

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
MARENGO, IOWA

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

JUNE 30, 2013

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IOWA VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before and After September 2012 election)		
Jane Fry	President	2013
Dale Slaymaker	Vice President	2013
Frank Davis	Board Member	2013
Mark Swift	Board Member	2015
Brad Patterson	Board Member	2015
<u>School Officials</u>		
Alan Jensen	Superintendent	2015
Janet Grafft	District Secretary/Treasurer	2013
Harned & McMeen	Attorney	2013
Gruhn Law Firm	Attorney	2013

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

HUNT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Valley 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 Iowa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014, on our consideration of Iowa Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Iowa Valley Community School District's internal control over financial reporting and compliance.

Oskaloosa, Iowa
January 6, 2014

Hunt + Associates, P.C.

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Basic Financial Statements

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,357,441	\$ 3,362	\$ 4,360,803
Receivables:			
Property tax:			
Current year	33,022	-	33,022
Succeeding year	1,959,768	-	1,959,768
Income surtax	377,423	-	377,423
Internal balances	31,220	(31,220)	-
Accounts	60,585	3,232	63,817
Due from other governments	132,371	-	132,371
Inventories	-	7,008	7,008
Capital assets, net of accumulated depreciation (note 5)	5,108,270	21,400	5,129,670
Total assets	12,060,100	3,782	12,063,882
Liabilities			
Accounts payable	354,995	-	354,995
Salaries and benefits payable	601,138	18,473	619,611
Due to other governments	28,034	-	28,034
Accrued interest payable	1,190	-	1,190
Deferred revenue:			
Succeeding year property tax	1,959,768	-	1,959,768
Other	24,487	4,025	28,512
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	31,086	-	31,086
Bonds payable	345,000	-	345,000
Portion due after one year:			
Early retirement	3,150	-	3,150
Bonds payable	1,080,000	-	1,080,000
Net OPEB liability	52,700	-	52,700
Total liabilities	4,481,548	22,498	4,504,046

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 3,683,270	\$ 21,400	\$ 3,704,670
Restricted for:			
Categorical funding	509,581	-	509,581
Management levy purposes	144,606	-	144,606
Physical plant and equipment levy purposes	248,764	-	248,764
Student activities	136,590	-	136,590
Debt service	7,014	-	7,014
Capital projects	816,049	-	816,049
Unrestricted	<u>2,032,678</u>	<u>(40,116)</u>	<u>1,992,562</u>
 Total net position	 <u>\$ 7,578,552</u>	 <u>\$ (18,716)</u>	 <u>\$ 7,559,836</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grant and Contributions
Governmental Activities:			
Instruction	\$ 4,501,232	\$ 396,367	\$ 567,479
Support services:			
Student	88,194	-	172,620
Instructional staff	230,328	-	33,871
Administration	628,152	-	-
Operation and maintenance of plant	454,330	1,259	-
Transportation	191,323	-	664
	<u>1,592,327</u>	<u>1,259</u>	<u>207,155</u>
Non-instructional programs	<u>5,335</u>	-	-
Other expenditures:			
Facilities acquisition	164,138	25,079	-
Long-term debt interest and fiscal charges	16,208	-	-
AEA flowthrough	228,371	-	228,371
Depreciation (unallocated) *	141,190	-	-
	<u>549,907</u>	<u>25,079</u>	<u>228,371</u>
Total governmental activities	<u>6,648,801</u>	<u>422,705</u>	<u>1,003,005</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,537,386)	\$ -	\$ (3,537,386)
84,426	-	84,426
(196,457)	-	(196,457)
(628,152)	-	(628,152)
(453,071)	-	(453,071)
(190,659)	-	(190,659)
(1,383,913)	-	(1,383,913)
(5,335)	-	(5,335)
(139,059)	-	(139,059)
(16,208)	-	(16,208)
-	-	-
(141,190)	-	(141,190)
(296,457)	-	(296,457)
(5,223,091)	-	(5,223,091)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Food service operations	\$ 10,728	\$ -	\$ -
Other operations	357	-	-
	<u>11,085</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	\$ 286,653	\$ 139,208	\$ 135,206
Other operations	11,233	19,380	-
	<u>297,886</u>	<u>158,588</u>	<u>135,206</u>
 Total business-type activities	 <u>308,971</u>	 <u>158,588</u>	 <u>135,206</u>
 Total	 <u>\$ 6,957,772</u>	 <u>\$ 581,293</u>	 <u>\$ 1,138,211</u>

General revenues (expenses):

