

**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT
GOWRIE, IOWA**

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

YEAR ENDED JUNE 30, 2012

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	24
Statement of Cash Flows	I	25-26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-46
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/ Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		47-48
Notes to Required Supplementary Information - Budgetary Reporting		49
Schedule of Funding Progress for the Retiree Health Plan		50

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	53
Capital Projects Accounts:		
Combining Balance Sheet	4	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	55
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	6	56
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets	7	57-58
Combining Schedule of Cash Flows	8	59-60
Schedule of Changes in Private Purpose Trusts	9	61
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	10	62
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	11	63-64
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		65-67
Schedule of Findings		68-72

Prairie Valley Community School District
Gowrie, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2011 Election)

Deb Doyen	President	2011
Scott Hansch	Vice President	2013
Clark Taylor	Board Member	2011
Brian Holmgaard	Board Member	2011
Rick Brand	Board Member	2013
Shannon Miller	Board Member	2013
Emilea Lundberg	Board Member	2013

(After September 2011 Election)

Scott Hansch	President	2013
Shannon Miller	Vice President	2013
Rick Brand	Board Member	2013
John Field	Board Member	2015
Brian Holmgaard	Board Member	2015
Emilea Lundberg	Board Member	2013
Gary Welter	Board Member	2015

School Officials

Launi Dane	Superintendent	2012
Mark Egli	Superintendent	2012
Erin Frahm	District Secretary/ Treasurer Business Manager	(Resigned) May 2012
Lisa Willardson	District Secretary/ Treasurer Business Manager	(Hired) May 2012
Gruhn Law Firm	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

To the Board of Education of
Prairie Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District, Gowrie, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2013 on our consideration of Prairie Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Valley Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher + Associates, P.L.C.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$8,325,050 in fiscal year 2011 to \$7,871,669 in fiscal year 2012, while General Fund expenditures decreased from \$7,228,010 in fiscal year 2011 to \$7,121,048 in fiscal year 2012. The District's General Fund balance increased from \$1,111,969 at the end of fiscal year 2011 to \$1,862,590 at the end of fiscal year 2012, a 68% increase.
- The fiscal year 2012 General Fund revenue decrease was attributable to decreases in tuition and federal grant revenue. The decrease in expenditures was due primarily to a decrease in instruction cost. Even with the decrease in revenues, the District increased its carryover funds.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Prairie Valley 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 Prairie Valley 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 Prairie Valley 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 and enterprise funds.

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

Figure A-1
Prairie Valley Community School District Annual Financial Report

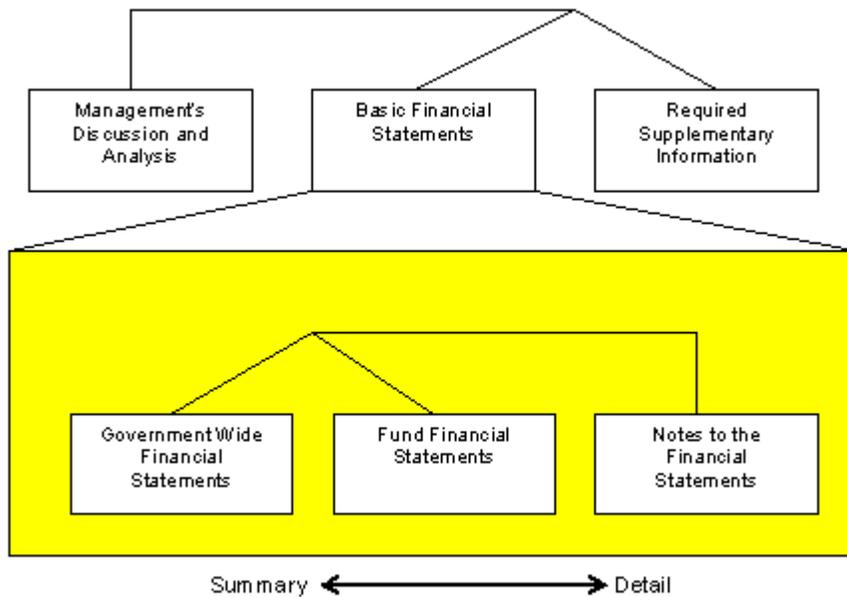


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide	Fund Statements		
	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 assets • 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 assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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 Funds, a type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has the following Enterprise Funds; the School Nutrition Fund and Day Care Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include 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 federal and/or state grants as a fiscal agent, such as the Booster club.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 7,629	6,974	58	77	7,687	7,051	9.0%
Capital assets	<u>7,587</u>	<u>6,219</u>	<u>63</u>	<u>32</u>	<u>7,650</u>	<u>6,251</u>	<u>22.4%</u>
Total assets	<u>15,216</u>	<u>13,193</u>	<u>121</u>	<u>109</u>	<u>15,337</u>	<u>13,302</u>	<u>15.3%</u>
Long-term liabilities	1,395	395	---	---	1,395	395	253.2%
Other liabilities	<u>4,407</u>	<u>4,354</u>	<u>10</u>	<u>7</u>	<u>4,417</u>	<u>4,361</u>	<u>1.3%</u>
Total liabilities	<u>5,802</u>	<u>4,749</u>	<u>10</u>	<u>7</u>	<u>5,812</u>	<u>4,756</u>	<u>22.2%</u>
Net assets:							
Invested in capital assets, net of related debt	6,405	6,104	63	32	6,468	6,136	5.4%
Restricted	1,024	1,269	---	---	1,024	1,269	-19.3%
Unrestricted	<u>1,985</u>	<u>1,071</u>	<u>48</u>	<u>70</u>	<u>2,033</u>	<u>1,141</u>	<u>78.2%</u>
Total net assets	\$ 9,414	8,444	111	102	9,525	8,546	11.5%
	=====	=====	====	====	=====	=====	=====

The District's combined net assets increased 11.5%, or approximately \$980,000 from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, 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 assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets, decreased approximately \$245,000 or 19.3% from the prior year. The decrease was primarily a result of a decrease in the management levy.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$892,000 or 78.2%. This increase in unrestricted net assets was primarily a result of the District's decrease in instruction costs and other expenses.

