

ROCK VALLEY  
COMMUNITY SCHOOL DISTRICT

Rock Valley, Iowa

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Independent Auditor's Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings

June 30, 2013

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

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ROCK VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2013

Name

Title

Term Expires

BOARD OF EDUCATION

Al Vermeer	President	September 2017
Terry Van Maanen	Vice President	September 2017
James Van Veldhuizen	Board Member	September 2015
Jerry Kelderman	Board Member	September 2015
Steve Van Den Top	Board Member	September 2017

SCHOOL OFFICIALS

Chad Janzen	Superintendent	June 30, 2013
Randy Taylor	Board Secretary and Business Manager	June 30, 2013
Maureen McGill Hoogeveen	Attorney	Indefinite



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the District), Rock Valley, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 that 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 the 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 accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 36 through 38 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 who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Other 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

March 28, 2014  
Sioux City, Iowa

*King, Reinsch, Prosser & Co., L.L.P.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Rock Valley Community School District (the 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 increased from \$6,782,777 in fiscal 2012 to \$7,327,388 in fiscal 2013, while General Fund expenditures increased from \$6,441,370 in fiscal 2012 to \$6,895,317 in fiscal 2013. The District's General Fund balance increased from \$2,891,486 in fiscal 2012 to \$3,326,104 in fiscal 2013, a 15.0 percent increase.
- The increase in General Fund revenues was primarily attributable to an increase in property taxes and federal source revenues. The increase in General Fund expenditures was due primarily to expected inflationary increases in all costs including salaries and benefits.

### **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 the 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 the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Project Funds.

## **Reporting the District's Financial Activities**

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

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

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

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

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

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

The District has two kinds of funds.

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

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

### Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

Figure A-1 (In Thousands)  
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Percentage</u>
Current and other assets	\$ 16,259	\$ 10,398	\$ 113	\$ 106	\$ 16,372	\$ 10,504	55.9%
Capital assets, net	<u>10,668</u>	<u>10,165</u>	<u>25</u>	<u>31</u>	<u>10,693</u>	<u>10,196</u>	4.9%
Total assets	<u>\$ 26,927</u>	<u>\$ 20,563</u>	<u>\$ 138</u>	<u>\$ 137</u>	<u>\$ 27,065</u>	<u>\$ 20,700</u>	<u>30.7%</u>
Long-term liabilities	\$ 10,796	\$ 5,725	\$ -	\$ -	\$ 10,796	\$ 5,725	88.6%
Other liabilities	<u>3,650</u>	<u>3,451</u>	<u>8</u>	<u>6</u>	<u>3,658</u>	<u>3,457</u>	5.8%
Total liabilities	<u>\$ 14,446</u>	<u>\$ 9,176</u>	<u>\$ 8</u>	<u>\$ 6</u>	<u>\$ 14,454</u>	<u>\$ 9,182</u>	<u>57.4%</u>
Net position:							
Net investment in capital assets	\$ 5,155	\$ 4,640	\$ 25	\$ 31	\$ 5,180	\$ 4,671	10.9%
Restricted	4,484	4,234	-	-	4,484	4,234	5.9%
Unrestricted	<u>2,842</u>	<u>2,513</u>	<u>105</u>	<u>100</u>	<u>2,947</u>	<u>2,613</u>	<u>12.8%</u>
Total net position	<u>\$ 12,481</u>	<u>\$ 11,387</u>	<u>\$ 130</u>	<u>\$ 131</u>	<u>\$ 12,611</u>	<u>\$ 11,518</u>	<u>9.5%</u>

The District's total net position increased 9.5 percent or approximately \$1.093 million from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent 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 approximately \$250,000, or 5.9 percent over the prior year primarily due to minimal spending of the statewide sales, services and use tax monies received in the capital projects fund.

Unrestricted net position can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net position increased approximately \$334,000, or 12.8 percent over the prior year primarily due to the increase in the general fund balance.

Figure A-2 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-2 (In Thousands)  
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 1,336	\$ 1,236	\$ 204	\$ 204	\$ 1,540	\$ 1,440	6.9%
Operating grants, contributions and restricted interest	1,427	1,324	200	208	1,627	1,532	6.2%
Capital grants, contributions and restricted interest	75	-	-	-	75	-	100.0%
General revenues:							
Property tax	3,127	2,894	-	-	3,127	2,894	8.1%
Statewide sales, services and use tax	573	512	-	-	573	512	11.9%
Unrestricted state grants	2,747	2,461	-	-	2,747	2,461	11.6%
Unrestricted investment earnings	62	72	1	1	63	73	(13.7%)
Other	1	6	-	-	1	6	(83.3%)
Total revenues	<u>\$ 9,348</u>	<u>\$ 8,505</u>	<u>\$ 405</u>	<u>\$ 413</u>	<u>\$ 9,753</u>	<u>\$ 8,918</u>	<u>9.4%</u>
<b>Program expenses:</b>							
Instruction	\$ 5,758	\$ 5,024	\$ -	\$ -	\$ 5,758	\$ 5,024	14.6%
Support services	1,869	1,781	-	-	1,869	1,781	4.9%
Non-instructional programs	-	-	406	391	406	391	3.8%
Other expenses	627	506	-	-	627	506	23.9%
Total expenses	<u>\$ 8,254</u>	<u>\$ 7,311</u>	<u>\$ 406</u>	<u>\$ 391</u>	<u>\$ 8,660</u>	<u>\$ 7,702</u>	<u>12.4%</u>
Change in net position	<u>\$ 1,094</u>	<u>\$ 1,194</u>	<u>\$ (1)</u>	<u>\$ 22</u>	<u>\$ 1,093</u>	<u>\$ 1,216</u>	<u>(10.1%)</u>

Property tax and unrestricted state grants account for 62.8 percent of the governmental activities revenue (63.0 percent in 2012), while charges for services and operating grants, contributions and restricted interest accounted for 99.8 percent of the business type activities revenue (99.8 percent in 2012). The District's expenses primarily relate to instruction and support services, which account for 88.1 percent of the total expenses (88.4 percent in 2012).

The District's total revenues were approximately \$9.8 million, of which approximately \$9.3 was for governmental activities and less the \$500,000 was for business type activities.

