

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
NORTH ENGLISH, IOWA

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

JUNE 30, 2013

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ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u>                   | <u>Title</u>                            | <u>Term Expires</u> |
|-------------------------------|---|---------------------|
| <u>Board of Education</u>     |   |                     |
| Terri Riegel                  | President                               | 2013                |
| Steve Axmear                  | Vice President (resigned February 2013) |                     |
| Angie George                  | Vice President                          | 2015                |
| Tammy Stanerson               | Board Member (appointed February 2013)  | 2013                |
| Andrew Axmear                 | Board Member                            | 2015                |
| Duane Allen                   | Board Member                            | 2015                |
| <u>School Officials</u>       |   |                     |
| Alan J. Jensen                | Superintendent                          | 2013                |
| Wendy Ayers                   | District Secretary/Treasurer            | 2013                |
| Elwood, Elwood, & Leinen      | Attorney                                | 2013                |
| Ahlers & Cooney, PC           | Attorney                                | 2013                |
| Bloethe, Elwood, and Buchanan | Attorney                                | 2013                |
| Engel Law Firm                | Attorney                                | 2013                |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
English Valleys Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise English Valleys Community School District's basic financial statements. The financial statements for the nine years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2014 on our consideration of English Valleys Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering English Valleys Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa  
March 3, 2014

*Hunt & Associates, P.C.*

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## Basic Financial Statements

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

|  | Governmental<br>Activities | Business-type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>  |                            |                             |                   |
| Cash and pooled investments                              | \$ 3,194,364               | \$ 45,565                   | \$ 3,239,929      |
| Receivables:   |                            |                             |                   |
| Property tax:  |                            |                             |                   |
| Current year   | 41,917                     | -                           | 41,917            |
| Succeeding year  | 2,239,690                  | -                           | 2,239,690         |
| Income surtax  | 340,677                    | -                           | 340,677           |
| Accounts   | 12,999                     | 886                         | 13,885            |
| Due from other governments                               | 384,943                    | -                           | 384,943           |
| Interfund balances (note 4)                              | 23,521                     | (23,521)                    | -                 |
| Inventories  | -                          | 1,221                       | 1,221             |
| Prepaid expenses   | 28                         | -                           | 28                |
| Capital assets, net of accumulated depreciation (note 5) | 3,829,684                  | 25,216                      | 3,854,900         |
| <b>Total assets</b>                                      | <b>10,067,823</b>          | <b>49,367</b>               | <b>10,117,190</b> |
| <b>Liabilities</b>                                       |                            |                             |                   |
| Accounts payable   | 425,826                    | 8,442                       | 434,268           |
| Salaries and benefits payable                            | 601,712                    | -                           | 601,712           |
| Accrued interest payable                                 | 1,223                      | -                           | 1,223             |
| Deferred revenue:  |                            |                             |                   |
| Succeeding year property tax                             | 2,239,690                  | -                           | 2,239,690         |
| Other  | 24,348                     | 4,335                       | 28,683            |
| Good faith deposit                                       | 41,900                     | -                           | 41,900            |
| Long-term liabilities (note 6):                          |                            |                             |                   |
| Portion due within one year:                             |                            |                             |                   |
| Early retirement   | 68,248                     | -                           | 68,248            |
| Bonds payable  | 235,000                    | -                           | 235,000           |
| Portion due after one year:                              |                            |                             |                   |
| Early retirement   | 96,286                     | -                           | 96,286            |
| Bonds payable  | 475,000                    | -                           | 475,000           |
| Net OPEB liability                                       | 176,872                    | 3,486                       | 180,358           |
| <b>Total liabilities</b>                                 | <b>4,386,105</b>           | <b>16,263</b>               | <b>4,402,368</b>  |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

|  | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>        |
|--|--|---|---------------------|
| Net Position                               |  |   |                     |
| Net investment in capital assets           | \$ 3,119,684                             | \$ 25,216                                 | \$ 3,144,900        |
| Restricted for:                            |  |   |                     |
| Categorical funding                        | 52,521                                   | -   | 52,521              |
| Capital projects                           | 926,369                                  | -   | 926,369             |
| Physical plant and equipment levy purposes | 336,219                                  | -   | 336,219             |
| Student activities                         | 80,961                                   | -   | 80,961              |
| Unrestricted                               | <u>1,165,964</u>                         | <u>7,888</u>                              | <u>1,173,852</u>    |
| Total net position                         | <u>\$ 5,681,718</u>                      | <u>\$ 33,104</u>                          | <u>\$ 5,714,822</u> |

See notes to financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

| Functions/Programs                 | Expenses         | Program Revenues     |                                    |                                  |
|------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|
|                                    |                  | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities:           |                  |                      |                                    |                                  |
| Instruction                        | \$ 4,542,798     | \$ 448,699           | \$ 644,027                         | \$ -                             |
| Support services:                  |                  |                      |                                    |                                  |
| Student                            | 6,113            | -                    | -                                  | -                                |
| Instructional staff                | 88,104           | -                    | -                                  | -                                |
| Administration                     | 775,435          | 106,107              | -                                  | -                                |
| Operation and maintenance of plant | 343,048          | -                    | -                                  | -                                |
| Transportation                     | 388,304          | -                    | 1,415                              | -                                |
|                                    | <u>1,601,004</u> | <u>106,107</u>       | <u>1,415</u>                       | <u>-</u>                         |
| Non-instructional programs         | <u>27,509</u>    | <u>-</u>             | <u>-</u>                           | <u>-</u>                         |
| Other expenditures:                |                  |                      |                                    |                                  |
| Facilities acquisition             | 37,749           | -                    | -                                  | 16,927                           |
| Debt service                       | 23,368           | -                    | -                                  | -                                |
| AEA flowthrough                    | 204,871          | -                    | 204,871                            | -                                |
| Depreciation (unallocated) *       | 109,846          | -                    | -                                  | -                                |
| Loss on disposal of capital assets | 157,467          | -                    | -                                  | -                                |
|                                    | <u>533,301</u>   | <u>-</u>             | <u>204,871</u>                     | <u>16,927</u>                    |
| Total governmental activities      | <u>6,704,612</u> | <u>554,806</u>       | <u>850,313</u>                     | <u>16,927</u>                    |

Net (Expense) Revenue  
and Changes in Net Position

| Governmental<br>Activities | Business-Type<br>Activities | Total          |
|----------------------------|-----------------------------|----------------|
| \$ (3,450,072)             | \$ -                        | \$ (3,450,072) |
| (6,113)                    | -                           | (6,113)        |
| (88,104)                   | -                           | (88,104)       |
| (669,328)                  | -                           | (669,328)      |
| (343,048)                  | -                           | (343,048)      |
| (386,889)                  | -                           | (386,889)      |
| (1,493,482)                | -                           | (1,493,482)    |
| (27,509)                   | -                           | (27,509)       |
| (20,822)                   | -                           | (20,822)       |
| (23,368)                   | -                           | (23,368)       |
| -                          | -                           | -              |
| (109,846)                  | -                           | (109,846)      |
| (157,467)                  | -                           | (157,467)      |
| (311,503)                  | -                           | (311,503)      |
| (5,282,566)                | -                           | (5,282,566)    |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

| Functions/Programs               | Expenses            | Program Revenues     |                                    |                                  |
|----------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
|                                  |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Business-Type Activities:</b> |                     |                      |                                    |                                  |
| Support services:                |                     |                      |                                    |                                  |
| Administration                   | \$ 482              | \$ -                 | \$ -                               | \$ -                             |
| Non-instructional programs:      |                     |                      |                                    |                                  |
| Food service operations          | 212,279             | 112,240              | 100,227                            | 27,509                           |
| Student-built house operations   | -                   | 10,000               | -                                  | -                                |
|                                  | <u>212,279</u>      | <u>122,240</u>       | <u>100,227</u>                     | <u>27,509</u>                    |
| Total business-type activities   | <u>212,761</u>      | <u>122,240</u>       | <u>100,227</u>                     | <u>27,509</u>                    |
| Total                            | \$ <u>6,917,373</u> | \$ <u>677,046</u>    | \$ <u>950,540</u>                  | \$ <u>44,436</u>                 |

General revenues:

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

Total general revenues

Change in net position

Net position beginning of year, as restated (note 15)