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

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Revenues:							
Program revenues:							
Charges for service	\$ 899	1,026	231	258	1,130	1,284	-12.0%
Operating grants, contributions and restricted interest	998	1,592	185	187	1,183	1,779	-33.5%
Capital grants, contributions and restricted interest	75	---	12	---	87	---	100.0%
General revenues:							
Property tax	4,044	3,953	---	---	4,044	3,953	2.3%
Statewide sales, services and use tax	518	534	---	---	518	534	-3.0%
Income surtax	269	299	---	---	269	299	-10.0%
Unrestricted state grants	2,081	2,036	---	---	2,081	2,036	2.2%
Unrestricted investment earnings	82	35	---	---	82	35	134.3%
Other	60	27	4	---	64	27	137.0%
Gain (loss) on disposal of capital assets	---	<u>52</u>	---	---	---	<u>52</u>	<u>-100.0 %</u>
Total revenues	<u>9,026</u>	<u>9,554</u>	<u>432</u>	<u>445</u>	<u>9,458</u>	<u>9,999</u>	<u>-5.4 %</u>
Program expenses:							
Instruction	5,127	5,819	---	---	5,127	5,819	-11.9%
Support services	2,288	1,948	---	---	2,288	1,948	17.5%
Non-instructional programs	1	1	424	422	425	423	0.5%
Other expenses	<u>639</u>	<u>653</u>	---	---	<u>639</u>	<u>653</u>	<u>-2.1%</u>
Total expenses	<u>8,055</u>	<u>8,421</u>	<u>424</u>	<u>422</u>	<u>8,479</u>	<u>8,843</u>	<u>-4.1%</u>
Increase (decrease) in net assets	971	1,133	8	23	979	1,156	-15.3%
Net assets beginning of year	<u>8,443</u>	<u>7,310</u>	<u>103</u>	<u>80</u>	<u>8,546</u>	<u>7,390</u>	<u>15.6%</u>
Net assets end of year	\$ <u>9,414</u>	<u>8,443</u>	<u>111</u>	<u>103</u>	<u>9,525</u>	<u>8,546</u>	<u>11.5%</u>
	=====	=====	=====	=====	=====	=====	=====

In fiscal 2012, property tax and unrestricted state grants account for 67.9% of governmental activities revenue while charges for service and operating and capital grants and contributions account for all of the revenue from business type activities.

The District’s total revenues were approximately \$9.5 million, of which approximately \$9.0 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.9% decrease in revenues and a 4.1% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$9,026,404 and expenses were \$8,055,097 for the year ended June 30, 2012.

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

**Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 5,127	5,819	-11.9%	3,594	3,509	2.4%
Support services	2,288	1,948	17.5%	2,159	1,925	12.2%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	639	653	-2.1%	328	375	-12.5%
Total	\$ 8,055	8,421	-4.3%	6,082	5,810	4.7%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2012:

- The cost financed by users of the District’s programs was \$899,263.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,073,320.
- The net cost of governmental activities was financed with \$4,830,241 in property and other taxes and \$2,081,384 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$432,183, representing a 2.9% decrease from the prior year, while expenses totaled \$424,184, a 0.5% increase over the prior year. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Prairie Valley 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 \$2,976,209, above last year's ending fund balances of \$2,322,409.

Governmental Fund Highlights

- The General Fund balance increased from \$1,111,969 to \$1,862,590 due to maintaining expenditures below revenues.
- The Capital Projects Fund balance decreased from \$622,533 in fiscal 2011 to \$556,694 in fiscal 2012, primarily as a result of the weight/wrestling room project.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$98,861 at June 30, 2011 to \$109,668 at June 30, 2012, representing an increase of approximately 11%. The main reason for the increase in the fund balance was due to assets contributed to the Nutrition Fund by the PPEL Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Prairie Valley Community School District amended its budget one time to reflect additional expenditures associated with increased costs of the weight/wrestling room construction project.

The District's total revenues were \$2,278,756 less than total budgeted revenues, a variance of 19.4%.

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 at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should typically exceed actual expenditures for the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested approximately \$7.6 million, 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 22.4% 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 \$457,147.

The original cost of the District's capital assets was approximately \$16.9 million. Governmental funds account for approximately \$16.7 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 158	158	---	---	158	158	0.0%
Construction in progress	1,035	58	---	---	1,035	58	1,684.5%
Buildings	5,312	5,428	---	---	5,312	5,428	-2.1%
Improvements other than buildings	294	278	---	---	294	278	5.8%
Furniture and equipment	<u>787</u>	<u>297</u>	<u>63</u>	<u>32</u>	<u>850</u>	<u>329</u>	<u>158.4%</u>
Total	\$ <u>7,586</u>	<u>6,219</u>	<u>63</u>	<u>32</u>	<u>7,649</u>	<u>6,251</u>	<u>22.4%</u>
	=====	=====	====	====	=====	=====	=====

Long-Term Debt

At June 30, 2012, the District had \$1,326,584 in total long-term debt outstanding. This represents an increase of approximately 277% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District	Total Change	
	June 30,	June 30,	
	2012	2011	2011-2012
Sales tax revenue bonds	\$ 750	---	100.0%
Bus lease purchase obligation	288	---	100.0%
Computer lease purchase obligation	144	115	25.2%
Termination benefits	<u>144</u>	<u>237</u>	<u>-39.2%</u>
Total	\$ 1,326	352	276.7%
	=====	=====	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

1. The district's enrollment is projected to continue to decline. The DE's long-term projection is for the district's K-12 enrollment to be in the range of 475 to 500 students.
2. The district has begun sharing talks with Southeast Webster Grand CSD. The optimal arrangement for the district is to begin whole grade sharing in the fall of 2014. This should increase student to teacher ratios in grades 5-12 with a shared middle school and a shared high school.
3. The infrastructure funds, Capital Projects (SILO revenue) and PPEL, are being highly utilized with payments for the weights facility, bus lease and technology lease-purchase arrangements. Asking the community for additional PPEL funds may be necessary to keep the technology initiative in place along with the many other demands for infrastructure and transportation spending.

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 Lisa Willardson, District Secretary/Treasurer and Business Manager, Prairie Valley Community School District, PO Box 49, Gowrie, Iowa, 50543.

