

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

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

YEAR ENDED JUNE 30, 2013

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Prairie Valley Community School District
Gowrie, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Scott Hansch	President	2013
Shannon Miller	Vice President	2013
Rick Brand	Board Member	2013
John Field	Board Member	2015
Brian Holmgaard	Board Member	2015
Emilea Lundberg	Board Member	2013
Gary Welter	Board Member	2015
School Officials		
Launi Dane	Superintendent	2013
Mark Egli	Superintendent	2013
Lisa Willardson	District Secretary/ Treasurer Business Manager	2013
Gruhn Law Firm	Attorney	Indefinite

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

Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
Prairie 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 Prairie Valley Community School District, Gowrie, 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 the 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 Prairie 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 Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie 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 year ended June 30, 2012 (which is not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the eight years ended June 30, 2011 (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 our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2014 on our consideration of Prairie Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Prairie Valley Community School District's internal control over financial reporting and compliance.

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

March 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prairie Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,871,669 in fiscal year 2012 to \$6,874,326 in fiscal year 2013, while General Fund expenditures decreased from \$7,121,048 in fiscal year 2012 to \$6,802,657 in fiscal year 2013. The District's General Fund balance increased from \$1,862,590 at the end of fiscal year 2012 to \$1,934,259 at the end of fiscal year 2013, a 4% increase.
- The fiscal year 2013 General Fund revenue decrease was attributable to decreases in property tax, tuition and other local revenue. The decrease in expenditures was due primarily to a decrease in instruction and support services costs. Even with the decrease in revenues, the District increased its carryover funds.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

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

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

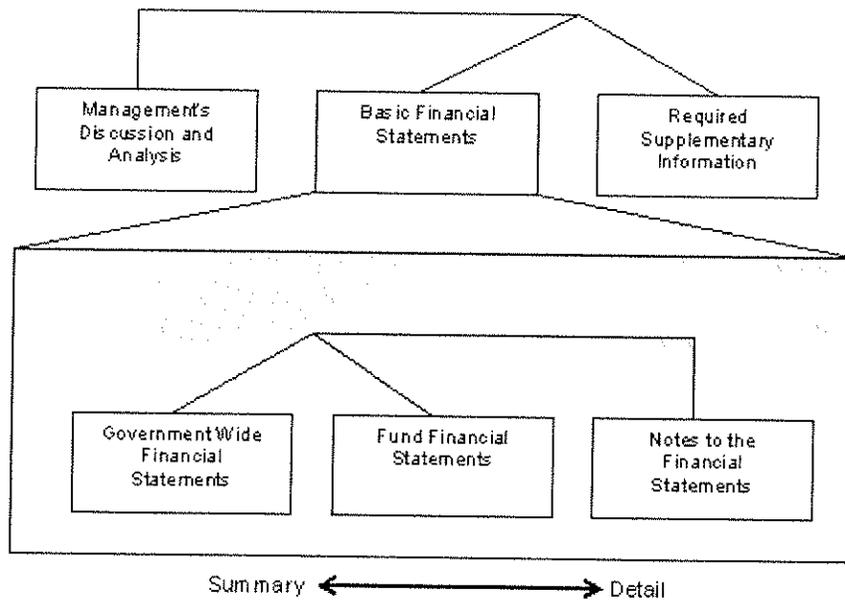


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent, such as the Booster club.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 7,382	7,629	63	58	7,445	7,687	-3.1%
Capital assets	7,712	7,587	54	63	7,766	7,650	1.5%
Total assets	15,094	15,216	117	121	15,211	15,337	-0.8%
Long-term liabilities	1,445	1,395	---	---	1,445	1,395	3.6%
Other liabilities	3,957	4,407	11	10	3,968	4,417	-10.2%
Total liabilities	5,402	5,802	11	10	5,413	5,812	-6.9%
Net position:							
Net investment in capital assets	6,516	6,405	54	63	6,570	6,468	1.6%
Restricted	1,134	904	---	---	1,134	904	25.4%
Unrestricted	2,042	2,105	52	48	2,094	2,153	-2.7%
Total net position	\$ 9,692	9,414	106	111	9,798	9,525	2.9%

The District's total net position increased 3%, or approximately \$273,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position, increased approximately \$230,000 or 25% from the prior year. The increase was primarily a result of an increase in the management levy.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$59,000 or 3%. This decrease in unrestricted net position was primarily a result of the District's decrease in revenues.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Revenues:							
Program revenues:							
Charges for service	\$ 691	899	223	231	914	1,130	-19.1%
Operating grants, contributions and restricted interest	959	998	199	185	1,158	1,183	-2.1%
Capital grants, contributions and restricted interest	---	75	---	12	---	87	-100.0%
General revenues:							
Property tax	3,126	4,044	---	---	3,126	4,044	-22.7%
Statewide sales, services and use tax	542	518	---	---	542	518	4.6%
Income surtax	276	269	---	---	276	269	2.6%
Unrestricted state grants	2,138	2,081	---	---	2,138	2,081	2.7%
Unrestricted investment earnings	88	82	---	---	88	82	7.3%
Other	<u>105</u>	<u>60</u>	<u>3</u>	<u>4</u>	<u>108</u>	<u>64</u>	<u>68.8%</u>
Total revenues	<u>7,925</u>	<u>9,026</u>	<u>425</u>	<u>432</u>	<u>8,350</u>	<u>9,458</u>	<u>-11.7%</u>
Program expenses:							
Instruction	4,962	5,127	---	---	4,962	5,127	-3.2%
Support services	2,044	2,288	---	---	2,044	2,288	-10.7%
Non-instructional programs	1	1	430	424	431	425	1.4%
Other expenses	<u>640</u>	<u>639</u>	<u>---</u>	<u>---</u>	<u>640</u>	<u>639</u>	<u>0.2%</u>
Total expenses	<u>7,647</u>	<u>8,055</u>	<u>430</u>	<u>424</u>	<u>8,077</u>	<u>8,479</u>	<u>-4.7%</u>
Increase (decrease) in net position	278	971	(5)	8	273	979	-72.1%
Net position beginning of year	<u>9,414</u>	<u>8,443</u>	<u>111</u>	<u>103</u>	<u>9,525</u>	<u>8,546</u>	<u>11.5%</u>
Net position end of year	<u>\$ 9,692</u>	<u>9,414</u>	<u>106</u>	<u>111</u>	<u>9,798</u>	<u>9,525</u>	<u>2.9%</u>

In fiscal 2013, property tax and unrestricted state grants account for 66.4% of governmental activities revenue while charges for service and operating grants and contributions account for 99.3% of business type activities revenues.