As shown in Figure A-2, the District as a whole experience a 9.4 percent increase in revenue and a 12.4 percent increase in expenses. Property tax and unrestricted state grants increased approximately \$500,000 to fund the increase in expenses. The increase in expenses is related to expected inflationary increases in all costs including salaries and benefits.

Governmental Activities - Revenues for governmental activities were \$9,348,825 and expenses were \$8,254,530 for the year ended June 30, 2013.

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.

Figure A-3 (In Thousands)  
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2013	2012	2012-2013	2013	2012	2012-2013
Instruction	\$ 5,758	\$ 5,024	14.6%	\$ 3,394	\$ 2,846	19.3%
Support services	1,869	1,781	4.9%	1,763	1,663	6.0%
Other expenses	627	506	23.9%	259	242	7.0%
Totals	\$ 8,254	\$ 7,311	12.9%	\$ 5,416	\$ 4,751	14.0%

- The cost financed by users of the District's programs was \$1,335,640 (\$1,236,010 in 2012).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,427,354 (\$1,323,592 in 2012).
- The net cost of governmental activities was financed with \$3,700,830 in property and other taxes (\$3,406,522 in 2012) and \$2,746,633 in unrestricted state grants (\$2,461,312 in 2012).

Business Type Activities - Revenues for business type activities were \$404,072 (\$412,492 in 2012) and expenses were \$405,831 (\$396,673 in 2012). The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### Individual Fund Analysis

As previously noted, the 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 a combined fund balance of \$12,682,869, above last year's ending fund balances of \$6,982,939. However, the primary reason for

the increase in combined fund balances at the end of fiscal year 2013 is due to approximately \$5,000,000 of unexpended bond proceeds in fiscal year 2013.

### Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$3,326,104 in its fund balance. The General Fund balance increased \$434,618 from last year due primarily to the District's ability to control their costs and maintain them at a consistent level with any increase in revenues.

The Capital Projects Fund increased its financial position ending the year with a fund balance of \$3,670,289 above last year's ending fund balance of \$3,465,486. The Capital Project Fund balance increased \$204,803 primarily due to the limited spending of statewide sales, services and use tax monies.

The Debt Service Fund increased its financial position ending the year with a fund balance of \$5,285,227 above last year's ending balance of \$334,907. The Debt Service Fund balance increased \$4,950,320 primarily due to unspent refunding bonds proceeds.

### Proprietary Fund Highlights

The District's business type activities saw slight increases in expenses and slight decreases in revenues. The net position decreased from \$131,201 at June 30, 2012 to \$129,442 at June 30, 2013, representing a decrease of 1.3 percent.

### Budgetary Highlights

The District's total revenues were \$618,632 more than budgeted revenues, a variance of 6.8 percent due primarily to over estimating revenues from local sources.

Total expenditures were less than budgeted in all program functional areas. It is the District's practice to maximize their allowable budget in an attempt to keep from exceeding it.

### Capital Assets and Debt Administration

Capital Assets - At June 30, 2013, the District had invested \$10,693,137 net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 4.9 percent from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$640,545.

The original cost of the District's capital assets was \$15,156,675. Governmental funds account for \$15,066,276, with the remainder of \$90,399 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. The significant increase resulted from the District financing the acquisition of laptops as part of the 1:1 Laptop Initiative.

Figure A-4 (In Thousands)  
Capital Assets, Net of Depreciation/Amortization

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Percent</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Land	\$ 102	\$ 42	\$ -	\$ -	\$ 102	\$ 42	142.9%
Construction in progress	-	289	-	-	-	289	(100.0%)
Improvements other than buildings	547	556	-	-	547	556	(1.6%)
Buildings and improvements	8,816	8,471	-	-	8,816	8,471	4.1%
Vehicles	360	337	-	-	360	337	6.8%
Furniture and equipment	843	470	25	31	868	501	73.3%
<b>Totals</b>	<b>\$ 10,668</b>	<b>\$ 10,165</b>	<b>\$ 25</b>	<b>\$ 31</b>	<b>\$ 10,693</b>	<b>\$ 10,196</b>	<b>4.9%</b>

Long-Term Liabilities - At June 30, 2013, the District had \$10,796,373 in total long-term liabilities outstanding. This represents an increase of 88.6 percent from last year. Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

In August 2012, the District authorized general obligation school refunding bonds of \$5,005,000 to pay off previous general obligation debt early in fiscal year 2014, and to obtain more beneficial interest rates for the District resulting in significant savings over the life of the obligation.

The following table presents the District's long-term liabilities as of June 30, 2013 and 2012:

	Figure A-5 (In Thousands)		
	<u>Outstanding Long-Term Liabilities</u>		
	<u>June 30,</u>		<u>Percent Change</u>
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
General obligation bonds	\$ 5,210	\$ 5,525	(5.7%)
General obligation school refunding bonds	5,005	-	100.0%
Capital lease obligation	303	-	100.0%
Early retirement	104	133	(21.8%)
Net OPEB liability	174	67	159.7%
	<u>\$ 10,796</u>	<u>\$ 5,725</u>	<u>88.6%</u>

**Economic Factors Bearing on the District's Future**

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

- The District's funding is highly dependent upon its student enrollment. Fluctuations in enrollment can have a significant impact, but currently the District does not have any enrollment concerns.
- The District is concerned with the low allowable growth rates that have been established in the past few years.

## **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 Randy Taylor, Board Secretary and Business Manager, Rock Valley Community School District, 1712 20th Avenue, Rock Valley Iowa 51247.