Basic Financial Statements

Prairie Valley Community School District
Gowrie, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,694,165	31,687	3,725,852
Receivables:			
Property tax:			
Delinquent	54,056	-	54,056
Succeeding year	3,233,652	-	3,233,652
Accounts	-	2,538	2,538
Due from other governments	647,487	-	647,487
Inventories	-	23,447	23,447
Capital assets, net of accumulated depreciation/amortization	7,586,516	62,854	7,649,370
Total assets	15,215,876	120,526	15,336,402
 Liabilities			
Accounts payable	543,170	5,302	548,472
Salaries and benefits payable	586,500	4,525	591,025
Early retirement payable	14,692	-	14,692
Accrued interest payable	29,157	-	29,157
Deferred revenue:			
Succeeding year property tax	3,233,652	-	3,233,652
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	107,000	-	107,000
Bus lease purchase obligation	38,953	-	38,953
Computer lease purchase obligation	70,111	-	70,111
Early retirement	63,857	-	63,857
Portion due after one year:			
Revenue bonds payable	643,000	-	643,000
Bus lease purchase obligation	249,484	-	249,484
Computer lease purchase obligation	73,608	-	73,608
Early retirement	80,571	-	80,571
Net OPEB liability	68,355	-	68,355
Total liabilities	5,802,110	9,827	5,811,937

Prairie Valley Community School District
Gowrie, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	6,404,360	62,854	6,467,214
Restricted for:			
Categorical funding	55,531	-	55,531
Management levy purposes	262,078	-	262,078
Physical plant and equipment	48,877	-	48,877
School infrastructure	507,817	-	507,817
Student activities	30,106	-	30,106
Debt service	120,313	-	120,313
Unrestricted	<u>1,984,684</u>	<u>47,845</u>	<u>2,032,529</u>
Total net assets	<u>\$ 9,413,766</u>	<u>110,699</u>	<u>9,524,465</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa
Statement of Activities
Year ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,357,509	464,631	458,034	75,413
Special instruction	887,255	140,479	75,435	-
Other instruction	882,088	185,400	133,276	-
	<u>5,126,852</u>	<u>790,510</u>	<u>666,745</u>	<u>75,413</u>
Support services:				
Student	198,512	-	13,916	-
Instructional staff	211,365	4,658	6,044	-
Administration	623,865	92,685	450	-
Operation and maintenance of plant	660,428	-	-	-
Transportation	594,307	11,410	-	-
	<u>2,288,477</u>	<u>108,753</u>	<u>20,410</u>	<u>-</u>
Non-instructional programs	<u>573</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	118,131	-	63,719	-
Long-term debt interest	41,434	-	-	-
AEA flowthrough	247,033	-	247,033	-
Depreciation/amortization (unallocated)*	232,597	-	-	-
	<u>639,195</u>	<u>-</u>	<u>310,752</u>	<u>-</u>
Total governmental activities	<u>8,055,097</u>	<u>899,263</u>	<u>997,907</u>	<u>75,413</u>
Business type activities:				
Support services:				
Operation and maintenance of plant	2,374	-	-	-
Non-instructional programs:				
Food service operations	378,465	193,804	182,636	11,852
Day Care	43,345	37,008	2,765	-
Total business type activities	<u>424,184</u>	<u>230,812</u>	<u>185,401</u>	<u>11,852</u>
Total	<u>\$ 8,479,281</u>	<u>1,130,075</u>	<u>1,183,308</u>	<u>87,265</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 assets
Net assets beginning of year
Net assets end of year

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,359,431)	-	(2,359,431)
(671,341)	-	(671,341)
<u>(563,412)</u>	<u>-</u>	<u>(563,412)</u>
<u>(3,594,184)</u>	<u>-</u>	<u>(3,594,184)</u>
(184,596)	-	(184,596)
(200,663)	-	(200,663)
(530,730)	-	(530,730)
(660,428)	-	(660,428)
<u>(582,897)</u>	<u>-</u>	<u>(582,897)</u>
<u>(2,159,314)</u>	<u>-</u>	<u>(2,159,314)</u>
<u>(573)</u>	<u>-</u>	<u>(573)</u>
(54,412)	-	(54,412)
(41,434)	-	(41,434)
-	-	-
<u>(232,597)</u>	<u>-</u>	<u>(232,597)</u>
<u>(328,443)</u>	<u>-</u>	<u>(328,443)</u>
<u>(6,082,514)</u>	<u>-</u>	<u>(6,082,514)</u>
-	(2,374)	(2,374)
-	9,827	9,827
<u>-</u>	<u>(3,572)</u>	<u>(3,572)</u>
<u>-</u>	<u>3,881</u>	<u>3,881</u>
<u>(6,082,514)</u>	<u>3,881</u>	<u>(6,078,633)</u>
3,947,319	-	3,947,319
96,472	-	96,472
268,639	-	268,639
517,811	-	517,811
2,081,384	-	2,081,384
82,082	1	82,083
<u>60,114</u>	<u>4,117</u>	<u>64,231</u>
<u>7,053,821</u>	<u>4,118</u>	<u>7,057,939</u>
971,307	7,999	979,306
<u>8,442,459</u>	<u>102,700</u>	<u>8,545,159</u>
<u>\$ 9,413,766</u>	<u>110,699</u>	<u>9,524,465</u>

Prairie Valley Community School District
Gowrie, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 2,456,989	658,452	120,313	449,756	3,685,510
Receivables:					
Property tax:					
Delinquent	48,766	1,289	-	4,001	54,056
Succeeding year	2,869,680	103,972	-	260,000	3,233,652
Due from other governments	544,342	103,145	-	-	647,487
Total assets	<u>\$ 5,919,777</u>	<u>866,858</u>	<u>120,313</u>	<u>713,757</u>	<u>7,620,705</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 334,525	206,192	-	2,453	543,170
Salaries and benefits payable	586,500	-	-	-	586,500
Early retirement payable	-	-	-	14,692	14,692
Deferred revenue:					
Succeeding year property tax	2,869,680	103,972	-	260,000	3,233,652
Income surtax	266,482	-	-	-	266,482
Total liabilities	<u>4,057,187</u>	<u>310,164</u>	<u>-</u>	<u>277,145</u>	<u>4,644,496</u>
 Fund balances:					
Restricted for:					
Categorical funding	55,531	-	-	-	55,531
Debt service	-	-	120,313	-	120,313
Management levy purposes	-	-	-	406,506	406,506
Student activities	-	-	-	30,106	30,106
School infrastructure	-	507,817	-	-	507,817
Physical plant and equipment	-	48,877	-	-	48,877
Unassigned	1,807,059	-	-	-	1,807,059
Total fund balances	<u>1,862,590</u>	<u>556,694</u>	<u>120,313</u>	<u>436,612</u>	<u>2,976,209</u>
 Total liabilities and fund balances	 <u>\$ 5,919,777</u>	 <u>866,858</u>	 <u>120,313</u>	 <u>713,757</u>	 <u>7,620,705</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit D

