

PRESCOTT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Prescott Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Marnie Cline	President	2013
Doug Birt	Vice President	2015
Steve Wainwright	Board Member	2015
Randy Cooper	Board Member	2013
Don Gee	Board Member	2015
<u>School Officials</u>		
Doug Latham	Superintendent	2013
Roy Stroud	Business Manager/Board Secretary	2013
Ahlers & Cooney, P.C.	Attorney	Indefinite

PRESCOTT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Prescott 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 Prescott Community School District, Prescott, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prescott 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 15 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prescott 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 two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2014 on our consideration of Prescott Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Prescott Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

May 28, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prescott 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 \$1,102,079 in fiscal 2012 to \$951,128 in fiscal 2013, while General Fund expenditures increased from \$813,473 in fiscal 2012 to \$1,146,313 in fiscal 2013. The District's General Fund balance decreased from \$734,390 at June 30, 2012 to \$539,205 at June 30, 2013, a 26.58% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state and federal sources. The increase in expenditures was due primarily to the increase in regular and special education instructional expenditures.

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 Prescott 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 Prescott Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Prescott Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

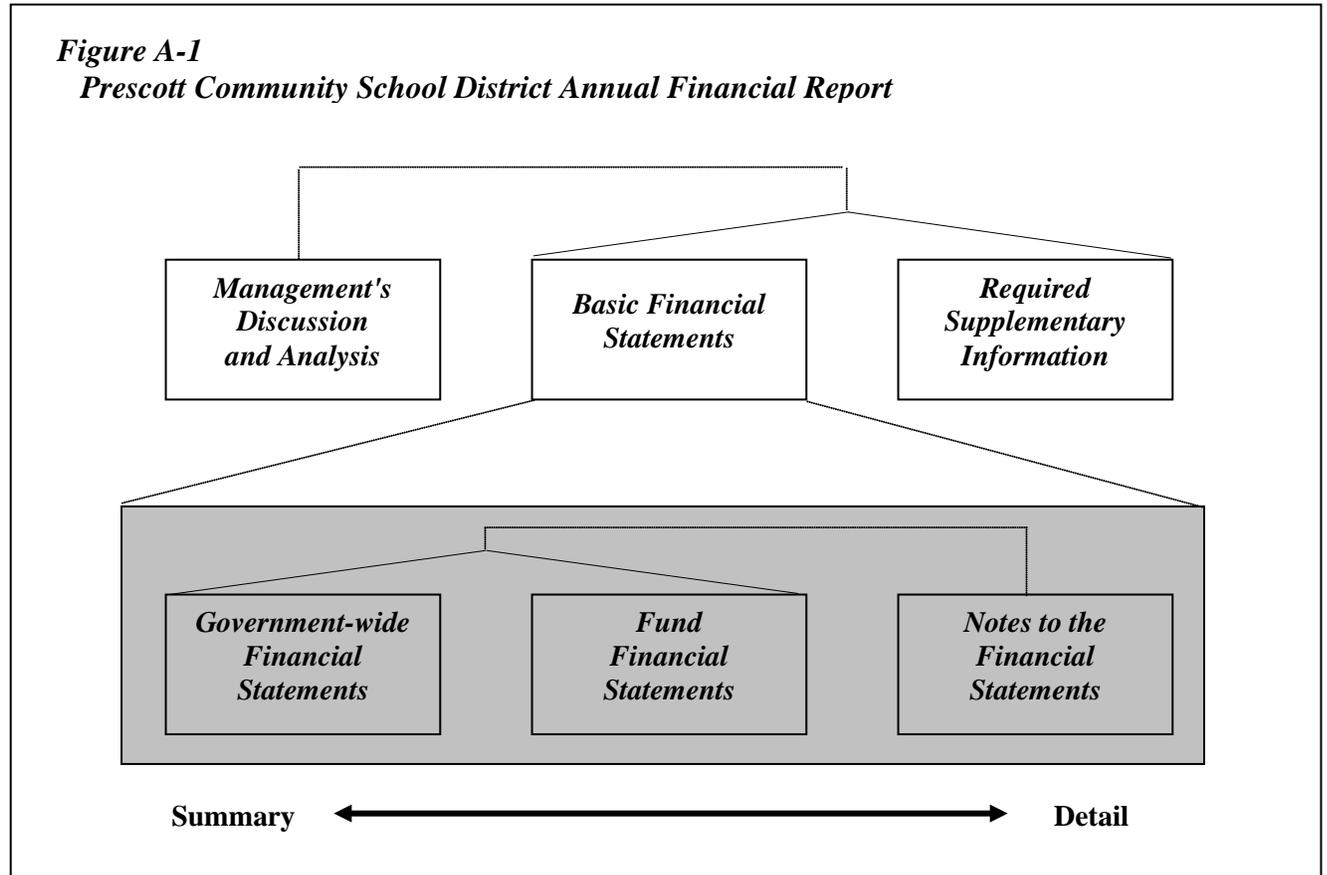


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

The required financial statements for the 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, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Before and After School Fund.

The required financial statements for the 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. This fund includes the Agency Fund.

- Agency Fund - The District administers and accounts for revenues collected and expenditures paid for the Prescott Parent-Teacher Organization.

The District is responsible for ensuring that 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.

	Governmental		Business Type		Total		Total Change 2012-13
	Activities		Activities		School District		
	2013	2012	2013	2012	2013	2012	
Current and other assets	\$ 1,583,520	1,585,331	1,463	1,226	1,584,983	1,586,557	-0.10%
Capital assets	312,048	254,667	6,769	6,568	318,817	261,235	22.04%
Total assets	1,895,568	1,839,998	8,232	7,794	1,903,800	1,847,792	3.03%
Long-term obligations	45,289	-	-	-	45,289	-	100.00%
Other liabilities	721,659	611,665	49,575	42,451	771,234	654,116	17.90%
Total liabilities	766,948	611,665	49,575	42,451	816,523	654,116	24.83%
Net position:							
Invested in capital assets, net of related debt	266,759	254,667	6,769	6,568	273,528	261,235	4.71%
Restricted	330,881	242,010	-	-	330,881	242,010	36.72%
Unrestricted	530,980	731,656	(48,112)	(41,225)	482,868	690,431	-30.06%
Total net position	\$ 1,128,620	1,228,333	(41,343)	(34,657)	1,087,277	1,193,676	-8.91%

The District's combined net position decreased by 8.91%, or \$106,399, from the prior year. The largest portion of the District's net position is the unrestricted net position.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$88,871, or 36.72% from the prior year. The increase in restricted net position is mainly the result of an increase in the ending fund balance for the Capital Projects: Statewide Sales Services and Use Tax Fund.