The District's total revenues were approximately \$8.4 million, of which approximately \$8.0 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 11.7% decrease in revenues and a 4.7% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$7,924,621 and expenses were \$7,646,457 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	Total Cost of Services			Net Cost of Services		
	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>2012-2013</u>	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>2012-2013</u>
Instruction	\$ 4,962	5,127	-3.2%	3,682	3,594	2.4%
Support services	2,044	2,288	-10.7%	1,926	2,159	-10.8%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	<u>640</u>	<u>639</u>	<u>0.2%</u>	<u>388</u>	<u>328</u>	<u>18.3%</u>
Total	<u>\$ 7,647</u>	<u>8,055</u>	<u>-5.1%</u>	<u>5,997</u>	<u>6,082</u>	<u>-1.4%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$691,189.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$958,700.
- The net cost of governmental activities was financed with \$3,943,812 in property and other taxes and \$2,138,265 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$425,478, representing a 1.6% decrease from the prior year, while expenses totaled \$430,225, a 1.4% increase over the prior year. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,206,364, above last year's ending fund balances of \$2,976,209.

Governmental Fund Highlights

- The General Fund balance increased from \$1,862,590 to \$1,934,259 due to maintaining expenditures below revenues.
- The Management Fund balance increased from \$406,506 to \$581,644 due to a decrease in expenditures.
- The Debt Service Fund balance decreased from \$120,313 at the end of fiscal year 2012 to \$116,514 at the end of fiscal year 2013.
- The Capital Projects Fund balance decreased from \$556,694 in fiscal 2012 to \$530,964 in fiscal 2013, due in part to a decrease in revenue.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$109,668 at June 30, 2012 to \$113,735 at June 30, 2013, representing an increase of approximately 4%. The main reason for the increase in the fund balance was due to an increase in federal revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, Prairie Valley Community School District did not amend its budget.

The District's total revenues were \$1,378,726 less than total budgeted revenues, a variance of 14.1%.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$7.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.5% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$514,970.

The original cost of the District's capital assets was approximately \$17.5 million. Governmental funds account for approximately \$17.3 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 158	158	---	---	158	158	0.0%
Construction in progress	---	1,035	---	---	---	1,035	-100.0%
Buildings	6,354	5,312	---	---	6,354	5,312	19.6%
Improvements other than buildings	281	294	---	---	281	294	-4.4%
Furniture and equipment	<u>919</u>	<u>787</u>	<u>54</u>	<u>63</u>	<u>973</u>	<u>850</u>	<u>14.5%</u>
Total	<u>\$ 7,712</u>	<u>7,586</u>	<u>54</u>	<u>63</u>	<u>7,766</u>	<u>7,649</u>	<u>1.5%</u>

Long-Term Debt

At June 30, 2013, the District had \$1,339,716 in total long-term debt outstanding. This represents an increase of approximately 1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	Total District		Total Change
	June 30, 2013	2012	June 30, 2012-2013
Sales tax revenue bonds	\$ 643	750	-14.3%
Bus lease purchase obligation	479	288	66.3%
Computer lease purchase obligation	74	144	-48.6%
Equipment note	72	---	100.0%
Termination benefits	72	144	-50.0%
Total	\$ 1,340	1,326	1.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

1. The District will enter a whole grade sharing agreement with Southeast Webster Grand on July 1, 2014. Increased costs associated with this agreement are anticipated at approximately \$300,000. The increase costs will include transportation (\$30,000), loss of shared teachers (\$150,000), new uniforms for athletics (\$85,000), increased number of student computers (\$25,000), and facility and sign logo changes (\$10,000). It is possible this will be offset by a whole grade sharing incentive from the State of Iowa
2. The District's enrollment is projected to continue to decline. The Department of Education enrollment for the next 3 years is a decline of 26 students for an estimated revenue loss of \$161,000.
3. A five-year facilities plan has been developed. In consideration of facility needs, it is evident an increase in the PPEL rate is needed. A Facilities Committee has been formed and will be exploring the option of a public vote to increase the PPEL rate.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Willardson, District Secretary/Treasurer and Business Manager, Prairie Valley Community School District, PO Box 49, Gowrie, Iowa, 50543.

Basic Financial Statements

Prairie Valley Community School District
Gowrie, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 3,787,943	40,653	3,828,596
Receivables:			
Property tax:			
Delinquent	16,724	-	16,724
Succeeding year	2,898,427	-	2,898,427
Accounts	325	2,375	2,700
Due from other governments	678,225	-	678,225
Inventories	-	19,751	19,751
Capital assets, net of accumulated depreciation/amortization	7,712,083	54,260	7,766,343
Total assets	<u>15,093,727</u>	<u>117,039</u>	<u>15,210,766</u>
Liabilities			
Accounts payable	362,672	501	363,173
Salaries and benefits payable	657,009	4,975	661,984
Early retirement payable	9,666	-	9,666
Accrued interest payable	29,315	-	29,315
Deferred revenue:			
Succeeding year property tax	2,898,427	-	2,898,427
Other	-	5,611	5,611
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	107,000	-	107,000
Bus lease purchase obligation	279,245	-	279,245
Computer lease purchase obligation	73,608	-	73,608
Equipment note	23,872	-	23,872
Early retirement	41,594	-	41,594
Portion due after one year:			
Revenue bonds payable	536,000	-	536,000
Bus lease purchase obligation	199,708	-	199,708
Equipment note	47,665	-	47,665
Early retirement	31,024	-	31,024
Net OPEB liability	104,992	-	104,992
Total liabilities	<u>5,401,797</u>	<u>11,087</u>	<u>5,412,884</u>