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Position

| Governmental<br>Activities | Business-Type<br>Activities | Total        |
|----------------------------|-----------------------------|--------------|
| \$ -                       | \$ (482)                    | \$ (482)     |
| -                          | 27,697                      | 27,697       |
| -                          | 10,000                      | 10,000       |
| -                          | 37,697                      | 37,697       |
| -                          | 37,215                      | 37,215       |
| (5,282,566)                | 37,215                      | (5,245,351)  |
| \$ 2,128,558               | \$ -                        | \$ 2,128,558 |
| 232,713                    | -                           | 232,713      |
| 19,387                     | -                           | 19,387       |
| 375,504                    | -                           | 375,504      |
| 428,310                    | -                           | 428,310      |
| 2,042,826                  | -                           | 2,042,826    |
| 1,719                      | 82                          | 1,801        |
| 69,303                     | -                           | 69,303       |
| 5,298,320                  | 82                          | 5,298,402    |
| 15,754                     | 37,297                      | 53,051       |
| 5,665,964                  | (4,193)                     | 5,661,771    |
| \$ 5,681,718               | \$ 33,104                   | \$ 5,714,822 |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

|                             | <u>General</u>      | <u>Capital<br/>Projects</u> | <u>Nonmajor</u>   | <u>Total</u>        |
|-----------------------------|---------------------|-----------------------------|-------------------|---------------------|
| Assets                      |                     |                             |                   |                     |
| Cash and pooled investments | \$ 1,657,413        | \$ 1,365,035                | \$ 166,421        | \$ 3,188,869        |
| Receivables:                |                     |                             |                   |                     |
| Property tax:               |                     |                             |                   |                     |
| Current year                | 34,351              | 341                         | 7,225             | 41,917              |
| Succeeding year             | 1,728,773           | 18,081                      | 492,836           | 2,239,690           |
| Income surtax               | 251,025             | 89,652                      | -                 | 340,677             |
| Interfund (note 4)          | 34,438              | -                           | -                 | 34,438              |
| Accounts                    | 4,153               | 378                         | 8,468             | 12,999              |
| Due from other governments  | 268,572             | 116,371                     | -                 | 384,943             |
| Prepaid expenses            | 28                  | -                           | -                 | 28                  |
|                             | <hr/>               |                             |                   |                     |
| Total assets                | <u>\$ 3,978,753</u> | <u>\$ 1,589,858</u>         | <u>\$ 674,950</u> | <u>\$ 6,243,561</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

|                                     | <u>General</u>      | <u>Capital<br/>Projects</u> | <u>Nonmajor</u>   | <u>Total</u>        |
|-------------------------------------|---------------------|-----------------------------|-------------------|---------------------|
| Liabilities and Fund Balances       |                     |                             |                   |                     |
| Liabilities:                        |                     |                             |                   |                     |
| Accounts payable                    | \$ 149,840          | \$ 267,289                  | \$ 8,697          | \$ 425,826          |
| Salaries and benefits payable       | 601,712             | -                           | -                 | 601,712             |
| Interfund payable (note 4)          | -                   | -                           | 10,917            | 10,917              |
| Deferred revenue:                   |                     |                             |                   |                     |
| Succeeding year property tax        | 1,728,773           | 18,081                      | 492,836           | 2,239,690           |
| Other                               | 275,373             | 89,652                      | -                 | 365,025             |
| Good faith deposit                  | -                   | 41,900                      | -                 | 41,900              |
| Total liabilities                   | <u>2,755,698</u>    | <u>416,922</u>              | <u>512,450</u>    | <u>3,685,070</u>    |
| Fund balances:                      |                     |                             |                   |                     |
| Nonspendable:                       |                     |                             |                   |                     |
| Prepaid expenses                    | 28                  | -                           | -                 | 28                  |
| Restricted for:                     |                     |                             |                   |                     |
| Categorical funding (note 12)       | 52,521              | -                           | -                 | 52,521              |
| School infrastructure               | -                   | 926,369                     | -                 | 926,369             |
| Physical plant and equipment        | -                   | 246,567                     | -                 | 246,567             |
| Debt service                        | -                   | -                           | 300               | 300                 |
| Management levy purposes            | -                   | -                           | 81,239            | 81,239              |
| Student activities                  | -                   | -                           | 80,961            | 80,961              |
| Unassigned                          | 1,170,506           | -                           | -                 | 1,170,506           |
| Total fund balances                 | <u>1,223,055</u>    | <u>1,172,936</u>            | <u>162,500</u>    | <u>2,558,491</u>    |
| Total liabilities and fund balances | <u>\$ 3,978,753</u> | <u>\$ 1,589,858</u>         | <u>\$ 674,950</u> | <u>\$ 6,243,561</u> |

See notes to financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2013

|   |                     |
|---|---------------------|
| Total fund balances of governmental funds   | \$ 2,558,491        |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |                     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.  | 3,829,684           |
| Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.  | 340,677             |
| 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.  | (1,223)             |
| The Internal Service Fund is used by the District to charge the costs of the flexible benefits plan to the governmental funds. The net position of the Internal Service Fund is therefore included in the governmental activities in the Statement of Net Position. | 5,495               |
| Long-term liabilities, including early retirement, bonds payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.  | <u>(1,051,406)</u>  |
| Net position of governmental activities   | <u>\$ 5,681,718</u> |

See notes to financial statements.

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

|   | General          | Capital<br>Projects | Nonmajor       | Total            |
|---|------------------|---------------------|----------------|------------------|
| Revenues:                                 |                  |                     |                |                  |
| Local sources:                            |                  |                     |                |                  |
| Local tax                                 | \$ 2,224,551     | \$ 544,049          | \$ 406,509     | \$ 3,175,109     |
| Tuition                                   | 238,284          | -                   | 210,131        | 448,415          |
| Other                                     | 174,611          | 19,729              | -              | 194,340          |
| State sources                             | 2,653,247        | -                   | -              | 2,653,247        |
| Federal sources                           | 239,892          | -                   | -              | 239,892          |
| Total revenues                            | <u>5,530,585</u> | <u>563,778</u>      | <u>616,640</u> | <u>6,711,003</u> |
| Expenditures:                             |                  |                     |                |                  |
| Current:                                  |                  |                     |                |                  |
| Instruction                               | <u>4,089,656</u> | <u>98,071</u>       | <u>269,942</u> | <u>4,457,669</u> |
| Support services:                         |                  |                     |                |                  |
| Student                                   | 5,143            | -                   | -              | 5,143            |
| Instructional staff                       | 88,014           | -                   | -              | 88,014           |
| Administration                            | 645,480          | 57,730              | 60,707         | 763,917          |
| Operation and maintenance of plant        | 301,015          | -                   | 46,096         | 347,111          |
| Transportation                            | 376,754          | -                   | -              | 376,754          |
|   | <u>1,416,406</u> | <u>57,730</u>       | <u>106,803</u> | <u>1,580,939</u> |
| Other expenditures:                       |                  |                     |                |                  |
| Facilities acquisition                    | -                | 689,281             | -              | 689,281          |
| Long term debt:                           |                  |                     |                |                  |
| Principal                                 | -                | -                   | 230,000        | 230,000          |
| Interest and fiscal charges               | -                | -                   | 10,998         | 10,998           |
| AEA flowthrough                           | 204,871          | -                   | -              | 204,871          |
|   | <u>204,871</u>   | <u>689,281</u>      | <u>240,998</u> | <u>1,135,150</u> |
| Total expenditures                        | <u>5,710,933</u> | <u>845,082</u>      | <u>617,743</u> | <u>7,173,758</u> |
| Deficiency of revenues under expenditures | <u>(180,348)</u> | <u>(281,304)</u>    | <u>(1,103)</u> | <u>(462,755)</u> |

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

|  | <u>General</u>      | <u>Capital<br/>Projects</u> | <u>Nonmajor</u>   | <u>Total</u>        |
|--|---------------------|-----------------------------|-------------------|---------------------|
| Other financing sources (uses):                        |                     |                             |                   |                     |
| Interfund transfers in (note 3)                        | \$ 924              | \$ -                        | \$ 5,000          | \$ 5,924            |
| Interfund transfers out (note 3)                       | (5,000)             | -                           | (924)             | (5,924)             |
| Total other financing sources (uses)                   | <u>(4,076)</u>      | <u>-</u>                    | <u>4,076</u>      | <u>-</u>            |
| Net change in fund balances                            | (184,424)           | (281,304)                   | 2,973             | (462,755)           |
| Fund balances beginning of year, as restated (note 15) | <u>1,407,479</u>    | <u>1,454,240</u>            | <u>159,527</u>    | <u>3,021,246</u>    |
| Fund balances end of year                              | <u>\$ 1,223,055</u> | <u>\$ 1,172,936</u>         | <u>\$ 162,500</u> | <u>\$ 2,558,491</u> |

See notes to financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (462,755)

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

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

|                                 |                  |         |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 672,318       |         |
| Depreciation expense            | <u>(196,456)</u> | 475,862 |