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

June 30, 2012

Total fund balances of governmental funds (page 19) \$ 2,976,209

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,586,516

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 266,482

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (29,157)

Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds. (1,394,939)

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 8,655

Net assets of governmental activities (page 16) \$ 9,413,766

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 3,939,592	614,282	-	299,254	4,853,128
Tuition	560,302	-	-	-	560,302
Other	356,334	22,272	-	177,966	556,572
State sources	2,867,113	63,751	-	98	2,930,962
Federal sources	<u>148,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,328</u>
Total revenues	<u>7,871,669</u>	<u>700,305</u>	<u>-</u>	<u>477,318</u>	<u>9,049,292</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,164,004	63,184	-	364,962	3,592,150
Special	883,966	-	-	-	883,966
Other	<u>716,178</u>	<u>-</u>	<u>-</u>	<u>162,867</u>	<u>879,045</u>
	<u>4,764,148</u>	<u>63,184</u>	<u>-</u>	<u>527,829</u>	<u>5,355,161</u>
Support services:					
Student	197,439	-	-	-	197,439
Instructional staff	235,856	-	-	-	235,856
Administration	622,612	-	-	-	622,612
Operation and maintenance of plant	575,915	-	-	73,176	649,091
Transportation	<u>477,472</u>	<u>337,504</u>	<u>-</u>	<u>27,608</u>	<u>842,584</u>
	<u>2,109,294</u>	<u>337,504</u>	<u>-</u>	<u>100,784</u>	<u>2,547,582</u>
Non-instructional programs	<u>573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>573</u>
Other expenditures:					
Facilities acquisiton	-	1,300,401	-	-	1,300,401
Long-term debt:					
Interest and fiscal charges	-	-	12,277	-	12,277
AEA flowthrough	<u>247,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,033</u>
	<u>247,033</u>	<u>1,300,401</u>	<u>12,277</u>	<u>-</u>	<u>1,559,711</u>
Total expenditures	<u>7,121,048</u>	<u>1,701,089</u>	<u>12,277</u>	<u>628,613</u>	<u>9,463,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>750,621</u>	<u>(1,000,784)</u>	<u>(12,277)</u>	<u>(151,295)</u>	<u>(413,735)</u>
Other financing sources (uses):					
Revenue bonds issued	-	750,000	-	-	750,000
Lease purchase obligation issued	-	317,535	-	-	317,535
Operating transfers in	-	-	132,590	-	132,590
Operating transfers out	<u>-</u>	<u>(132,590)</u>	<u>-</u>	<u>-</u>	<u>(132,590)</u>
Total other financing sources (uses)	<u>-</u>	<u>934,945</u>	<u>132,590</u>	<u>-</u>	<u>1,067,535</u>
Net change in fund balances	750,621	(65,839)	120,313	(151,295)	653,800
Fund balances beginning of year	<u>1,111,969</u>	<u>622,533</u>	<u>-</u>	<u>587,907</u>	<u>2,322,409</u>
Fund balances end of year	<u>\$ 1,862,590</u>	<u>556,694</u>	<u>120,313</u>	<u>436,612</u>	<u>2,976,209</u>

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

Year ended June 30, 2012

Net change in fund balances - total governmental funds (page 21) \$ 653,800

*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/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 1,816,051	
Depreciation/amortization expense	<u>(448,553)</u>	1,367,498

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (22,888)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Current year issues are shown here. (1,067,535)

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, interest expense is recognized as the interest accrues, regardless of when it is due. (29,157)

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:

Termination benefits	92,429	
Other postemployment benefits	<u>(24,525)</u>	67,904

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 1,685

Change in net assets of governmental activities (page 18) \$ 971,307

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2012

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Assets		
Cash and cash equivalents	\$ 31,687	8,655
Accounts receivable	2,538	
Inventories	23,447	-
Capital assets, net of accumulated depreciation	<u>62,854</u>	<u>-</u>
Total assets	<u>120,526</u>	<u>8,655</u>
Liabilities		
Accounts payable	5,302	-
Salaries and benefits payable	<u>4,525</u>	<u>-</u>
Total liabilities	<u>9,827</u>	<u>-</u>
Net Assets		
Invested in capital assets	62,854	-
Unrestricted	<u>47,845</u>	<u>8,655</u>
Total net assets	<u>\$ 110,699</u>	<u>8,655</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

	Year ended June 30, 2012	
	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 230,812	19,930
Miscellaneous	4,117	-
Total operating revenues	<u>234,929</u>	<u>19,930</u>
Operating expenses:		
Support services:		
Operation and maintenance of plant	2,374	-
	<u>2,374</u>	<u>-</u>
Non-instructional programs:		
Salaries	146,525	-
Benefits	35,019	18,245
Purchased services	2,153	-
Supplies	229,519	-
Depreciation	8,594	-
	<u>421,810</u>	<u>18,245</u>
Total operating expenses	<u>424,184</u>	<u>18,245</u>
Operating income (loss)	<u>(189,255)</u>	<u>1,685</u>
Non-operating revenues:		
State sources	3,401	-
Federal sources	182,000	-
Interest income	1	-
Total non-operating revenues	<u>185,402</u>	<u>-</u>
Income (loss) before capital asset contributions	(3,853)	1,685
Capital asset contributions	<u>11,852</u>	<u>-</u>
Increase in net assets	7,999	1,685
Net assets beginning of year	<u>102,700</u>	<u>6,970</u>
Net assets end of year	<u><u>110,699</u></u>	<u><u>8,655</u></u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 229,091	-
Cash received from other services	4,117	19,930
Cash paid to employees for services	(182,934)	(18,245)
Cash paid to suppliers for goods or services	<u>(200,856)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(150,582)</u>	<u>1,685</u>
Cash flows from non-capital financing activities:		
State grants received	3,401	-
Federal grants received	<u>157,529</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>160,930</u>	<u>-</u>
Cash flows used by capital and related financing activities:		
Acquisition of capital assets	<u>(27,549)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(17,200)	1,685
Cash and cash equivalents beginning of year	<u>48,887</u>	<u>6,970</u>
Cash and cash equivalents end of year	<u>\$ 31,687</u>	<u>8,655</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (189,255)	1,685
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	24,471	-
Depreciation	8,594	-
(Increase) in accounts receivable	(1,721)	-
Decrease in inventories	4,376	-
Increase in accounts payable	4,343	-
(Decrease) in salaries and benefits payable	(1,390)	-
Net cash provided by (used by) operating activities	<u>\$ (150,582)</u>	<u>1,685</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$24,471 of federal commodities.

