

Turkey Valley Community School District

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

June 30, 2013

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Turkey Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Linus Kuhn	President	2013
Roger Ott	Vice President	2015
John Cuvelier	Board Member	2013
Jolene Steinlage	Board Member	2015
Ernie Schmitt	Board Member	2015
School Officials		
Chris Hoover	Superintendent	2013
Janice Myers	Board Treasurer/Business Manager	2013
Joan Busta	Board Secretary	2013

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Turkey Valley Community School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Turkey Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 25, 2014 on my consideration of Turkey Valley Community School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Turkey Valley Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

February 25, 2014

Turkey Valley Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

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

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$5,285,237 in fiscal year 2012 to \$4,933,858 in fiscal year 2013, while General Fund expenditures increased from \$4,789,267 in fiscal 2012 to \$4,860,954 in fiscal 2013. The District's General Fund adjusted balance increased from \$1,402,629 in fiscal 2012 to \$1,535,533 in fiscal year 2013, a 9.5% increase.
- The decrease in General Fund revenues was attributable to decreases in state sources in fiscal 2013. The increase in expenditures was due to an increase in instruction expenses.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 20.0% in 2012 to 21.4% in fiscal 2013. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Turkey Valley Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

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

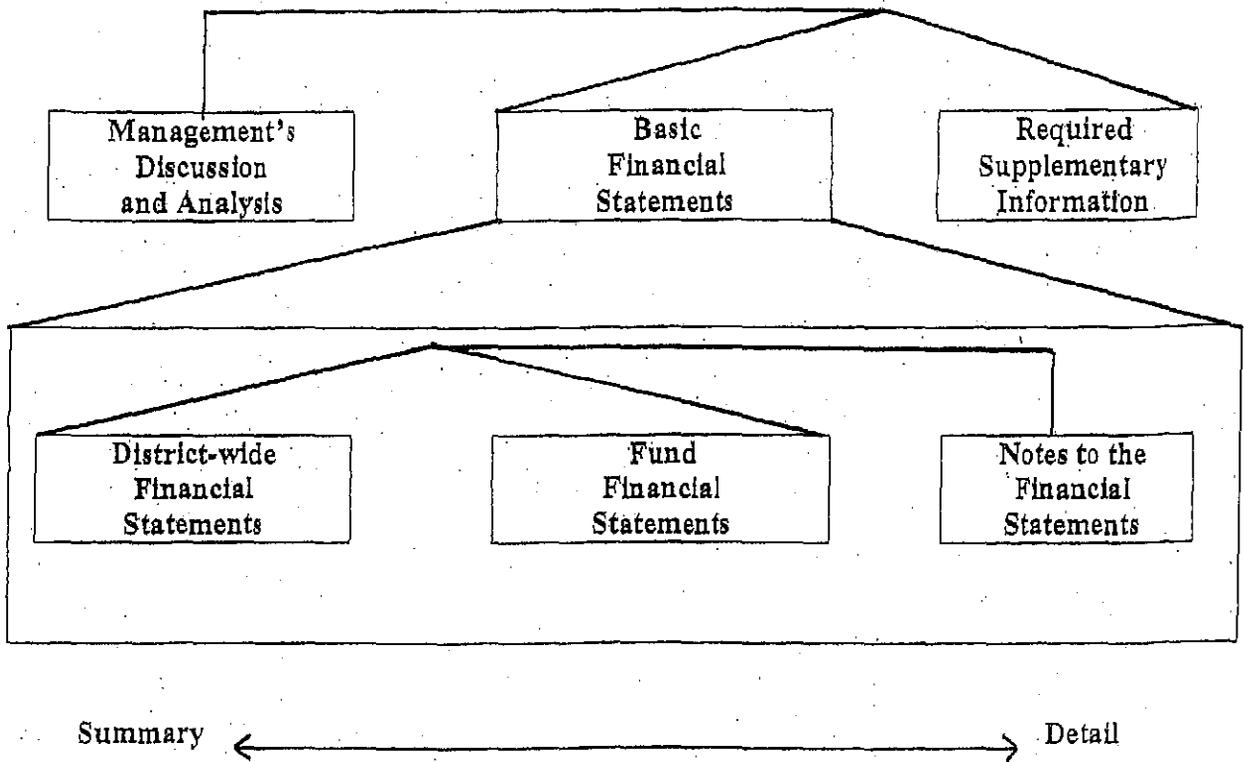


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how ^{it has} ~~they have~~ 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 are 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 and preschool programs are included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$5,653,916	\$5,322,643	\$119,570	\$123,746	\$5,773,486	\$5,446,389	6.0%
Capital assets	3,329,377	3,212,436	20,241	22,263	3,349,618	3,234,699	3.5%
Total assets	<u>\$8,983,293</u>	<u>\$8,535,079</u>	<u>\$139,811</u>	<u>\$146,009</u>	<u>\$9,123,104</u>	<u>\$8,681,088</u>	<u>5.0%</u>
Long-term liabilities	\$92,077	\$101,504	\$-	\$-	\$92,077	\$101,504	-9.3%
Other liabilities	3,013,240	3,056,843	43,637	50,384	3,056,877	3,107,227	-1.7%
Total liabilities	<u>\$3,105,317</u>	<u>\$3,158,347</u>	<u>\$43,637</u>	<u>\$50,384</u>	<u>\$3,148,954</u>	<u>\$3,208,731</u>	<u>-1.9%</u>
Net position:							
Net investment in capital assets	\$3,329,377	\$3,212,436	\$20,241	\$22,263	\$3,349,618	\$3,234,699	3.5%
Restricted	1,548,683	1,261,468	-	-	1,548,683	1,261,468	22.7%
Unrestricted	1,000,766	903,678	75,083	72,512	1,075,849	976,190	10.2%
Total net position	<u>\$5,878,826</u>	<u>\$5,377,582</u>	<u>\$95,324</u>	<u>\$94,775</u>	<u>\$5,974,150</u>	<u>\$5,472,357</u>	<u>9.1%</u>