In the Statement of Activities, the loss on disposition of capital assets is  
reported, whereas the governmental funds report the proceeds from the  
disposition as an increase in financial resources. (157,467)

Income surtax revenue not received until several months after the District's  
fiscal year end is not considered available revenue and is deferred in the  
governmental funds. It is, however, recorded as revenue in the Statement  
of Activities. 9,363

The change in net position of the Internal Service Fund is reported with  
governmental activities in the Statement of Activities due to the integral  
nature of the fund to the governmental funds. 2,304

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayments reduces long-term liabilities in the Statement  
of Net Position. 230,000

Interest on long-term debt in the Statement of Activities differs from the  
amount reported in the governmental funds because interest is recorded as  
an expenditure in the funds when due. In the Statement of Activities,  
however, interest expense is recognized as the interest accrues, regardless  
of when it is due. 2,247

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

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:

|  |    |                 |                         |
|--|----|-----------------|-------------------------|
| Amortization of bond discount and deferred charges | \$ | (14,617)        |                         |
| Early retirement                                   |    | (13,146)        |                         |
| Net OPEB liability                                 |    | <u>(56,037)</u> | \$ <u>(83,800)</u>      |
| Change in net position of governmental activities  |    |                 | \$ <u><u>15,754</u></u> |

See notes to financial statements.

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2013

|  | Business-type<br>Activities<br>Nonmajor<br>Enterprise | Governmental<br>Activities<br>Internal<br>Service |
|--|---|---|
| Assets   |   |   |
| Current assets:  |   |   |
| Cash and cash equivalents                                | \$ 45,565   | \$ 5,495  |
| Accounts receivable                                      | 886   | -   |
| Inventories  | 1,221   | -   |
| Total current assets                                     | <u>47,672</u>   | <u>5,495</u>                                      |
| Noncurrent assets:                                       |   |   |
| Capital assets, net of accumulated depreciation (note 5) | <u>25,216</u>   | -   |
| Total assets   | <u>72,888</u>   | <u>5,495</u>                                      |
| Liabilities  |   |   |
| Current liabilities:                                     |   |   |
| Salaries and benefits payable                            | 8,442   | -   |
| Interfund payable (note 4)                               | 23,521  | -   |
| Deferred revenue   | 4,335   | -   |
| Total current liabilities                                | <u>36,298</u>   | -   |
| Noncurrent liabilities:                                  |   |   |
| Net OPEB liability (note 6)                              | <u>3,486</u>  | -   |
| Total liabilities  | <u>39,784</u>   | -   |
| Net Position   |   |   |
| Net investment in capital assets                         | 25,216  | -   |
| Unrestricted   | <u>7,888</u>  | <u>5,495</u>                                      |
| Total net position                                       | <u>\$ 33,104</u>                                      | <u>\$ 5,495</u>                                   |

See notes to financial statements.

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

|                                | <u>Business-type<br/>Activities<br/>Nonmajor<br/>Enterprise</u> | <u>Governmental<br/>Activities<br/>Internal<br/>Service</u> |
|--------------------------------|---|---|
| Operating revenues:            |   |   |
| Local sources:                 |   |   |
| Charges for services           | \$ 122,240  | \$ 758,864  |
| <br>                           |   |   |
| Operating expenses:            |   |   |
| Support programs:              |   |   |
| Administration:                |   |   |
| Salaries                       | 292   | -   |
| Benefits                       | 190   | -   |
| Miscellaneous                  | -   | 756,567   |
| Non-instructional programs:    |   |   |
| Food service operations:       |   |   |
| Salaries                       | 61,513  | -   |
| Benefits                       | 9,510   | -   |
| Supplies                       | 132,750   | -   |
| Depreciation                   | 3,288   | -   |
| Miscellaneous                  | 5,218   | -   |
| Total operating expenses       | <u>212,761</u>  | <u>756,567</u>  |
| <br>                           |   |   |
| Operating income (loss)        | (90,521)  | 2,297   |
| <br>                           |   |   |
| Non-operating revenues:        |   |   |
| Interest income                | 82  | 7   |
| Capital contributions          | 27,509  | -   |
| State sources                  | 1,855   | -   |
| Federal sources                | 98,372  | -   |
| Total non-operating revenues   | <u>127,818</u>  | <u>7</u>  |
| <br>                           |   |   |
| Change in net position         | 37,297  | 2,304   |
| <br>                           |   |   |
| Net position beginning of year | <u>(4,193)</u>  | <u>3,191</u>  |
| <br>                           |   |   |
| Net position end of year       | <u>\$ 33,104</u>  | <u>\$ 5,495</u>   |

See notes to financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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

|   | Business-type<br>Activities<br><u>Nonmajor<br/>Enterprise</u> | Governmental<br>Activities<br><u>Internal<br/>Service</u> |
|---|---|---|
| Cash flows from operating activities:                 |   |   |
| Cash received from sale of lunches and breakfasts     | \$ 102,270  | \$ -  |
| Cash received from miscellaneous operating activities | 15,189  | 761,363   |
| Cash payments to employees for services               | (61,294)  | -   |
| Cash payments to suppliers for goods or services      | <u>(128,139)</u>  | <u>(756,567)</u>  |
| Net cash provided by (used by) operating activities   | <u>(71,974)</u>   | <u>4,796</u>  |
| Cash flows from non-capital financing activities:     |   |   |
| State grants received                                 | 1,855   | -   |
| Federal grants received                               | <u>88,660</u>   | <u>-</u>  |
| Net cash provided by non-capital financing activities | <u>90,515</u>   | <u>-</u>  |
| Cash flows from investing activities:                 |   |   |
| Interest on investments                               | <u>82</u>   | <u>7</u>  |
| Net increase in cash and cash equivalents             | 18,623  | 4,803   |
| Cash and cash equivalents beginning of year           | <u>26,942</u>   | <u>692</u>  |
| Cash and cash equivalents end of year                 | <u>\$ 45,565</u>  | <u>\$ 5,495</u>   |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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

|  | <u>Business-type</u><br><u>Activities</u><br><u>Nonmajor</u><br><u>Enterprise</u> | <u>Governmental</u><br><u>Activities</u><br><u>Internal</u><br><u>Service</u> |
|--|---|---|
| Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:        |   |   |
| Operating income (loss)  | \$ (90,521)   | \$ 2,297  |
| Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities: |   |   |
| Depreciation   | 3,288   | -   |
| Commodities used   | 9,712   | -   |
| (Increase) decrease in accounts receivable   | (40)  | 2,499   |
| Decrease in inventories  | 117   | -   |
| Increase in interfund payable  | 23,521  | -   |
| (Decrease) in salaries and benefits payable  | (3,310)   | -   |
| (Decrease) in deferred revenue   | (4,741)   | -   |
| (Decrease) in net OPEB liability   | <u>(10,000)</u>   | <u>-</u>  |
| Net cash provided by (used by) operating activities  | <u>\$ (71,974)</u>  | <u>\$ 4,796</u>   |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$9,712 of federal commodities and \$27,509 of equipment contributed from other funds.

See notes to financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

English Valleys Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten.

Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of North English, South English, Kinross, Webster, Deep River, and Millersburg, Iowa, and agricultural territory in Keokuk, Iowa, and Poweshiek 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, English Valleys 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. English Valleys Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following proprietary funds:

The District's enterprise funds are the School Nutrition Fund and the Student-Built House Fund.

These funds are used to account for the food service and building and trades program operations of the District.

The Internal Service, Flexible Benefits Fund is used to account for the flexible benefits plan offered by the District.