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 \$207,563, or 30.06%. The decrease in unrestricted net position is mainly the result of the District's decrease in General Fund ending balance.

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

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues & Transfers:							
Program revenues:							
Charges for service	\$ 31,287	33,886	25,914	23,591	57,201	57,477	-0.48%
Operating grants, contributions and restricted interest	139,052	152,676	24,957	20,679	164,009	173,355	-5.39%
Capital grants, contributions and restricted interest	-	-	-	7,166	-	7,166	-100.00%
General revenues:							
Property tax	554,859	504,385	-	-	554,859	504,385	10.01%
Statewide sales, services and use tax	73,087	68,766	-	-	73,087	68,766	6.28%
Unrestricted state grants	302,972	383,829	-	-	302,972	383,829	-21.07%
Non specific program federal grants	-	289	-	-	-	289	-100.00%
Unrestricted investment earnings	2,207	1,789	238	-	2,445	1,789	36.67%
Other	9,778	18,152	130	-	9,908	18,152	-45.42%
Transfers	7,428	-	(7,428)	-	-	-	0.00%
Total revenues & transfers	1,120,670	1,163,772	43,811	51,436	1,164,481	1,215,208	-4.17%
Program expenses:							
Governmental activities:							
Instruction	894,097	605,056	-	-	894,097	605,056	47.77%
Support services	275,193	254,408	370	135	275,563	254,543	8.26%
Non-instructional programs	-	-	50,127	30,410	50,127	30,410	64.84%
Other expenses	51,093	51,668	-	-	51,093	51,668	-1.11%
Total expenses	1,220,383	911,132	50,497	30,545	1,270,880	941,677	34.96%
Change in net position	(99,713)	252,640	(6,686)	20,891	(106,399)	273,531	138.90%
Beginning net position	1,228,333	975,693	(34,657)	(55,548)	1,193,676	920,145	29.73%
Ending net position	\$ 1,128,620	1,228,333	(41,343)	(34,657)	1,087,277	1,193,676	-8.91%

In fiscal 2013, property tax and unrestricted state grants accounted for 76.55% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest accounted for 99.28% of the revenue from business type activities.

The District's total revenues were approximately \$1.16 million of which approximately \$1.12 million was for governmental activities and approximately \$0.04 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.17% decrease in revenues and a 34.96% increase in expenses. Property tax increased \$50,474 to help fund expenditures. The increase in expenses is primarily related to the increase in expenditures in the instruction functional area.

Governmental Activities

Revenues for governmental activities were \$1,120,670 and expenses were \$1,220,383.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 894,097	605,056	47.77%	759,462	454,119	67.24%
Support services	275,193	254,408	8.17%	274,486	254,408	7.89%
Other expenses	51,093	51,668	-1.11%	16,096	16,043	0.33%
Totals	\$ 1,220,383	911,132	33.94%	1,050,044	724,570	44.92%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$31,287.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$139,052.
- The net cost of governmental activities was financed with \$554,859 in property tax, \$73,087 in statewide sales, services and use tax, \$302,972 in unrestricted state grants, \$2,207 in interest income and \$17,206 in other general revenues net of transfers.

Business Type Activities

Revenues of the District's business type activities net of transfers were \$43,811 and expenses were \$50,497. The District's business type activities include the School Nutrition and Before and After School Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Prescott 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 balance of \$861,916, below last year's ending fund balances of \$973,666. The decrease in combined fund balances is primarily a result of the decrease in fund balance for the General Fund.

Governmental Fund Highlights

- The General Fund balance decreased from \$734,390 at June 30, 2012 to \$539,205 at June 30, 2013. The fluctuation in the District's General Fund financial position is the result of many factors. The decrease in General Fund revenues is a result of decreases in state and federal source revenues. The increase in expenditures is primarily due to the increase in the instruction functional area.

- The Capital Projects Accounts balance increased from \$204,943 at June 30, 2012 to \$253,262 at June 30, 2013. The increase in fund balance was primarily a result of increased tax collections and reduced expenditures as compared to the previous year.

Proprietary Fund Highlights

- The School Nutrition Fund net position decreased from a deficit balance of \$4,545 at June 30, 2012 to a deficit balance of \$8,945 at June 30, 2013, representing a decrease of 96.81%.
- The Before and After School Fund net position decreased from a deficit balance of \$30,112 at June 30, 2012 to a deficit balance of \$32,398 at June 30, 2013, representing a decrease of 7.59%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$123,790 less than budgeted revenues, a variance of 9.61%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$318,817, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 18.06% from the previous year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$49,840.

The original cost of the District's capital assets was \$1,047,939. Governmental funds account for \$1,023,228 with the remainder of \$24,711 in the Proprietary, School Nutrition Funds.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$50,823 at June 30, 2012, compared to \$124,446 reported at June 30, 2013. This significant increase resulted from the District acquiring a school bus and playground equipment during the year.

	Governmental Activities		Business Type Activities		Total School District		Total Change 2012-13
	2013	2012	2013	2012	2013	2012	
Land	\$ 20,000	20,000	-	-	20,000	20,000	0.00%
Buildings	165,372	180,545	-	-	165,372	180,545	-8.40%
Land improvements	8,999	9,867	-	-	8,999	9,867	-8.80%
Machinery and equipment	117,677	44,255	6,769	6,568	124,446	50,823	144.86%
Total	\$ 312,048	254,667	6,769	6,568	318,817	261,235	18.06%

Long-Term Debt

At June 30, 2013, the District had a bus lease payable of \$45,289 from the Capital Projects: Physical Plant and Equipment Levy Fund. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

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:

- The IPERS employer contribution increase to 8.93% on July 1, 2013, will increase the District's employer benefit costs during fiscal 2014.
- The District is seeking the District's residents to pass a resolution to merge with Creston Community School District to be effective July 1, 2015.