The District’s combined net position increased by 9.1%, or \$501,793, over the prior year. The largest portion of the District’s net position is in “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased approximately \$287,200, or 22.7%, over the prior year. The increase was due to reclassifications.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$99,659, or 10.2%. The increase was due to General Fund and Capital Projects Fund revenues exceeding expenditures.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$669,276	\$816,282	\$192,505	\$152,065	\$861,781	\$968,347	-11.1%
Operating grants, contributions and restricted interest	789,149	841,797	83,581	81,236	872,730	923,033	-5.5%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,521,629	2,451,516	-	-	2,521,629	2,451,516	2.8%
Statewide sales, service and use tax	318,163	328,589	-	-	318,163	328,589	-3.2%
Unrestricted state grants	1,471,048	1,574,675	-	-	1,471,048	1,574,675	-6.6%
Unrestricted investment earnings	13,227	15,319	160	255	13,387	15,574	-14.1%
Other	142,371	297,857	-	-	142,371	297,857	-52.3%
Total revenues	\$5,924,863	\$6,326,035	\$276,246	\$233,556	\$6,201,109	\$6,559,591	-5.5%
Program expenses:							
Governmental activities:							
Instruction	\$3,601,140	\$3,587,771	\$41,713	\$6,123	\$3,642,853	\$3,593,894	1.3%
Support services	1,623,150	1,683,142	-	-	1,623,150	1,683,142	-3.6%
Non-instructional programs	2,278	-	233,984	206,355	236,262	206,355	14.4%
Other expenses	196,506	190,188	-	-	196,506	190,188	3.3%
Total expenses	\$5,423,074	\$5,461,101	\$275,697	212,478	\$5,698,771	\$5,673,579	0.4%
Change in net position	\$501,789	\$864,934	\$549	\$21,078	\$502,338	\$886,012	-43.4%

In fiscal year 2013, property tax and unrestricted state grants account for 64.3% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$6.2 million, of which approximately \$5.9 million was for governmental activities and \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.5% decrease in revenues and a 0.4% increase in expenses. Property tax increased approximately \$70,000.

Governmental Activities

Revenues for governmental activities were \$5,924,863 and expenses were \$5,423,074 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services		Change	Net Cost of Services		Change
	2013	2012	2012-2013	2013	2012	2012-2013
Instruction	\$3,601,140	\$3,587,771	0.3%	\$2,244,116	\$2,038,251	10.1%
Support services	1,623,150	1,683,142	-3.6%	1,521,749	1,574,583	-3.4%
Non-instructional programs	2,278	-	100%	2,278	-	100%
Other expenses	196,506	190,188	3.3%	196,506	190,188	3.3%
Totals	\$5,423,074	\$5,461,101	-0.7%	\$3,964,649	\$3,803,022	4.2%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$861,781.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$872,730.
- The net cost of governmental activities was financed with \$2,839,792 in property and other taxes and \$1,471,048 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$276,246 and expenses were \$275,697. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,878,826, well above last year's ending adjusted fund balance of \$5,377,037.

Governmental Fund Highlights

- The District is trying to curb all unnecessary expenditures while providing excellent educational opportunities for the students. The General Fund balance increased from adjusted \$1,402,629 to \$1,535,533 due, in part, to revenues exceeding expenditures.
- The Capital Projects Fund balance increased from \$614,318 to \$800,249 due, in part, to the decrease in expenditures.
- The Management Fund balance increased from \$45,347 to 83,216 due to the increase in property taxes.

Proprietary Fund Highlights

- School Nutrition Fund net position decreased \$7,913, due to the increase in expenditures for salaries and benefits.
- The Preschool Program net position increased from -\$46,354 in fiscal 2012 to -\$37,892 at June 30, 2013.

BUDGETARY HIGHLIGHTS

Over the course of the year, Turkey Valley Community School District amended its budget one time to reflect additional expenditures associated with the fitness facility.

The District’s Governmental receipts were \$412,779 less than budgeted receipts, a variance of 6.3%. The variance resulted from the District receiving less in federal sources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$3,349,618, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.5% from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$301,904.