During the year ended June 30, 2012, the District received \$11,852 in capital asset contributions from the Capital Projects Fund.

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 524,464	31,623
Total assets	<u>524,464</u>	<u>31,623</u>
Liabilities		
Other payables	-	31,623
Total liabilities	<u>-</u>	<u>31,623</u>
Net assets		
Reserved for scholarships	<u>\$ 524,464</u>	<u>-</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 6,433
Interest income	<u>10,326</u>
Total additions	<u>16,759</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,000</u>
Total deductions	<u>1,000</u>
Change in net assets	15,759
Net assets beginning of year	<u>508,705</u>
Net assets end of year	<u>\$ 524,464</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Prairie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Gowrie, Somers, Farnhamville, Callender and Rinard, Iowa, and the predominately agricultural territory in Calhoun, Greene and Webster 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, Prairie Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt

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

The District proprietary funds are the Enterprise, School Nutrition and Day Care funds. These funds are used to account for the food service and day care operations of the District.

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

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

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

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

Proprietary funds distinguish operating revenues and expenses from 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.

D. Assets, Liabilities and Fund Equity

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20-50
Intangible assets	5-10
Furniture and equipment	5-15

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.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. There is no liability at June 30, 2012.

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

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

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

Unassigned – All amounts not included in other spendable classifications.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amount budgeted in the non-instructional programs function.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$262 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standards & Poor's Financial Services.

(3) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ <u>132,590</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 158,054	---	---	158,054
Construction in progress	<u>58,025</u>	<u>977,104</u>	---	<u>1,035,129</u>
Total capital assets not being depreciated	<u>216,079</u>	<u>977,104</u>	---	<u>1,193,183</u>
Capital assets being depreciated:				
Buildings	10,422,015	98,170	---	10,520,185
Improvements other than buildings	677,656	34,221	---	711,877
Furniture and equipment	<u>3,556,221</u>	<u>706,556</u>	---	<u>4,262,777</u>
Total capital assets being depreciated	<u>14,655,892</u>	<u>838,947</u>	---	<u>15,494,839</u>
Less accumulated depreciation for:				
Buildings	4,994,145	213,569	---	5,207,714
Improvements other than buildings	399,519	18,667	---	418,186
Furniture and equipment	<u>3,259,289</u>	<u>216,317</u>	---	<u>3,475,606</u>
Total accumulated depreciation	<u>8,652,953</u>	<u>448,553</u>	---	<u>9,101,506</u>
Total capital assets being depreciated, net	<u>6,002,939</u>	<u>390,394</u>	---	<u>6,393,333</u>
Governmental activities capital assets, net	<u>\$ 6,219,018</u>	<u>1,367,498</u>	---	<u>7,586,516</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 143,829	39,401	---	183,230
Less accumulated depreciation	<u>111,782</u>	<u>8,594</u>	---	<u>120,376</u>
Business type activities capital assets, net	<u>\$ 32,047</u>	<u>30,807</u>	---	<u>62,854</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

 Regular \$ 106,434

Support services:

 Instructional staff 5,727

 Operation and maintenance of plant 12,158

 Transportation 91,637

215,956

Unallocated

232,597

Total depreciation expense – governmental activities \$ 448,553

Business type activities:

 Food service operations \$ 8,594

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ ---	750,000	---	750,000	107,000
Bus lease purchase obligation	---	337,504	49,067	288,437	38,953
Computer lease purchase obligation	114,621	106,379	77,281	143,719	70,111
Termination benefits	236,857	87,292	179,721	144,428	63,857
Net OPEB liability	<u>43,830</u>	<u>24,525</u>	---	<u>68,355</u>	---
Total	<u>\$ 395,308</u>	<u>1,305,700</u>	<u>306,069</u>	<u>1,394,939</u>	<u>279,921</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

Revenue Bonds

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

Year Ending <u>June 30.</u>	<u>Bond Issue of July 15, 2011</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.55%	\$ 107,000	24,726	131,726
2014	3.55	107,000	20,927	127,927
2015	3.55	107,000	17,129	124,129
2016	3.55	107,000	13,330	120,330
2017	3.55	107,000	9,532	116,532
2018-2019	3.55	<u>215,000</u>	<u>7,650</u>	<u>222,650</u>
Total		<u>\$ 750,000</u>	<u>93,294</u>	<u>843,294</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$750,000 of bonds issued in July 2011. The bonds were issued for the purpose of financing the construction of a weight/wrestling room. 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 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 26% of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the notes is \$843,294. For the current year, \$12,277 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$517,811.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

Capital Lease Purchase Obligations

In June 2011, the District entered into a capital lease-purchase agreement with Mercedes-Benz Financial Services USA LLC to finance the purchase of four buses totaling \$337,504. The lease is financed for three years at an interest rate of 3.51%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2012:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 49,067
2014	<u>265,069</u>
Total minimum lease payments	314,136
Less amount representing interest	<u>(25,699)</u>
Net present value of minimum lease payments	\$ <u>288,437</u>

Payments under the agreement totaled \$49,067 for the year ended June 30, 2012.

In July 2011, the District entered into a capital lease-purchase agreement with Kinetic Leasing, Inc. to finance the purchase of computers for the one to one computer program totaling \$221,000. The lease is financed for three years at an interest rate of 4.989%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2012:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 77,281
2014	<u>77,281</u>
Total minimum lease payments	154,562
Less amount representing interest	<u>(10,843)</u>
Net present value of minimum lease payments	\$ <u>143,719</u>

Payments under the agreement totaled \$77,281 for the year ended June 30, 2012.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

Termination Benefits

The District offers a voluntary early retirement plan to its licensed teaching employees. Eligible employees must have completed fifteen years of full-time service to the District and must have reached the age of fifty-five in the year in which they retire. The benefit is determined by taking 140% of the difference between employees current salary and the step I base rate of pay. The benefit can be paid out in a lump sum, over 12 monthly payments, over 60 monthly payments or applied to their insurance payment for up to five years. If the employees choose to have their benefit applied to insurance payments, any remaining amount will be paid out at the end of five years.