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary 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.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

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.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2013 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

| Asset Class                       | Amount   |
|-----------------------------------|----------|
| Land                              | \$ 2,500 |
| Buildings                         | 2,500    |
| Improvements other than buildings | 2,500    |
| Intangibles                       | 30,000   |
| Furniture and equipment:          |          |
| School Nutrition Fund equipment   | 500      |
| Other furniture and equipment     | 2,500    |

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

| Asset Class                       | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings                         | 15-40 years            |
| Improvements other than buildings | 15-20 years            |
| Furniture and equipment           | 5-20 years             |

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

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

Deferred revenue for governmental activities in the Statement of Net Position consists of unspent grant proceeds and the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

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

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

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013

Note 2. Cash and Pooled Investments (continued)

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

|                       | Amortized<br>Cost |
|-----------------------|-------------------|
| Diversified Portfolio | \$ 2,973,055      |

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

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

Note 3. Interfund Transfers

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

| Transfer to                          | Transfer from                        | Amount   |
|--------------------------------------|--------------------------------------|----------|
| Special Revenue:<br>Student Activity | General                              | \$ 5,000 |
| General                              | Special Revenue:<br>Student Activity | 924      |
|                                      |                                      | \$ 5,924 |

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

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 4. Interfund Receivables and Payables

At June 30, 2013, interfund receivables and payables consisted of the following:

| <u>Receivable Fund</u>   | <u>Payable Fund</u>              | <u>Amount</u>    |
|--|----------------------------------|------------------|
| Interfund balances between governmental funds:                 |                                  |                  |
| Pooled cash balances:  |                                  |                  |
| General  | Debt Service                     | \$ 3,871         |
| Other receivables:   |                                  |                  |
| General  | Special Revenue: Management Levy | 7,046            |
| Interfund balances between governmental and proprietary funds: |                                  |                  |
| Other receivables:   |                                  |                  |
| General  | Enterprise: School Nutrition     | <u>23,521</u>    |
|  |                                  | <u>\$ 34,438</u> |

Pooled cash balances are temporary financing between funds which is necessary due to the timing of expected property tax collections and the related debt service expenditures. The other receivables interfund balances are due to timing differences involved in the reimbursement of early retirement and payroll at year end.

The balances between governmental funds are not included on the government-wide Statement of Net Position. The balances between governmental and proprietary funds have been eliminated on the face of the government-wide Statement of Net Position.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets

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

|  | Balance<br>Beginning<br>of Year | Increases         | Decreases         | Balance<br>End<br>of Year |
|--|---------------------------------|-------------------|-------------------|---------------------------|
| Governmental activities:                     |                                 |                   |                   |                           |
| Capital assets not being depreciated:        |                                 |                   |                   |                           |
| Land   | \$ 257,413                      | \$ -              | \$ -              | \$ 257,413                |
| Construction in progress                     | 89,340                          | 647,731           | 234,011           | 503,060                   |
| Total capital assets not being depreciated   | <u>346,753</u>                  | <u>647,731</u>    | <u>234,011</u>    | <u>760,473</u>            |
| Capital assets being depreciated:            |                                 |                   |                   |                           |
| Buildings                                    | 5,772,269                       | 101,366           | 379,369           | 5,494,266                 |
| Improvements other than buildings            | 16,130                          | 105,136           | -                 | 121,266                   |
| Furniture and equipment                      | 3,874,856                       | 52,096            | 235,594           | 3,691,358                 |
| Total capital assets being depreciated       | <u>9,663,255</u>                | <u>258,598</u>    | <u>614,963</u>    | <u>9,306,890</u>          |
| Less accumulated depreciation for:           |                                 |                   |                   |                           |
| Buildings                                    | 3,014,534                       | 108,352           | 221,902           | 2,900,984                 |
| Improvements other than buildings            | 16,130                          | 7,009             | -                 | 23,139                    |
| Furniture and equipment                      | 3,468,055                       | 81,095            | 235,594           | 3,313,556                 |
| Total accumulated depreciation               | <u>6,498,719</u>                | <u>196,456</u>    | <u>457,496</u>    | <u>6,237,679</u>          |
| Total capital assets being depreciated, net  | <u>3,164,536</u>                | <u>62,142</u>     | <u>157,467</u>    | <u>3,069,211</u>          |
| Governmental activities capital assets, net  | <u>\$ 3,511,289</u>             | <u>\$ 709,873</u> | <u>\$ 391,478</u> | <u>\$ 3,829,684</u>       |
| Business-type activities:                    |                                 |                   |                   |                           |
| Furniture and equipment                      | \$ 84,820                       | \$ 27,509         | \$ 995            | \$ 111,334                |
| Less accumulated depreciation                | <u>83,825</u>                   | <u>3,288</u>      | <u>995</u>        | <u>86,118</u>             |
| Business-type activities capital assets, net | <u>\$ 995</u>                   | <u>\$ 24,221</u>  | <u>\$ -</u>       | <u>\$ 25,216</u>          |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

|  |                          |
|--|--------------------------|
| Governmental activities:                             |                          |
| Instruction  | \$ 35,362                |
| Support services:                                    |                          |
| Student  | 970                      |
| Administration                                       | 5,512                    |
| Operation and maintenance of plant                   | 641                      |
| Transportation                                       | 44,125                   |
|  | <u>86,610</u>            |
| Unallocated depreciation                             | <u>109,846</u>           |
| Total depreciation expense - governmental activities | \$ <u><u>196,456</u></u> |
| Business-type activities:                            |                          |
| Food service operations                              | \$ <u><u>3,288</u></u>   |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities

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

|                           | <u>Balance<br/>Beginning of<br/>Year, as Restated</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Balance<br/>End<br/>of Year</u> | <u>Due<br/>Within<br/>One Year</u> |
|---------------------------|---|-------------------|-------------------|------------------------------------|------------------------------------|
| Governmental activities:  |   |                   |                   |                                    |                                    |
| Early retirement          | \$ 151,388  | \$ 82,141         | \$ 68,995         | \$ 164,534                         | \$ 68,248                          |
| General obligation bonds  | 940,000   | -                 | 230,000           | 710,000                            | 235,000                            |
| Net OPEB liability        | 120,835   | 56,037            | -                 | 176,872                            | -                                  |
| <b>Total</b>              | <b>\$ 1,212,223</b>                                   | <b>\$ 138,178</b> | <b>\$ 298,995</b> | <b>\$ 1,051,406</b>                | <b>\$ 303,248</b>                  |
| Business-type activities: |   |                   |                   |                                    |                                    |
| Net OPEB liability        | \$ 13,486   | \$ -              | \$ 10,000         | \$ 3,486                           | \$ -                               |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five by July 1 of the year of retirement and must have completed fifteen years of consecutive full-time service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to 100% of the difference between the B.A. Step 0 and the employee's position on Salary Schedule I for the current school year. In addition, the District pays for the retiree's single health insurance under the District's group plan until the retiree becomes eligible for Medicare.

At June 30, 2013, the District has obligations to eight participants with a total liability of \$164,534. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$68,995. The cost of early retirement payments is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

| Year Ending<br>June 30, | Refunding Bonds Dated February 23, 2012 |                   |                  |                   |
|-------------------------|---|-------------------|------------------|-------------------|
|                         | Interest<br>Rates                       | Principal         | Interest         | Total             |
| 2014                    | 0.80 %                                  | \$ 235,000        | \$ 7,335         | \$ 242,335        |
| 2015                    | 1.00                                    | 240,000           | 5,455            | 245,455           |
| 2016                    | 1.30                                    | 235,000           | 3,055            | 238,055           |
|                         |   | <u>\$ 710,000</u> | <u>\$ 15,845</u> | <u>\$ 725,845</u> |

Note 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 52 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

|  |                   |
|--|-------------------|
| Annual required contribution                       | \$ 59,367         |
| Interest on net OPEB obligation                    | 3,358             |
| Adjustment to annual required contribution         | <u>(9,029)</u>    |
| Annual OPEB cost                                   | 53,696            |
| Contributions made                                 | <u>(7,659)</u>    |
| Increase in net OPEB obligation                    | 46,037            |
| Net OPEB obligation beginning of year, as restated | <u>134,321</u>    |
| Net OPEB obligation end of year                    | <u>\$ 180,358</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 7. Other Postemployment Benefits (OPEB) (continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$7,659 to the medical plan.

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

| Year Ended<br>June 30, | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |
|------------------------|---------------------|--|---------------------------|
| 2011                   | \$ 238,864          | 23.4%  | \$ 357,271                |
| 2012                   | 259,350             | 20.3%  | 134,321                   |
| 2013                   | 53,696              | 14.3%  | 180,358                   |

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$441,798, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$441,798. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,249,000, and the ratio of the UAAL to covered payroll was 13.6%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the year ended June 30, 2013. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$277,819, \$253,789, and \$214,413, respectively, equal to the required contributions for each year.

Note 9. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Position. The agreement provides for monthly lease payments of \$744 during the term of the lease.

The total lease payments under the lease agreement are as follows:

| <u>Year Ending</u><br><u>June 30,</u> | <u>Amount</u>   |
|---------------------------------------|-----------------|
| 2014                                  | \$ <u>5,953</u> |

Total payments under the lease agreement for the year ended June 30, 2013 were \$8,929.

Note 10. Risk Management

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

Note 11. 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 \$204,871 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Categorical Funding

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

| <u>Program</u>                                     | <u>Amount</u>    |
|--|------------------|
| Returning dropouts and dropout prevention programs | \$ 35,554        |
| Beginning teacher mentoring and induction          | 5                |
| Professional development                           | 16,599           |
| Market factor                                      | <u>363</u>       |
| Total  | <u>\$ 52,521</u> |

Note 13. Deficit Fund Balances

At June 30, 2013, the School Nutrition Fund within the nonmajor Enterprise Funds had a deficit unrestricted net position of \$26,732.