# **BASIC FINANCIAL STATEMENTS**

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash, cash equivalents and pooled investments	\$ 12,400,260	\$ 96,657	\$ 12,496,917
Receivables:			
Property tax:			
Delinquent	22,403	-	22,403
Succeeding year	3,262,926	-	3,262,926
Accounts	38,568	-	38,568
Due from other governments	509,048	4,917	513,965
Inventory	25,065	11,395	36,460
Capital assets, net of accumulated depreciation/amortization	<u>10,668,397</u>	<u>24,740</u>	<u>10,693,137</u>
Total assets	<u>\$ 26,926,667</u>	<u>\$ 137,709</u>	<u>\$ 27,064,376</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 222,312	\$ 561	\$ 222,873
Salaries and benefits payable	90,163	-	90,163
Accrued interest	50,601	-	50,601
Bond premium	23,495	-	23,495
Unearned revenue:			
Succeeding year property tax	3,262,926	-	3,262,926
Other	-	7,706	7,706
Long-term liabilities:			
Portion due within one year:			
Early retirement	51,000	-	51,000
General obligation bonds	5,210,000	-	5,210,000
Capital lease obligation	97,821	-	97,821
Portion due after one year:			
Early retirement	53,335	-	53,335
General obligation school refunding bonds	5,005,000	-	5,005,000
Capital lease obligation	205,310	-	205,310
Net OPEB liability	<u>173,907</u>	<u>-</u>	<u>173,907</u>
Total liabilities	<u>\$ 14,445,870</u>	<u>\$ 8,267</u>	<u>\$ 14,454,137</u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 5,155,266	\$ 24,740	\$ 5,180,006
Restricted for:			
Categorical funding	310,028	-	310,028
Capital projects	3,666,206	-	3,666,206
Debt service	210,214	-	210,214
Other special revenue purposes	296,914	-	296,914
Unrestricted	<u>2,842,169</u>	<u>104,702</u>	<u>2,946,871</u>
Total net position	<u>\$ 12,480,797</u>	<u>\$ 129,442</u>	<u>\$ 12,610,239</u>
Total liabilities and net position	<u>\$ 26,926,667</u>	<u>\$ 137,709</u>	<u>\$ 27,064,376</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,804,852	\$ 1,024,055	\$ 892,876	\$ -
Special instruction	1,050,358	-	102,589	-
Other instruction	902,510	311,585	32,177	-
	<u>\$ 5,757,720</u>	<u>\$ 1,335,640</u>	<u>\$ 1,027,642</u>	<u>\$ -</u>
Support services:				
Student services	\$ 284,356	\$ -	\$ 8,299	\$ -
Instructional staff services	58,883	-	-	-
Administration services	712,973	-	-	-
Operation and maintenance of plant services	521,460	-	-	-
Transportation services	291,485	-	97,787	-
	<u>\$ 1,869,157</u>	<u>\$ -</u>	<u>\$ 106,086</u>	<u>\$ -</u>
Other expenses:				
Facilities acquisition	\$ -	\$ -	\$ -	\$ 75,409
Long-term debt interest	334,027	-	-	-
AEA flow through	293,626	-	293,626	-
	<u>\$ 627,653</u>	<u>\$ -</u>	<u>\$ 293,626</u>	<u>\$ 75,409</u>
Total governmental activities	<u>\$ 8,254,530</u>	<u>\$ 1,335,640</u>	<u>\$ 1,427,354</u>	<u>\$ 75,409</u>
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 405,831	\$ 203,525	\$ 200,023	\$ -
Total business type activities	<u>\$ 405,831</u>	<u>\$ 203,525</u>	<u>\$ 200,023</u>	<u>\$ -</u>
Total	<u>\$ 8,660,361</u>	<u>\$ 1,539,165</u>	<u>\$ 1,627,377</u>	<u>\$ 75,409</u>
<b>GENERAL REVENUES:</b>				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Debt service				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
\$ (1,887,921)	\$ -	\$ (1,887,921)
(947,769)	-	(947,769)
(558,748)	-	(558,748)
<u>\$ (3,394,438)</u>	<u>\$ -</u>	<u>\$ (3,394,438)</u>
\$ (276,057)	\$ -	\$ (276,057)
(58,883)	-	(58,883)
(712,973)	-	(712,973)
(521,460)	-	(521,460)
(193,698)	-	(193,698)
<u>\$ (1,763,071)</u>	<u>\$ -</u>	<u>\$ (1,763,071)</u>
\$ 75,409	\$ -	\$ 75,409
(334,027)	-	(334,027)
-	-	-
<u>\$ (258,618)</u>	<u>\$ -</u>	<u>\$ (258,618)</u>
<u>\$ (5,416,127)</u>	<u>\$ -</u>	<u>\$ (5,416,127)</u>
\$ -	\$ (2,283)	\$ (2,283)
\$ -	\$ (2,283)	\$ (2,283)
<u>\$ (5,416,127)</u>	<u>\$ (2,283)</u>	<u>\$ (5,418,410)</u>
\$ 2,170,580	\$ -	\$ 2,170,580
185,175	-	185,175
231,719	-	231,719
539,939	-	539,939
573,417	-	573,417
2,746,633	-	2,746,633
61,582	524	62,106
1,377	-	1,377
<u>\$ 6,510,422</u>	<u>\$ 524</u>	<u>\$ 6,510,946</u>
\$ 1,094,295	\$ (1,759)	\$ 1,092,536
<u>11,386,502</u>	<u>131,201</u>	<u>11,517,703</u>
<u>\$ 12,480,797</u>	<u>\$ 129,442</u>	<u>\$ 12,610,239</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTBALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>ASSETS:</b>					
Cash, cash equivalents and pooled investments	\$ 3,235,259	\$ 5,281,295	\$ 3,531,786	\$ 351,920	\$ 12,400,260
Receivables:					
Property tax:					
Delinquent	15,957	3,558	1,527	1,361	22,403
Succeeding year	2,279,599	541,916	241,411	200,000	3,262,926
Accounts	11,233	187	1,654	25,494	38,568
Due from other funds	-	187	34,915	-	35,102
Due from other governments	407,890	-	101,158	-	509,048
Inventory	-	-	-	25,065	25,065
Total assets	<u>\$ 5,949,938</u>	<u>\$ 5,827,143</u>	<u>\$ 3,912,451</u>	<u>\$ 603,840</u>	<u>\$ 16,293,372</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable	\$ 219,157	\$ -	\$ 564	\$ 2,591	\$ 222,312
Salaries and benefits payable	90,163	-	-	-	90,163
Due to other funds	34,915	-	187	-	35,102
Deferred revenue:					
Succeeding year property tax	<u>2,279,599</u>	<u>541,916</u>	<u>241,411</u>	<u>200,000</u>	<u>3,262,926</u>
Total liabilities	<u>\$ 2,623,834</u>	<u>\$ 541,916</u>	<u>\$ 242,162</u>	<u>\$ 202,591</u>	<u>\$ 3,610,503</u>
Fund balances:					
Restricted for:					
Categorical funding	\$ 310,028	\$ -	\$ -	\$ -	\$ 310,028
Management levy purposes	-	-	-	199,820	199,820
Student activities	-	-	-	201,429	201,429
School infrastructure	-	-	3,022,483	-	3,022,483
Physical plant and equipment	-	-	647,806	-	647,806
Debt service	-	5,285,227	-	-	5,285,227
Committed for:					
Building improvements and maintenance	1,005,000	-	-	-	1,005,000
Unassigned	<u>2,011,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,011,076</u>
Total fund balances	<u>\$ 3,326,104</u>	<u>\$ 5,285,227</u>	<u>\$ 3,670,289</u>	<u>\$ 401,249</u>	<u>\$ 12,682,869</u>
Total liabilities and fund balances	<u>\$ 5,949,938</u>	<u>\$ 5,827,143</u>	<u>\$ 3,912,451</u>	<u>\$ 603,840</u>	<u>\$ 16,293,372</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