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	6,516,522	54,260	6,570,782
Restricted for:			
Categorical funding	50,790	-	50,790
Management levy purposes	509,026	-	509,026
Physical plant and equipment	25,672	-	25,672
School infrastructure	505,292	-	505,292
Student activities	42,983	-	42,983
Unrestricted	<u>2,041,645</u>	<u>51,692</u>	<u>2,093,337</u>
Total net position	<u>\$ 9,691,930</u>	<u>105,952</u>	<u>9,797,882</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa
Statement of Activities
Year ended June 30, 2013

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,352,085	348,212	395,586	-
Special instruction	756,846	137,189	100,211	-
Other instruction	853,261	189,128	110,240	-
	<u>4,962,192</u>	<u>674,529</u>	<u>606,037</u>	<u>-</u>
Support services:				
Student	152,030	-	11,694	-
Instructional staff	206,862	3,669	5,699	-
Administration	541,125	-	614	-
Operation and maintenance of plant	545,380	12,991	-	-
Transportation	598,516	-	83,559	-
	<u>2,043,913</u>	<u>16,660</u>	<u>101,566</u>	<u>-</u>
Non-instructional programs	624	-	-	-
Other expenditures:				
Facilities acquisition	78,648	-	-	-
Long-term debt interest	45,718	-	-	-
AEA flowthrough	251,097	-	251,097	-
Depreciation/amortization (unallocated)*	264,265	-	-	-
	<u>639,728</u>	<u>-</u>	<u>251,097</u>	<u>-</u>
Total governmental activities	<u>7,646,457</u>	<u>691,189</u>	<u>958,700</u>	<u>-</u>
Business type activities:				
Support services:				
Operation and maintenance of plant	1,473	-	-	-
Non-instructional programs:				
Food service operations	387,318	193,462	196,759	-
Day Care	41,434	30,406	2,214	-
Total business type activities	<u>430,225</u>	<u>223,868</u>	<u>198,973</u>	<u>-</u>
Total	<u>\$ 8,076,682</u>	<u>915,057</u>	<u>1,157,673</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

* This amount excludes the depreciation/amortization 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
(2,608,287)	-	(2,608,287)
(519,446)	-	(519,446)
<u>(553,893)</u>	-	<u>(553,893)</u>
<u>(3,681,626)</u>	-	<u>(3,681,626)</u>
(140,336)	-	(140,336)
(197,494)	-	(197,494)
(540,511)	-	(540,511)
(532,389)	-	(532,389)
<u>(514,957)</u>	-	<u>(514,957)</u>
<u>(1,925,687)</u>	-	<u>(1,925,687)</u>
(624)	-	(624)
(78,648)	-	(78,648)
(45,718)	-	(45,718)
-	-	-
<u>(264,265)</u>	-	<u>(264,265)</u>
<u>(388,631)</u>	-	<u>(388,631)</u>
<u>(5,996,568)</u>	-	<u>(5,996,568)</u>
-	(1,473)	(1,473)
-	2,903	2,903
-	<u>(8,814)</u>	<u>(8,814)</u>
-	<u>(7,384)</u>	<u>(7,384)</u>
<u>(5,996,568)</u>	<u>(7,384)</u>	<u>(6,003,952)</u>
3,027,085	-	3,027,085
98,707	-	98,707
275,995	-	275,995
542,025	-	542,025
2,138,265	-	2,138,265
87,475	-	87,475
105,180	2,637	107,817
<u>6,274,732</u>	<u>2,637</u>	<u>6,277,369</u>
278,164	(4,747)	273,417
9,413,766	110,699	9,524,465
<u>\$ 9,691,930</u>	<u>105,952</u>	<u>9,797,882</u>

Prairie Valley Community School District
Gowrie, Iowa

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 2,492,429	589,923	529,941	116,514
Receivables:				
Property tax:				
Delinquent	14,809	1,387	528	-
Succeeding year	2,639,591	150,000	108,836	-
Accounts	325	-	-	-
Due from other governments	563,460	-	114,765	-
Total assets	<u>\$ 5,710,614</u>	<u>741,310</u>	<u>754,070</u>	<u>116,514</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 246,617	-	114,270	-
Salaries and benefits payable	657,009	-	-	-
Early retirement payable	-	9,666	-	-
Deferred revenue:				
Succeeding year property tax	2,639,591	150,000	108,836	-
Income surtax	233,138	-	-	-
Total liabilities	<u>3,776,355</u>	<u>159,666</u>	<u>223,106</u>	<u>-</u>
Fund balances:				
Restricted for:				
Categorical funding	50,790	-	-	-
Debt service	-	-	-	116,514
Management levy purposes	-	581,644	-	-
Student activities	-	-	-	-
School infrastructure	-	-	505,292	-
Physical plant and equipment	-	-	25,672	-
Unassigned	1,883,469	-	-	-
Total fund balances	<u>1,934,259</u>	<u>581,644</u>	<u>530,964</u>	<u>116,514</u>
Total liabilities and fund balances	<u>\$ 5,710,614</u>	<u>741,310</u>	<u>754,070</u>	<u>116,514</u>

See notes to financial statements.