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

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (10,728)	\$ (10,728)
-	(357)	(357)
-	(11,085)	(11,085)
\$ -	\$ (12,239)	\$ (12,239)
-	8,147	8,147
-	(4,092)	(4,092)
-	(15,177)	(15,177)
(5,223,091)	(15,177)	(5,238,268)
\$ 1,788,564	\$ -	\$ 1,788,564
211,931	-	211,931
62,731	-	62,731
392,033	-	392,033
507,013	-	507,013
2,754,315	-	2,754,315
5,051	1	5,052
(95,930)	-	(95,930)
83,901	-	83,901
5,709,609	1	5,709,610
486,518	(15,176)	471,342
7,092,034	(3,540)	7,088,494
<u>\$ 7,578,552</u>	<u>\$ (18,716)</u>	<u>\$ 7,559,836</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 3,210,314	\$ 821,946	\$ 320,722	\$ 4,352,982
Receivables:				
Property tax:				
Current year	24,870	976	7,176	33,022
Succeeding year	1,442,858	76,749	440,161	1,959,768
Income surtax	215,670	161,753	-	377,423
Interfund receivable (note 3)	31,220	-	-	31,220
Accounts	57,141	-	800	57,941
Due from other governments	52,233	80,138	-	132,371
	<hr/>			
Total assets	<u>\$ 5,034,306</u>	<u>\$ 1,141,562</u>	<u>\$ 768,859</u>	<u>\$ 6,944,727</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 349,933	\$ -	\$ 5,062	\$ 354,995
Salaries and benefits payable	601,138	-	-	601,138
Due to other governments	28,034	-	-	28,034
Deferred revenue:				
Succeeding year property tax	1,442,858	76,749	440,161	1,959,768
Other	240,157	161,753	-	401,910
Total liabilities	<u>2,662,120</u>	<u>238,502</u>	<u>445,223</u>	<u>3,345,845</u>
Fund balances:				
Restricted for:				
Categorical funding (note 11)	509,581	-	-	509,581
Debt service	-	-	8,204	8,204
Management levy purposes	-	-	178,842	178,842
Student activities	-	-	136,590	136,590
School infrastructure	-	816,049	-	816,049
Physical plant and equipment	-	87,011	-	87,011
Assigned:				
Instructional activities	66,052	-	-	66,052
Unassigned	1,796,553	-	-	1,796,553
Total fund balances	<u>2,372,186</u>	<u>903,060</u>	<u>323,636</u>	<u>3,598,882</u>
Total liabilities and fund balances	<u>\$ 5,034,306</u>	<u>\$ 1,141,562</u>	<u>\$ 768,859</u>	<u>\$ 6,944,727</u>

See notes to financial statements.

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

Total fund balances of governmental funds	\$ 3,598,882
Amounts reported for governmental activities in the Statement of Net Position are different because:	
The balance of the Internal Service Fund, reported as a proprietary fund, is included in the government-wide statements because of the relationship of the internal transactions to the government as a whole.	7,103
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,108,270
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	377,423
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.	(1,190)
Long-term liabilities, including bonds payable, compensated absences, 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>(1,511,936)</u>
Net position of governmental activities	<u>\$ 7,578,552</u>

See notes to financial statements.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,782,937	\$ 726,805	\$ 453,149	\$ 2,962,891
Tuition	196,752	-	-	196,752
Other	130,614	809	177,765	309,188
State sources	3,434,074	-	-	3,434,074
Federal sources	303,644	-	-	303,644
Total revenues	<u>5,848,021</u>	<u>727,614</u>	<u>630,914</u>	<u>7,206,549</u>
Expenditures:				
Current:				
Instruction	4,235,310	-	185,437	4,420,747
Support services:				
Student	88,108	-	86	88,194
Instructional staff	125,351	104,977	-	230,328
Administration	605,513	4,805	11,885	622,203
Operation and maintenance of plant	390,517	7,400	52,120	450,037
Transportation	158,393	95,735	5,588	259,716
	<u>1,367,882</u>	<u>212,917</u>	<u>69,679</u>	<u>1,650,478</u>
Non-instructional programs	-	-	5,335	5,335
Other expenditures:				
Facilities acquisition	-	358,841	-	358,841
Long term debt:				
Principal	-	-	345,000	345,000
Interest and fiscal charges	-	-	16,361	16,361
AEA flowthrough	228,371	-	-	228,371
	<u>228,371</u>	<u>358,841</u>	<u>361,361</u>	<u>948,573</u>
Total expenditures	<u>5,831,563</u>	<u>571,758</u>	<u>621,812</u>	<u>7,025,133</u>
Excess of revenues over expenditures	<u>16,458</u>	<u>155,856</u>	<u>9,102</u>	<u>181,416</u>

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 240	\$ -	\$ -	\$ 240
Sale of real property	-	6,390	-	6,390
Compensation for loss of capital assets	25,079	-	-	25,079
Interfund transfers in (note 4)	-	-	151,220	151,220
Interfund transfers out (note 4)	-	(151,220)	-	(151,220)
Total other financing sources (uses)	<u>25,319</u>	<u>(144,830)</u>	<u>151,220</u>	<u>31,709</u>
Net change in fund balances	41,777	11,026	160,322	213,125
Fund balances beginning of year	<u>2,330,409</u>	<u>892,034</u>	<u>163,314</u>	<u>3,385,757</u>
Fund balances end of year	<u>\$ 2,372,186</u>	<u>\$ 903,060</u>	<u>\$ 323,636</u>	<u>\$ 3,598,882</u>

See notes to financial statements.