JUNE 30, 2013

Total fund balances of governmental funds	\$ 12,682,869
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,668,397
Long-term liabilities, including bonds payable, early-retirement, capital lease obligations and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(10,796,373)
Bond issue premiums are reported in the governmental activities but are not reported in the governmental funds as they do provide current economic resources.	(23,495)
Accrued interest payable on long-term debt is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	<u>(50,601)</u>
Net position of governmental activities	<u>\$ 12,480,797</u>

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,170,580	\$ 539,939	\$ 805,136	\$ 185,175	\$ 3,700,830
Tuition	747,908	-	-	-	747,908
Other	233,943	9,873	166,124	314,781	724,721
State sources	3,897,461	228	98	83	3,897,870
Federal sources	<u>277,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,496</u>
Total revenues	<u>\$ 7,327,388</u>	<u>\$ 550,040</u>	<u>\$ 971,358</u>	<u>\$ 500,039</u>	<u>\$ 9,348,825</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 3,419,730	\$ -	\$ -	\$ 52,489	\$ 3,472,219
Special instruction	962,631	-	-	-	962,631
Other instruction	<u>573,444</u>	<u>-</u>	<u>-</u>	<u>268,874</u>	<u>842,318</u>
	<u>\$ 4,955,805</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,363</u>	<u>\$ 5,277,168</u>
Support services:					
Student services	\$ 261,935	\$ -	\$ -	\$ -	\$ 261,935
Instructional staff services	53,965	-	-	-	53,965
Administration services	616,558	-	-	36,867	653,425
Operation and maintenance of plant services	452,872	-	-	25,036	477,908
Transportation services	<u>260,556</u>	<u>-</u>	<u>-</u>	<u>6,584</u>	<u>267,140</u>
	<u>\$ 1,645,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,487</u>	<u>\$ 1,714,373</u>
Other expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 1,063,145	\$ -	\$ 1,063,145
Long-term debt:					
Principal	-	315,000	100,296	-	415,296
Interest and fiscal charges	-	289,720	6,541	-	296,261
AEA flow through	<u>293,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,626</u>
	<u>\$ 293,626</u>	<u>\$ 604,720</u>	<u>\$ 1,169,982</u>	<u>\$ -</u>	<u>\$ 2,068,328</u>
Total expenditures	<u>\$ 6,895,317</u>	<u>\$ 604,720</u>	<u>\$ 1,169,982</u>	<u>\$ 389,850</u>	<u>\$ 9,059,869</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 432,071</u>	<u>\$ (54,680)</u>	<u>\$ (198,624)</u>	<u>\$ 110,189</u>	<u>\$ 288,956</u>
Other financing sources:					
Sale of capital assets	\$ 2,547	\$ -	\$ -	\$ -	\$ 2,547
Proceeds from capital lease	-	-	403,427	-	403,427
Proceeds from general obligation school refunding bonds	<u>-</u>	<u>5,005,000</u>	<u>-</u>	<u>-</u>	<u>5,005,000</u>
Total other financing sources	<u>\$ 2,547</u>	<u>\$ 5,005,000</u>	<u>\$ 403,427</u>	<u>\$ -</u>	<u>\$ 5,410,974</u>
Change in fund balances	\$ 434,618	\$ 4,950,320	\$ 204,803	\$ 110,189	\$ 5,699,930
Fund balances beginning of year	<u>2,891,486</u>	<u>334,907</u>	<u>3,465,486</u>	<u>291,060</u>	<u>6,982,939</u>
Fund balances end of year	<u>\$ 3,326,104</u>	<u>\$ 5,285,227</u>	<u>\$ 3,670,289</u>	<u>\$ 401,249</u>	<u>\$ 12,682,869</u>

See notes to financial statements.

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

Net change in fund balances - total governmental funds \$ 5,699,930

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

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

Expenditures for capital assets	\$ 1,162,863	
Depreciation/amortization expense	<u>(634,054)</u>	528,809

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

Issued	(5,408,427)	
Repaid	<u>415,296</u>	(4,993,131)

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

Early retirement	29,251	
Other postemployment benefits	<u>(107,018)</u>	(77,767)

Premiums from issuing long-term liabilities provide current financial resources to governmental funds, but increase liabilities in the Statement of Net Position. (23,495)

Governmental funds report the proceeds from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the net cost of the asset sold. (25,779)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (14,272)

Change in net position of governmental activities \$ 1,094,295

See notes to financial statements.

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET POSITION - PROPRIETARY FUNDJUNE 30, 2013

	<u>School Nutrition</u>
<b>ASSETS:</b>	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 96,657
Due from other governments	4,917
Inventory	11,395
Total current assets	<u>\$ 112,969</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>\$ 24,740</u>
Total noncurrent assets	<u>\$ 24,740</u>
 Total assets	 <u><u>\$ 137,709</u></u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 561
Deferred revenue	7,706
Total current liabilities	<u>\$ 8,267</u>
<b>NET POSITION:</b>	
Net investment in capital assets	\$ 24,740
Unrestricted	104,702
Total net position	<u>\$ 129,442</u>
 Total liabilities and net position	 <u><u>\$ 137,709</u></u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 203,525</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 113,988
Benefits	29,880
Supplies	239,315
Other	16,157
Depreciation	<u>6,491</u>
Total operating expenses	<u>\$ 405,831</u>
Operating loss	<u>\$ (202,306)</u>
Non-operating revenues:	
Interest income	\$ 524
State sources	3,727
Federal sources	<u>196,296</u>
Total non-operating revenues	<u>\$ 200,547</u>
Decrease in net position	\$ (1,759)
Net position beginning of year	<u>131,201</u>
Net position end of year	<u><u>\$ 129,442</u></u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2013

