District should contact the Department of Education and Department of Management regarding these errors.

Response – We will take the necessary actions regarding these errors.

Conclusion – Response accepted.
- IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

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

- IV-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance	\$	630,329	
Revenues:			
Interest	\$	1,975	
Other local revenues		5,000	
Statewide sales, services and use tax		817,077	
School infrastructure supplemental amount		<u>135,966</u>	960,018
Expenditures/transfers out:			
School infrastructure construction		725,964	
Equipment		104,215	
Other		22,144	
Transfers to other funds:			
Debt Service Fund		<u>156,154</u>	<u>1,008,477</u>
Ending balance	\$		<u><u>581,870</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.