

EASTON VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		7-15
<b>Basic Financial Statements:</b>	<b><u>Exhibit</u></b>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-39
 <b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
 <b>Supplementary Information:</b>	 <b><u>Schedule</u></b>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	47
<i>Capital Projects Accounts:</i>		
Combining Balance Sheet	3	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50
<i>Fiduciary Fund Accounts:</i>		
Combining Statement of Net Position	6	51
Combining Statement of Changes in Fiduciary Net Position	7	52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	53
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 <u>Government Auditing Standards</u>		54-55
Schedule of Findings		56-61

**Easton Valley Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Craig Thines	President	2015
Lance Abernathy	Vice President	2015
Tom Feuerbach	Board Member	2017
Dick Keeney	Board Member	2017
Roger Kilburg	Board Member	2015
Jodi Meyer	Board Member	2017
Ron Regenwether	Board Member	2017
<b>School Officials</b>		
Robert Lagerblade	Superintendent	2014
Adam Crigger	Business Manager/Treasurer	2014
Linda Skoff	District Secretary	2014
Ahlers & Cooney, P.C.	Attorney	2014

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Easton Valley Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Easton Valley Community School District, Preston, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Easton Valley Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

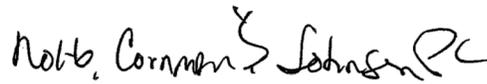
### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Easton Valley Community School District's basic financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report March 29, 2015, on our consideration of Easton Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Easton Valley Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2015  
Newton, IA



---

---

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

---

Easton 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because East Central Community School District and Preston Community School District were merged into the Easton Valley Community School District, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in depth to explaining the District's financial position and results of operations.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues were \$6,738,683 during fiscal year 2014, while General Fund expenditures were \$6,792,430. This resulted in a decrease in the District's General Fund balance from a restated July 1, 2013 balance of \$1,169,450 to a balance of \$1,115,703 at June 30, 2014, a 4.60% decrease.
- The District's solvency ratio was 11.29% at June 30, 2014.

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

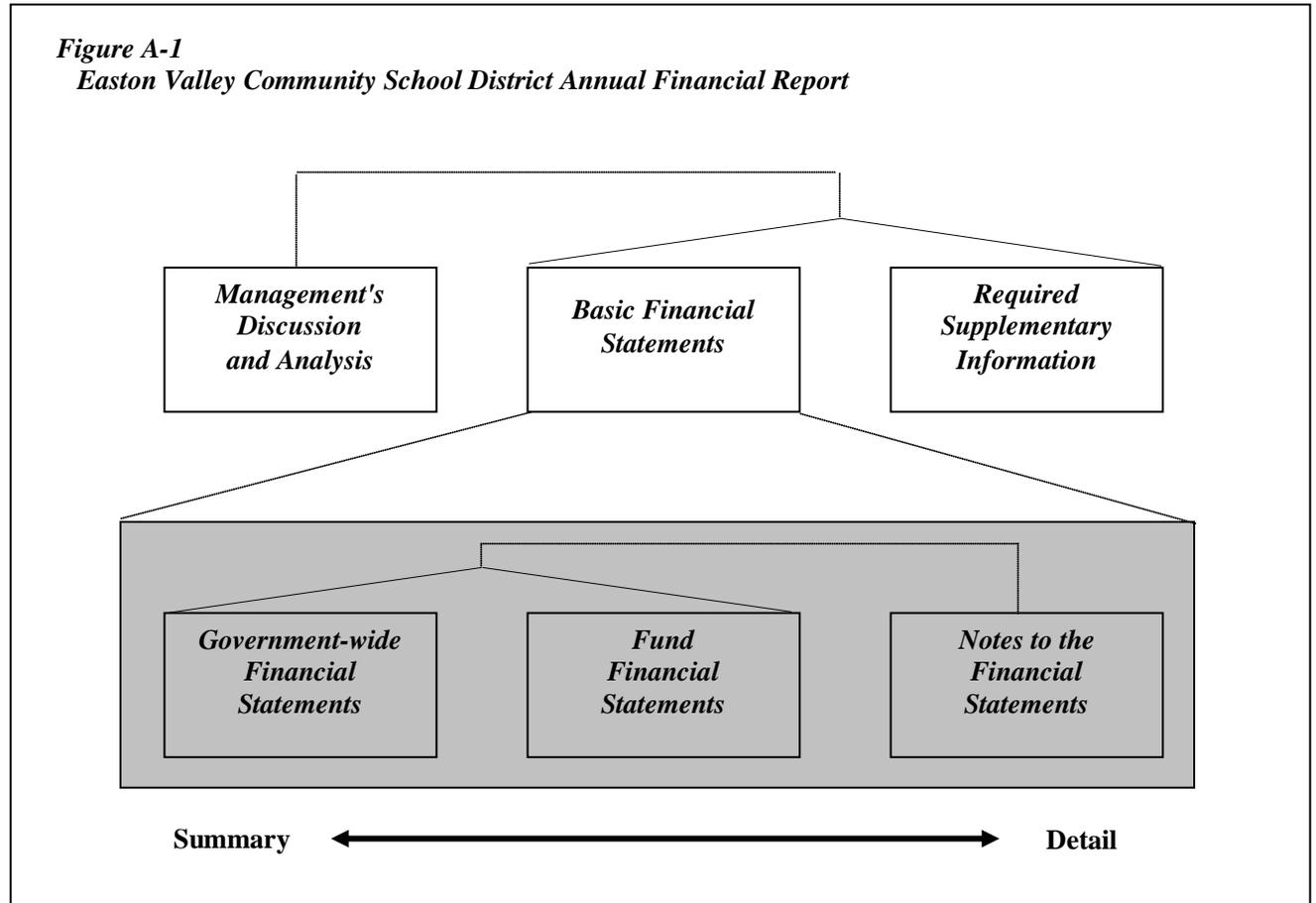
The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Easton Valley Community School District's operations in more detail than the government-wide statements by providing information about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