Exhibit C

Nonmajor Special Revenue Student Activities		Total
44,768		3,773,575
-	16,724	
-	2,898,427	
-	325	
-	678,225	
<u>44,768</u>	<u>7,367,276</u>	
1,785	362,672	
-	657,009	
-	9,666	
-	2,898,427	
-	233,138	
<u>1,785</u>	<u>4,160,912</u>	
-	50,790	
-	116,514	
-	581,644	
42,983	42,983	
-	505,292	
-	25,672	
-	1,883,469	
<u>42,983</u>	<u>3,206,364</u>	
<u>44,768</u>	<u>7,367,276</u>	

Prairie Valley Community School District
Gowrie, Iowa

Exhibit D

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

June 30, 2013

Total fund balances of governmental funds (page 20)	\$ 3,206,364
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,712,083
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	233,138
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(29,315)
Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds.	(1,444,708)
An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	<u>14,368</u>
Net position of governmental activities (page 17)	<u>\$ 9,691,930</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Revenues:				
Local sources:				
Local tax	\$ 3,077,154	259,271	640,733	-
Tuition	435,476	-	-	-
Other	264,895	1,067	17,085	-
State sources	2,956,837	119	45	-
Federal sources	139,964	-	-	-
Total revenues	<u>6,874,326</u>	<u>260,457</u>	<u>657,863</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,193,895	83,308	45,550	-
Special	752,655	-	-	-
Other	695,787	-	-	-
	<u>4,642,337</u>	<u>83,308</u>	<u>45,550</u>	<u>-</u>
Support services:				
Student	150,525	-	-	-
Instructional staff	220,728	-	17,831	-
Administration	538,374	-	-	-
Operation and maintenance of plant	530,253	-	-	-
Transportation	468,719	2,011	265,908	-
	<u>1,908,599</u>	<u>2,011</u>	<u>283,739</u>	<u>-</u>
Non-instructional programs	624	-	-	-
Other expenditures:				
Facilities acquisition	-	-	397,485	-
Long-term debt:				
Principal	-	-	-	238,977
Interest and fiscal charges	-	-	-	45,560
AEA flowthrough	251,097	-	-	-
	<u>251,097</u>	<u>-</u>	<u>397,485</u>	<u>284,537</u>
Total expenditures	<u>6,802,657</u>	<u>85,319</u>	<u>726,774</u>	<u>284,537</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,669</u>	<u>175,138</u>	<u>(68,911)</u>	<u>(284,537)</u>
Other financing sources (uses):				
Lease purchase obligation issued	-	-	323,919	-
Operating transfers in	-	-	-	280,738
Operating transfers out	-	-	(280,738)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>43,181</u>	<u>280,738</u>
Change in fund balances	71,669	175,138	(25,730)	(3,799)
Fund balances beginning of year	1,862,590	406,506	556,694	120,313
Fund balances end of year	<u>\$ 1,934,259</u>	<u>581,644</u>	<u>530,964</u>	<u>116,514</u>

See notes to financial statements.

Exhibit E

<u>Nonmajor Special Revenue Student Activities</u>	<u>Total</u>
-	3,977,158
-	435,476
165,319	448,366
-	2,957,001
-	139,964
<u>165,319</u>	<u>7,957,965</u>
-	3,322,753
-	752,655
152,442	848,229
<u>152,442</u>	<u>4,923,637</u>
-	150,525
-	238,559
-	538,374
-	530,253
-	736,638
-	2,194,349
-	624
-	397,485
-	238,977
-	45,560
-	251,097
-	933,119
152,442	8,051,729
<u>12,877</u>	<u>(93,764)</u>
-	323,919
-	280,738
-	(280,738)
-	323,919
12,877	230,155
30,106	2,976,209
<u>42,983</u>	<u>3,206,364</u>

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

Year ended June 30, 2013

Change in fund balances - total governmental funds (page 24) \$ 230,155

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

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

Expenditures for capital assets	\$ 631,943	
Depreciation/amortization expense	<u>(506,376)</u>	125,567

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (33,344)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Issued	(323,919)	
Repaid	<u>238,977</u>	(84,942)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (158)

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

Termination benefits	71,810	
Other postemployment benefits	<u>(36,637)</u>	35,173

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

5,713

Change in net position of governmental activities (page 19) \$ 278,164

Prairie Valley Community School District
Gowrie, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 40,653	14,368
Accounts receivable	2,375	-
Inventories	19,751	-
Total current assets	<u>62,779</u>	<u>14,368</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>54,260</u>	-
Total noncurrent assets	<u>54,260</u>	-
Total assets	<u>117,039</u>	<u>14,368</u>
Liabilities		
Current liabilities:		
Accounts payable	501	-
Salaries and benefits payable	4,975	-
Deferred revenue	5,611	-
Total current liabilities	<u>11,087</u>	-
Total liabilities	<u>11,087</u>	-
Net Position		
Investment in capital assets	54,260	-
Unrestricted	51,692	14,368
Total net position	<u>\$ 105,952</u>	<u>14,368</u>

See notes to financial statements.

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

	Year ended June 30, 2013	
	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 223,868	23,652
Miscellaneous	2,637	-
Total operating revenues	<u>226,505</u>	<u>23,652</u>
Operating expenses:		
Support services:		
Operation and maintenance of plant	1,473	-
	<u>1,473</u>	<u>-</u>
Non-instructional programs:		
Salaries	147,797	-
Benefits	34,987	17,939
Purchased services	25	-
Supplies	237,349	-
Depreciation	8,594	-
	<u>428,752</u>	<u>17,939</u>
Total operating expenses	<u>430,225</u>	<u>17,939</u>
Operating income (loss)	<u>(203,720)</u>	<u>5,713</u>
Non-operating revenues:		
State sources	3,309	-
Federal sources	195,664	-
Total non-operating revenues	<u>198,973</u>	<u>-</u>
Increase (decrease) in net position	(4,747)	5,713
Net position beginning of year	110,699	8,655
Net position end of year	<u>105,952</u>	<u>14,368</u>
See notes to financial statements.		