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 204,622
Cash paid to employees for services	(143,868)
Cash paid to suppliers for goods or services	<u>(237,082)</u>
Net cash used by operating activities	<u>\$ (176,328)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,727
Federal grants received	<u>169,874</u>
Net cash provided by non-capital financing activities	<u>\$ 173,601</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 524</u>
Net decrease in cash, cash equivalents and pooled investments	\$ (2,203)
Cash, cash equivalents and pooled investments beginning of year	<u>98,860</u>
Cash, cash equivalents and pooled investments end of year	<u>\$ 96,657</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (202,306)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	20,243
Depreciation	6,491
Decrease in accounts receivable	54
Decrease in accounts payable	(205)
Increase in inventories	(2,910)
Increase in deferred revenues	<u>2,305</u>
Net cash used by operating activities	<u>\$ (176,328)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2013, the District received \$21,505 of federal commodities.	

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rock Valley Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. The geographic area served includes the City of Rock Valley, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

A. Reporting Entity

For financial reporting purposes, the 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 GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the GASB criteria.

B. Basis of Presentation

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

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

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

The District reports the following major governmental funds:

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

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

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

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 special termination benefits 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.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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 Equity

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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

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

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	50 years
Improvements other than buildings	20 years
Vehicles, furniture and equipment	5-15 years
Intangibles	5-10 years

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

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

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, no expenditures exceeded the amounts budgeted.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

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

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

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 187
Capital Projects	General	\$ 34,915

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS (CONTINUED):

The Physical Plant and Equipment Levy is repaying the Debt Service Fund for property tax incorrectly recorded.

The General Fund is repaying the Capital Projects Fund for paying General Fund expenditures in error.

NOTE 4 - CAPITAL ASSETS:

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 42,002	\$ 60,000	\$ -	\$ 102,002
Construction in progress	<u>289,339</u>	<u>-</u>	<u>289,339</u>	<u>-</u>
Total capital assets not being depreciated/amortized	<u>\$ 331,341</u>	<u>\$ 60,000</u>	<u>\$ 289,339</u>	<u>\$ 102,002</u>
Capital assets being depreciated/amortized:				
Improvements other than buildings	\$ 827,554	\$ 32,917	\$ -	\$ 860,471
Buildings and improvements	11,077,169	724,864	-	11,802,033
Vehicles	627,973	81,007	74,295	634,685
Furniture and equipment	1,146,478	553,414	45,299	1,654,593
Intangibles	<u>12,492</u>	<u>-</u>	<u>-</u>	<u>12,492</u>
Total capital assets being depreciated/amortized	<u>\$ 13,691,666</u>	<u>\$ 1,392,202</u>	<u>\$ 119,594</u>	<u>\$ 14,964,274</u>
Less accumulated depreciation/amortization for:				
Improvements other than buildings	\$ 271,888	\$ 40,954	\$ -	\$ 312,842
Buildings and improvements	2,606,428	379,197	-	2,985,625
Vehicles	290,565	33,048	48,516	275,097
Furniture and equipment	676,365	180,757	45,299	811,823
Intangibles	<u>12,394</u>	<u>98</u>	<u>-</u>	<u>12,492</u>
Total accumulated depreciation/amortization	<u>\$ 3,857,640</u>	<u>\$ 634,054</u>	<u>\$ 93,815</u>	<u>\$ 4,397,879</u>
Total capital assets being depreciated/amortized, net	<u>\$ 9,834,026</u>	<u>\$ 758,148</u>	<u>\$ 25,779</u>	<u>\$ 10,566,395</u>
Governmental activities capital assets, net	<u>\$ 10,165,367</u>	<u>\$ 818,148</u>	<u>\$ 315,118</u>	<u>\$ 10,668,397</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 90,399	\$ -	\$ -	\$ 90,399
Less accumulated depreciation	<u>59,168</u>	<u>6,491</u>	<u>-</u>	<u>65,659</u>
Business type activities capital assets, net	<u>\$ 31,231</u>	<u>\$ (6,491)</u>	<u>\$ -</u>	<u>\$ 24,740</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 313,329
Special	87,727
Other	76,763

Support services:

Student	23,871
Instructional staff	4,918
Administration	59,548
Operation and maintenance of plant	43,553
Transportation	<u>24,345</u>

Total depreciation/amortization expense - governmental activities	<u>\$ 634,054</u>
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Business type activities:

Food service operations	<u>\$ 6,491</u>
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NOTE 5 - LONG-TERM LIABILITIES:

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

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance End <u>of Year</u>	Due Within <u>One Year</u>
General obligation bonds	\$ 5,525,000	\$ -	\$ 315,000	\$ 5,210,000	\$ 5,210,000
General obligation school refunding bonds	-	5,005,000	-	5,005,000	-
Capital lease obligation	-	403,427	100,296	303,131	97,821
Early retirement	133,586	23,238	52,489	104,335	51,000
Net OPEB liability	<u>66,889</u>	<u>107,018</u>	<u>-</u>	<u>173,907</u>	<u>-</u>
Total	<u>\$ 5,725,475</u>	<u>\$ 5,538,683</u>	<u>\$ 467,785</u>	<u>\$ 10,796,373</u>	<u>\$ 5,358,821</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation Bonds Payable - Details of the District's June 30, 2013 general obligation bond indebtedness are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	4.00%	\$ 5,210,000	\$ 211,416	\$ 5,421,416
		<u>\$ 5,210,000</u>	<u>\$ 211,416</u>	<u>\$ 5,421,416</u>

The District's general obligation bond will be retired during fiscal year 2014 from proceeds of the refunding bonds issued (see below). This will occur subsequent to the regularly scheduled 2014 bond payment; therefore, the amount refunded will be \$4,880,000.

General Obligation School Refunding Bonds - 2012 - In order to obtain more favorable interest rates, in August 2012 the District issued \$5,005,000 General Obligation Bonds (refunding), to advance refund \$4,880,000 of the District's previously issued and outstanding general obligation bonds with interest rates ranging between 4.00 and 4.20 percent. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$659,485 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$589,483.