IOWA VALLEY 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 \$ 213,125

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	\$ 300,488	
Net loss on disposal of property	(102,320)	
Depreciation expense	<u>(218,834)</u>	(20,666)

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. (619)

The change in the balance of the Internal Service Fund represents an undercharge to the governmental funds for services rendered and is therefore included in the government-wide statements as an adjustment to expenses. (2,239)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 345,000

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. 653

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

Early retirement	(17,136)	
Net OPEB liability	<u>(31,600)</u>	<u>(48,736)</u>

Change in net position of governmental activities \$ 486,518

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013

	Enterprise Funds			Internal
	School Nutrition	Other Enterprise	Total	Service Fund Flex 125 Plan
Assets				
Cash and cash equivalents	\$ 3,362	\$ -	\$ 3,362	\$ 4,459
Receivables:				
Accounts	-	3,232	3,232	2,644
Inventories	7,008	-	7,008	-
Capital assets, net of accumulated depreciation (note 5)	21,400	-	21,400	-
Total assets	<u>31,770</u>	<u>3,232</u>	<u>35,002</u>	<u>7,103</u>
Liabilities				
Interfund payable (note 3)	-	31,220	31,220	-
Salaries and benefits payable	17,331	1,142	18,473	-
Deferred revenue	4,025	-	4,025	-
Total liabilities	<u>21,356</u>	<u>32,362</u>	<u>53,718</u>	<u>-</u>
Net Position				
Invested in capital assets	21,400	-	21,400	-
Unrestricted	(10,986)	(29,130)	(40,116)	7,103
Total net position	<u>\$ 10,414</u>	<u>\$ (29,130)</u>	<u>\$ (18,716)</u>	<u>\$ 7,103</u>

See notes to financial statements.

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

	Enterprise Funds			Internal Service Fund
	School Nutrition	Other Enterprise	Total	Flex 125 Plan
Operating revenues:				
Local sources:				
Charges for services	\$ 139,208	\$ 19,380	\$ 158,588	\$ 28,474
Operating expenses:				
Support services:				
Salaries	-	307	307	-
Benefits	-	50	50	-
Purchased services	9,290	-	9,290	30,714
Supplies	82	-	82	-
Other	1,356	-	1,356	-
	<u>10,728</u>	<u>357</u>	<u>11,085</u>	<u>30,714</u>
Non-instructional programs:				
Salaries	83,287	8,151	91,438	-
Benefits	42,242	1,333	43,575	-
Purchased services	28	-	28	-
Supplies	157,576	1,749	159,325	-
Depreciation	3,520	-	3,520	-
	<u>286,653</u>	<u>11,233</u>	<u>297,886</u>	<u>-</u>
Total expenses	<u>297,381</u>	<u>11,590</u>	<u>308,971</u>	<u>30,714</u>
Operating income (loss)	(158,173)	7,790	(150,383)	(2,240)
Non-operating revenues:				
Interest on investments	1	-	1	1
State sources	2,636	-	2,636	-
Federal sources	132,570	-	132,570	-
Total non-operating revenues	<u>135,207</u>	<u>-</u>	<u>135,207</u>	<u>1</u>
Change in net position	(22,966)	7,790	(15,176)	(2,239)
Net position beginning of year	<u>33,380</u>	<u>(36,920)</u>	<u>(3,540)</u>	<u>9,342</u>
Net position end of year	<u>\$ 10,414</u>	<u>\$ (29,130)</u>	<u>\$ (18,716)</u>	<u>\$ 7,103</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

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

	Enterprise Funds			Internal
	School Nutrition	Other Enterprise	Total	Service Fund Flex 125 Plan
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 137,088	\$ -	\$ 137,088	\$ -
Cash received from miscellaneous operating activities	504	16,148	16,652	27,728
Cash payments to employees for services	(123,894)	(10,895)	(134,789)	-
Cash payments to suppliers for goods or services	(147,015)	(1,801)	(148,816)	(30,714)
Net cash provided by (used by) operating activities	(133,317)	3,452	(129,865)	(2,986)
Cash flows from non-capital financing activities:				
(Decrease) in due to other funds	-	(3,452)	(3,452)	-
State grants received	2,636	-	2,636	-
Federal grants received	112,671	-	112,671	-
Net cash provided by (used by) non-capital financing activities	115,307	(3,452)	111,855	-
Cash flows from investing activities:				
Interest on investments	1	-	1	1
Net decrease in cash and cash equivalents	(18,009)	-	(18,009)	(2,985)
Cash and cash equivalents beginning of year	21,371	-	21,371	7,444
Cash and cash equivalents end of year	\$ 3,362	\$ -	\$ 3,362	\$ 4,459

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

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

	Enterprise Funds			Internal
	School Nutrition	Other Enterprise	Total	Service Fund Flex 125 Plan
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (158,173)	\$ 7,790	\$ (150,383)	\$ (2,240)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	3,520	-	3,520	-
Commodities used	19,899	-	19,899	-
(Decrease) in accounts receivable	-	(3,232)	(3,232)	(746)
Decrease in inventories	1,418	-	1,418	-
Increase (decrease) in salaries and benefits payable	1,635	(1,054)	581	-
(Decrease) in accounts payable	-	(52)	(52)	-
(Decrease) in deferred revenue	(1,616)	-	(1,616)	-
Net cash provided by (used by) operating activities	<u>\$ (133,317)</u>	<u>\$ 3,452</u>	<u>\$ (129,865)</u>	<u>\$ (2,986)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$19,899 of federal commodities.