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 Steve McDermott, Superintendent, Prescott Community School District, 813 1st Street, Prescott, Iowa, 50850.

PRESCOTT COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,028,006	-	1,028,006
Receivables:			
Property tax:			
Delinquent	5,528	-	5,528
Succeeding year	506,044	-	506,044
Accounts	-	462	462
Due from other governments	43,942	-	43,942
Inventories	-	1,001	1,001
Capital assets, net of accumulated depreciation	312,048	6,769	318,817
TOTAL ASSETS	1,895,568	8,232	1,903,800
LIABILITIES			
Excess of warrants issued over bank balance	-	48,788	48,788
Accounts payable	155,475	-	155,475
Accrued interest payable	55	-	55
Salaries and benefits payable	43,899	787	44,686
Deferred revenue:			
Succeeding year property tax	506,044	-	506,044
Other	16,186	-	16,186
Long-term liabilities:			
Portion due within one year:			
Bus lease payable	8,191	-	8,191
Portion due after one year:			
Bus lease payable	37,098	-	37,098
TOTAL LIABILITIES	766,948	49,575	816,523
NET POSITION			
Invested in capital assets, net of related debt	266,759	6,769	273,528
Restricted for:			
Categorical funding	3,459	-	3,459
School infrastructure	257,973	-	257,973
Management levy purposes	69,424	-	69,424
Student activities	25	-	25
Unrestricted	530,980	(48,112)	482,868
TOTAL NET POSITION	\$ 1,128,620	(41,343)	1,087,277

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 518,339	25,272	16,805	(476,262)	-	(476,262)
Special	245,259	-	4,724	(240,535)	-	(240,535)
Other	130,499	6,015	81,819	(42,665)	-	(42,665)
	<u>894,097</u>	<u>31,287</u>	<u>103,348</u>	<u>(759,462)</u>	<u>-</u>	<u>(759,462)</u>
Support services:						
Instructional staff	14,612	-	-	(14,612)	-	(14,612)
Administration	86,022	-	-	(86,022)	-	(86,022)
Operation and maintenance of plant	84,029	-	-	(84,029)	-	(84,029)
Transportation	90,530	-	707	(89,823)	-	(89,823)
	<u>275,193</u>	<u>-</u>	<u>707</u>	<u>(274,486)</u>	<u>-</u>	<u>(274,486)</u>
Long-term debt interest	55	-	-	(55)	-	(55)
Other expenses:						
AEA flowthrough	34,997	-	34,997	-	-	-
Depreciation(unallocated)*	16,041	-	-	(16,041)	-	(16,041)
	<u>51,038</u>	<u>-</u>	<u>34,997</u>	<u>(16,041)</u>	<u>-</u>	<u>(16,041)</u>
Total governmental activities	<u>1,220,383</u>	<u>31,287</u>	<u>139,052</u>	<u>(1,050,044)</u>	<u>-</u>	<u>(1,050,044)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	370	-	-	-	(370)	(370)
Non-instructional programs:						
Food service	45,268	19,087	20,913	-	(5,268)	(5,268)
Before and after school	4,859	6,827	4,044	-	6,012	6,012
Total business type activities	<u>50,497</u>	<u>25,914</u>	<u>24,957</u>	<u>-</u>	<u>374</u>	<u>374</u>
Total	<u>\$ 1,270,880</u>	<u>57,201</u>	<u>164,009</u>	<u>(1,050,044)</u>	<u>374</u>	<u>(1,049,670)</u>
General Revenues & Transfers:						
Property tax levied for:						
General purposes				\$ 508,130	-	508,130
Capital outlay				46,729	-	46,729
Statewide sales, services and use tax				73,087	-	73,087
Unrestricted state grants				302,972	-	302,972
Unrestricted investment earnings				2,207	238	2,445
Other				9,778	130	9,908
Transfers				7,428	(7,428)	-
				<u>950,331</u>	<u>(7,060)</u>	<u>943,271</u>
Total general revenues				<u>950,331</u>	<u>(7,060)</u>	<u>943,271</u>
Change in net position				(99,713)	(6,686)	(106,399)
Net position beginning of year				<u>1,228,333</u>	<u>(34,657)</u>	<u>1,193,676</u>
Net position end of year				<u>\$ 1,128,620</u>	<u>(41,343)</u>	<u>1,087,277</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 719,134	239,921	68,951	1,028,006
Receivables:				
Property tax				
Delinquent	4,564	466	498	5,528
Succeeding year	417,568	48,476	40,000	506,044
Due from other governments	21,567	22,375	-	43,942
TOTAL ASSETS	\$ 1,162,833	311,238	109,449	1,583,520
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 145,975	9,500	-	155,475
Salaries and benefits payable	43,899	-	-	43,899
Deferred revenue:				
Succeeding year property tax	417,568	48,476	40,000	506,044
Other	16,186	-	-	16,186
Total liabilities	623,628	57,976	40,000	721,604
Fund balances:				
Restricted for:				
Categorical funding	3,459	-	-	3,459
School infrastructure	-	257,973	-	257,973
Management levy purposes	-	-	69,424	69,424
Student activities	-	-	25	25
Unassigned:				
General	535,746	-	-	535,746
Physical plant and equipment	-	(4,711)	-	(4,711)
Total fund balances	539,205	253,262	69,449	861,916
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,162,833	311,238	109,449	1,583,520