Note 14. Construction Commitments

The District has entered into a contract totaling \$4,482,000 for construction of a competition gym, locker rooms, stage and fitness center. As of June 30, 2013, costs of \$256,714 had been incurred against the contract. The balance of \$4,225,286 remaining at June 30, 2013 will be paid as work on the project progresses.

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was effective for the year ended June 30, 2011 but was not fully implemented until the year ended June 30, 2013. The effect of fund type reclassifications from this implementation is as follows:

|  | <u>Capital<br/>Projects<br/>Fund</u> | <u>Nonmajor<br/>Special<br/>Revenue,<br/>Physical<br/>Plant and<br/>Equipment<br/>Levy Fund</u> |
|--|--------------------------------------|---|
| Balances June 30, 2012, as previously reported                                 | \$ 1,284,889                         | \$ 169,351  |
| Change in fund type classification per implementation of GASB Statement No. 54 | <u>169,351</u>                       | <u>(169,351)</u>  |
| Balances July 1, 2012, as restated   | <u>\$ 1,454,240</u>                  | <u>\$ -</u>   |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 15. Accounting Change/Restatement (continued)

The levy for the District's income surtaxes applicable to and budgeted for the year ended June 30, 2012 will not be collected until several months after the fiscal year end. Under the modified accrual basis of accounting as described in note 1 to the financial statements, because those taxes were not collected within sixty days after year end for application to current obligations, those taxes were properly deferred in the fund financial statements. However, those taxes related directly to the fiscal year ended June 30, 2012 and should have been recognized as revenue in the District-wide financial statements which are prepared on the full accrual basis of accounting, as described in note 1 to the financial statements.

The District's net OPEB liability for the year ended June 30, 2012 included an amount for the District's cost for health insurance for early retirees. Since that amount has been properly included as early retirement payable, the net OPEB liability has been reduced to prevent the liability from being recorded twice.

The District has corrected these items for the year ended June 30, 2013 and the effects of these corrections on the related financial statement items are as follows:

|  | Net Position,<br>Governmental<br>Activities | Long-Term<br>Liabilities,<br>Governmental<br>Activities |
|--|---|---|
|  | <u>                    </u>                 | <u>                    </u>                             |
| Balances June 30, 2012, as previously reported | \$ 4,905,089                                | \$ 1,641,784  |
| Adjustments:                                   |   |   |
| Income surtax recognition                      | 331,314                                     | -   |
| Net OPEB liability adjustment correction       | <u>429,561</u>                              | <u>(429,561)</u>  |
| Balances July 1, 2012, as restated             | <u>\$ 5,665,964</u>                         | <u>\$ 1,212,223</u>                                     |

Note 16. Subsequent Event

On July 1, 2013, the District issued \$4,190,000 of school infrastructure sales, services and use tax revenue bonds. The bonds have interest rates ranging from 2.00% to 3.10% and are payable through the year ending June 30, 2030.

Required Supplementary Information

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2013

|  | Governmental<br>Funds -<br>Actual | Proprietary<br>Funds -<br>Actual | Total<br>Actual     | Budgeted<br>Amounts<br>Original<br>and Final | Final to<br>Actual<br>Variance |
|--|-----------------------------------|----------------------------------|---------------------|--|--------------------------------|
| <b>REVENUES:</b>   |                                   |                                  |                     |  |                                |
| Local sources  | \$ 3,817,864                      | \$ 149,831                       | \$ 3,967,695        | \$ 3,957,030                                 | \$ 10,665                      |
| State sources  | 2,653,247                         | 1,855                            | 2,655,102           | 2,817,981                                    | (162,879)                      |
| Federal sources  | 239,892                           | 98,372                           | 338,264             | 258,000                                      | 80,264                         |
| <b>Total revenues</b>  | <b>6,711,003</b>                  | <b>250,058</b>                   | <b>6,961,061</b>    | <b>7,033,011</b>                             | <b>(71,950)</b>                |
| <b>EXPENDITURES/EXPENSES:</b>  |                                   |                                  |                     |  |                                |
| Instruction  | 4,457,669                         | -                                | 4,457,669           | 4,670,000                                    | 212,331                        |
| Support services   | 1,580,939                         | 482                              | 1,581,421           | 1,735,000                                    | 153,579                        |
| Non-instructional programs   | -                                 | 212,279                          | 212,279             | 150,000                                      | (62,279)                       |
| Other expenditures   | 1,135,150                         | -                                | 1,135,150           | 618,942                                      | (516,208)                      |
| <b>Total expenditures/expenses</b>   | <b>7,173,758</b>                  | <b>212,761</b>                   | <b>7,386,519</b>    | <b>7,173,942</b>                             | <b>(212,577)</b>               |
| Excess (deficiency) of revenues<br>over (under) expenditures/expenses                                | (462,755)                         | 37,297                           | (425,458)           | (140,931)                                    | (284,527)                      |
| Other financing sources, net   | -                                 | -                                | -                   | 23,000                                       | (23,000)                       |
| Excess (deficiency) of revenues<br>and other financing sources<br>over (under) expenditures/expenses | (462,755)                         | 37,297                           | (425,458)           | (117,931)                                    | (307,527)                      |
| Balance beginning of year  | 3,021,246                         | (4,193)                          | 3,017,053           | 1,106,148                                    | 1,910,905                      |
| Balance end of year  | <u>\$ 2,558,491</u>               | <u>\$ 33,104</u>                 | <u>\$ 2,591,595</u> | <u>\$ 988,217</u>                            | <u>\$ 1,603,378</u>            |

See accompanying independent auditor's report.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2013

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

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

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

During the year ended June 30, 2013, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information  
Year Ended June 30, 2013

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets ( a ) | Actuarial Accrued Liability (AAL) ( b ) | Unfunded AAL (UAAL) ( b-a ) | Funded Ratio ( a/b ) | Covered Payroll ( c ) | UAAL as a Percentage of Covered Payroll ( ( b-a)/c ) |
|---------------------|--------------------------|---------------------------------|---|-----------------------------|----------------------|-----------------------|--|
| 2010                | July 1, 2009             | \$ -                            | \$ 1,948                                | \$ 1,948                    | 0.0%                 | \$ 2,567              | 75.9%  |
| 2011                | July 1, 2009             | -                               | 1,967                                   | 1,967                       | 0.0%                 | 2,984                 | 65.9%  |
| 2012                | July 1, 2009             | -                               | 1,953                                   | 1,953                       | 0.0%                 | 2,984                 | 65.5%  |
| 2013                | July 1, 2012             | -                               | 442                                     | 442                         | 0.0%                 | 3,249                 | 13.6%  |

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2013

|                                     | Special Revenue    |                     |                 | Total      |
|-------------------------------------|--------------------|---------------------|-----------------|------------|
|                                     | Management<br>Levy | Student<br>Activity | Debt<br>Service |            |
| Assets                              |                    |                     |                 |            |
| Cash and pooled investments         | \$ 85,947          | \$ 80,474           | \$ -            | \$ 166,421 |
| Receivables:                        |                    |                     |                 |            |
| Property tax:                       |                    |                     |                 |            |
| Current year                        | 3,054              | -                   | 4,171           | 7,225      |
| Succeeding year                     | 250,001            | -                   | 242,835         | 492,836    |
| Accounts                            | -                  | 8,468               | -               | 8,468      |
|                                     |                    |                     |                 |            |
| Total assets                        | \$ 339,002         | \$ 88,942           | \$ 247,006      | \$ 674,950 |
| Liabilities and Fund Balances       |                    |                     |                 |            |
| Liabilities:                        |                    |                     |                 |            |
| Accounts payable                    | \$ 716             | \$ 7,981            | \$ -            | \$ 8,697   |
| Interfund payable                   | 7,046              | -                   | 3,871           | 10,917     |
| Deferred revenue:                   |                    |                     |                 |            |
| Succeeding year property tax        | 250,001            | -                   | 242,835         | 492,836    |
| Total liabilities                   | 257,763            | 7,981               | 246,706         | 512,450    |
| Fund balances:                      |                    |                     |                 |            |
| Restricted for:                     |                    |                     |                 |            |
| Debt service                        | -                  | -                   | 300             | 300        |
| Management levy purposes            | 81,239             | -                   | -               | 81,239     |
| Student activities                  | -                  | 80,961              | -               | 80,961     |
| Total fund balances                 | 81,239             | 80,961              | 300             | 162,500    |
| Total liabilities and fund balances | \$ 339,002         | \$ 88,942           | \$ 247,006      | \$ 674,950 |

See accompanying independent auditor's report.