The original cost of the District’s capital assets was \$9,103,074. Governmental funds account for \$9,060,977, with the remainder of \$42,097 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$31,046	\$31,046	\$-	\$-	\$31,046	\$31,046	-
Buildings	2,642,863	2,598,891	-	-	2,642,863	2,598,891	1.6%
Improvements other than buildings	149,088	146,551	-	-	149,088	146,551	1.7%
Furniture and equipment	506,380	435,948	20,241	22,263	526,621	458,211	14.9%
Totals	\$3,329,377	\$3,212,436	\$20,241	\$22,263	\$3,349,618	\$3,234,699	3.5%

Long-Term Debt

At June 30, 2013, the District had only early retirement and net OPEB liability for long term debt. Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District’s debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District does not have any outstanding general obligation debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was not aware of existing circumstances that could significantly affect its financial health in the future except for:

- The District has experienced declining enrollment for the past several years and expects it to continue to decline in the future.

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 Janice Myers, Board Treasurer, Turkey Valley Community School District, 3219 State Highway 24, Jackson Junction IA 52171-8308.

Basic Financial Statements

Turkey Valley Community School District

Statement of Net Position

June 30, 2013

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 2,977,137	\$ 112,666	\$ 3,089,803
Receivables:			
Property tax:			
Delinquent	35,671	-	35,671
Succeeding year	2,362,324	-	2,362,324
Accounts	112,697	389	113,086
Due from other governments	166,087	-	166,087
Inventories	-	6,515	6,515
Capital assets, net of accumulated depreciation	3,329,377	20,241	3,349,618
Total Assets	\$ 8,983,293	\$ 139,811	\$ 9,123,104
Liabilities			
Bank overdrafts	\$ -	\$ 37,892	\$ 37,892
Accounts payable	191,773	134	191,907
Salaries and benefits payable	459,143	617	459,760
Deferred revenue-succeeding year property tax	2,362,324	-	2,362,324
Deferred revenue-other	-	4,994	4,994
Long-term liabilities:			
Portion due within one year:			
Early retirement	29,776	-	29,776
Portion due after one year:			
Early retirement	33,254	-	33,254
Net OPEB liability	29,047	-	29,047
Total Liabilities	\$ 3,105,317	\$ 43,637	\$ 3,148,954
Net Position			
Net Investment in capital assets	\$ 3,329,377	\$ 20,241	\$ 3,349,618
Restricted for:			
Categorical funding	305,720	-	305,720
General fund	200,000	-	200,000
Management levy	20,186	-	20,186
Physical plant and equipment	214,782	-	214,782
Student activities	222,528	-	222,528
Capital projects	585,467	-	585,467
Unrestricted	1,000,766	75,083	1,075,849
Total Net Position	\$ 5,878,826	\$ 95,324	\$ 5,974,150

See notes to financial statements.

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,294,512	\$ 276,926	\$ 601,579	\$ -
Special instruction	634,576	47,172	155,675	-
Other instruction	672,052	264,222	11,450	-
	\$ 3,601,140	\$ 588,320	\$ 768,704	\$ -
Support Services:				
Student services	\$ 220,697	\$ -	\$ 2,779	\$ -
Instructional staff services	134,283	-	-	-
Administration services	557,419	80,956	-	-
Operation and maintenance of plant services	407,737	-	-	-
Transportation services	303,014	-	17,666	-
	\$ 1,623,150	\$ 80,956	\$ 20,445	\$ -
Non-instructional programs	\$ 2,278	\$ -	\$ -	\$ -
Other Expenditures:				
Facilities acquisition	\$ 26,536	\$ -	\$ -	\$ -
AEA flow through	169,970	-	-	-
	\$ 196,506	\$ -	\$ -	\$ -
Total Governmental Activities	\$ 5,423,074	\$ 669,276	\$ 789,149	\$ -
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 233,984	\$ 142,330	\$ 83,581	\$ -
Instructional:				
Preschool operations	41,713	50,175	-	-
Total Business Type Activities	\$ 275,697	\$ 192,505	\$ 83,581	\$ -
Total	\$ 5,698,771	\$ 861,781	\$ 872,730	\$ -

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -1,416,007	\$ -	\$ -1,416,007
-431,729	-	-431,729
-396,380	-	-396,380
<u>\$ -2,244,116</u>	<u>\$ -</u>	<u>\$ -2,244,116</u>
\$ -217,918	\$ -	\$ -217,918
-134,283	-	-134,283
-476,463	-	-476,463
-407,737	-	-407,737
-285,348	-	-285,348
<u>\$ -1,521,749</u>	<u>\$ -</u>	<u>\$ -1,521,749</u>
<u>\$ -2,278</u>	<u>\$ -</u>	<u>\$ -2,278</u>
\$ -26,536	\$ -	\$ -26,536
-169,970	-	-169,970
<u>\$ -196,506</u>	<u>\$ -</u>	<u>\$ -196,506</u>
<u>\$ -3,964,649</u>	<u>\$ -</u>	<u>\$ -3,964,649</u>
\$ -	\$ -8,073	\$ -8,073
-	8,462	8,462
<u>\$ -</u>	<u>\$ 389</u>	<u>\$ 389</u>
<u>\$ -3,964,649</u>	<u>\$ 389</u>	<u>\$ -3,964,260</u>

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2013

	<u>Program Revenues</u>		
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Expenses</u>	<u>Charges for Services</u>		

General Revenues:

Property Tax Levied For:
 General purposes
 Capital outlay
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