Prairie Valley Community School District
Gowrie, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 229,642	-
Cash received from other services	2,637	23,652
Cash paid to employees for services	(182,334)	(17,939)
Cash paid to suppliers for goods or services	<u>(213,695)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(163,750)</u>	<u>5,713</u>
Cash flows from non-capital financing activities:		
State grants received	3,309	-
Federal grants received	<u>169,407</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>172,716</u>	<u>-</u>
Net increase in cash and cash equivalents	8,966	5,713
Cash and cash equivalents beginning of year	<u>31,687</u>	<u>8,655</u>
Cash and cash equivalents end of year	<u>\$ 40,653</u>	<u>14,368</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (203,720)	5,713
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	26,257	-
Depreciation	8,594	-
Decrease in accounts receivable	163	-
Decrease in inventories	3,696	-
Decrease in accounts payable	(4,801)	-
Increase in salaries and benefits payable	450	-
Increase in deferred revenue	5,611	-
Net cash provided by (used by) operating activities	<u>\$ (163,750)</u>	<u>5,713</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$26,257 of federal commodities.

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 512,776	28,449
Accrued interest	<u>596</u>	<u>-</u>
Total assets	<u>513,372</u>	<u>28,449</u>
Liabilities		
Other payables	<u>-</u>	<u>28,449</u>
Total liabilities	<u>-</u>	<u>28,449</u>
Net Position		
Reserved for scholarships	<u>\$ 513,372</u>	<u>-</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 6,172
Interest income	<u>6,111</u>
Total additions	<u>12,283</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>23,375</u>
Total deductions	<u>23,375</u>
Change in net position	(11,092)
Net position beginning of year	<u>524,464</u>
Net position end of year	<u>\$ 513,372</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Prairie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Gowrie, Somers, Farnhamville, Callender and Rinard, Iowa, and the predominately agricultural territory in Calhoun, Greene and Webster counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

B. Basis of Presentation

Government-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 the following categories:

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

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.

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

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

Prairie Valley Community School District
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Notes to Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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

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

Prairie Valley Community School District
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June 30, 2013

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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.

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

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2013

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

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

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

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

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

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2013

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. There is no liability at June 30, 2013.

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

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

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

Unassigned – All amounts not included in other spendable classifications.

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amount budgeted in the other expenditures function.

(2) **Cash, Cash Equivalents 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.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,952 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standards & Poor's Financial Services.

(3) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>280,738</u>

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

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2013

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 158,054	---	---	158,054
Construction in progress	<u>1,035,129</u>	<u>110,131</u>	<u>(1,145,260)</u>	<u>---</u>
Total capital assets not being depreciated	<u>1,193,183</u>	<u>110,131</u>	<u>(1,145,260)</u>	<u>158,054</u>
Capital assets being depreciated:				
Buildings	10,520,185	1,284,986	---	11,805,171
Improvements other than buildings	711,877	6,158	---	718,035
Furniture and equipment	<u>4,262,777</u>	<u>375,928</u>	<u>---</u>	<u>4,638,705</u>
Total capital assets being depreciated	<u>15,494,839</u>	<u>1,667,072</u>	<u>---</u>	<u>17,161,911</u>
Less accumulated depreciation for:				
Buildings	5,207,714	243,464	---	5,451,178
Improvements other than buildings	418,186	18,974	---	437,160
Furniture and equipment	<u>3,475,606</u>	<u>243,938</u>	<u>---</u>	<u>3,719,544</u>
Total accumulated depreciation	<u>9,101,506</u>	<u>506,376</u>	<u>---</u>	<u>9,607,882</u>
Total capital assets being depreciated, net	<u>6,393,333</u>	<u>1,160,696</u>	<u>---</u>	<u>7,554,029</u>
Governmental activities capital assets, net	<u>\$ 7,586,516</u>	<u>1,270,827</u>	<u>(1,145,260)</u>	<u>7,712,083</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 183,230	---	---	183,230
Less accumulated depreciation	<u>120,376</u>	<u>8,594</u>	<u>---</u>	<u>128,970</u>
Business type activities capital assets, net	<u>\$ 62,854</u>	<u>(8,594)</u>	<u>---</u>	<u>54,260</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 86,488

Support services:

Instructional staff

15,167

Operation and maintenance of plant

13,545

Transportation

126,911

242,111

Unallocated

264,265

Total depreciation expense – governmental activities

\$ 506,376

Business type activities:

Food service operations

\$ 8,594

(5) 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:					
Sales tax revenue bonds	\$ 750,000	---	107,000	643,000	107,000
Bus lease purchase obligation 2012	288,437	---	38,953	249,484	249,484
Bus lease purchase obligation 2013	---	265,908	36,439	229,469	29,761
Computer lease purchase obligation	143,719	---	70,111	73,608	73,608
Equipment note	---	94,450	22,913	71,537	23,872
Termination benefits	144,428	---	71,810	72,618	41,594
Net OPEB liability	<u>68,355</u>	<u>36,637</u>	<u>---</u>	<u>104,992</u>	<u>---</u>
Total	<u>\$ 1,394,939</u>	<u>396,995</u>	<u>347,226</u>	<u>1,444,708</u>	<u>525,319</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of July 15, 2011</u>			
	Interest Rates	Principal	Interest	Total
2014	3.55%	\$ 107,000	20,927	127,927
2015	3.55	107,000	17,129	124,129
2016	3.55	107,000	13,330	120,330
2017	3.55	107,000	9,532	116,532
2018	3.55	107,000	5,733	112,733
2019	3.55	<u>108,000</u>	<u>1,917</u>	<u>109,917</u>
Total		\$ <u>643,000</u>	<u>68,568</u>	<u>711,568</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$750,000 of bonds issued in July 2011. The bonds were issued for the purpose of financing the construction of a weight/wrestling room. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 23% of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the notes is \$711,568. For the current year, \$131,726 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$542,025.

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

Capital Lease Purchase Obligations

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

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 265,069
Less amount representing interest	<u>(15,585)</u>
Net present value of minimum lease payments	\$ <u>249,484</u>

Payments under the agreement totaled \$49,067 for the year ended June 30, 2013.