<u>School Refunding Bond Issue of 2012</u>				
<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	1.00%	\$ -	\$ 73,562	\$ 73,562
2015	1.00%	430,000	73,562	503,562
2016	1.00%	435,000	69,263	504,263
2017	1.00%	435,000	64,913	499,913
2018	1.25%	440,000	60,562	500,562
Thereafter	1.25-2.00%	3,265,000	240,075	3,505,075
		<u>\$ 5,005,000</u>	<u>\$ 581,937</u>	<u>\$ 5,586,937</u>

Capital Lease - On July 1, 2012, the District entered into a four-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Initiative. This initiative was approved by the District to provide laptops for students and faculty use. The cost of the laptops and accessories was \$403,427 and has been capitalized and is being depreciated in accordance with the District's policy. The assets and associated depreciation expense are included in the furniture and equipment classification.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

<u>Capital Lease Obligation</u>				
<u>Year Ending</u>	<u>Interest</u>			
<u>June30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.23%	\$ 97,821	\$ 9,016	\$ 106,837
2015	3.23%	101,009	5,828	106,837
2016	3.23%	104,301	2,536	106,837
		<u>\$ 303,131</u>	<u>\$ 17,380</u>	<u>\$ 320,511</u>

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed ten years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement benefits for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits consist of health insurance premiums until age 65 although the retiree is responsible for any premium increases. Early retirement benefits paid during the year ended June 30, 2013 totaled \$52,489. At June 30, 2013, the District had obligations to twelve participants with a total liability of \$104,335 through January 2018. The total liability for early retirement is recorded in the government-wide financial statements, and is calculated assuming a 5 percent discount rate.

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 percent of their annual covered salary and the District is required to contribute 8.67 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$359,229, \$309,875, and \$261,522, respectively, equal to the required contributions for each year.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 78 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 31,174
Interest on net OPEB obligation	1,416
Adjustment to annual required contribution	<u>141,939</u>
Annual OPEB cost	\$ 174,529
Contributions made	<u>(67,511)</u>
Increase in net OPEB obligation	\$ 107,018
Net OPEB obligation beginning of year	<u>66,889</u>
Net OPEB obligation end of year	<u>\$ 173,907</u>

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

For the year ended June 30, 2013, the District contributed \$67,511 to the medical plan. Plan members eligible for benefits contributed \$45,532, or 5.8% of the premium costs.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$ 28,443	0%	\$ 28,443
2011	21,485	0%	49,928
2012	16,961	0%	66,889
2013	107,018	0%	173,907

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$416,915, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$416,915. As of June 30, 2013, there were no trust fund assets.

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

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 8 percent. The ultimate medical trend rate is 3 percent. The medical trend rate is reduced 1 percent each year until reaching the 3 percent ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group. Active plan members were assumed to retire at age 59, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are approximately \$573 per month for retirees. The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

NOTE 8 - RISK MANAGEMENT:

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

NOTE 9 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$293,626 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>			
Revenues:						
Local sources	\$ 5,173,459	\$ 204,049	\$ 5,377,508	\$ 4,766,969	\$ 4,766,969	\$ 610,539
State sources	3,897,870	3,727	3,901,597	3,914,296	3,914,296	(12,699)
Federal sources	<u>277,496</u>	<u>196,296</u>	<u>473,792</u>	<u>453,000</u>	<u>453,000</u>	<u>20,792</u>
Total revenues	<u>\$ 9,348,825</u>	<u>\$ 404,072</u>	<u>\$ 9,752,897</u>	<u>\$ 9,134,265</u>	<u>\$ 9,134,265</u>	<u>\$ 618,632</u>
Expenditures/expenses:						
Instruction	\$ 5,277,168	\$ -	\$ 5,277,168	\$ 5,820,000	\$ 5,820,000	\$ 542,832
Support services	1,714,373	-	1,714,373	2,469,674	2,469,674	755,301
Non-instructional programs	-	405,831	405,831	525,000	525,000	119,169
Other expenditures	<u>2,068,328</u>	<u>-</u>	<u>2,068,328</u>	<u>2,344,793</u>	<u>2,344,793</u>	<u>276,465</u>
Total expenditures/expenses	<u>\$ 9,059,869</u>	<u>\$ 405,831</u>	<u>\$ 9,465,700</u>	<u>\$ 11,159,467</u>	<u>\$ 11,159,467</u>	<u>\$ 1,693,767</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	\$ 288,956	\$ (1,759)	\$ 287,197	<u>\$ (2,025,202)</u>	<u>\$ (2,025,202)</u>	<u>\$ (2,312,399)</u>
Other financing sources, net	<u>5,410,974</u>	<u>-</u>	<u>5,410,974</u>			
Excess (deficiency) of revenues and other financing sources over (under) expenditure/expenses	\$ 5,699,930	\$ (1,759)	\$ 5,698,171			
Balances beginning of year	<u>6,982,939</u>	<u>131,201</u>	<u>7,114,140</u>			
Balances end of year	<u>\$ 12,682,869</u>	<u>\$ 129,442</u>	<u>\$ 12,812,311</u>			

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2013, no expenditures in the functional areas exceeded the amounts budgeted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>
2010	July 1, 2009	\$ -	\$ 398	\$ 398	0.0%
2011	July 1, 2009	\$ -	\$ 398	\$ 398	0.0%
2012	July 1, 2009	\$ -	\$ 398	\$ 398	0.0%
2013	July 1, 2012	\$ -	\$ 417	\$ 417	0.0%

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

## **SUPPLEMENTARY INFORMATION**

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

	Special Revenue		Total
	Student Activity	Management Levy	
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 153,447	\$ 198,473	\$ 351,920
Receivables:			
Property tax:			
Delinquent	-	1,361	1,361
Succeeding year	-	200,000	200,000
Accounts	25,382	112	25,494
Inventory	<u>25,065</u>	<u>-</u>	<u>25,065</u>
Total assets	<u>\$ 203,894</u>	<u>\$ 399,946</u>	<u>\$ 603,840</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 2,465	\$ 126	\$ 2,591
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total liabilities	<u>\$ 2,465</u>	<u>\$ 200,126</u>	<u>\$ 202,591</u>
Fund balances:			
Restricted for:			
Student activities	\$ 201,429	\$ -	\$ 201,429
Management levy purposes	<u>-</u>	<u>199,820</u>	<u>199,820</u>
Total fund balances	<u>\$ 201,429</u>	<u>\$ 199,820</u>	<u>\$ 401,249</u>
Total liabilities and fund balances	<u>\$ 203,894</u>	<u>\$ 399,946</u>	<u>\$ 603,840</u>