Prior period adjustment

Adjusted net position beginning of year

Net Position End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ 2,351,528	\$ -	\$ 2,351,528
170,101	-	170,101
318,163	-	318,163
1,471,048	-	1,471,048
13,227	160	13,387
142,371	-	142,371
<hr/>		
\$ 4,466,438	\$ 160	\$ 4,466,598
<hr/>		
\$ 501,789	\$ 549	\$ 502,338
<hr/>		
\$ 5,377,582	\$ 94,775	\$ 5,472,357
-545	-	-545
<hr/>		
\$ 5,377,037	\$ 94,775	\$ 5,471,812
<hr/>		
\$ 5,878,826	\$ 95,324	\$ 5,974,150
<hr/>		

Turkey Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2013

	General	Management Levy	Capital Projects	Non-major Funds	Total
Assets					
Cash and Pooled Investments	\$ 1,905,344	\$ 110,487	\$ 736,569	\$ 224,737	\$ 2,977,137
Receivables:					
Property Tax:					
Delinquent	31,284	1,981	2,406	-	35,671
Succeeding year	1,685,284	500,001	177,039	-	2,362,324
Accounts	111,615	-	-	1,082	112,697
Due from other governments	94,451	-	71,636	-	166,087
Interfund receivable	850	-	-	-	850
Total Assets	\$ 3,828,828	\$ 612,469	\$ 987,650	\$ 225,819	\$ 5,654,766
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 177,931	\$ 189	\$ 10,362	\$ 3,291	\$ 191,773
Salaries and benefits payable	430,080	29,063	-	-	459,143
Deferred Revenue:					
Succeeding year property tax	1,685,284	500,001	177,039	-	2,362,324
Total Liabilities	\$ 2,293,295	\$ 529,253	\$ 187,401	\$ 3,291	\$ 3,013,240
Fund Balances:					
Restricted for:					
Categorical funding	\$ 305,720	\$ -	\$ -	\$ -	\$ 305,720
General fund	200,000	-	-	-	200,000
Management levy purposes	-	83,216	-	-	83,216
Student activities	-	-	-	222,528	222,528
School infrastructure	-	-	585,467	-	585,467
Physical plant and equipment	-	-	214,782	-	214,782
Unassigned	1,029,813	-	-	-	1,029,813
Total Fund Balance	\$ 1,535,533	\$ 83,216	\$ 800,249	\$ 222,528	\$ 2,641,526
Total Liabilities and Fund Balances	\$ 3,828,828	\$ 612,469	\$ 987,650	\$ 225,819	\$ 5,654,766

Turkey 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 (page 16)	\$ 2,641,526
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,329,377
Long-term liabilities, including bonds payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the funds	<u>-92,077</u>
Net position of governmental activities (page 13)	<u>\$ 5,878,826</u>

Turkey Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2013

	General	Management Levy	Capital Projects	Non-Major Funds	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,211,457	\$ 140,071	\$ 488,264	\$ -	\$ 2,839,792
Tuition	269,876	-	-	-	269,876
Other	221,233	-	76,473	257,291	554,997
Intermediate sources	-	-	-	-	-
State sources	1,983,120	85	28,821	-	2,012,026
Federal sources	248,172	-	-	-	248,172
Total Revenues	\$ 4,933,858	\$ 140,156	\$ 593,558	\$ 257,291	\$ 5,924,863
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,066,342	\$ 66,619	\$ 48,437	\$ -	\$ 2,181,398
Special instruction	634,576	-	-	-	634,576
Other instruction	410,955	-	-	238,268	649,223
	\$ 3,111,873	\$ 66,619	\$ 48,437	\$ 238,268	\$ 3,465,197
Support Services:					
Student services	\$ 219,558	\$ -	\$ -	\$ -	\$ 219,558
Instructional staff services	134,283	-	-	-	134,283
Administration services	552,561	188	-	-	552,749
Operation and maintenance of plant services	373,691	27,007	-	-	400,698
Transportation services	239,018	8,473	117,855	-	365,346
	\$ 1,519,111	\$ 35,668	\$ 117,855	\$ -	\$ 1,672,634
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 241,335	\$ -	\$ 241,335
AEA flow-through	169,970	-	-	-	169,970
	\$ 169,970	\$ -	\$ 241,335	\$ -	\$ 411,305
Total Expenditures	\$ 4,800,954	\$ 102,287	\$ 407,627	\$ 238,268	\$ 5,549,136
Net change in fund balances	\$ 132,904	\$ 37,869	\$ 185,931	\$ 19,023	\$ 375,727
Fund balances beginning of year	\$ 1,403,174	\$ 45,347	\$ 614,318	\$ 203,505	\$ 2,266,344
Prior period adjustment	-545	-	-	-	-545
Adjusted fund balances beginning of year	\$ 1,402,629	\$ 45,347	\$ 614,318	\$ 203,505	\$ 2,265,799
Fund Balances End of Year	\$ 1,535,533	\$ 83,216	\$ 800,249	\$ 222,528	\$ 2,641,526

See notes to financial statements.