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

|  | Special Revenue    |                     | Debt<br>Service | Total             |
|--|--------------------|---------------------|-----------------|-------------------|
|  | Management<br>Levy | Student<br>Activity |                 |                   |
| Revenues:  |                    |                     |                 |                   |
| Local sources:   |                    |                     |                 |                   |
| Local tax  | \$ 173,796         | \$ -                | \$ 232,713      | \$ 406,509        |
| Other  | 12,776             | 197,355             | -               | 210,131           |
| Total revenues   | <u>186,572</u>     | <u>197,355</u>      | <u>232,713</u>  | <u>616,640</u>    |
| Expenditures:  |                    |                     |                 |                   |
| Current:   |                    |                     |                 |                   |
| Instruction  | 68,995             | 200,947             | -               | 269,942           |
| Support services:  |                    |                     |                 |                   |
| Administration   | 60,707             | -                   | -               | 60,707            |
| Operation and maintenance of plant                           | 46,096             | -                   | -               | 46,096            |
| Other expenditures:  |                    |                     |                 |                   |
| Long term debt:  |                    |                     |                 |                   |
| Principal  | -                  | -                   | 230,000         | 230,000           |
| Interest and fiscal charges                                  | -                  | -                   | 10,998          | 10,998            |
| Total expenditures   | <u>175,798</u>     | <u>200,947</u>      | <u>240,998</u>  | <u>617,743</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | 10,774             | (3,592)             | (8,285)         | (1,103)           |
| Other financing sources (uses):                              |                    |                     |                 |                   |
| Interfund transfers in                                       | -                  | 5,000               | -               | 5,000             |
| Interfund transfers out                                      | -                  | (924)               | -               | (924)             |
| Total other financing sources (uses)                         | <u>-</u>           | <u>4,076</u>        | <u>-</u>        | <u>4,076</u>      |
| Net change in fund balances                                  | 10,774             | 484                 | (8,285)         | 2,973             |
| Fund balances beginning of year                              | <u>70,465</u>      | <u>80,477</u>       | <u>8,585</u>    | <u>159,527</u>    |
| Fund balances end of year                                    | <u>\$ 81,239</u>   | <u>\$ 80,961</u>    | <u>\$ 300</u>   | <u>\$ 162,500</u> |

See accompanying independent auditor's report.

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS

June 30, 2013

|  | <u>Statewide<br/>Sales, Services<br/>and Use Tax</u> | <u>Physical<br/>Plant and<br/>Equipment<br/>Levy</u> | <u>Total</u>            |
|--|--|--|-------------------------|
| <b>Assets</b>                            |  |  |                         |
| Cash and pooled investments              | \$ 1,118,809   | \$ 246,226   | \$ 1,365,035            |
| Receivables:                             |  |  |                         |
| Property tax:                            |  |  |                         |
| Current year                             | -  | 341  | 341                     |
| Succeeding year                          | -  | 18,081   | 18,081                  |
| Income surtax                            | -  | 89,652   | 89,652                  |
| Accounts                                 | 378  | -  | 378                     |
| Due from other governments               | <u>116,371</u>                                       | <u>-</u>   | <u>116,371</u>          |
| <br>Total assets                         | <br><u>\$ 1,235,558</u>                              | <br><u>\$ 354,300</u>                                | <br><u>\$ 1,589,858</u> |
| <br><b>Liabilities and Fund Balances</b> |  |  |                         |
| <b>Liabilities:</b>                      |  |  |                         |
| Accounts payable                         | \$ 267,289   | \$ -   | \$ 267,289              |
| Deferred revenue:                        |  |  |                         |
| Succeeding year property tax             | -  | 18,081   | 18,081                  |
| Other                                    | -  | 89,652   | 89,652                  |
| Good faith deposit                       | 41,900   | -  | 41,900                  |
| Total liabilities                        | <u>309,189</u>                                       | <u>107,733</u>                                       | <u>416,922</u>          |
| <br><b>Fund balances:</b>                |  |  |                         |
| Restricted for:                          |  |  |                         |
| School infrastructure                    | 926,369  | -  | 926,369                 |
| Physical plant and equipment             | -  | 246,567  | 246,567                 |
| Total fund balances                      | <u>926,369</u>                                       | <u>246,567</u>                                       | <u>1,172,936</u>        |
| <br>Total liabilities and fund balances  | <br><u>\$ 1,235,558</u>                              | <br><u>\$ 354,300</u>                                | <br><u>\$ 1,589,858</u> |

See accompanying independent auditor's report.

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

|  | Statewide<br>Sales, Services<br>and Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total        |
|--|---|--|--------------|
| Revenues:  |   |  |              |
| Local sources:   |   |  |              |
| Local tax  | \$ 428,310                                  | \$ 115,739                                 | \$ 544,049   |
| Other  | 16,939                                      | 2,790                                      | 19,729       |
| Total revenues   | 445,249                                     | 118,529                                    | 563,778      |
| Expenditures:  |   |  |              |
| Current:   |   |  |              |
| Instruction  | 92,488                                      | 5,583                                      | 98,071       |
| Support services:  |   |  |              |
| Administration   | 57,730                                      | -  | 57,730       |
| Other expenditures:  |   |  |              |
| Facilities acquisition                                       | 653,551                                     | 35,730                                     | 689,281      |
| Total expenditures   | 803,769                                     | 41,313                                     | 845,082      |
| Excess (deficiency) of revenues<br>over (under) expenditures | (358,520)                                   | 77,216                                     | (281,304)    |
| Fund balances beginning of year, as restated                 | 1,284,889                                   | 169,351                                    | 1,454,240    |
| Fund balances end of year                                    | \$ 926,369                                  | \$ 246,567                                 | \$ 1,172,936 |

See accompanying independent auditor's report.

## ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS

June 30, 2013

|   | <u>School<br/>Nutrition</u> | <u>Student-Built<br/>House</u> | <u>Total</u>     |
|---|-----------------------------|--------------------------------|------------------|
| Assets  |                             |                                |                  |
| Current assets:                                 |                             |                                |                  |
| Cash and cash equivalents                       | \$ 10,945                   | \$ 34,620                      | \$ 45,565        |
| Accounts receivable                             | 886                         | -                              | 886              |
| Inventories                                     | 1,221                       | -                              | 1,221            |
| Total current assets                            | <u>13,052</u>               | <u>34,620</u>                  | <u>47,672</u>    |
| Noncurrent assets:                              |                             |                                |                  |
| Capital assets, net of accumulated depreciation | 25,216                      | -                              | 25,216           |
| Total assets                                    | <u>38,268</u>               | <u>34,620</u>                  | <u>72,888</u>    |
| Liabilities                                     |                             |                                |                  |
| Current liabilities:                            |                             |                                |                  |
| Salaries and benefits payable                   | 8,442                       | -                              | 8,442            |
| Interfund payable                               | 23,521                      | -                              | 23,521           |
| Deferred revenue                                | 4,335                       | -                              | 4,335            |
| Total current liabilities                       | <u>36,298</u>               | <u>-</u>                       | <u>36,298</u>    |
| Noncurrent liabilities:                         |                             |                                |                  |
| Net OPEB liability                              | 3,486                       | -                              | 3,486            |
| Total liabilities                               | <u>39,784</u>               | <u>-</u>                       | <u>39,784</u>    |
| Net Position                                    |                             |                                |                  |
| Net investment in capital assets                | 25,216                      | -                              | 25,216           |
| Unrestricted                                    | <u>(26,732)</u>             | <u>34,620</u>                  | <u>7,888</u>     |
| Total net position                              | <u>\$ (1,516)</u>           | <u>\$ 34,620</u>               | <u>\$ 33,104</u> |