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	<u>Special Revenue</u>		
	<u>Student</u>	<u>Management</u>	
	<u>Activity</u>	<u>Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 185,175	\$ 185,175
Other	311,595	3,186	314,781
State sources	-	83	83
Total revenues	<u>\$ 311,595</u>	<u>\$ 188,444</u>	<u>\$ 500,039</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 52,489	\$ 52,489
Other instruction	<u>268,874</u>	<u>-</u>	<u>268,874</u>
	<u>\$ 268,874</u>	<u>\$ 52,489</u>	<u>\$ 321,363</u>
Support services:			
Administration services	\$ -	\$ 36,867	\$ 36,867
Operation and maintenance of plant services	-	25,036	25,036
Transportation services	<u>-</u>	<u>6,584</u>	<u>6,584</u>
	<u>\$ -</u>	<u>\$ 68,487</u>	<u>\$ 68,487</u>
Total expenditures	<u>\$ 268,874</u>	<u>\$ 120,976</u>	<u>\$ 389,850</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 42,721	\$ 67,468	\$ 110,189
Fund balances beginning of year	<u>158,708</u>	<u>132,352</u>	<u>291,060</u>
Fund balances end of year	<u>\$ 201,429</u>	<u>\$ 199,820</u>	<u>\$ 401,249</u>

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2013

	<u>Capital Projects</u>		<u>Total</u>
	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	
ASSETS:			
Cash, cash equivalents and pooled investments	\$ 2,929,083	\$ 602,703	\$ 3,531,786
Receivables:			
Property tax:			
Delinquent	-	1,527	1,527
Succeeding year	-	241,411	241,411
Accounts	1,644	10	1,654
Due from other funds	-	34,915	34,915
Due from other governments	<u>91,756</u>	<u>9,402</u>	<u>101,158</u>
Total assets	<u>\$ 3,022,483</u>	<u>\$ 889,968</u>	<u>\$ 3,912,451</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ -	\$ 564	\$ 564
Due to other funds	-	187	187
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>241,411</u>	<u>241,411</u>
Total liabilities	<u>\$ -</u>	<u>\$ 242,162</u>	<u>\$ 242,162</u>
Fund balances:			
Restricted for:			
School infrastructure	\$ 3,022,483	\$ -	\$ 3,022,483
Physical plant and equipment	<u>-</u>	<u>647,806</u>	<u>647,806</u>
Total fund balances	<u>\$ 3,022,483</u>	<u>\$ 647,806</u>	<u>\$ 3,670,289</u>
Total liabilities and fund balances	<u>\$ 3,022,483</u>	<u>\$ 889,968</u>	<u>\$ 3,912,451</u>

See accompanying independent auditor's report.

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

## FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2013

	<u>Capital Projects</u>		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 573,417	\$ 231,719	\$ 805,136
Other	20,449	145,675	166,124
State sources	-	98	98
Total revenues	<u>\$ 593,866</u>	<u>\$ 377,492</u>	<u>\$ 971,358</u>
Expenditures:			
Other expenditures:			
Facilities acquisition	\$ 68,509	\$ 994,636	\$ 1,063,145
Long-term debt:			
Principal	-	100,296	100,296
Interest and fiscal charges	-	6,541	6,541
Total expenditures	<u>\$ 68,509</u>	<u>\$ 1,101,473</u>	<u>\$ 1,169,982</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 525,357</u>	<u>\$ (723,981)</u>	<u>\$ (198,624)</u>
Other financing sources:			
Proceeds from capital lease	\$ -	\$ 403,427	\$ 403,427
Total other financing sources	<u>\$ -</u>	<u>\$ 403,427</u>	<u>\$ 403,427</u>
Change in fund balances	\$ 525,357	\$ (320,554)	\$ 204,803
Fund balances beginning of year	<u>2,497,126</u>	<u>968,360</u>	<u>3,465,486</u>
Fund balances end of year	<u>\$ 3,022,483</u>	<u>\$ 647,806</u>	<u>\$ 3,670,289</u>

## ROCK VALLEY COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2013

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Activity tickets	\$ -	\$ 11,275	\$ -	\$ (11,275)	\$ -
Adult activity tickets	-	2,405	-	(2,405)	-
Agriculture resale	214	-	-	-	214
Annual 2012	2,948	1,140	4,577	489	-
Annual 2013	-	13,600	11,332	-	2,268
Art resale	3,833	26	-	-	3,859
Band and vocal	153	3,173	4,694	1,568	200
Band resale	(449)	3,312	2,715	970	1,118
Baseball	(2,004)	125	4,023	5,907	5
Basketball	3,500	12,010	7,403	(6,908)	1,199
Cheerleaders	2,908	3,403	1,967	(194)	4,150
Class of 2013	5,150	-	948	(4,202)	-
Class of 2014	6,936	3,087	4,940	-	5,083
Class of 2015	4,763	6,530	3,189	-	8,104
Class of 2016	6,032	350	203	368	6,547
Class of 2017	3,683	762	300	932	5,077
Class of 2018	184	2,190	206	(980)	1,188
Class of 2019	-	250	1,950	1,950	250
Club reserve	22,537	-	-	3,713	26,250
Drama and speech	464	1,325	1,819	30	-
Elementary activity	-	12,078	12,898	1,709	889
FCA	263	74	14	-	323
FFA	500	42,002	40,626	1,160	3,036
FFA test plot	16,131	1,482	130	(676)	16,807
FHA	776	1,061	1,117	-	720
Football	-	18,933	21,144	9,569	7,358
Golf	-	1,048	2,101	1,053	-
High school girls basketball	3,063	5,377	5,873	(908)	1,659
High school girls track	1,323	-	-	-	1,323
High school girls volleyball	1,059	3,091	4,585	435	-
Instrument rent/repair	958	3,265	3,362	-	861
Interest	23,964	695	-	(7,281)	17,378
Junior high boys athletics	(40)	100	3,644	3,624	40
Junior high girls athletics	2,275	100	2,113	-	262
Library club	587	-	-	-	587
Magazine sale	-	8,641	5,539	(3,102)	-
Middle School leadership group	-	-	-	832	832
Miscellaneous insurance - student	-	207	207	-	-
Pep club	395	-	-	-	395
Spanish club	1,322	681	-	-	2,003
Spirit club	5,799	12,515	10,156	-	8,158
Spirit Club resale	8,672	60,804	44,130	-	25,346
Student council	3,368	4,682	4,506	-	3,544
Student pictures	19,125	10	15	(1,568)	17,552
Tournaments	2,296	44,787	32,588	(4,393)	10,102
Track	19	167	157	16	45
TSA program	1,621	7,019	3,618	138	5,160
TSA resale	4,380	3,224	3,525	-	4,079
Wrestling	-	14,589	16,560	9,429	7,458
Total	\$ 158,708	\$ 311,595	\$ 268,874	\$ -	\$ 201,429