Turkey 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 (page 18) \$ 375,727

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, these costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 415,337	
Depreciation expense	-298,396	116,941

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	\$ 38,474	
Other postemployment benefits	-29,353	9,121

Change in Net Position of Governmental Activities (page 15) \$ 501,789

Turkey Valley Community School District

Statement of Net Position
Proprietary Funds

June 30, 2013

	School Nutrition	Preschool Program	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 112,666	\$ -	\$ 112,666
Accounts receivable	389	-	389
Inventories	6,515	-	6,515
Total current assets	\$ 119,570	\$ -	\$ 119,570
Non-Current Assets:			
Capital assets, net of accumulated depreciation	\$ 20,241	\$ -	\$ 20,241
Total non-current assets	\$ 20,241	\$ -	\$ 20,241
Total Assets	\$ 139,811	\$ -	\$ 139,811
Liabilities			
Current Liabilities:			
Due to other funds	\$ 850	\$ -	\$ 850
Bank overdrafts	-	37,892	37,892
Accounts payable	134	-	134
Salaries and benefits payable	617	-	617
Deferred revenue-other	4,994	-	4,994
Total current liabilities	\$ 6,595	\$ 37,892	\$ 44,487
Total Liabilities	\$ 6,595	\$ 37,892	\$ 44,487
Net Position			
Net investment in capital assets	\$ 20,241	\$ -	\$ 20,241
Unrestricted	112,975	-37,892	75,083
Total Net Position	\$ 133,216	\$ -37,892	\$ 95,324

Turkey Valley Community School District

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

Year Ended June 30, 2013

	School Nutrition	Preschool Program	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 142,330	\$ 49,675	\$ 192,005
Contributions	-	500	500
	<u>\$ 142,330</u>	<u>\$ 50,175</u>	<u>\$ 192,505</u>
Operating expenses:			
Instructional programs:			
Salaries	\$ -	\$ 35,833	\$ 35,833
Benefits	-	5,859	5,859
Supplies	-	21	21
Total	<u>\$ -</u>	<u>\$ 41,713</u>	<u>\$ 41,713</u>
Non-instructional programs:			
Salaries	\$ 84,873	\$ -	\$ 84,873
Benefits	26,674	-	26,674
Purchased services	944	-	944
Supplies	117,591	-	117,591
Depreciation	3,508	-	3,508
Other	394	-	394
Total	<u>\$ 233,984</u>	<u>\$ -</u>	<u>\$ 233,984</u>
Total operating expenses	<u>\$ 233,984</u>	<u>\$ 41,713</u>	<u>\$ 275,697</u>
Operating income/loss	<u>\$ -91,654</u>	<u>\$ 8,462</u>	<u>\$ -83,192</u>
Non-operating revenues:			
State sources	\$ 1,907	\$ -	\$ 1,907
Federal sources	81,674	-	81,674
Interest income	160	-	160
Total non-operating revenues	<u>\$ 83,741</u>	<u>\$ -</u>	<u>\$ 83,741</u>
Change in net position	<u>\$ -7,913</u>	<u>\$ 8,462</u>	<u>\$ 549</u>
Net position beginning of year	<u>141,129</u>	<u>-46,354</u>	<u>94,775</u>
Net Position End of Year	<u>\$ 133,216</u>	<u>\$ -37,892</u>	<u>\$ 95,324</u>

Turkey Valley Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2013

	School Nutrition	Preschool Program
Cash flows from operating activities:		
Cash received from preschool fees and donations	\$ -	\$ 50,175
Cash received from sale of lunches and breakfasts	142,939	-
Cash paid to employees for services	-110,795	-41,692
Cash paid to suppliers for goods or services	-84,247	-21
Net cash used by operating activities	<u>\$ -52,103</u>	<u>\$ 8,462</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 1,907	\$ -
Federal grants received	54,043	-
Net cash provided by non-capital financing activities	<u>\$ 55,950</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ -1,486	\$ -
Cash flows from investing activities:		
Interest on investments	\$ 160	\$ -
Net increase (decrease) in cash and cash equivalents	\$ 2,521	\$ 8,462
Cash and cash equivalents beginning of year	110,145	-46,354
Cash and Cash Equivalents End of Year	<u>\$ 112,666</u>	<u>\$ -37,892</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income/loss	\$ -91,654	\$ 8,462
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	27,631	-
Depreciation	3,508	-
(Increase) in accounts receivable	-160	-
Decrease in inventories	6,856	-
Increase in deferred revenue	964	-
Increase in accounts payable	135	-
Increase in accrued salaries	617	-
Net Cash Used by Operating Activities	<u>\$ -52,103</u>	<u>\$ 8,462</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$27,631 of federal commodities.

Turkey Valley Community School District

Statement of Fiduciary Net Position
Fiduciary Fund

June 30, 2013

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ <u>2,531</u>
Liabilities	
Accounts payable	\$ <u>-</u>
Net Position	
Reserved for scholarships	\$ <u>2,531</u>

Turkey Valley Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund

Year Ended June 30, 2013

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ <u>27</u>
Deductions	
Support services:	
Scholarships awarded	\$ <u>600</u>
Change in net position	\$ -573
Net position beginning of year	<u>3,104</u>
Net Position End of Year	<u>\$ 2,531</u>

Turkey Valley Community School District

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

Turkey Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territories and small rural communities in eastern Chickasaw, northwestern Fayette, southern Howard and southern Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

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 inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation 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 consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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

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

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

Fund 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.