See accompanying independent auditor's report.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2013

|                                | <u>School<br/>Nutrition</u> | <u>Student-Built<br/>House</u> | <u>Total</u>     |
|--------------------------------|-----------------------------|--------------------------------|------------------|
| Operating revenues:            |                             |                                |                  |
| Local sources:                 |                             |                                |                  |
| Charges for services           | \$ 112,240                  | \$ 10,000                      | \$ 122,240       |
| Operating expenses:            |                             |                                |                  |
| Support services:              |                             |                                |                  |
| Administration:                |                             |                                |                  |
| Salaries                       | 292                         | -                              | 292              |
| Benefits                       | 190                         | -                              | 190              |
| Non-instructional programs:    |                             |                                |                  |
| Food service operations:       |                             |                                |                  |
| Salaries                       | 61,513                      | -                              | 61,513           |
| Benefits                       | 9,510                       | -                              | 9,510            |
| Supplies                       | 132,750                     | -                              | 132,750          |
| Depreciation                   | 3,288                       | -                              | 3,288            |
| Miscellaneous                  | 5,218                       | -                              | 5,218            |
| Total operating expenses       | <u>212,761</u>              | <u>-</u>                       | <u>212,761</u>   |
| Operating income (loss)        | (100,521)                   | 10,000                         | (90,521)         |
| Non-operating revenues:        |                             |                                |                  |
| Interest income                | 23                          | 59                             | 82               |
| Capital contributions          | 27,509                      | -                              | 27,509           |
| State sources                  | 1,855                       | -                              | 1,855            |
| Federal sources                | 98,372                      | -                              | 98,372           |
| Total non-operating revenues   | <u>127,759</u>              | <u>59</u>                      | <u>127,818</u>   |
| Change in net position         | 27,238                      | 10,059                         | 37,297           |
| Net position beginning of year | <u>(28,754)</u>             | <u>24,561</u>                  | <u>(4,193)</u>   |
| Net position end of year       | <u>\$ (1,516)</u>           | <u>\$ 34,620</u>               | <u>\$ 33,104</u> |

See accompanying independent auditor's report.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2013

|   | <u>School<br/>Nutrition</u> | <u>Student-Built<br/>House</u> | <u>Total</u>     |
|---|-----------------------------|--------------------------------|------------------|
| Cash flows from operating activities:                 |                             |                                |                  |
| Cash received from sale of lunches and breakfasts     | \$ 102,270                  | \$ -                           | \$ 102,270       |
| Cash received from miscellaneous operating activities | 5,189                       | 10,000                         | 15,189           |
| Cash payments to employees for services               | (61,294)                    | -                              | (61,294)         |
| Cash payments to suppliers for goods or services      | (128,139)                   | -                              | (128,139)        |
| Net cash provided by (used by) operating activities   | <u>(81,974)</u>             | <u>10,000</u>                  | <u>(71,974)</u>  |
| Cash flows from non-capital financing activities:     |                             |                                |                  |
| State grants received                                 | 1,855                       | -                              | 1,855            |
| Federal grants received                               | 88,660                      | -                              | 88,660           |
| Net cash provided by non-capital financing activities | <u>90,515</u>               | <u>-</u>                       | <u>90,515</u>    |
| Cash flows from investing activities:                 |                             |                                |                  |
| Interest on investments                               | <u>23</u>                   | <u>59</u>                      | <u>82</u>        |
| Net increase in cash and cash equivalents             | 8,564                       | 10,059                         | 18,623           |
| Cash and cash equivalents beginning of year           | <u>2,381</u>                | <u>24,561</u>                  | <u>26,942</u>    |
| Cash and cash equivalents end of year                 | <u>\$ 10,945</u>            | <u>\$ 34,620</u>               | <u>\$ 45,565</u> |

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2013

|   | <u>School<br/>Nutrition</u> | <u>Student-Built<br/>House</u> | <u>Total</u>       |
|---|-----------------------------|--------------------------------|--------------------|
| Reconciliation of operating income (loss) to net cash provided<br>by (used by) operating activities:        |                             |                                |                    |
| Operating income (loss)   | \$ (100,521)                | \$ 10,000                      | \$ (90,521)        |
| Adjustments to reconcile operating income (loss) to net<br>cash provided by (used by) operating activities: |                             |                                |                    |
| Depreciation  | 3,288                       | -                              | 3,288              |
| Commodities used  | 9,712                       | -                              | 9,712              |
| (Increase) in accounts receivable   | (40)                        | -                              | (40)               |
| Decrease in inventories   | 117                         | -                              | 117                |
| Increase in interfund payable   | 23,521                      | -                              | 23,521             |
| (Decrease) in salaries and benefits payable   | (3,310)                     | -                              | (3,310)            |
| (Decrease) in deferred revenue  | (4,741)                     | -                              | (4,741)            |
| (Decrease) in net OPEB liability  | (10,000)                    | -                              | (10,000)           |
| Net cash provided by (used by) operating activities   | <u>\$ (81,974)</u>          | <u>\$ 10,000</u>               | <u>\$ (71,974)</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$9,712 of federal commodities and \$27,509 of equipment contributed from other funds.

See accompanying independent auditor's report.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year Ended June 30, 2013

| Account                   | Balance<br>Beginning<br>of Year | Revenues/<br>Transfers In | Expenditures/<br>Transfers Out | Balance<br>End<br>of Year |
|---------------------------|---------------------------------|---------------------------|--------------------------------|---------------------------|
| Annual                    | \$ 1,422                        | \$ 6,045                  | \$ 5,113                       | \$ 2,354                  |
| Athletics                 | 5,718                           | 43,637                    | 49,689                         | (334)                     |
| Cheerleaders              | 653                             | 1,196                     | 678                            | 1,171                     |
| Golf                      | 1,122                           | 1,132                     | 1,775                          | 479                       |
| Class of 2013             | 259                             | 606                       | -                              | 865                       |
| Class of 2014             | 1,482                           | 1,211                     | 1,812                          | 881                       |
| Class of 2015             | 640                             | 540                       | -                              | 1,180                     |
| Class of 2016             | -                               | 600                       | -                              | 600                       |
| Concessions               | 831                             | 22,602                    | 22,622                         | 811                       |
| Future City Club          | -                               | 100                       | -                              | 100                       |
| FFA                       | 7,055                           | 18,307                    | 14,632                         | 10,730                    |
| HS Student Activities     | 484                             | 258                       | 701                            | 41                        |
| HS Recognition Night      | 643                             | -                         | -                              | 643                       |
| Lutton Student Activities | 944                             | 5,588                     | 4,860                          | 1,672                     |
| Interest                  | 819                             | 141                       | 924                            | 36                        |
| Library Club              | 1,247                           | 235                       | 768                            | 714                       |
| Model UN                  | 369                             | -                         | -                              | 369                       |
| Music Boosters            | 19,649                          | 44,465                    | 46,597                         | 17,517                    |
| Speech/Drama              | 3,947                           | 2,097                     | 686                            | 5,358                     |
| National Honor Society    | 161                             | 595                       | 356                            | 400                       |
| Student Council           | 96                              | 7,465                     | 6,527                          | 1,034                     |
| Girls Softball            | 3,680                           | 4,511                     | 5,215                          | 2,976                     |
| Girls Basketball          | 5,164                           | 6,535                     | 5,696                          | 6,003                     |
| Track                     | 2,733                           | 5,128                     | 4,155                          | 3,706                     |
| Boys Basketball           | 3,162                           | 512                       | 743                            | 2,931                     |
| Baseball                  | 863                             | 3,778                     | 2,581                          | 2,060                     |
| Wrestling                 | 4,661                           | 9,425                     | 10,595                         | 3,491                     |
| Football                  | 4,077                           | 5,078                     | 4,793                          | 4,362                     |
| Volleyball                | 3,161                           | 1,326                     | 1,737                          | 2,750                     |
| Lutton                    | 1,894                           | 1,093                     | 1,601                          | 1,386                     |
| Heart Fund                | 230                             | -                         | -                              | 230                       |
| Book Fair                 | 351                             | 3,346                     | 3,325                          | 372                       |
| FCCLA                     | 222                             | 227                       | 237                            | 212                       |
| Bear Essentials           | 165                             | -                         | -                              | 165                       |
| Valley Rush               | 2,573                           | 4,576                     | 3,453                          | 3,696                     |
| <b>Total</b>              | <b>\$ 80,477</b>                | <b>\$ 202,355</b>         | <b>\$ 201,871</b>              | <b>\$ 80,961</b>          |

See accompanying independent auditor's report.