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	861,916
<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 in the governmental funds.		312,048
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.		(55)
Long-term liabilities, including bus lease payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(45,289)</u>
Net position of governmental activities(page 18)	\$	<u><u>1,128,620</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 458,100	119,816	50,030	627,946
Tuition	31,287	-	-	31,287
Other	11,419	20	546	11,985
State sources	385,352	-	-	385,352
Federal sources	56,672	-	-	56,672
Total revenues	<u>942,830</u>	<u>119,836</u>	<u>50,576</u>	<u>1,113,242</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	525,951	-	-	525,951
Special	236,718	-	-	236,718
Other	125,954	-	-	125,954
	<u>888,623</u>	<u>-</u>	<u>-</u>	<u>888,623</u>
Support services:				
Instructional staff	824	13,279	-	14,103
Administration	77,649	5,471	-	83,120
Operation and maintenance of plant	63,455	-	18,372	81,827
Transportation	77,853	54,749	-	132,602
	<u>219,781</u>	<u>73,499</u>	<u>18,372</u>	<u>311,652</u>
Capital outlay	-	43,307	-	43,307
Other expenditures:				
AEA flowthrough	34,997	-	-	34,997
Total expenditures	<u>1,143,401</u>	<u>116,806</u>	<u>18,372</u>	<u>1,278,579</u>
Excess(Deficiency) of revenues over(under) expenditures	(200,571)	3,030	32,204	(165,337)
Other financing sources(uses):				
Bus lease proceeds	-	45,289	-	45,289
Transfer in	8,298	-	2,912	11,210
Transfer out	(2,912)	-	-	(2,912)
Total other financing sources(uses)	<u>5,386</u>	<u>45,289</u>	<u>2,912</u>	<u>53,587</u>
Change in fund balances	(195,185)	48,319	35,116	(111,750)
Fund balances beginning of year	<u>734,390</u>	<u>204,943</u>	<u>34,333</u>	<u>973,666</u>
Fund balances end of year	<u>\$ 539,205</u>	<u>253,262</u>	<u>69,449</u>	<u>861,916</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ (111,750)

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

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

Capital outlay	\$ 106,552	
Depreciation expense	(49,171)	57,381

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. (45,289)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (55)

Change in net position of governmental activities(page 19) \$ (99,713)

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Before and After School Fund	Total
ASSETS			
Current assets:			
Accounts receivable	\$ 462	-	462
Inventories	1,001	-	1,001
Capital assets, net of accumulated depreciation	6,769	-	6,769
TOTAL ASSETS	8,232	-	8,232
LIABILITIES			
Excess of warrants issued over bank balance	16,390	32,398	48,788
Salaries and benefits payable	787	-	787
TOTAL LIABILITIES	17,177	32,398	49,575
NET POSITION			
Invested in capital assets	6,769	-	6,769
Unrestricted	(15,714)	(32,398)	(48,112)
TOTAL NET POSITION	\$ (8,945)	(32,398)	(41,343)

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities: Enterprise Funds		
	School Nutrition	Before and After School Fund	Total
OPERATING REVENUES:			
Local sources:			
Charges for service	\$ 19,087	6,827	25,914
Miscellaneous	130	-	130
TOTAL OPERATING REVENUES	19,217	6,827	26,044
OPERATING EXPENSES:			
Operation and maintenance of plant:			
Services	370	-	370
Non-instructional programs:			
Food service operations:			
Salaries	20,327	-	20,327
Benefits	3,289	-	3,289
Supplies	20,983	-	20,983
Depreciation	669	-	669
	45,268	-	45,268
Other enterprise operations:			
Salaries	-	4,182	4,182
Benefits	-	677	677
	-	4,859	4,859
Total non-instructional programs	45,268	4,859	50,127
TOTAL OPERATING EXPENSES	45,638	4,859	50,497
OPERATING INCOME(LOSS)	(26,421)	1,968	(24,453)
NON-OPERATING REVENUES:			
State sources	337	-	337
Intermediate sources	-	4,044	4,044
Federal sources	20,576	-	20,576
Interest income	238	-	238
TOTAL NON-OPERATING REVENUES	21,151	4,044	25,195
Change in net position before other financing sources(uses):	(5,270)	6,012	742
Other financing sources(uses):			
Transfer out	-	(8,298)	(8,298)
Capital contributions	870	-	870
Total other financing sources(uses)	870	(8,298)	(7,428)
Change in net position	(4,400)	(2,286)	(6,686)
Net position beginning of year	(4,545)	(30,112)	(34,657)
Net position end of year	\$ (8,945)	(32,398)	(41,343)

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities:		
	Enterprise Fund		
	School Nutrition	Before and After School Fund	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 18,463	-	18,463
Cash received from fees for the before and after school program	-	6,827	6,827
Cash received from miscellaneous operating activities	130	-	130
Cash payments to employees for services	(23,350)	(4,859)	(28,209)
Cash payments to suppliers for goods or services	(19,703)	-	(19,703)
Net cash provided by(used in) operating activities	(24,460)	1,968	(22,492)
Cash flows from non-capital financing activities:			
Repayments to the Management Fund	-	(5,000)	(5,000)
Transfer out to General Fund	-	(8,298)	(8,298)
State grants received	337	-	337
Intermediate sources	-	4,044	4,044
Federal grants received	19,151	-	19,151
Net cash provided by non-capital financing activities	19,488	(9,254)	10,234
Cash flows from investing activities:			
Interest on investments	238	-	238
Net increase in cash and cash equivalents	(4,734)	(7,286)	(12,020)
Cash and cash equivalents at beginning of year	(11,656)	(25,112)	(36,768)
Cash and cash equivalents at end of year	\$ (16,390)	(32,398)	(48,788)
Reconciliation of operating income(loss) to net cash provide by(used in) operating activities:			
Operating income(loss)	\$ (26,421)	1,968	(24,453)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	1,425	-	1,425
Depreciation	669	-	669
Decrease in inventories	225	-	225
Increase in accounts receivable	(462)	-	(462)
Increase in salaries and benefits payable	266	-	266
Decrease in unearned revenue	(162)	-	(162)
Net cash provided by(used in) operating activities	\$ (24,460)	1,968	(22,492)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$1,425.

During the year ended June 30, 2013, the Nutrition Fund received capital contributions from the Physical Plant and Equipment Levy Fund of \$870.

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 3,663</u>
LIABILITIES	
Due to other groups	<u>\$ 3,663</u>

SEE NOTES TO FINANCIAL STATEMENTS

PRESCOTT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Prescott Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through sixth. Additionally, the District either operates a Before and After School program for residents of the District. The geographic area served includes the City of Prescott, Iowa, and the predominate agricultural territory in Adams County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Prescott 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 Prescott Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Adams County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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:

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

Restricted net 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 that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 receipts that are 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 expenses, including instructional, support and other costs.