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 other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

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

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

	<u>Amortized Cost</u>
Total	<u>\$ 521,907</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Due From and Due To Other Funds**

The details of inter-fund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise – School Nutrition	<u>\$ 850</u>

The Enterprise – School Nutrition owes the General Fund for unreimbursed salaries. The balance will be repaid by June 30, 2014.

(4) **Capital Assets**

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

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 31,046	\$ -	\$ -	\$ 31,046
Total capital assets not being depreciated	\$ 31,046	\$ -	\$ -	\$ 31,046
Capital assets being depreciated:				
Buildings	\$ 3,766,566	\$ 179,715	\$ -	\$ 3,946,281
Improvements other than buildings	214,493	12,315	-	226,808
Furniture and equipment	4,633,535	223,307	-	4,856,842
Total capital assets being depreciated	\$ 8,614,594	\$ 415,337	\$ -	\$ 9,029,931
Less accumulated depreciation for:				
Buildings	\$ 1,167,675	\$ 135,743	\$ -	\$ 1,303,418
Improvements other than buildings	67,942	9,778	-	77,720
Furniture and equipment	4,197,587	152,875	-	4,350,462
Total accumulated depreciation	\$ 5,433,204	\$ 298,396	\$ -	\$ 5,731,600
Total capital assets being depreciated, net	\$ 3,181,390	\$ 116,941	\$ -	\$ 3,298,331
Governmental Activities Capital Assets, Net	\$ 3,212,436	\$ 116,941	\$ -	\$ 3,329,377
Business type activities:				
Furniture and equipment	\$ 41,790	\$ 1,486	\$ 1,179	\$ 42,097
Less accumulated depreciation	19,527	3,508	1,179	21,856
Business Type Activities Capital Assets, Net	\$ 22,263	\$ -2,022	\$ -	\$ 20,241
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 199,214
Other				27,229
Support services:				
Administration				114
Operation and maintenance of plant				19,670
Transportation				52,169
Total Depreciation Expense – Governmental Activities				\$ 298,396
Business Type Activities:				
Food service operations				\$ 3,508

(5) **Long-term Liabilities**

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Early retirement	\$ 101,504	\$ -	\$ 38,474	\$ 63,030	\$ 29,776
Net OPEB liability	-306	29,353	-	29,047	-
	<u>\$ 101,198</u>	<u>\$ 29,353</u>	<u>\$ 38,474</u>	<u>\$ 92,077</u>	<u>\$ 29,776</u>

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and employees must have completed twenty years of continuous service to the District. Employees completed an application, which was required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2013 totaled \$38,474.

(6) **Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered payroll for the years ended June 30, 2013, 2012 and 2011. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$244,184, \$219,503, and \$203,816, respectively, equal to the required contributions for each year.

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

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 51 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 49,263
Interest on net OPEB obligation	-8
Adjustment to annual required contribution	32
Annual OPEB cost	<u>\$ 49,287</u>
Contributions made	<u>19,934</u>
Increase in net OPEB obligation	\$ 29,353
Net OPEB obligation beginning of year	<u>-306 *</u>
Net OPEB obligation end of year	<u>\$ 29,047</u>

*Negative means pre-paid liability.

For calculation of the net OPEB obligation, the actuary has set the transition day as June 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$383,347 to the medical plan. Plan members eligible for benefits contributed \$31,739 of the premium costs or 7.6%.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$37,203	104%	-\$1,489
June 30, 2011	\$38,217	105%	-\$5,106
June 30, 2012	\$40,021	80%	-\$306
June 30, 2013	\$49,263	40%	\$29,047

Funded Status and Funding Progress – As of June 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$295,592, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$295,592. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,272,182, and the ratio of the UAAL to covered payroll was 13.0%. As of June 30, 2013, there were no trust fund assets.

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

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

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

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$310.88 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(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 \$169,970 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.

(10) Categorical Funding

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

Program	Amount
Home School Assistance	\$ 1,714
Gifted and Talented Programs	21,111
Teacher Salary Supplement	275,772
Core Curriculum	699
Preschool	6,424
Total	\$ 305,720

(11) Subsequent Events

The District has evaluated subsequent events through February 25, 2014 which is the date that the financial statements were available to be issued.

(12) Prior Period Adjustment

The General Fund had a -\$545 prior period adjustment for over stated receivable recorded for 2012.

(13) Deficit Balance

The District's Enterprise, Preschool Fund had a negative, unrestricted net position balance of -\$37,892 at June 30, 2013.