At June 30, 2012 the District has obligations to eight participants with a total liability of \$144,428. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$163,027.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$321,171, \$287,325 and \$292,572, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 66 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

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

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

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

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

Annual required contribution	\$ 52,660
Interest on net OPEB obligation	1,096
Adjustment to annual required contribution	<u>(3,773)</u>
Annual OPEB cost	49,983
Contributions made	<u>(25,458)</u>
Increase in net OPEB obligation	24,525
Net OPEB obligation beginning of year	<u>43,830</u>
Net OPEB obligation end of year	\$ <u>68,355</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$25,458 to the medical plan. Plan members eligible for benefits contributed \$22,493, or 47% of the premium costs.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 49,210	52.0%	\$ 23,610
2011	48,302	58.1%	43,830
2012	49,983	50.9%	68,355

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$520,728, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$520,728. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,189,000 and the ratio of the UAAL to covered payroll was 16.3%. As of June 30, 2012, there were no trust fund assets.

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

As of the July 1, 2009 actuarial valuation date, the unit credit 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%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

Projected claim costs of the medical plan are \$571 per month for retirees less than age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(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.

(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 \$247,033 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with Ricoh USA, Inc. for the rental of copiers on July 8, 2008 for a period of 48 months. The amount paid for the fiscal year ended June 30, 2012 was \$38,061. There are no future rentals.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2012

(11) Construction Commitment

The District has entered into a contract totaling \$1,122,233 for the construction of a weight/wrestling room. As of June 30, 2012 costs of \$1,035,129 have been incurred on the project. The remaining cost will be paid as work progresses.

(12) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited English proficient	\$ 2,591
Home school assistance program	3,599
Gifted and talented program	20,334
Professional development – core curriculum	12,212
Professional development	<u>16,795</u>
Total	<u>\$ 55,531</u>

(13) Subsequent Events

Subsequent events have been evaluated through May 30, 2013 which is the date the financial statements were available to be issued.

On August 13, 2012 the board approved the installation of a digital control system and hot water heater for \$108,321.

On May 20, 2013 the board approved the sale of the Callender Building for \$1.

Required Supplementary Information

Prairie Valley Community School District
Gowrie, Iowa

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, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 5,970,002	234,930
Intermediate sources	-	-
State sources	2,930,962	3,401
Federal sources	<u>148,328</u>	<u>182,000</u>
Total revenues	<u>9,049,292</u>	<u>420,331</u>
Expenditures/Expenses:		
Instruction	5,355,161	-
Support services	2,547,582	2,374
Non-instructional programs	573	421,810
Other expenditures	<u>1,559,711</u>	<u>-</u>
Total expenditures/expenses	<u>9,463,027</u>	<u>424,184</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(413,735)	(3,853)
Other financing sources, net	<u>1,067,535</u>	<u>11,852</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	653,800	7,999
Balances beginning of year	<u>2,322,409</u>	<u>102,700</u>
Balances end of year	<u>\$ 2,976,209</u>	<u>110,699</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
6,204,932	7,800,029	7,800,029	(1,595,097)
-	16,000	16,000	(16,000)
2,934,363	3,615,350	3,615,350	(680,987)
<u>330,328</u>	<u>317,000</u>	<u>317,000</u>	<u>13,328</u>
<u>9,469,623</u>	<u>11,748,379</u>	<u>11,748,379</u>	<u>(2,278,756)</u>
5,355,161	6,394,073	6,394,073	1,038,912
2,549,956	3,043,533	3,043,533	493,577
422,383	415,000	415,000	(7,383)
<u>1,559,711</u>	<u>1,031,334</u>	<u>1,650,000</u>	<u>90,289</u>
<u>9,887,211</u>	<u>10,883,940</u>	<u>11,502,606</u>	<u>1,615,395</u>
(417,588)	864,439	245,773	(663,361)
<u>1,079,387</u>	<u>(690,000)</u>	<u>(690,000)</u>	<u>1,769,387</u>
661,799	174,439	(444,227)	1,106,026
<u>2,425,109</u>	<u>380,817</u>	<u>380,817</u>	<u>2,044,292</u>
<u>3,086,908</u>	<u>555,256</u>	<u>(63,410)</u>	<u>3,150,318</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$618,666.

During the year ended June 30, 2012, expenditures in the non-instructional programs function exceeded the amount budgeted.

Prairie Valley Community School District

Gowrie, Iowa

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 521	521	0.0%	\$4,506,000	11.6%
2011	Jul 1, 2009	-	521	521	0.0%	4,195,000	12.4%
2012	Jul 1, 2009	-	521	521	0.0%	3,189,000	16.3%

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

See accompanying independent auditor's report.

Supplementary Information

Prairie Valley Community School District
Gowrie, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 419,567	30,189	449,756
Receivables:			
Property tax:			
Delinquent	4,001	-	4,001
Succeeding year	260,000	-	260,000
Total assets	\$ 683,568	30,189	713,757
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,370	83	2,453
Deferred revenue:			
Succeeding year property tax	260,000	-	260,000
Early retirement	14,692	-	14,692
Total liabilities	277,062	83	277,145
Fund balances:			
Restricted for:			
Management levy purposes	406,506	-	406,506
Student activities	-	30,106	30,106
Total fund balances	406,506	30,106	436,612
Total liabilities and fund balances	\$ 683,568	30,189	713,757

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 2

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

Year ended June 30, 2012

	Special Revenue		
	Manage- ment <u>Levy</u>	Student Activity	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 299,254	-	299,254
Other	15,956	162,010	177,966
State sources	98	-	98
Total revenues	315,308	162,010	477,318
Expenditures:			
Current:			
Instruction:			
Regular	364,962	-	364,962
Other	-	162,867	162,867
Support services:			
Operation and maintenance of plant	73,176	-	73,176
Transportation	27,608	-	27,608
Total expenditures	465,746	162,867	628,613
Deficiency of revenues under expenditures	(150,438)	(857)	(151,295)
Fund balances beginning of year	556,944	30,963	587,907
Fund balances end of year	\$ 406,506	30,106	436,612