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

The District also reports the following non-major proprietary funds:

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

The Enterprise, Before and After School Fund is used to account for the before and after school programs offered by the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

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.

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balance 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 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 the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The Enterprise Fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

Capital Assets - Capital assets, which include property, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40 years
Land improvements	20-40 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2013, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2013.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

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

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$487,915 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
General Fund	Enterprise: Before and After School Fund	\$ 8,298
Special Revenue:		
Management Levy Fund	General Fund	2,912
Total		\$ 11,210

The interfund transfers shown above were completed as corrections per auditor request from the previous year's audit.

Note 4. Long-Term Liabilities

During the year ended June 30, 2013, the District entered into an agreement for the lease purchase of a 2013 Blue Bird microbus. The details of the District's bus lease indebtedness, which is to be paid from the Capital Projects: Physical Plant and Equipment Levy Fund, at June 30, 2013 are as follows:

Year Ending June 30,	Bus Lease Dated June 15, 2013			
	Interest Rate	Principal	Interest	Total
2014	2.89 %	\$ 8,191	1,309	9,500
2015	2.89	8,427	1,073	9,500
2016	2.89	28,671	829	29,500
Total		\$ 45,289	3,211	48,500

Note 5. 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	\$ 20,000	-	-	20,000
Total capital assets not being depreciated	20,000	-	-	20,000
Capital assets being depreciated:				
Buildings	551,461	-	-	551,461
Land improvements	15,949	-	-	15,949
Machinery and equipment	345,666	106,552	16,400	435,818
Total capital assets being depreciated	913,076	106,552	16,400	1,003,228
Less accumulated depreciation for:				
Buildings	370,916	15,173	-	386,089
Land improvements	6,082	868	-	6,950
Machinery and equipment	301,411	33,130	16,400	318,141
Total accumulated depreciation	678,409	49,171	16,400	711,180
Total capital assets being depreciated, net	234,667	57,381	-	292,048
Governmental activities capital assets, net	\$ 254,667	57,381	-	312,048
Business type activities:				
Machinery and equipment	\$ 23,841	870	-	24,711
Less accumulated depreciation	17,273	669	-	17,942
Total accumulated depreciation	\$ 6,568	201	-	6,769

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 24,129
Support services:	
Administration	948
Operation and maintenance of plant	120
Transportation	7,933
	<hr/> 33,130
Unallocated depreciation	<hr/> 16,041
	<hr/>
Total governmental activities depreciation expense	\$ 49,171
	<hr/> <hr/>
Business type activities:	
Food services	\$ 669
	<hr/> <hr/>

Note 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 salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$28,736, \$20,787 and \$23,629 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. 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 \$34,997 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.

Note 9. Deficit Unrestricted Net Position

The District had deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$15,714 and total deficit net position of \$8,945. The District had deficit unrestricted net position in the Enterprise, Before and After School Fund of \$32,398. The Capital Projects: Physical Plant and Equipment Levy Fund had a deficit unrestricted net position of \$4,711.

Note 10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 was comprised of \$3,459 for the dropout prevention program.

Required Supplementary Information

PRESCOTT COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 671,218	26,282	697,500	650,961	650,961	46,539
Intermediate sources	-	4,044	4,044	-	-	4,044
State sources	385,352	337	385,689	541,210	541,210	(155,521)
Federal sources	56,672	20,576	77,248	96,100	96,100	(18,852)
Total revenues	1,113,242	51,239	1,164,481	1,288,271	1,288,271	(123,790)
Expenditures/Expenses:						
Instruction	888,623	-	888,623	930,000	930,000	41,377
Support services	311,652	370	312,022	443,500	443,500	131,478
Non-instructional programs	-	50,127	50,127	80,000	80,000	29,873
Other expenditures	78,304	-	78,304	187,362	187,362	109,058
Total expenditures/expenses	1,278,579	50,497	1,329,076	1,640,862	1,640,862	311,786
Excess(Deficiency) of revenues over(under) expenditures/expenses	(165,337)	742	(164,595)	(352,591)	(352,591)	187,996
Other financing sources(uses), net	53,587	(7,428)	46,159	-	-	46,159
Deficiency of revenues and other financing sources under expenditures/ expenses	(111,750)	(6,686)	(118,436)	(352,591)	(352,591)	234,155
Balances beginning of year	973,666	(34,657)	939,009	809,883	809,883	129,126
Balances end of year	\$ 861,916	(41,343)	820,573	457,292	457,292	363,281

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 the 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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

PRESCOTT COMMUNITY SCHOOL DISTRICT

Supplementary Information

PRESCOTT COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 68,926	25	68,951
Receivables:			
Property tax:			
Delinquent	498	-	498
Succeeding year	40,000	-	40,000
TOTAL ASSETS	\$ 109,424	25	109,449
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 40,000	-	40,000
Fund Balances:			
Restricted for:			
Management levy purposes	69,424	-	69,424
Student activities	-	25	25
Total fund balances	69,424	25	69,449
TOTAL LIABILITIES AND FUND BALANCES	\$ 109,424	25	109,449

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 50,030	-	50,030
Other	546	-	546
TOTAL REVENUES	50,576	-	50,576
EXPENDITURES:			
Current:			
Support services:			
Operation and maintenance of plant	18,372	-	18,372
TOTAL EXPENDITURES	18,372	-	18,372
Excess of revenues over expenditures	32,204	-	32,204
Other financing sources:			
Transfer in	2,912	-	2,912
Change in fund balances	35,116	-	35,116
Fund balances beginning of year	34,308	25	34,333
Fund balances end of year	\$ 69,424	25	69,449

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 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 and pooled investments	\$ 235,598	4,323	239,921
Receivables:			
Property tax:			
Delinquent	-	466	466
Succeeding year	-	48,476	48,476
Due from other governments	22,375	-	22,375
TOTAL ASSETS	\$ 257,973	53,265	311,238
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	9,500	9,500
Deferred revenue:			
Succeeding year property tax	-	48,476	48,476
Total liabilities	-	57,976	57,976
Fund balances:			
Restricted for:			
School infrastructure	257,973	-	257,973
Unassigned		(4,711)	(4,711)
Total fund balances	257,973	(4,711)	253,262
TOTAL LIABILITIES AND FUND BALANCES	\$ 257,973	53,265	311,238