In July 2012, the District entered into a capital lease-purchase agreement with De Lage Landen Public Finance LLC to finance the purchase of three buses totaling \$265,908. The lease is financed for three years at an interest rate of 2.91%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2013:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 36,439
2015	36,439
2016	<u>174,000</u>
Total minimum lease payments	246,878
Less amount representing interest	<u>(17,409)</u>
Net present value of minimum lease payments	\$ <u>229,469</u>

Payments under the agreement totaled \$36,439 for the year ended June 30, 2013.

In July 2011, the District entered into a capital lease-purchase agreement with Kinetic Leasing, Inc. to finance the purchase of computers for the one to one computer program totaling \$221,000. The lease is financed for three years at an interest rate of 4.989%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2013:

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 77,281
Less amount representing interest	<u>(3,673)</u>
Net present value of minimum lease payments	\$ <u>73,608</u>

Payments under the agreement totaled \$77,281 for the year ended June 30, 2013.

Termination Benefits

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

At June 30, 2013 the District has obligations to four participants with a total liability of \$72,618. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$71,810.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$344,191, \$321,171 and \$287,325, respectively, equal to the required contributions for each year.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

(7) **Other Postemployment Benefits (OPEB)**

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 61 active and seven retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 45,661
Interest on net OPEB obligation	1,709
Adjustment to annual required contribution	<u>(4,799)</u>
Annual OPEB cost	42,571
Contributions made	<u>(5,934)</u>
Increase in net OPEB obligation	36,637
Net OPEB obligation beginning of year	<u>68,355</u>
Net OPEB obligation end of year	\$ <u>104,992</u>

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2013

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

For the year ended June 30, 2013, the District contributed \$5,934 to the medical plan. Plan members eligible for benefits contributed \$18,835, or 76% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 48,302	58.1%	\$ 43,830
2012	49,983	50.9%	68,355
2013	42,571	13.9%	104,992

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 \$367,435, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$367,435. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,275,000 and the ratio of the UAAL to covered payroll was 11.2%. 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2013

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 gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$653 per month for retirees less than age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$251,097 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.

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2013

(10) Operating Leases

The District entered into an operating lease with IKON Office Solutions, Inc. for the rental of copiers on May 29, 2012 for a period of 48 months. The amount paid for the fiscal year ended June 30, 2013 was \$30,180. The fixed future rentals are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	
2014	\$ 30,180
2015	30,180
2016	<u>30,180</u>
Total	<u>\$ 90,540</u>

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited English proficient	\$ 2,591
Home school assistance program	5,435
Professional development – core curriculum	22,751
Professional development	<u>20,013</u>
Total	<u>\$ 50,790</u>

(12) Deficit Fund Balance

The Enterprise, Day Care Fund had a deficit fund balance of \$7,783 at June 30, 2013. The District has discontinued the day care program and is reviewing options to eliminate this deficit balance. The deficit in the Enterprise, Day Care Fund was due to expenditures being incurred before the receipts were available to pay for them.

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2013

(13) Subsequent Events

Subsequent events have been evaluated through March 27, 2014 which is the date the financial statements were available to be issued.

On January 21, 2014 the Board approved a whole grade sharing agreement with Southeast Webster Grand Community School District to begin with the 2014-2015 school year.

Required Supplementary Information

Prairie Valley Community School District
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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 <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,861,000	226,505
Intermediate sources	-	-
State sources	2,957,001	3,309
Federal sources	<u>139,964</u>	<u>195,664</u>
Total revenues	<u>7,957,965</u>	<u>425,478</u>
Expenditures/Expenses:		
Instruction	4,923,637	-
Support services	2,194,349	1,473
Non-instructional programs	624	428,752
Other expenditures	<u>933,119</u>	<u>-</u>
Total expenditures/expenses	<u>8,051,729</u>	<u>430,225</u>
Deficiency of revenues under expenditures/expenses	(93,764)	(4,747)
Other financing sources, net	<u>323,919</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	230,155	(4,747)
Balances beginning of year	<u>2,976,209</u>	<u>110,699</u>
Balances end of year	<u>\$ 3,206,364</u>	<u>105,952</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
5,087,505	5,452,152	5,452,152	(364,647)
-	97,500	97,500	(97,500)
2,960,310	3,832,017	3,832,017	(871,707)
<u>335,628</u>	<u>380,500</u>	<u>380,500</u>	<u>(44,872)</u>
<u>8,383,443</u>	<u>9,762,169</u>	<u>9,762,169</u>	<u>(1,378,726)</u>
4,923,637	5,590,500	5,590,500	666,863
2,195,822	3,026,300	3,026,300	830,478
429,376	469,000	469,000	39,624
<u>933,119</u>	<u>817,901</u>	<u>817,901</u>	<u>(115,218)</u>
<u>8,481,954</u>	<u>9,903,701</u>	<u>9,903,701</u>	<u>1,421,747</u>
(98,511)	(141,532)	(141,532)	43,021
<u>323,919</u>	<u>201,827</u>	<u>201,827</u>	<u>122,092</u>
225,408	60,295	60,295	165,113
<u>3,086,908</u>	<u>2,612,584</u>	<u>2,612,584</u>	<u>474,324</u>
<u><u>3,312,316</u></u>	<u><u>2,672,879</u></u>	<u><u>2,672,879</u></u>	<u><u>639,437</u></u>

Prairie Valley Community School District
Gowrie, Iowa

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

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

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

During the year ended June 30, 2013, expenditures in the other expenditures function exceeded the amount budgeted.

Prairie Valley Community School District

Gowrie, Iowa

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 521	521	0.0%	\$4,506,000	11.6%
2011	Jul 1, 2009	-	521	521	0.0%	4,195,000	12.4%
2012	Jul 1, 2009	-	521	521	0.0%	3,189,000	16.3%
2013	Jul 1, 2012	-	367	367	0.0%	3,275,000	11.2%

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

See accompanying independent auditor's report.