See notes to financial statements.

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

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Cash and pooled investments	\$ -	\$ 41,370
Liabilities:		
Accounts payable	1,486	-
Due to other organizations	-	41,370
Total liabilities	1,486	41,370
Net position:		
Unrestricted	\$ (1,486)	\$ -

See notes to financial statements.

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

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	<u>5,900</u>
Deductions:		
Support services:		
Scholarships awarded		10,550
Unrealized loss on investments		<u>1,024</u>
Total deductions		<u>11,574</u>
Change in net position		(5,674)
Net position beginning of year		<u>4,188</u>
Net position end of year	\$	<u><u>(1,486)</u></u>
See notes to financial statements.		

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

Iowa Valley 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 City of Marengo, Iowa, and agricultural territory in Iowa County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Iowa Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Iowa Valley 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 Iowa County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Interfund Receivables/Payables – Certain transactions occur between funds in the normal course of District business. These transactions are shown as interfund receivables and payables to the extent that such transactions have not been repaid by year end.

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

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

IOWA VALLEY 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	50,000
Improvements other than buildings	50,000
Intangibles	25,000
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	50 years
Improvements other than buildings	20-50 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 consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. 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 District had no compensated absences liability at June 30, 2013.

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of 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.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the instruction, support services and non-instructional programs 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.

IOWA VALLEY 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 as follows:

	<u>Value</u>
Mutual Funds	\$ 14,011
Iowa Schools Joint Investment Trust - Diversified Portfolio	<u>5,236</u>
	<u>\$ 19,247</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Mutual Funds are stated at fair value, determined based on securities traded on a national or international exchange based on the last reported sales price at current exchange rates.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services. The investments in the Mutual Fund are not rated.

Note 3. Interfund Receivables/Payables

The detail of the District’s interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise Fund, Preschool	\$ <u>31,220</u>

This amount arises due to pooled cash funds.

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>151,220</u>

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

IOWA VALLEY 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 Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 259,500	\$ -	\$ 50,000	\$ 209,500
Construction in progress	285,009	194,703	479,712	-
Total capital assets not being depreciated	<u>544,509</u>	<u>194,703</u>	<u>529,712</u>	<u>209,500</u>
Capital assets being depreciated:				
Buildings	7,553,817	-	87,200	7,466,617
Improvements other than buildings	345,278	479,712	-	824,990
Furniture and equipment	872,978	105,785	-	978,763
Total capital assets being depreciated	<u>8,772,073</u>	<u>585,497</u>	<u>87,200</u>	<u>9,270,370</u>
Less accumulated depreciation for:				
Buildings	3,170,832	141,554	34,880	3,277,506
Improvements other than buildings	330,751	29,437	-	360,188
Furniture and equipment	686,063	47,843	-	733,906
Total accumulated depreciation	<u>4,187,646</u>	<u>218,834</u>	<u>34,880</u>	<u>4,371,600</u>
Total capital assets being depreciated, net	<u>4,584,427</u>	<u>366,663</u>	<u>52,320</u>	<u>4,898,770</u>
Governmental activities capital assets, net	<u>\$ 5,128,936</u>	<u>\$ 561,366</u>	<u>\$ 582,032</u>	<u>\$ 5,108,270</u>
Business-type activities:				
Furniture and equipment	\$ 82,733	\$ -	\$ -	\$ 82,733
Less accumulated depreciation	57,813	3,520	-	61,333
Business-type activities capital assets, net	<u>\$ 24,920</u>	<u>\$ (3,520)</u>	<u>\$ -</u>	<u>\$ 21,400</u>

IOWA VALLEY 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:

Regular \$ 39,992

Support services:

Administration 2,792

Operation and maintenance of plant 9,046

Transportation 25,814

77,644

Unallocated depreciation 141,190

Total depreciation expense - governmental activities \$ 218,834

Business-type activities:

Food service operations \$ 3,520

IOWA VALLEY 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:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 17,100	\$ 25,461	\$ 8,325	\$ 34,236	\$ 31,086
General obligation bonds	1,770,000	-	345,000	1,425,000	345,000
Net OPEB liability	21,100	31,600	-	52,700	-
Total	<u>\$ 1,808,200</u>	<u>\$ 57,061</u>	<u>\$ 353,325</u>	<u>\$ 1,511,936</u>	<u>\$ 376,086</u>

Early Retirement

The District offered a one-time voluntary early retirement plan to its certified employees for the year ended June 30, 2009. The identical offer was extended for additional years through June 30, 2013. Eligible employees must have completed thirteen years of contracted service to the District and have been at least 55 years old before the fiscal year end.