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 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	\$ 73,087	46,729	119,816
Other	20	-	20
TOTAL REVENUES	73,107	46,729	119,836
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	13,279	13,279
Administration	-	5,471	5,471
Transportation	-	54,749	54,749
Capital outlay	14,357	28,950	43,307
TOTAL EXPENDITURES	14,357	102,449	116,806
Excesss(Deficiency) of revenues over(under) expenditures	58,750	(55,720)	3,030
Other financing sources:			
Bus lease proceeds	-	45,289	45,289
Change in fund balances	58,750	(10,431)	48,319
Fund balances beginning of year	199,223	5,720	204,943
Fund balances end of year	\$ 257,973	(4,711)	253,262

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES
AGENCY FUND
YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 3,487	1,334	1,158	3,663
LIABILITIES				
Due to other groups	\$ 3,487	1,334	1,198	3,663

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 627,946	573,151	631,801	598,441	533,168	511,927	476,570	444,195	396,154	426,058
Tuition	31,287	23,532	6,515	8,163	11,966	42,939	30,453	28,604	15,304	37,595
Other	11,985	30,295	28,762	7,245	14,089	57,658	32,657	29,227	56,148	16,046
Intermediate sources	-	-	-	-	-	-	-	-	-	150
State sources	385,352	465,169	435,020	467,984	549,505	519,182	508,711	522,902	512,440	467,726
Federal sources	56,672	71,625	126,574	154,145	139,941	93,730	108,413	66,904	47,684	79,663
Total	\$ 1,113,242	1,163,772	1,228,672	1,235,978	1,248,669	1,225,436	1,156,804	1,091,832	1,027,730	1,027,238
Expenditures:										
Instruction:										
Regular	\$ 525,951	397,499	529,665	485,382	556,951	559,500	560,175	467,916	475,073	453,652
Special	236,718	62,965	136,045	192,750	127,556	124,912	122,440	129,482	140,840	129,003
Other	125,954	128,145	126,135	357	17,749	5,451	2,135	8,524	45,329	62,309
Support services:										
Student	-	-	-	-	-	-	-	-	-	-
Instructional staff	14,103	26,433	21,557	52,760	157,589	127,546	115,130	67,490	26,287	5,171
Administration	83,120	85,044	80,807	103,587	120,462	189,028	167,701	163,985	152,885	140,753
Operation and maintenance of plant	81,827	75,794	85,528	74,366	74,034	71,335	72,489	68,192	58,444	58,242
Transportation	132,602	54,865	48,587	49,051	57,339	64,349	64,050	74,337	55,631	52,619
Non-instructional programs	-	-	-	-	-	-	-	-	288	236
Capital outlay	43,307	109,160	14,082	13,219	28,831	83,286	43,236	73,489	40,522	101,136
Other expenditures:										
AEA flow-through	34,997	35,625	39,925	40,616	36,342	35,544	34,871	34,117	33,187	32,909
Total	\$ 1,278,579	975,530	1,082,331	1,012,088	1,176,853	1,260,951	1,182,227	1,087,532	1,028,486	1,036,030

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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 the Prescott Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Prescott 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 May 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prescott 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 Prescott Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Prescott 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 deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prescott 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 which 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.

Prescott Community School District's Responses to Findings

Prescott Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Prescott 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 Prescott 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.



NOLTE, CORNMAN & JOHNSON, P.C.

May 28, 2014
Newton, Iowa

PRESCOTT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Internal Controls - One of the most important responsibilities of the District is to maintain a system of internal control for efficient operation. The District's Board of Directors is responsible for making policies and procedures that safeguard District assets, ensure District financial information is accurate and ensure employees are complying with laws and regulations pertinent to the District. The successful operation of the District's internal controls is dependent upon having sufficient and properly trained management and personnel to ensure that the policies and procedures formed by the Board of Directors are being followed. From our audit it appears the District's internal control structure has several breakdowns, some of which are apparent in the comments that follow in the remainder of this report.

Recommendation - The District's Board of Directors and management staff should review policies and procedures in place and evaluate the effectiveness of internal controls currently in place. Changes in the internal control structure will have to be made for the District to gain full effectiveness of internal control. Additional training may be necessary to achieve this goal.

Response - The District will have a new business manager as of July 1, 2014. The District anticipates that with the change in business manager and new procedures to be instituted that this problem will no longer be an issue.

Conclusion - Response acknowledged.

I-B-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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 utilizing current personnel, including elected officials.

Response - The District tries to segregate duties as best as possible with available staff.

Conclusion - Response acknowledged.

I-C-13 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited Inc. This training helps in providing instruction as well as promotes networking of other accounting personnel.

Necessary adjustments to be made for proper recognition of property tax, SAVE tax, accounts payable and intergovernmental receivables were not completed properly thus causing misstatements in the amounts of revenue recognized. Fiscal year activity for the District's PTO was not recorded during the year. The District did not make adjustments to the financial statements for the State of Iowa's seizure of nutrition fund reimbursements and SAVE taxes for nonpayment of Iowa tax withholdings. Bank reconciliations were not being completed timely by District staff. There were no adjustments made in the Nutrition Fund for changes in inventories, capital assets and student lunch account balances at year end. Adjustments for governmental capital asset additions and deletions were not completed by the District until after the District's Certified Annual Report had been filed with the Iowa Department of Education.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will have a new business manager as of July 1, 2014. The District anticipates that with the change in business manager that the instances mentioned previously in this comment will no longer be an issue.

Conclusion - Response accepted.

I-D-13 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a monthly basis.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis.

Response - The District will have a new business manager as of July 1, 2014. We anticipate that with the change in business manager that bank reconciliations will be completed timely and reconciled to the general ledger.

Conclusion - Response accepted.

I-E-13 Payroll Tax Reporting - We noted during our audit, that the District was collecting Iowa tax withholdings and IPERS withholdings from employees' paychecks but not remitting the withholdings to the State of Iowa or IPERS in a timely manner. As a result, the District had to pay penalties and late fees that were unnecessary had the remittances been completed timely. Subsequent payment of penalties and late fees were not recorded in the District's Uniform Accounting System.