See accompanying independent auditor's report.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS ENDED JUNE 30,

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,700,830	\$ 3,406,526	\$ 3,212,599	\$ 2,920,523	\$ 2,748,469	\$ 2,520,028	\$ 2,490,485	\$ 1,954,019	\$ 1,995,560	\$ 1,906,606
Tuition	747,908	722,585	853,253	861,399	548,654	544,643	563,893	548,739	474,848	421,841
Other	724,721	531,657	593,364	628,833	625,119	711,229	734,322	675,227	383,855	338,205
State sources	3,897,870	3,536,450	3,291,057	2,833,279	3,567,630	2,887,207	2,952,460	2,379,024	2,177,666	1,904,478
Federal sources	277,496	248,466	470,554	591,798	206,663	230,067	239,845	225,874	224,333	178,225
Total	<u>\$ 9,348,825</u>	<u>\$ 8,445,684</u>	<u>\$ 8,420,827</u>	<u>\$ 7,835,832</u>	<u>\$ 7,696,535</u>	<u>\$ 6,893,174</u>	<u>\$ 6,981,005</u>	<u>\$ 5,782,883</u>	<u>\$ 5,256,262</u>	<u>\$ 4,749,355</u>
Expenditures:										
Instruction:										
Regular instruction	\$ 3,472,219	\$ 3,152,014	\$ 2,876,301	\$ 2,783,440	\$ 2,915,628	\$ 2,798,602	\$ 2,433,989	\$ 2,247,721	\$ 2,238,603	\$ 2,228,859
Special instruction	962,631	902,468	928,228	938,526	927,259	737,590	595,827	594,036	517,314	429,209
Other instruction	842,318	828,688	733,689	757,210	618,457	631,076	578,173	490,871	574,282	521,679
Support services:										
Student services	261,935	214,971	234,580	239,257	173,231	204,860	226,839	213,440	109,853	103,858
Instructional staff services	53,965	68,347	82,716	68,565	63,732	34,408	74,956	75,214	75,229	76,629
Administration services	653,425	653,005	619,751	563,096	564,539	542,598	500,035	476,282	453,033	439,470
Operation and maintenance of plant services	477,908	445,818	430,783	476,985	454,736	413,003	389,182	406,119	492,963	421,840
Transportation services	267,140	349,536	305,670	249,672	282,636	239,929	269,035	175,457	198,364	218,845
Other expenditures:										
Facilities acquisition	1,063,145	637,500	579,159	392,478	567,395	1,195,366	5,596,647	1,061,389	118,224	1,505
Long-term debt:										
Principal	415,296	300,000	290,000	275,000	260,000	250,000	50,000	-	-	13,507
Interest and fiscal charges	296,261	236,516	248,066	259,016	268,116	276,866	440,711	-	-	907
AEA flow through	293,626	263,705	278,582	264,615	242,296	213,002	196,955	187,873	178,464	176,940
Total	<u>\$ 9,059,869</u>	<u>\$ 8,052,568</u>	<u>\$ 7,607,525</u>	<u>\$ 7,267,860</u>	<u>\$ 7,338,025</u>	<u>\$ 7,537,300</u>	<u>\$ 11,352,349</u>	<u>\$ 5,928,402</u>	<u>\$ 4,956,329</u>	<u>\$ 4,633,248</u>



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  
Rock Valley Community School District

We have audited in accordance with auditing standards generally accepted in the United States of America 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 Rock Valley Community School District (the District) as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2014.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a deficiency in internal control we consider to be a material weaknesses.

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



### ***Compliance and Other Matters***

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### ***Rock Valley Community School District's Responses to Findings***

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The District's responses were not subjected to the auditing procedures applied in the audit of 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 on 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 the 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.

March 28, 2014  
Sioux City, Iowa

*King, Reinsch, Frosser & Co., L.L.P.*

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE

No matters were noted.

MATERIAL WEAKNESS:

I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions (b) recording transactions (c) maintaining custody of the assets that result from transactions and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for certain accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to cash receipts and payroll activities. For example, different individuals should (a) open the mail (b) deposit cash receipts and (c) record cash receipts to the general ledger.

The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions such as by reviewing payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees and also comparing to actual amounts per the bank statements.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes where possible.

Conclusion - Response accepted.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts in any of the program functions.
- II-B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-13 Certified Enrollment - Variances were noted in the basic enrollment data certified to the Department of Education.

Recommendation - In the future, the District should ensure that all certified counts are accurate prior to submission.

Response - Variances will be reported to the Department of Management and the Iowa Department of Education. Also, all counts will be verified by District management prior to submission to ensure accuracy.

Conclusion - Response accepted.

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

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting (Continued):

- II-I-13     Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
  
- II-J-13     Certified Annual Report - The Certified Annual Report (CAR) was certified timely to the Iowa Department of Education.
  
- II-K-13     Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds were noted.
  
- II-L-13     Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 2,497,126
Revenues:		
Sales tax revenues	\$ 573,417	
Other local revenues	<u>20,449</u>	<u>593,866</u>
		\$ 3,090,992
Expenditures:		
Buildings and improvements	<u>68,509</u>	<u>68,509</u>
Ending balance		<u>\$ 3,022,483</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.