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ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

|                                    | Modified Accrual Basis<br>Years Ended June 30, |                            |                            |                            |
|------------------------------------|--|----------------------------|----------------------------|----------------------------|
|                                    | 2013*  | 2012*                      | 2011*                      | 2010*                      |
| <b>Revenues:</b>                   |  |                            |                            |                            |
| Local sources:                     |  |                            |                            |                            |
| Local tax                          | \$ 3,175,109                                   | \$ 3,281,313               | \$ 2,952,440               | \$ 3,020,120               |
| Tuition                            | 448,415  | 206,910                    | 237,258                    | 231,404                    |
| Other                              | 194,340  | 399,547                    | 391,286                    | 407,499                    |
| State sources                      | 2,653,247                                      | 2,982,984                  | 2,893,937                  | 2,609,144                  |
| Federal sources                    | 239,892  | 338,368                    | 452,701                    | 420,106                    |
| <b>Total revenues</b>              | <b><u>\$ 6,711,003</u></b>                     | <b><u>\$ 7,209,122</u></b> | <b><u>\$ 6,927,622</u></b> | <b><u>\$ 6,688,273</u></b> |
| <b>Expenditures:</b>               |  |                            |                            |                            |
| Instruction                        | \$ 4,457,669                                   | \$ 4,334,308               | \$ 4,253,649               | \$ 4,246,270               |
| Support services:                  |  |                            |                            |                            |
| Student                            | 5,143  | 1,607                      | 1,144                      | 3,745                      |
| Instructional staff                | 88,014   | 64,261                     | 42,299                     | 72,654                     |
| Administration                     | 763,917  | 632,272                    | 638,035                    | 620,483                    |
| Operation and maintenance of plant | 347,111  | 289,489                    | 242,832                    | 261,848                    |
| Transportation                     | 376,754  | 359,585                    | 304,544                    | 294,440                    |
| Non-instructional programs         | -  | -                          | -                          | -                          |
| Other expenditures:                |  |                            |                            |                            |
| Facilities acquisition             | 689,281  | 568,159                    | 268,343                    | 92,455                     |
| Long-term debt:                    |  |                            |                            |                            |
| Principal                          | 230,000  | 215,000                    | 205,000                    | 195,000                    |
| Interest and fiscal charges        | 10,998   | 52,452                     | 42,878                     | 48,190                     |
| AEA flowthrough                    | 204,871  | 207,964                    | 232,991                    | 229,464                    |
| <b>Total expenditures</b>          | <b><u>\$ 7,173,758</u></b>                     | <b><u>\$ 6,725,097</u></b> | <b><u>\$ 6,231,715</u></b> | <b><u>\$ 6,064,549</u></b> |

\* = Includes figures as a merged district.

See accompanying independent auditor's report.

|    | 2009             | 2008             | 2007             | 2006             | 2005             | 2004             |
|----|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ | 2,126,365        | \$ 2,048,588     | \$ 1,798,491     | \$ 1,856,775     | \$ 1,757,958     | \$ 1,664,110     |
|    | 435,950          | 526,412          | 540,154          | 482,087          | 415,982          | 406,331          |
|    | 425,213          | 378,436          | 427,718          | 334,090          | 358,670          | 330,664          |
|    | 2,454,688        | 2,176,211        | 2,212,623        | 1,902,649        | 1,909,318        | 1,896,927        |
|    | 204,577          | 115,009          | 136,596          | 115,720          | 135,974          | 124,639          |
| \$ | <u>5,646,793</u> | <u>5,244,656</u> | <u>5,115,582</u> | <u>4,691,321</u> | <u>4,577,902</u> | <u>4,422,671</u> |
| \$ | 3,769,023        | \$ 3,492,739     | \$ 3,276,073     | \$ 3,154,415     | \$ 3,035,311     | \$ 2,963,154     |
|    | 2,052            | 1,497            | 868              | 26               | 4,845            | 1,481            |
|    | 56,630           | 73,624           | 66,186           | 68,830           | 61,691           | 56,127           |
|    | 594,817          | 557,789          | 520,600          | 502,577          | 523,888          | 521,419          |
|    | 241,962          | 276,456          | 251,756          | 289,209          | 267,881          | 248,278          |
|    | 218,140          | 221,080          | 261,665          | 204,890          | 258,022          | 172,092          |
|    | -                | -                | -                | -                | -                | 21,853           |
|    | 328,974          | 408,430          | 341,026          | 80,190           | 135,778          | 69,127           |
|    | 190,000          | 185,000          | 185,000          | 180,000          | 180,000          | 195,000          |
|    | 52,940           | 58,399           | 62,190           | 65,865           | 69,390           | 61,041           |
|    | 157,708          | 147,470          | 140,382          | 133,846          | 133,316          | 136,119          |
| \$ | <u>5,612,246</u> | <u>5,422,484</u> | <u>5,105,746</u> | <u>4,679,848</u> | <u>4,670,122</u> | <u>4,445,691</u> |

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

To the Board of Education of  
English Valleys Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of English Valleys Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 3, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether English Valleys Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

English Valleys Community School District's Responses to Findings

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

Purpose of this Report

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

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

Oskaloosa, Iowa  
March 3, 2014

*Hunt & Associates, P.C.*

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

I-A-13 Financial Reporting – During the audit, we identified material amounts of payables in the Capital Projects Fund and capital asset additions and deletions not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly record these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables and capital asset additions and deletions are identified and properly recorded in the District’s financial statements.

Response – We will double check these in the future to avoid missing any payables or capital asset transactions.

Conclusion – Response accepted.

I-B-13 Segregation of Duties – The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording receipts and disbursements, payroll data entry, check preparation and signing, and bank reconciliations. A small staff makes it difficult to establish an ideal system of automatic internal checks on the accounting records accuracy and reliability, although we noted the District had taken steps to segregate duties between present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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 will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- I-C-13 Restatement of Beginning Balance – The District restated the July 1, 2012 beginning net position for the District-wide governmental activities due to the recognition of the income surtax which was improperly deferred for governmental activities at June 30, 2012 and the reduction of the net OPEB liability to exclude early retirement payments.

The effects of these changes on beginning net position for governmental activities were a \$331,314 increase due to recognition of income surtax revenues and a \$429,561 increase due to the net OPEB liability reduction for a total increase in governmental activities beginning net position of \$760,875.

In addition, the beginning balance of the Capital Projects Fund was restated to properly include the Physical Plant and Equipment Levy Fund as required by the implementation of Governmental Accounting Standards Board Statement No. 54, which was effective for the year ended June 30, 2011.

Recommendation – The District should develop controls over financial reporting to ensure that all applicable revenue and expense items are properly reported and included in the District-wide governmental activities and that all applicable governmental accounting standards are properly implemented.

Response – We will take the necessary steps to ensure the accuracy of all financial reporting in the future.

Conclusion – Response accepted.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

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

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

Conclusion – Response accepted.

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

II-C-13 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| <u>Name, Title and<br/>Business Connection</u>        | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|---|------------------------------------|---------------|
| Angie George, Board Member                            | Concessions worker                 | \$375 (a)     |
| Steve Axmear, Board Member                            | Substitute bus driver              | \$179 (a)     |
| Stacy Axmear,<br>Spouse of Board Member               | Teacher associate                  | \$15,318 (b)  |
| Amy O’Neil, Teacher<br>Spouse is Owner of Awards Plus | Plaques and medals                 | \$7,508 (c)   |

In accordance with Chapter 279.7A of the Code of Iowa, the transactions designated with an (a) do not appear to represent any conflict of interest since the cumulative amount for each Board Member does not exceed \$2,500 for the fiscal year.

In accordance with an Attorney General’s opinion dated November 9, 1976, the transaction designated with a (b) does not appear to represent any conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the transaction designated with a (c) does not appear to represent any conflict of interest.

II-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

- II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and, except as discussed in item I-A-13, we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales and Services Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

|                                    |    |               |                       |
|------------------------------------|----|---------------|-----------------------|
| Beginning balance                  |    | \$            | 1,284,889             |
| Revenues:                          |    |               |                       |
| Sales tax revenues                 | \$ | 428,310       |                       |
| Interest                           |    | 11            |                       |
| Other local revenues               |    | <u>16,928</u> | 445,249               |
| Expenditures:                      |    |               |                       |
| School infrastructure construction |    | 649,751       |                       |
| Equipment                          |    | 135,616       |                       |
| Other                              |    | <u>18,402</u> | <u>803,769</u>        |
| Ending balance                     |    | \$            | <u><u>926,369</u></u> |

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

ENGLISH VALLEYS COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

II-M-13 Financial Condition – At June 30, 2013, the Enterprise, School Nutrition Fund, had a deficit unrestricted net position of \$26,732 and a deficit total net position of \$1,516.

Recommendation – The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response – We will continue to investigate alternatives to eliminate the deficit in the School Nutrition Fund.

Conclusion – Response accepted.

II-N-13 Interfund Loans – We noted during our audit that the District had an interfund loan between the General Fund and the Enterprise, School Nutrition Fund that was not approved by the Board and did not include interest.

According to declaratory order number 4672 issued by the Iowa Department of Education to the Iowa Auditor of State, interfund loans must be approved by Board resolution, include interest on the unpaid balance, and be repaid by October 1 of the following year.

Recommendation – All interfund loans should be approved by the Board and include interest to comply with the declaratory order.

Response – We will follow the Iowa Department of Education’s declaratory order for all interfund loans in the future.

Conclusion – Response accepted.