Recommendation - The District should remit payments to the State of Iowa and IPERS monthly to avoid unnecessary penalties and late fees.

Response - Iowa tax withholdings and IPERS have been caught up to the current month. The District will have a new business manager as of July 1, 2014. The District anticipates that with the change in business manager that Iowa tax withholdings and IPERS withholdings will be remitted timely to avoid penalties and late fees.

Conclusion - Response accepted.

I-F-13 Shared Enrollment Contracts - We noted during our audit, that the District has a shared contract agreement with Orient-Macksburg Community School District for a librarian. The Orient-Macksburg Community School District has a sharing agreement with Prescott Community School District for a gifted and talented teacher.

Instead of recording all revenues and expenses associated with the agreements at gross, the Districts are netting the revenues and expenses. In this way, neither District is showing the correct total cost and total revenue associated with the agreement.

Recommendation - In the future, the District needs to cease the practice of netting revenues and expenses associated with sharing agreements and record revenues and expenses at gross.

Response - Sharing contracts with neighboring districts will no longer be netted so revenues and expenses will be accurately stated on the District's general ledger.

Conclusion - Response accepted.

I-G-13 Grant Coding - We noted during our audit that state and federal grant expenditures were expensed with journal entries at year end rather than as expenditures were incurred.

Also, the following federal grant revenues were recorded to the wrong accounts; most notably \$15,000 for the Child Care Development Block Grant was receipted to the account with the project number for the state Shared Visions Grant and \$2,362 for federal Special Education Part B Grant was receipted to the account with the project number for the federal Teacher Quality Program(Title IIA). Errors such as these lead to questions regarding the accuracy of reports filed for grants.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching revenues to expenditures.

Response - The District will have a new business manager as of July 1, 2014. The District anticipates that with the change in business manager that grant coding will no longer be an issue.

Conclusion - Response accepted.

I-H-13 Title I Reporting - We noted during our audit that Title I reports submitted to the Iowa Department of Education were not reconciled to actual expenses reported in the District's general ledger, thus creating a carryover allocation that is in excess of the 15% of the original Title I budget allocation. The amount claimed in excess of actual expenses was \$16,186.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget to be within a carryover amount that is 15% of the original Title I budget allocation. The District should contact the Iowa Department of Education to develop a workout plan for the amount of Title I claimed in excess of actual expenses of \$16,186.

Response - The District has contacted the Iowa Department of Education to develop a workout plan. The District is waiting for a response on how to proceed.

Conclusion - Response accepted.

I-I-13 Nutrition Fund Meal Account Balances - We noted during our audit that collections for the District's preschool program are recorded in the General Fund; however the Nutrition Fund is charged for the meals served to the children in the preschool program. The Nutrition Fund meal account balances include an account labeled "Prescott Preschool." In discussions with District officials, it was determined that this account is used by the District to account for the cost of meals served by the Nutrition Fund for children attending the District's preschool program.

The balance in the "Prescott Preschool" account was \$7,935, of which \$3,226.15 is for meals served during fiscal year 2012 and the remaining \$4,708.85 is for meals served during fiscal year 2013. In the prior year, we had requested that the District have the General Fund reimburse the Nutrition Fund \$7,935. The District never made this correction.

Recommendation - The General Fund should reimburse the Nutrition Fund \$7,935 for the cost of meals served to children attending the District's preschool program.

Response - The correction was made in subsequent journal entries to the District's general ledger.

Conclusion - Response accepted.

I-J-13 IASB Insurance Dividend - We noted during our audit that the property insurance dividend from IASB was receipted in the General Fund in the amount of \$538.40. Historically, the District has paid premiums for property insurance from the Management Levy Fund. Therefore, it is logical that when the District received the property insurance dividend, it should have been recorded in the Management Levy Fund.

Recommendation - The District needs to make a corrective transfer from the General Fund to the Management Levy Fund for \$538.40.

Response - The correction was made in subsequent journal entries to the District's general ledger.

Conclusion - Response accepted.

I-K-13 Corrective Transfer - During our audit, we noted that fees collected in the amount for the District's Before and After School Program were recorded properly into the Enterprise: Before & Afterschool Fund; however, expenditures for the program were paid from the General Fund.

Recommendation - The District needs to make a corrective transfer from the Enterprise: Before & After School Fund to the General Fund in the amount of \$4,860.10 to repay the General Fund for expenditures paid that should have been paid by the Before & After School Fund.

Response - The correction was made in subsequent journal entries to the District's general ledger.

Conclusion - Response accepted.

I-L-13 Commodity Pricing - We noted during our audit of the Nutrition Fund that the District did not price the commodity inventory using the correct values at the end of the year. The District used the commodity price listing for fiscal year 2012 instead of the commodity price listing for fiscal year 2013.

Recommendation - The District should review procedures in place for calculation of commodity inventory values. The Iowa Department of Education provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The District will price commodity inventory correctly according to the guidance provided by the Iowa Department of Education.

Conclusion - Response accepted.

I-M-13 Special Education Billing - As of the date of this audit report, we noted that the District still had not paid \$60,181.80 to Creston Community School District for fiscal year 2013 special education services.

Recommendation - The District should pay Creston Community School District for fiscal year 2013 special education services immediately.

Response - the District has received the bill for special education services from Creston Community School District. The bill will be paid before the end of June 2014.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.

II-B-13 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No travel advances to District officials or employees were noted; however, we noted during our audit that according to District board policy 401.7 employees are to be reimbursed mileage at the rate of 27¢ per mile, but the District is reimbursing employees at the rate of 35¢ per mile.

We also noted during our audit that employees were not always submitting detailed receipts for travel expenses charged to the District's credit cards. Board policy 401.7 addresses the use of District issued credit cards for travel expenses by employees while on District business. If an employee fails to submit a detailed receipt, which doesn't include the credit card receipt, indicating the date, purpose and nature of the expense for each item purchased, that expense would become the employee's expense that would have to be reimbursed to the District within ten days following the use of the District credit card.