The early retirement benefit for each eligible employee is equal to a cash payment of 50% of the employee's present year salary excluding any extracurricular salaries, extended contract, and Teacher Quality payments. An employee can also remain on the District's health insurance program as long as they pay the entire monthly premium.

The District offered various plans in prior years as early retirement incentives. Details of those plans are available upon request.

At June 30, 2013, the District had obligations to four participants with a total liability of \$34,236. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$8,325. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

IOWA VALLEY 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 June 30,	Interest Rates	Principal	Interest	Total
2014	0.50 %	\$ 345,000	\$ 14,285	\$ 359,285
2015	0.70	345,000	12,560	357,560
2016	0.95	150,000	10,145	160,145
2017	1.15	140,000	8,720	148,720
2018	1.40	150,000	7,110	157,110
2019	1.60	150,000	5,010	155,010
2020	1.80	145,000	2,610	147,610
		<u>\$ 1,425,000</u>	<u>\$ 60,440</u>	<u>\$ 1,485,440</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 49 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.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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	\$	57,451
Interest on net OPEB obligation		527
Adjustment to annual required contribution		<u>2,265</u>
Annual OPEB cost		55,713
Contributions made		<u>24,113</u>
Increase in net OPEB obligation		31,600
Net OPEB obligation beginning of year		<u>21,100</u>
Net OPEB obligation end of year	\$	<u><u>52,700</u></u>

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 \$24,113 to the medical plan.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2011	\$ 33,300	80.5%	\$ 16,600
2012	34,407	86.9%	21,100
2013	55,713	43.3%	52,700

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 \$349,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$349,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,296,249, and the ratio of the UAAL to covered payroll was 26.9%. 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.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

As of the July 1, 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 (2/3 female, 1/3 male), applied on a gender-specific basis.

The UAAL is being amortized as a level dollar cost over service of the group on an open basis over 30 years.

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 \$287,842, \$272,232, and \$228,728, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Iowa Valley 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 10. 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 \$228,371 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.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 11. 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 dropout and dropout prevention	\$ 170,237
Gifted and talented program	139,125
Professional development	77,505
Four-year old preschool	66,596
Teacher salary supplement	27,383
Early intervention	22,253
Professional development for model core curriculum	4,833
Foster care programs	1,177
Home school assistance program	<u>472</u>
 Total	 \$ <u><u>509,581</u></u>

Note 12. Construction Commitments

The District has entered into a contract totaling \$346,325 for a track project. As of June 30, 2013, costs of \$329,009 had been incurred against the contract. The balance of \$17,316 remaining at June 30, 2013 will be paid as work on the project progresses.

Note 13. Financial Condition

At June 30, 2013 the Enterprise Fund, Preschool and Enterprise Fund, School Nutrition had deficit unrestricted net position balances of \$29,130 and \$10,986, respectively. In addition, the District's business-type activities had a deficit unrestricted net assets balance of \$40,116 at June 30, 2013. Also, the Special Revenue Fund, Student Activity had individual account balance deficits totaling \$27,003. Also, the Private-Purpose Trust Fund had a deficit net position of \$1,486 at June 30, 2013.

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Required Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2013

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 3,468,831	\$ 158,589	\$ 3,627,420	\$ 3,332,706	\$ 294,714
Intermediate sources	-	-	-	122,371	(122,371)
State sources	3,434,074	2,636	3,436,710	3,553,925	(117,215)
Federal sources	303,644	132,570	436,214	326,521	109,693
Total revenues	7,206,549	293,795	7,500,344	7,335,523	164,821
EXPENDITURES/EXPENSES:					
Instruction	4,420,747	-	4,420,747	4,353,240	(67,507)
Support services	1,650,478	11,085	1,661,563	1,480,355	(181,208)
Non-instructional programs	5,335	297,886	303,221	302,440	(781)
Other expenditures	948,573	-	948,573	963,962	15,389
Total expenditures/expenses	7,025,133	308,971	7,334,104	7,099,997	(234,107)
Excess (deficiency) of revenues over (under) expenditures/ expenses	181,416	(15,176)	166,240	235,526	(69,286)
Other financing sources, net	31,709	-	31,709	(5,600)	37,309
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	213,125	(15,176)	197,949	229,926	(31,977)
Balance beginning of year	3,385,757	(3,540)	3,382,217	3,295,519	86,698
Balance end of year	\$ 3,598,882	\$ (18,716)	\$ 3,580,166	\$ 3,525,445	\$ 54,721

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

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

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

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

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

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

IOWA VALLEY 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	\$ -	\$ 376	\$ 376	0.0%	\$ 3,437	10.9%
2011	July 1, 2009	-	350	350	0.0%	3,307	10.6%
2012	July 1, 2009	-	323	323	0.0%	3,322	9.7%
2013	July 1, 2012	-	349	349	0.0%	1,296	26.9%