Required Supplementary Information

Turkey Valley Community School District

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

Required Supplementary Information

Year Ended June 30, 2013

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>
Receipts:		
Local sources	\$ 3,664,665	\$ 192,665
Intermediate sources	-	-
State sources	2,012,026	1,907
Federal sources	248,172	81,674
Total Receipts	<u>\$ 5,924,863</u>	<u>\$ 276,246</u>
Disbursements:		
Instruction	\$ 3,465,197	\$ 41,713
Support services	1,672,634	-
Non-instructional programs	-	233,984
Other expenditures	411,305	-
Total Disbursements	<u>\$ 5,549,136</u>	<u>\$ 275,697</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	<u>\$ 375,727</u>	<u>\$ 549</u>
Balances beginning of year	\$ 2,266,344	\$ 94,775
Prior period adjustment	-545	-
Adjusted balances beginning of year	<u>\$ 2,265,799</u>	<u>\$ 94,775</u>
Balances End of Year	<u>\$ 2,641,526</u>	<u>\$ 95,324</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts	Final To Actual Variance
\$	3,857,330	\$ 3,974,928	\$ -117,598
	-	123,000	-123,000
	2,013,933	2,060,960	-47,027
	329,846	455,000	-125,154
\$	6,201,109	\$ 6,613,888	\$ -412,779
<hr/>			
\$	3,506,910	\$ 3,841,580	\$ 334,670
	1,672,634	1,791,770	119,136
	233,984	240,000	6,016
	411,305	527,988	116,683
\$	5,824,833	\$ 6,401,338	\$ 576,505
<hr/>			
\$	376,276	\$ 212,550	\$ 163,726
<hr/>			
\$	2,361,119	\$ 2,057,952	\$ 303,167
	-545	-	-545
<hr/>			
\$	2,360,574	\$ 2,057,952	\$ 302,622
<hr/>			
\$	2,736,850	\$ 2,270,502	\$ 466,348

Turkey Valley Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2013

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

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

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

Turkey Valley Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$455	\$455	0.0%	\$2,676	17%
2010	June 1, 2009	-	\$399	\$399	0.0%	\$2,784	14.3%
2011	June 1, 2009	-	\$364	\$364	0.0%	\$2,462	14.8%
2012	June 1, 2009	-	\$336	\$336	0.0%	\$2,992	12.6%
2013	June 1, 2012	-	\$296	\$296	0.0%	\$2,272	13.0%

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

Supplementary Information

Turkey Valley Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2013

	<u>Special Revenue</u>
	<u>Student Activity</u>
Assets	
Cash and pooled investments	\$ 224,737
Receivables:	
Accounts	<u>1,082</u>
Total Assets	<u>\$ 225,819</u>
Liabilities and Fund Balances	
Liabilities:	
Accounts payable	\$ 3,291
Total Liabilities	<u>\$ 3,291</u>
Fund Balances:	
Restricted for:	
Student activities	\$ 222,528
Total fund balances	<u>\$ 222,528</u>
Total Liabilities and Fund Balances	<u>\$ 225,819</u>

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2013

	Special Revenue
	Student Activity
Revenues:	
Local Sources:	
Other	\$ 257,291
Total Revenues	\$ 257,291
Expenditures:	
Current:	
Instruction:	
Other instruction	\$ 238,268
Total Expenditures	\$ 238,268
Excess (deficiency) of revenue over (under) expenditures	\$ 19,023
Fund balances beginning of year	\$ 203,505
Fund Balances End of Year	\$ 222,528

See accompanying independent auditor's report.

Turkey Valley Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash and pooled investments	\$ 524,193	\$ 212,376	\$ 736,569
Receivables:			
Property Tax:			
Delinquent	-	2,406	2,406
Succeeding year	-	177,039	177,039
Due from other governments	71,636	-	71,636
Total Assets	\$ 595,829	\$ 391,821	\$ 987,650
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 10,362	\$ -	\$ 10,362
Deferred revenue:			
Succeeding year property tax	-	177,039	177,039
Total Liabilities	\$ 10,362	\$ 177,039	\$ 187,401
Fund Balances:			
Restricted for:			
School infrastructure	\$ 585,467	\$ -	\$ 585,467
Physical plant and equipment	-	214,782	214,782
Total fund balances	\$ 585,467	\$ 214,782	\$ 800,249
Total Liabilities and Fund Balances	\$ 595,829	\$ 391,821	\$ 987,650

See accompanying independent auditor's report.

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local Sources:			
Local tax	\$ 318,163	\$ 170,101	\$ 488,264
Other	75,528	945	76,473
State sources	28,718	103	28,821
Total Revenues	<u>\$ 422,409</u>	<u>\$ 171,149</u>	<u>\$ 593,558</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 2,401	\$ 46,036	\$ 48,437
Support Services:			
Transportation service	34,404	83,451	117,855
Other Expenditures:			
Facilities acquisition	241,335	-	241,335
Total Expenditures	<u>\$ 278,140</u>	<u>\$ 129,487</u>	<u>\$ 407,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 144,269</u>	<u>\$ 41,662</u>	<u>\$ 185,931</u>
Fund balances beginning of year	<u>\$ 441,198</u>	<u>\$ 173,120</u>	<u>\$ 614,318</u>
Fund Balances End of Year	<u>\$ 585,467</u>	<u>\$ 214,782</u>	<u>\$ 800,249</u>

See accompanying independent auditor's report.