Supplementary Information

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Athletics	\$ 24,629	68,444	67,326	-	25,747
Cheerleaders	(1,092)	16,915	13,132	500	3,191
Class of 2012	2,556	-	-	(2,556)	-
Class of 2013	2,247	1,282	628	(1,500)	1,401
Class of 2014	-	8,143	7,343	256	1,056
Drill Team	455	6,984	4,829	-	2,610
Dramatics	(42)	988	325	250	871
FFA	2,069	24,720	25,908	-	881
FCCLA	(491)	8,772	11,409	-	(3,128)
Instrumental	670	2,673	-	-	3,343
HS Student Council	1,291	9,612	8,019	-	2,884
Tri M	748	180	110	-	818
Vocal Music	(3,823)	6,131	4,460	2,550	398
Yearbook	682	9,985	8,153	-	2,514
MS Student Council	207	490	800	500	397
Total	<u>\$ 30,106</u>	<u>165,319</u>	<u>152,442</u>	<u>-</u>	<u>42,983</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 2

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 499,285	30,656	529,941
Receivables:			
Property tax:			
Delinquent	-	528	528
Succeeding year	-	108,836	108,836
Due from other governments	<u>114,765</u>	<u>-</u>	<u>114,765</u>
Total assets	<u>\$ 614,050</u>	<u>140,020</u>	<u>754,070</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 108,758	5,512	114,270
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>108,836</u>	<u>108,836</u>
Total liabilities	<u>108,758</u>	<u>114,348</u>	<u>223,106</u>
Fund balances:			
Restricted for:			
School infrastructure	505,292	-	505,292
Physical plant and equipment	<u>-</u>	<u>25,672</u>	<u>25,672</u>
Total fund balances	<u>505,292</u>	<u>25,672</u>	<u>530,964</u>
Total liabilities and fund balances	<u>\$ 614,050</u>	<u>140,020</u>	<u>754,070</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 3

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 542,025	98,708	640,733
Other	15,260	1,825	17,085
State sources	-	45	45
Total revenues	<u>557,285</u>	<u>100,578</u>	<u>657,863</u>
Expenditures:			
Instruction:			
Regular	45,550	-	45,550
Support services:			
Instructional staff	-	17,831	17,831
Transportation	265,908	-	265,908
Other expenditures:			
Facilities acquisition	368,814	28,671	397,485
Total expenditures	<u>680,272</u>	<u>46,502</u>	<u>726,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(122,987)</u>	<u>54,076</u>	<u>(68,911)</u>
Other financing sources (uses):			
Lease purchase obligations issued	323,919	-	323,919
Operating transfers out	(203,457)	(77,281)	(280,738)
Total other financing sources (uses)	<u>120,462</u>	<u>(77,281)</u>	<u>43,181</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(2,525)	(23,205)	(25,730)
Fund balances beginning of year	<u>507,817</u>	<u>48,877</u>	<u>556,694</u>
Fund balances end of year	<u>\$ 505,292</u>	<u>25,672</u>	<u>530,964</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 4

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2013

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 48,485	-	48,485
Accounts receivable	2,326	49	2,375
Inventories	<u>19,751</u>	<u>-</u>	<u>19,751</u>
Total current assets	<u>70,562</u>	<u>49</u>	<u>70,611</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>54,260</u>	<u>-</u>	<u>54,260</u>
Total noncurrent assets	<u>54,260</u>	<u>-</u>	<u>54,260</u>
Total assets	<u>124,822</u>	<u>49</u>	<u>124,871</u>
Liabilities			
Current liabilities:			
Excess of warrants issued over bank balance	-	7,832	7,832
Accounts payable	501	-	501
Salaries and benefits payable	4,975	-	4,975
Deferred revenue	<u>5,611</u>	<u>-</u>	<u>5,611</u>
Total current liabilities	<u>11,087</u>	<u>7,832</u>	<u>18,919</u>
Total liabilities	<u>11,087</u>	<u>7,832</u>	<u>18,919</u>
Net Position			
Investment in capital assets	54,260	-	54,260
Unrestricted	<u>59,475</u>	<u>(7,783)</u>	<u>51,692</u>
Total net position	<u>\$ 113,735</u>	<u>(7,783)</u>	<u>105,952</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 5

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

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 193,462	30,406	223,868
Miscellaneous	<u>2,637</u>	<u>-</u>	<u>2,637</u>
Total operating revenues	<u>196,099</u>	<u>30,406</u>	<u>226,505</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant	<u>1,473</u>	<u>-</u>	<u>1,473</u>
	<u>1,473</u>	<u>-</u>	<u>1,473</u>
Non-instructional programs:			
Salaries	116,511	31,286	147,797
Benefits	29,923	5,064	34,987
Purchased services	-	25	25
Supplies	232,290	5,059	237,349
Depreciation	<u>8,594</u>	<u>-</u>	<u>8,594</u>
	<u>387,318</u>	<u>41,434</u>	<u>428,752</u>
Total operating expenses	<u>388,791</u>	<u>41,434</u>	<u>430,225</u>
Operating loss	<u>(192,692)</u>	<u>(11,028)</u>	<u>(203,720)</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Schedule 5

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

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Non-operating revenues:			
State sources	3,309	-	3,309
Federal sources	<u>193,450</u>	<u>2,214</u>	<u>195,664</u>
Total non-operating revenues	<u>196,759</u>	<u>2,214</u>	<u>198,973</u>
 Increase (decrease) in net position	 4,067	 (8,814)	 (4,747)
 Net position beginning of year	 <u>109,668</u>	 <u>1,031</u>	 <u>110,699</u>
Net position end of year	<u>\$ 113,735</u>	<u>(7,783)</u>	<u>105,952</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 6