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	<u>Special Revenue</u>			<u>Total</u>
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Debt Service</u>	
Assets				
Cash and pooled investments	\$ 177,429	\$ 138,388	\$ 4,905	\$ 320,722
Receivables:				
Property tax:				
Current year	3,877	-	3,299	7,176
Succeeding year	239,999	-	200,162	440,161
Accounts	-	800	-	800
	<hr/>			
Total assets	<u>\$ 421,305</u>	<u>\$ 139,188</u>	<u>\$ 208,366</u>	<u>\$ 768,859</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,464	\$ 2,598	\$ -	\$ 5,062
Deferred revenue:				
Succeeding year property tax	239,999	-	200,162	440,161
Total liabilities	<u>242,463</u>	<u>2,598</u>	<u>200,162</u>	<u>445,223</u>
Fund balances:				
Restricted for:				
Debt service	-	-	8,204	8,204
Management levy purposes	178,842	-	-	178,842
Student activities	-	136,590	-	136,590
Total fund balances	<u>178,842</u>	<u>136,590</u>	<u>8,204</u>	<u>323,636</u>
	<hr/>			
Total liabilities and fund balances	<u>\$ 421,305</u>	<u>\$ 139,188</u>	<u>\$ 208,366</u>	<u>\$ 768,859</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

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

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 241,219	\$ -	\$ 211,930	\$ 453,149
Other	7,088	170,677	-	177,765
Total revenues	<u>248,307</u>	<u>170,677</u>	<u>211,930</u>	<u>630,914</u>
Expenditures:				
Current:				
Instruction	13,791	171,646	-	185,437
Support services:				
Student	86	-	-	86
Administration	11,385	-	500	11,885
Operation and maintenance of plant	52,120	-	-	52,120
Transportation	5,588	-	-	5,588
Non-instructional programs	5,335	-	-	5,335
Other expenditures:				
Long term debt:				
Principal	-	-	345,000	345,000
Interest and fiscal charges	-	-	16,361	16,361
Total expenditures	<u>88,305</u>	<u>171,646</u>	<u>361,861</u>	<u>621,812</u>
Excess (deficiency) of revenues over (under) expenditures	160,002	(969)	(149,931)	9,102
Other financing sources:				
Interfund transfers in	-	-	151,220	151,220

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

	<u>Special Revenue</u>			
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	<u>Total</u>
Net change in fund balances	\$ 160,002	\$ (969)	\$ 1,289	\$ 160,322
Fund balances beginning of year	<u>18,840</u>	<u>137,559</u>	<u>6,915</u>	<u>163,314</u>
Fund balances end of year	<u>\$ 178,842</u>	<u>\$ 136,590</u>	<u>\$ 8,204</u>	<u>\$ 323,636</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2013

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 735,911	\$ 86,035	\$ 821,946
Receivables:			
Property tax:			
Current year	-	976	976
Succeeding year	-	76,749	76,749
Income surtax	-	161,753	161,753
Due from other governments	80,138	-	80,138
 Total assets	 \$ 816,049	 \$ 325,513	 \$ 1,141,562
 Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	\$ 76,749	\$ 76,749
Other	-	161,753	161,753
Total liabilities	-	238,502	238,502
 Fund balances:			
Restricted for:			
School infrastructure	816,049	-	816,049
Physical plant and equipment	-	87,011	87,011
Total fund balances	816,049	87,011	903,060
 Total liabilities and fund balances	 \$ 816,049	 \$ 325,513	 \$ 1,141,562

See accompanying independent auditor's report.