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	<u>Expenditures</u>	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 21,075	77,373	72,826	(993)	24,629
Cheerleaders	432	10,102	13,076	1,450	(1,092)
Class of 2011	1,574	-	-	(1,574)	-
Class of 2012	2,461	696	601	-	2,556
Class of 2013	-	8,887	6,440	(200)	2,247
Drill Team	1,107	4,481	4,933	(200)	455
Dramatics	698	1,097	1,359	(478)	(42)
FFA	1,984	20,478	20,493	100	2,069
FCCLA	(1,380)	5,624	6,600	1,865	(491)
Instrumental	1,717	8,947	9,894	(100)	670
HS Student Council	1,276	4,180	4,265	100	1,291
Tri M	32	295	159	580	748
Vocal Music	(924)	8,623	11,422	(100)	(3,823)
Yearbook	460	10,620	9,948	(450)	682
MS Student Council	451	607	851	-	207
Total	<u>\$ 30,963</u>	<u>162,010</u>	<u>162,867</u>	<u>-</u>	<u>30,106</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 4

Combining Balance Sheet
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash and pooled investments	\$ 610,864	47,588	658,452
Receivables:			
Property tax:			
Delinquent	-	1,289	1,289
Succeeding year	-	103,972	103,972
Due from other governments	<u>103,145</u>	<u>-</u>	<u>103,145</u>
Total assets	<u>\$ 714,009</u>	<u>152,849</u>	<u>866,858</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 206,192	-	206,192
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>103,972</u>	<u>103,972</u>
Total liabilities	<u>206,192</u>	<u>103,972</u>	<u>310,164</u>
Fund balances:			
Restricted for:			
School infrastructure	507,817	-	507,817
Physical plant and equipment	<u>-</u>	<u>48,877</u>	<u>48,877</u>
Total fund balances	<u>507,817</u>	<u>48,877</u>	<u>556,694</u>
Total liabilities and fund balances	<u>\$ 714,009</u>	<u>152,849</u>	<u>866,858</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 5

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

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 517,811	96,471	614,282
Other	20,705	1,567	22,272
State sources	-	63,751	63,751
Total revenues	538,516	161,789	700,305
Expenditures:			
Instruction:			
Regular	63,184	-	63,184
Support services:			
Transportation	337,504	-	337,504
Other expenditures:			
Facilities acquisition	1,151,970	148,431	1,300,401
Total expenditures	1,552,658	148,431	1,701,089
Excess (deficiency) of revenues over (under) expenditures	(1,014,142)	13,358	(1,000,784)
Other financing sources (uses):			
Revenue bonds issued	750,000	-	750,000
Lease purchase obligations issued	317,535	-	317,535
Operating transfers out	(132,590)	-	(132,590)
Total other financing sources (uses)	934,945	-	934,945
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(79,197)	13,358	(65,839)
Fund balances beginning of year	587,014	35,519	622,533
Fund balances end of year	\$ 507,817	48,877	556,694

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 6

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2012

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 30,763	924	31,687
Accounts receivable	2,431	107	2,538
Inventories	23,447	-	23,447
Capital assets, net of accumulated depreciation	<u>62,854</u>	<u>-</u>	<u>62,854</u>
Total assets	<u>119,495</u>	<u>1,031</u>	<u>120,526</u>
Liabilities			
Accounts payable	5,302	-	5,302
Salaries and benefits payable	<u>4,525</u>	<u>-</u>	<u>4,525</u>
Total liabilities	<u>9,827</u>	<u>-</u>	<u>9,827</u>
Net Assets			
Invested in capital assets	62,854	-	62,854
Unrestricted	<u>46,814</u>	<u>1,031</u>	<u>47,845</u>
Total net assets	<u>\$ 109,668</u>	<u>1,031</u>	<u>110,699</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 7

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 193,804	37,008	230,812
Miscellaneous	<u>3,353</u>	<u>764</u>	<u>4,117</u>
Total operating revenues	<u>197,157</u>	<u>37,772</u>	<u>234,929</u>
 Operating expenses:			
Support services:			
Operation and maintenance of plant	<u>2,374</u>	-	<u>2,374</u>
	<u>2,374</u>	<u>-</u>	<u>2,374</u>
 Non-instructional programs:			
Salaries	113,673	32,852	146,525
Benefits	30,188	4,831	35,019
Purchased services	2,118	35	2,153
Supplies	223,892	5,627	229,519
Depreciation	<u>8,594</u>	-	<u>8,594</u>
	<u>378,465</u>	<u>43,345</u>	<u>421,810</u>
Total operating expenses	<u>380,839</u>	<u>43,345</u>	<u>424,184</u>
 Operating income (loss)	<u>(183,682)</u>	<u>(5,573)</u>	<u>(189,255)</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Schedule 7

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Non-operating revenues:			
State sources	3,401	-	3,401
Federal sources	179,235	2,765	182,000
Interest income	<u>1</u>	<u>-</u>	<u>1</u>
Total non-operating revenues	<u>182,637</u>	<u>2,765</u>	<u>185,402</u>
Income (loss) before capital asset contributions	<u>(1,045)</u>	<u>(2,808)</u>	<u>(3,853)</u>
Capital asset contributions:			
Capital asset contributions	<u>11,852</u>	<u>-</u>	<u>11,852</u>
Increase (decrease) in net assets	10,807	(2,808)	7,999
Net assets beginning of year	<u>98,861</u>	<u>3,839</u>	<u>102,700</u>
Net assets end of year	<u><u>\$ 109,668</u></u>	<u><u>1,031</u></u>	<u><u>110,699</u></u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 191,373	37,718	229,091
Cash received from other services	3,353	764	4,117
Cash paid to employees for services	(145,251)	(37,683)	(182,934)
Cash paid to suppliers for goods or services	<u>(195,150)</u>	<u>(5,706)</u>	<u>(200,856)</u>
Net cash used by operating activities	<u>(145,675)</u>	<u>(4,907)</u>	<u>(150,582)</u>
Cash flows from non-capital financing activities:			
State grants received	3,401	-	3,401
Federal grants received	<u>154,764</u>	<u>2,765</u>	<u>157,529</u>
Net cash provided by non-capital financing activities	<u>158,165</u>	<u>2,765</u>	<u>160,930</u>
Cash flows used by capital and related financing activities:			
Acquisition of capital assets	<u>(27,549)</u>	<u>-</u>	<u>(27,549)</u>
Cash flows from investing activities:			
Interest on investments	<u>1</u>	<u>-</u>	<u>1</u>
Net decrease in cash and cash equivalents	(15,058)	(2,142)	(17,200)
Cash and cash equivalents beginning of year	<u>45,821</u>	<u>3,066</u>	<u>48,887</u>
Cash and cash equivalents end of year	<u>\$ 30,763</u>	<u>924</u>	<u>31,687</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (183,682)	(5,573)	(189,255)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	24,471	-	24,471
Depreciation	8,594	-	8,594
(Increase) decrease in accounts receivable	(2,431)	710	(1,721)
Decrease in inventories	4,376	-	4,376
Increase (decrease) in accounts payable	4,387	(44)	4,343
(Decrease) in salaries and benefits payable	(1,390)	-	(1,390)
Net cash used by operating activities	<u>\$ (145,675)</u>	<u>(4,907)</u>	<u>(150,582)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$24,471 of federal commodities.