Turkey 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 and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Petty cash	\$ -8,924	\$ 25,018	\$ 26,930	\$ 17,342	\$ 6,506
General accounts	19,562	714	-	100	20,376
Materials for resale (resale)	19,708	4,098	1,919	-13,820	8,067
Athletics	97,025	133,103	122,564	2,997	110,561
School music groups (Fine Arts)	9,273	17,293	19,109	-2,844	4,613
School clubs (classes)	27,673	16,619	14,420	134	30,006
Other student activities (clubs)	39,188	60,446	53,326	-3,909	42,399
Total	\$ 203,505	\$ 257,291	\$ 238,268	\$ -	\$ 222,528

Turkey Valley Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
Revenues:				
Local Sources:				
Local tax	\$ 2,839,792	\$ 2,780,105	\$ 2,693,374	\$ 2,488,771
Tuition	269,876	316,284	315,171	267,580
Other	554,997	812,073	769,547	533,416
Intermediate sources	-	1,101	2,241	5,494
State sources	2,012,026	2,134,931	2,135,936	1,838,904
Federal sources	248,172	281,541	437,647	436,164
Total	\$ 5,924,863	\$ 6,326,035	\$ 6,353,916	\$ 5,570,329
Expenditures:				
Instruction:				
Regular instruction	\$ 2,181,398	\$ 2,250,878	\$ 2,228,528	\$ 2,299,165
Special instruction	634,576	581,821	635,574	638,381
Other instruction	649,223	720,396	671,070	627,431
Support services:				
Student services	219,558	230,277	197,287	184,449
Instructional staff services	134,283	122,214	126,857	134,429
Administration services	552,749	551,251	545,102	519,988
Operation and maintenance of plant services	400,698	418,998	401,388	397,110
Transportation services	365,346	325,099	244,892	315,515
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	241,335	448,509	340,103	193,657
Long-term debt:				
Principal	-	-	35,073	125,927
Interest and other charges	-	-	211	3,158
AEA flow-through	169,970	172,848	198,719	198,761
Total	\$ 5,549,136	\$ 5,822,291	\$ 5,624,804	\$ 5,637,971

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
\$ 2,379,007	\$ 2,245,185	\$ 2,284,801	\$ 1,841,014	\$ 1,745,603	1,969,085
354,181	300,172	276,491	279,544	273,768	236,100
430,812	449,689	397,752	686,953	608,742	239,177
-	26,149	32,849	30,789	43,048	18,517
2,350,109	2,369,384	2,392,953	2,321,536	2,356,429	2,278,572
277,176	75,968	133,742	131,944	65,365	138,912
<u>\$ 5,791,285</u>	<u>\$ 5,466,547</u>	<u>\$ 5,518,588</u>	<u>\$ 5,291,780</u>	<u>\$ 5,092,955</u>	<u>4,880,363</u>
\$ 2,237,723	\$ 2,256,909	\$ 2,462,001	\$ 2,222,574	\$ 2,116,665	2,208,594
613,753	474,371	401,676	413,974	476,850	533,625
599,412	556,330	559,421	590,696	585,332	370,072
175,525	127,405	112,758	160,743	155,344	150,408
174,950	102,524	52,301	106,291	107,817	121,326
470,865	530,167	562,666	527,835	458,538	541,578
472,150	435,928	382,882	351,085	476,565	360,838
285,884	378,865	241,569	386,655	216,797	259,647
-	-	3,089	1,650	24,553	769
703,054	310,862	112,810	149,259	64,531	460,228
-	70,320	138,520	133,499	130,185	116,469
-	597	4,196	8,623	12,492	14,731
184,893	181,309	179,715	175,642	175,918	179,687
<u>\$ 5,918,209</u>	<u>\$ 5,425,587</u>	<u>\$ 5,213,604</u>	<u>\$ 5,228,526</u>	<u>\$ 5,001,587</u>	<u>5,317,972</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**

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
Turkey Valley Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued my report thereon dated February 25, 2014.

Internal Control Over Financial Reporting

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

My 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 significant deficiencies or material weaknesses significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control I consider to be material weaknesses and significant deficiencies.

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

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

Compliance and Other Matters

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

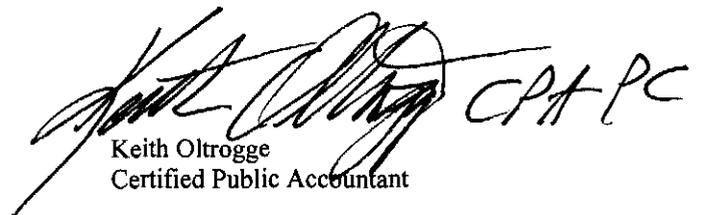
Turkey Valley Community School District's Responses to Findings

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

Purpose of this Report

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

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



Keith Oltrogge
Certified Public Accountant

February 25, 2014

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2013

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

I-B-13 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small Districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2013

Part II - Other Findings Related to Statutory Reporting:

- II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 did not exceeded the certified budget.
- II-B-13 Questionable Expenditures – No expenditures that 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 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 – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-13 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2013

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

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

II-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	441,198
Revenues/transfers in:			
Sales tax revenues	\$		318,163
Other local revenues			2,533
School infrastructure supplemental amount			28,718
Other - Donations			72,995
			422,409
		\$	863,607
Expenditures/transfer out:			
School infrastructure construction	\$		241,335
Equipment			34,404
Other			2,401
			278,140
Ending balance		\$	585,467

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$	-	\$ 346,881
Physical plant and equipment levy		-	114,297
Public educational and recreational levy		-	-

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2013

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

II-M-13 Financial Condition – I noted during my audit that the Enterprise, Preschool Fund had a deficit balance of -\$37,892.

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

Response – The District will continue to monitor and investigate alternatives to return the fund to a sound financial position.

Conclusion – Response accepted.