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

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 507,013	\$ 219,792	\$ 726,805
Other	688	121	809
Total revenues	<u>507,701</u>	<u>219,913</u>	<u>727,614</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	104,977	-	104,977
Administration	-	4,805	4,805
Operation and maintenance of plant	7,400	-	7,400
Transportation	18,800	76,935	95,735
Other expenditures:			
Facilities acquisition	309,160	49,681	358,841
Total expenditures	<u>440,337</u>	<u>131,421</u>	<u>571,758</u>
Excess of revenues over expenditures	67,364	88,492	155,856
Other financing sources (uses):			
Sale of real property	-	6,390	6,390
Interfund transfers out	-	(151,220)	(151,220)
Total other financing sources (uses)	<u>-</u>	<u>(144,830)</u>	<u>(144,830)</u>
Net change in fund balances	67,364	(56,338)	11,026
Fund balances beginning of year	<u>748,685</u>	<u>143,349</u>	<u>892,034</u>
Fund balances end of year	<u>\$ 816,049</u>	<u>\$ 87,011</u>	<u>\$ 903,060</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
AFS Club	\$ 643	\$ -	\$ 643	\$ -
Annual	4,659	7,620	5,724	6,555
Band	3,327	7,952	7,374	3,905
Choir - Sunshine Inn	1,242	7,339	6,774	1,807
Class of:				
2008	412	-	412	-
2009	884	-	884	-
2010	599	-	599	-
2011	1,444	-	1,444	-
2012	2,222	-	2,222	-
2013	1,105	110	157	1,058
2014	-	5,027	3,192	1,835
2015	200	-	-	200
2016	-	14	-	14
2017	-	148	-	148
Dramatics - Senior High/Junior High	3,338	1,268	1,471	3,135
FCS Club	321	366	344	343
FFA	7,275	33,347	34,704	5,918
Fine Arts Special Projects	15,636	490	414	15,712
Interest Income	8,245	4,842	7,384	5,703
IV Baseball Camp	262	6,897	3,877	3,282
IV Boys BB Camp	548	-	820	(272)
IV Girls BB Camp	(384)	3,050	2,862	(196)
IV FB/Track Camp	10,199	8,175	7,638	10,736
IV Softball Camp	1,899	956	233	2,622
IV Girls VB Camp	968	1,756	1,518	1,206
JH Cheerleaders	132	-	-	132
HS Cheerleaders	2,541	7,006	7,139	2,408
Pep Club	4,655	3,232	4,096	3,791
Playground Project	373	-	373	-
Speech Team	118	-	-	118
Student Council - Elem	3,651	791	-	4,442
Student Council - HS	14,976	3,003	5,039	12,940
TAG - Special Project	4	-	-	4
Tiger's Eye	1,396	-	-	1,396
Tiger Pride Videos	473	-	-	473
Spanish Trip	3	-	-	3
Baseball	(13,122)	1,564	8,167	(19,725)
Basketball - Boys	3,615	5,361	4,668	4,308
Basketball - Girls	1,928	10,469	9,721	2,676
Football	9,475	10,787	8,294	11,968

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

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

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Golf - Boys & Girls	\$ 823	\$ 4,435	\$ 2,505	\$ 2,753
Softball	(6,427)	1,998	2,381	(6,810)
Track - Boys	12,349	2,917	6,348	8,918
Track - Girls	2,662	3,158	3,146	2,674
Volleyball	14,696	5,341	6,469	13,568
Wrestling	12,663	6,224	6,547	12,340
Special Events	5,531	15,034	6,063	14,502
 Total	 <u>\$ 137,559</u>	 <u>\$ 170,677</u>	 <u>\$ 171,646</u>	 <u>\$ 136,590</u>

See accompanying independent auditor's report.

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 34,371	\$ 66,308	\$ 59,309	\$ 41,370
Liabilities				
Accounts payable	3,733	-	3,733	-
Due to other organizations	<u>30,638</u>	<u>66,308</u>	<u>55,576</u>	<u>41,370</u>
Total liabilities	<u>\$ 34,371</u>	<u>\$ 66,308</u>	<u>\$ 59,309</u>	<u>\$ 41,370</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Modified Accrual Basis Years Ended June 30,			
	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 2,962,891	\$ 3,065,284	\$ 2,871,276	\$ 2,909,926
Tuition	196,752	228,370	180,459	137,108
Other	309,188	313,169	370,570	245,431
Intermediate sources	-	-	-	-
State sources	3,434,074	3,627,089	3,706,535	3,076,460
Federal sources	303,644	360,443	639,280	139,948
Total revenues	<u>\$ 7,206,549</u>	<u>\$ 7,594,355</u>	<u>\$ 7,768,120</u>	<u>\$ 6,508,873</u>
Expenditures:				
Instruction	\$ 4,420,747	\$ 4,262,651	\$ 4,209,453	\$ 4,197,956
Support services:				
Student	88,194	70,312	108,882	103,449
Instructional staff	230,328	183,320	109,409	135,641
Administration	622,203	612,109	555,607	571,429
Operation and maintenance of plant	450,037	430,955	427,319	452,735
Transportation	259,716	188,427	171,180	139,114
Non-instructional programs	5,335	5,250	5,250	5,250
Other expenditures:				
Facilities acquisition	358,841	332,247	786,723	405,655
Long-term debt:				
Principal	345,000	1,910,000	175,000	170,000
Interest and fiscal charges	16,361	116,618	80,895	86,115
AEA flowthrough	228,371	230,080	257,542	257,003
Total expenditures	<u>\$ 7,025,133</u>	<u>\$ 8,341,969</u>	<u>\$ 6,887,260</u>	<u>\$ 6,524,347</u>

See accompanying independent auditor's report.