Notes to the 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 presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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



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

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

---

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and daycare 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 the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund. The District's Internal Service Fund, one type of proprietary fund, is the same as the governmental activities, but provides more detail and additional information, such as cash flows. The District currently has one Internal Service Fund accounting for employee flex benefits.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund and the Agency Fund.
  - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds - These are funds through which the District administers and accounts for certain outside organizations.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014.

Figure A-3 Condensed Statement of Net Position			
	Governmental Activities	Business Type Activities	Total District
	June 30, 2014	June 30, 2014	June 30, 2014
Current and other assets	\$ 6,894,086	140,603	7,034,689
Capital assets	1,431,801	8,492	1,440,293
Total assets	<u>8,325,887</u>	<u>149,095</u>	<u>8,474,982</u>
Long-term liabilities	91,374	581	91,955
Other liabilities	745,475	3,339	748,814
Total liabilities	<u>836,849</u>	<u>3,920</u>	<u>840,769</u>
Deferred inflows of resources	<u>2,841,819</u>	-	<u>2,841,819</u>
Net position:			
Net investment in capital assets	1,431,801	8,492	1,440,293
Restricted	2,551,375	-	2,551,375
Unrestricted	664,043	136,683	800,726
Total net position	<u>\$ 4,647,219</u>	<u>145,175</u>	<u>4,792,394</u>

The District's total net position at June 30, 2014 was \$4,792,394. A large portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position was \$2,551,375 at June 30, 2014.

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 - was \$800,726 at June 30, 2014.

*Figure A-4* shows the changes in net position for the year ended June 30, 2014.

	Figure A-4		
	Changes in Net Position		
	Governmental Activities	Business Type Activities	Total District
	2014	2014	2014
Revenues:			
Program revenues:			
Charges for service	\$ 282,389	126,600	408,989
Operating grants, contributions and restricted interest	484,124	119,527	603,651
Capital grants, contributions and restricted interest	26,405	-	26,405
General revenues:			
Property tax	2,448,143	-	2,448,143
Statewide sales, services and use tax	587,599	-	587,599
Unrestricted state grants	3,781,966	-	3,781,966
Unrestricted investment earnings	3,743	49	3,792
Other	230,618	753	231,371
Total revenues	<u>7,844,987</u>	<u>246,929</u>	<u>8,091,916</u>
Program expenses:			
Instructional	4,808,837	-	4,808,837
Support services	2,342,789	14,577	2,357,366
Non-instructional programs	-	226,183	226,183
Other expenses	356,077	-	356,077
Total expenses	<u>7,507,703</u>	<u>240,760</u>	<u>7,748,463</u>
Changes in net position	337,284	6,169	343,453
Net position beginning of year, as restated	<u>4,309,935</u>	<u>139,006</u>	<u>4,448,941</u>
Net position end of year	<u>\$ 4,647,219</u>	<u>145,175</u>	<u>4,792,394</u>

In fiscal year 2014, property tax, statewide sales, services and use tax and unrestricted state grants accounted for 86.91% of governmental activities revenue while charges for service and sales and operating grants and contributions and restricted interest accounted for 99.68% of business type activities revenue.