During the year ended June 30, 2012, the District received \$11,852 in capital asset contributions from the Capital Projects Fund.

See accompanying independent auditor's report.

Prairie Valley Community School District
 Gowrie, Iowa
 Schedule of Changes in Private Purpose Trusts

Schedule 9

Year ended June 30, 2012

	Balance Beginning of Year	<u>Revenues</u>	<u>Expednitures</u>	Balance End of Year
Belle Erickson Scholarship	\$ 3,411	23	-	3,434
William Johnson Scholarship	5,209	23	-	5,232
Evans Scholarship	-	-	-	-
George Larson Scholarship	7	400	-	407
Administration Scholarship	12	125	-	137
Nels Lindquist Scholarship	55	-	-	55
Cone Scholarship	100,017	643	-	100,660
Franzeen Memorial	394,960	14,318	-	409,278
Lucile Swenson Scholarship	4,034	19	-	4,053
Board Scholarship	-	100	-	100
TAG scholarship	-	108	-	108
Murphy Family Scholarship	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total	<u>\$ 508,705</u>	<u>16,759</u>	<u>1,000</u>	<u>524,464</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 10

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 19,684	34,182	22,243	31,623
Total assets	<u>\$ 19,684</u>	<u>34,182</u>	<u>22,243</u>	<u>31,623</u>
Liabilities				
Other payables	\$ 19,684	34,182	22,243	31,623
Total liabilities	<u>\$ 19,684</u>	<u>34,182</u>	<u>22,243</u>	<u>31,623</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:			
Local sources:			
Local tax	\$ 4,853,128	4,754,141	4,092,143
Tuition	560,302	1,014,680	568,302
Other	556,572	402,198	435,100
State sources	2,930,962	2,890,816	2,530,608
Federal sources	148,328	433,798	613,586
Total	<u>\$ 9,049,292</u>	<u>9,495,633</u>	<u>8,239,739</u>
Expenditures:			
Instruction	\$ 5,355,161	5,724,148	5,433,797
Support services:			
Student	197,439	96,624	163,912
Instructional staff	235,856	182,451	172,777
Administration	622,612	619,551	688,136
Operation and maintenance of plant	649,091	607,598	787,420
Transportation	842,584	487,178	442,947
Central support	-	-	-
Non-instructional programs	573	1,003	501
Other expenditures:			
Facilities acquisition	1,300,401	416,448	445,298
Long-term debt:			
Principal	-	-	-
Interest and other charges	12,277	-	-
AEA flowthrough	247,033	278,373	277,363
Total	<u>\$ 9,463,027</u>	<u>8,413,374</u>	<u>8,412,151</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
4,338,860	3,665,659	3,719,267	3,650,440	3,204,132	3,474,650
316,708	401,462	271,497	325,919	337,496	284,911
431,858	415,926	448,045	465,189	300,843	344,411
3,237,474	3,312,581	2,933,000	3,033,541	3,080,538	2,782,777
<u>270,516</u>	<u>167,650</u>	<u>174,707</u>	<u>175,394</u>	<u>192,841</u>	<u>215,793</u>
<u>8,595,416</u>	<u>7,963,278</u>	<u>7,546,516</u>	<u>7,650,483</u>	<u>7,115,850</u>	<u>7,102,542</u>
5,057,567	5,260,502	4,414,486	4,355,134	4,175,869	4,249,556
285,127	215,322	295,054	257,714	217,938	227,298
171,519	169,072	267,356	276,775	271,524	325,358
644,515	610,271	534,203	551,462	452,591	555,946
727,139	698,257	728,467	756,911	659,980	667,727
408,261	405,809	508,023	483,942	407,869	391,701
-	-	-	-	-	11,763
171	470	-	-	-	3,358
603,013	308,616	244,556	47,524	345,857	217,662
300,000	385,000	375,000	360,000	350,000	340,000
7,900	21,945	34,830	46,658	57,543	67,163
<u>255,106</u>	<u>250,637</u>	<u>241,023</u>	<u>231,059</u>	<u>233,255</u>	<u>235,690</u>
<u>8,460,318</u>	<u>8,325,901</u>	<u>7,642,998</u>	<u>7,367,179</u>	<u>7,172,426</u>	<u>7,293,222</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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

To the Board of Education of
Prairie Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 30, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Prairie Valley 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 30, 2013

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-12 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Prairie Valley Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2012

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012, exceeded the certified budget amounts in the non-instructional programs function.

Recommendation - The certified budget should have been amended in sufficient amounts by proper function in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts and in proper functional areas to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-12 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.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

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

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2012

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

II-I-12 Deposits and Investments –No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District’s investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. The District did not approve a resolution naming approved depositories and the maximum depository amount.

Recommendation – As per its board policy, the District should approve at its annual meeting a resolution naming approved depositories and the maximum depository amounts.

Response - We have already approved a resolution naming the approved depositories and the maximum amounts for the fiscal year ending June 30, 2013.

Conclusion-Response accepted.

II-J-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2012

Beginning balance		\$ 587,014	
Revenues:			
Sales tax revenues	\$ 517,811		
Other local revenues	20,705		
Sale of long-term debt	<u>1,067,535</u>	<u>1,606,051</u>	
			2,193,065
Expenditures/transfers out:			
School infrastructure construction	1,151,970		
Equipment	400,688		
Transfers to other funds:			
Debt service fund	<u>132,590</u>	<u>1,685,248</u>	
Ending balance			\$ <u>507,817</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-12 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

II-N-12 Deficit Balances – Four student activity accounts had deficit balances at June 30, 2012.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

II-O-12 Check Signers – One check was signed by the Board President only. Chapter 291.8 of the Code of Iowa states, in part, that the secretary shall sign, using an original or facsimile signature, all school district warrants.

Recommendation – The District should ensure all warrants are signed by the Board President and the Board Secretary.

Response – This was an oversight. The Secretary will sign all warrants in the future.

Conclusion – Response accepted.