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 199,178	30,464	229,642
Cash received from other services	2,637	-	2,637
Cash paid to employees for services	(145,984)	(36,350)	(182,334)
Cash paid to suppliers for goods or services	<u>(208,611)</u>	<u>(5,084)</u>	<u>(213,695)</u>
Net cash used by operating activities	<u>(152,780)</u>	<u>(10,970)</u>	<u>(163,750)</u>
Cash flows from non-capital financing activities:			
State grants received	3,309	-	3,309
Federal grants received	167,193	2,214	169,407
Excess of warrants issued over bank balance	<u>-</u>	<u>7,832</u>	<u>7,832</u>
Net cash provided by non-capital financing activities	<u>170,502</u>	<u>10,046</u>	<u>180,548</u>
Net increase (decrease) in cash and cash equivalents	17,722	(924)	16,798
Cash and cash equivalents beginning of year	<u>30,763</u>	<u>924</u>	<u>31,687</u>
Cash and cash equivalents end of year	<u>\$ 48,485</u>	<u>-</u>	<u>48,485</u>

(continued)

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (192,692)	(11,028)	(203,720)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	26,257	-	26,257
Depreciation	8,594	-	8,594
Decrease in accounts receivable	105	58	163
Decrease in inventories	3,696	-	3,696
Decrease in accounts payable	(4,801)	-	(4,801)
Increase in salaries and benefits payable	450	-	450
Increase in deferred revenue	5,611	-	5,611
Net cash used by operating activities	<u>\$ (152,780)</u>	<u>(10,970)</u>	<u>(163,750)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$26,257 of federal commodities.

See accompanying independent auditor's report.

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

Schedule 7

Year ended June 30, 2013

	Balance Beginning <u>of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance End <u>of Year</u>
Belle Erickson Scholarship	\$ 3,434	24	150	3,308
William Johnson Scholarship	5,232	14	175	5,071
George Larson Scholarship	407	1,977	1,100	1,284
Administration Scholarship	137	146	200	83
Nels Lindquist Scholarship	55	-	-	55
Cone Scholarship	100,660	1,074	2,975	98,759
Franzeen Memorial	409,278	7,009	15,500	400,787
Lucile Swenson Scholarship	4,053	11	175	3,889
Board Scholarship	100	28	100	28
TAG scholarship	108	-	-	108
Murphy Family Scholarship	1,000	2,000	3,000	-
Total	<u>\$ 524,464</u>	<u>12,283</u>	<u>23,375</u>	<u>513,372</u>

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash, cash equivalents and pooled investments	\$ 31,623	39,217	42,391	28,449
Total assets	<u>\$ 31,623</u>	<u>39,217</u>	<u>42,391</u>	<u>28,449</u>
Liabilities				
Other payables	\$ 31,623	39,217	42,391	28,449
Total liabilities	<u>\$ 31,623</u>	<u>39,217</u>	<u>42,391</u>	<u>28,449</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

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

For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 3,977,158	4,853,128	4,754,141	4,092,143
Tuition	435,476	560,302	1,014,680	568,302
Other	448,366	556,572	402,198	435,100
State sources	2,957,001	2,930,962	2,890,816	2,530,608
Federal sources	139,964	148,328	433,798	613,586
Total	<u>\$ 7,957,965</u>	<u>9,049,292</u>	<u>9,495,633</u>	<u>8,239,739</u>
Expenditures:				
Instruction	\$ 4,923,637	5,355,161	5,724,148	5,433,797
Support services:				
Student	150,525	197,439	96,624	163,912
Instructional staff	238,559	235,856	182,451	172,777
Administration	538,374	622,612	619,551	688,136
Operation and maintenance of plant	530,253	649,091	607,598	787,420
Transportation	736,638	842,584	487,178	442,947
Central support	-	-	-	-
Non-instructional programs	624	573	1,003	501
Other expenditures:				
Facilities acquisition	397,485	1,300,401	416,448	445,298
Long-term debt:				
Principal	238,977	-	-	-
Interest and other charges	45,560	12,277	-	-
AEA flowthrough	251,097	247,033	278,373	277,363
Total	<u>\$ 8,051,729</u>	<u>9,463,027</u>	<u>8,413,374</u>	<u>8,412,151</u>

See accompanying independent auditor's report.

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

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

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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
Prairie 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 Prairie 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 March 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prairie 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 Prairie Valley Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Prairie Valley Community School District's internal control.

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

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

Compliance and Other Matters

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

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

Prairie Valley Community School District's Responses to Findings

Prairie Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Prairie 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 Prairie Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

March 27, 2014

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

I-B-13 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Prairie Valley Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

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

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

Conclusion – Response accepted.

I-C-13 Disbursement Approval – For one disbursement tested, there was no evidence of Board approval.

Recommendation – The District should ensure all expenditures are properly approved.

Response – We will ensure all expenditures are properly approved.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013, exceeded the certified budget amounts in the other expenditures function.

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

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

Conclusion - Response accepted.

II-B-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 - No business transactions between the District and District officials or employees were noted.

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

II-F-13 Board Minutes - As previously noted, one disbursement requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board

Response – All disbursements will be approved by the Board.

Conclusion – Response accepted.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

- 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 timely to the Iowa Department of Education.
- 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, Services, and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2013

Beginning balance		\$ 507,817	
Revenues/transfer in:			
Sales tax revenues	\$ 542,025		
Other local revenues	15,260		
Sale of long-term debt	<u>323,919</u>	<u>881,204</u>	
			1,389,021
Expenditures/transfers out:			
School infrastructure construction	334,547		
Equipment	345,725		
Transfers to other funds:			
Debt service fund	<u>203,457</u>	<u>883,729</u>	
Ending balance			\$ <u>505,292</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.

II-M-13 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

II-N-13 Deficit Balances – The Day Care Fund and one student activity account had deficit balances at June 30, 2013.

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

Response – The District is continuing to investigate alternatives to eliminate the deficit in the student activity account at the end of the fiscal year. The District is no longer operating the day care program and is reviewing options to remove this deficit.

Conclusion – Response accepted.