Recommendation - The District needs to reimburse employees at the current rate per mile stated in board policy 401.7. The board can elect to review the policy and adopt a new policy to be able to reimburse mileage at 35¢ per mile. Policies need to be explained and disseminated to employees.

The District should review board policy 401.7 with employees and require that detailed receipts of travel expenses be given to central office staff or hold employees personally responsible for those expenses according to District policy.

Response - The District will review Board Policy 401.7 with employees and require that detailed receipts be given to office staff for purchases made with District credit cards. Employees will be reimbursed at 27¢ per mile.

Conclusion - Response accepted.

II-D-13 Business Transactions - No business transactions between the District and District officials 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 should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - In the future the District will publish all minutes within two weeks as required.

Conclusion - Response accepted.

II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments - We noted 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.

II-J-13 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely and we noted significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The District will have a new business manager as of July 1, 2014. The District anticipates that with the change in business manager that filing the CAR timely will no longer be an issue.

Conclusion - Response accepted.

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-13 Financial Condition - At June 30, 2013, the District had deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$15,714 and total deficit net position of \$8,945. The District had deficit unrestricted net position in the Enterprise, Before and After School Fund of \$32,398. The Capital Projects: Physical Plant and Equipment Levy Fund had a deficit unrestricted net position of \$4,711.

Recommendation - The District should develop workout plans for each fund to return them to positive balances. The District should consider ceasing operations of the Before and After School Fund as the fund has been a deficit since FY 2007.

Response - The District will develop a workout plan to return the Nutrition Fund and the Before and After School Fund to a positive net position. The Capital Projects: Physical Plant and Equipment Levy Fund had a deficit unrestricted net position due to the timing of the microbus lease.

Conclusion - Response acknowledged. It appears that the District's Board of Directors has not attempted to develop a workout plan or an alternative way to eliminate the deficit in the Before and After School Fund as evidenced by the increase in deficit net position from fiscal year 2012 to fiscal year 2013.

II-M-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of 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 fiscal year 2013 audit.

Beginning Balance		\$	199,223
Revenues:			
Sales tax revenues	\$	73,087	
Other		20	
		<u>73,107</u>	
			<u>272,330</u>
Expenditures:			
Other			<u>14,357</u>
Ending balance		\$	<u><u>257,973</u></u>

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

II-N-13 Retention of Supporting Documentation - According to Chapter 291.6(1) of the Code of Iowa, the Board Secretary is required to "file and preserve copies of all reports made and all papers pertaining to the business of the District". However, we noted during our audit that the Board Secretary did not retain documentation for bank deposits.

According to Chapter 291.6(2) of the Code of Iowa, the Board Secretary is required to "keep a complete record of all the proceedings of the meetings of the board and of all regular or special elections in the corporation in separate books". However, the Board Secretary only had documentation of board minutes for one board meeting for the entire fiscal year.

Recommendation - The Board Secretary should be required by the Board of Directors of the District to preserve all pertinent paperwork for bank deposits, as well as keep a complete record of all the proceedings of the meetings of the board to be in compliance with 291.6(1)(2) of the Code of Iowa.

Response - The District will have a new business manager as of July 1, 2014. The District anticipates that with the change in business manager that retention of supporting documentation will no longer be an issue.

Conclusion - Response accepted.

II-O-13 Lease Agreement - During the year ended June 30, 2013, the District entered into a lease purchase agreement for a microbus; however the lease was not signed by the Board President as required by Chapter 291.1 of the Code of Iowa.

Recommendation - The District should have all agreements between the District and outside parties signed by the Board President to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - Agreements between the District and outside parties will be signed by the Board President to be in compliance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

II-P-13 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will have a new business manager as of July 1, 2014. The District anticipates that with the change in business manager that this will no longer be an issue.

Conclusion - Response accepted.

II-Q-13 Published Payroll - We noted during our audit that the District did not publish the salaries of all employees as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should review its procedures to ensure that employees' salaries are published on an annual basis. The District should publish a list of salaries as required by Chapter 279.35 of the Code of Iowa.

Response - Salaries have been sent to the newspaper and proof of publication will be sent to the auditors when received.

Conclusion - Response accepted.

II-R-13 Prescott Parent-Teacher Organization(PTO) - We noted during our audit, that the Prescott PTO uses the District's Federal Identification Number for an account at Okey Vernon 1st National Bank. The bank statements, revenues and expenditures for the PTO are processed by an individual that is not an employee of the District. This results in numerous compliance issues for the District which includes the following:

- I) Chapter 12C.2 of the Code of Iowa requires that the District's Board of Directors shall approve all financial institutions that will be depositories of the District. The name of the financial institutions and maximum amount of deposits held by each institution shall be entered of record in the District's Board minutes. Currently, Okey Vernon 1st National Bank is not a Board approved depository of the District.

- 2) Chapter 279.29 of the Code of Iowa requires that the District's Board of Directors shall audit and allow all claims against the District. Currently, officials of the PTO audit and allow all claims.
- 3) Chapter 291.1 and Chapter 291.8 of the Code of Iowa require the Board President and Board Secretary to sign all checks. Pursuant to Chapter 291.1, the Board President may designate an individual to sign warrants on his/her behalf. However, pursuant to Chapter 291.8, the Board Secretary may not designate an individual to sign on his/her behalf. Currently, PTO officials are signing all checks.
- 4) Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Currently, the individual that is not an employee of the District is retaining bank statements and other financial information relevant to the PTO.
- 5) Chapter 291.7 of the Code of Iowa requires the Board Secretary to file monthly financial statements and reports with the District's Board of Directors. To effectively govern, the District's Board of Directors must have current information for all District funds. Currently, the District's Board of Directors does not receive financial information related to the PTO.

Recommendation - Because the PTO is operating under the District's Federal Identification Number, the PTO account is considered a District asset that should be following the same Code of Iowa requirements as well as internal controls that the District follows.

The District should contact officials of the PTO and request the bank statements and all financial records to be turned over to the District. The District's Board of Directors should approve Okey Vernon 1st National Bank as a depository of the District or move the account to another bank that is approved by the Board of Directors.

Response - The District now receives all the financial information for the PTO and yearly activity will be recorded in the District's general ledger.

Conclusion - Response accepted.