	2009	2008	2007	2006	2005
\$	2,862,787	\$ 2,885,059	\$ 2,672,973	\$ 2,260,877	\$ 1,999,518
	144,967	104,244	159,160	127,401	133,010
	331,557	196,782	445,902	347,904	307,765
	-	2,446	-	-	-
	3,454,253	3,333,862	3,145,971	3,140,564	2,906,807
	167,692	142,668	138,600	151,901	154,165
\$	<u>6,961,256</u>	<u>6,665,061</u>	<u>6,562,606</u>	<u>6,028,647</u>	<u>5,501,265</u>
\$	3,954,208	\$ 3,682,576	\$ 3,960,891	\$ 3,967,370	\$ 3,685,635
	173,914	131,993	198,377	192,850	196,432
	139,136	148,739	144,168	86,402	216,939
	587,083	666,380	658,850	649,443	580,017
	450,607	441,493	431,878	436,270	407,681
	128,764	141,463	232,534	204,699	150,272
	4,551	4,204	4,604	16,078	21,568
	307,315	78,732	228,212	75,276	5,261
	165,000	160,000	155,000	155,000	155,000
	91,140	95,465	100,115	104,765	109,415
	229,080	215,770	203,803	198,574	189,855
\$	<u>6,230,798</u>	<u>5,766,815</u>	<u>6,318,432</u>	<u>6,086,727</u>	<u>5,718,075</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
Iowa Valley Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa Valley Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 6, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 a deficiency in internal control over financial reporting we consider to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 a material instance of non-compliance described as item I-A-13 in the accompanying Schedule of Findings and 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.

Iowa Valley Community School District's Responses to Findings

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

Purpose of this Report

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

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

Oskaloosa, Iowa
January 6, 2014

Hunt + Associates, P.C.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

- I-A-13 Board Approval – We noted in our testing of disbursements that the Board did not officially approve the disbursements for October 2012. The disbursements for October 2011 were inadvertently presented for approval and the listing was not reconciled by the Board to the supporting invoices.

Recommendation – The Board should develop procedures that document their review of applicable monthly invoices and document the review of those invoices. The Board should review the disbursements for October 2012 for propriety.

Response – This was an oversight on our part. We have now reviewed the disbursements for October 2012 and noted no improprieties. We have also developed procedures to tie the monthly disbursement listing we approve to the supporting documentation and evidence review of monthly invoices by dating and initialing a sample of original invoices for each disbursement period. We will try to prevent any such oversight in the future.

Conclusion – Response accepted.

Internal Control Deficiencies:

- I-B-13 Financial Reporting – During the audit, we identified material amounts of capital assets additions and disposals not recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all capital assets changes are identified and included in the District’s financial statements.

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

Conclusion – Response accepted.

IOWA VALLEY 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 instruction, support services and non-instructional programs 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:

Name, Title and Business Connection	Transaction Description	Amount
Mark Swift, Board Member Owner of Brown’s True Value Hardware	School supplies	\$11,308

In accordance with Chapter 279.7A of the Code of Iowa, the transaction appears to represent a conflict of interest since the cumulative amount was greater than \$2,500 for the fiscal year.

Recommendation – The District should contact legal counsel for advice toward the best resolution of this situation.

Response – These types of supplies are hard to purchase in Marengo due to the limited number of vendors and would be more expensive to purchase elsewhere. We will look into this situation in the future.

Conclusion – Response accepted.

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.

II-F-13 Board Minutes – Except as noted in item I-A-13, 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.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2013

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

- 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 – We noted in our testing of the District’s investments that the District has an investment in a balanced mutual fund. This type of mutual fund has a higher risk related to the balancing of higher returns with the risk of loss and is not an allowable investment per Chapter 12B.10 of the Code of Iowa and per the District’s own investment policy.

Recommendation – The District should divest themselves of the unallowable investment to comply with the code of Iowa and with the District’s investment policy. The district should avoid higher risk investments in the future to protect the underlying assets.

Response – We will look into this situation and take action to correct the improper investment. We will avoid this type of situation in the future.

Conclusion – Response accepted.

- II-J-13 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 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		\$	748,685
Revenues:			
Sales tax revenues	\$	507,013	
Interest		<u>688</u>	507,701
Expenditures/transfers out:			
School infrastructure construction		270,192	
Equipment		<u>170,145</u>	<u>440,337</u>
Ending balance		\$	<u><u>816,049</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.

IOWA VALLEY 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 District’s business-type activities had a deficit unrestricted net position totaling \$40,116. Related to this situation, the District’s Enterprise Fund, School Nutrition and Enterprise Fund, Preschool each had deficit unrestricted net positions totaling \$10,986 and \$29,130, respectively. In addition, the Private-Purpose Trust Fund had a deficit net position totaling \$1,486 and the Special Revenue Fund, Student Activity had several individual accounts with deficit balances totaling \$27,003. The School Nutrition Fund lost \$22,966 in financial operations during the year ended June 30, 2013.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the business-type activities and enterprise funds to sound conditions and insure that the trust funds and Activity Fund accounts are monitored more closely to avoid deficit situations in the future. Special attention should be directed to the School Nutrition Fund to eliminate deficit operating results and to bring the fund back to a financially viable situation. Costs should be closely monitored and adjusted where possible and meal prices should be analyzed to better position the School Nutrition Fund in the future.

Response – We will take the actions necessary to bring these funds back to financially healthy positions. We are closely monitoring the School Nutrition Fund to enable us to make the proper decisions going into the future.

Conclusion – Response accepted.