The District's total revenues were approximately \$8.09 million, of which approximately \$7.84 million was for governmental activities and approximately \$0.25 was for business type activities.

### **Governmental Activities**

Revenues for governmental activities were \$7,844,987 and expenses were \$7,507,703 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014.

Figure A-5			
Total and Net Cost of Governmental Activities			
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	
	2014	2014	
Instruction	\$ 4,808,837	4,320,754	
Support services	2,342,789	2,313,126	
Other expenses	356,077	80,905	
Totals	<u>\$ 7,507,703</u>	<u>6,714,785</u>	

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$282,389.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$510,529.
- The net cost of governmental activities was financed with \$2,448,143 in property tax, \$587,599 in statewide sales, services and use tax, \$3,781,966 in unrestricted state grants, \$3,743 in interest income and \$230,618 in other general revenues.

### **Business Type Activities**

Revenues of the District's business type activities were \$246,929 and expenses were \$240,760. The District's business type activities include the School Nutrition Fund and Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,301,264.

### **Governmental Fund Highlights**

- The District's General Fund balance decreased from a restated balance of \$1,169,450 at July 1, 2013 to \$1,115,703 at June 30, 2014.
- The Capital Projects Fund balance increased from a restated balance of \$1,516,559 at July 1, 2013 to \$1,697,929 at June 30, 2014. The Capital Projects: Statewide Sales, Services and Use Tax Fund increased from a restated balance of \$1,200,649 at July 1, 2013 to \$1,314,825 at June 30, 2014. The Capital Projects: Physical Plant and Equipment Levy Fund increased from a restated balance of \$315,910 at July 1, 2013 to \$383,104 at June 30, 2014.

### **Proprietary Fund Highlights**

The combined net position of the District's business type activities increased from a restated balance of \$139,006 at July 1, 2013 to \$145,175 at June 30, 2014, representing an increase of 4.44%. The Nutrition Fund balance increased from a restated balance of \$129,056 at July 1, 2013 to \$130,822 at June 30, 2014. The District's Day Care Fund increased from a restated balance of \$9,950 at July 1, 2013 to \$14,353 at June 30, 2014.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Easton Valley Community School District amended its budget one time to reflect additional expenditures in the support services functional area.

The District's revenues were \$19,365 less than budgeted revenues, a variance of 0.24%. The most significant variance resulted from the District receiving more in state source revenues than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested \$1,440,293, 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) More detailed information about capital assets is available in Notes 3 and 12 to the financial statements. Depreciation expense for the year was \$181,892.

The original cost of the District's capital assets was \$4,970,665. Governmental funds account for \$4,886,065 with the remainder of \$84,600 in the Proprietary, School Nutrition Fund.

Figure A-6			
Capital Assets, Net of Depreciation			
	Governmental Activities	Business Type Activities	Total District
	June 30, 2014	June 30, 2014	June 30, 2014
Land	\$ 18,297	-	18,297
Buildings	631,296	-	631,296
Land improvements	457,249	-	457,249
Machinery and equipment	324,959	8,492	333,451
Total	<u>\$ 1,431,801</u>	<u>8,492</u>	<u>1,440,293</u>

### Long-Term Debt

At June 30, 2014, the District had \$91,955 in termination benefits and other long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7			
Outstanding Long-Term Obligations			
	Governmental Activities	Business Type Activities	Total District
	June 30, 2014	June 30, 2014	June 30, 2014
Termination benefits	\$ 61,031	-	61,031
Net OPEB liability	30,343	581	30,924
Total	<u>\$ 91,374</u>	<u>581</u>	<u>91,955</u>

---

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Easton Valley Community School District still has ongoing litigation against it. Northeast Community School District has a lawsuit against Easton Valley claiming that Easton Valley was bound by a whole grade sharing contract that was entered into effect by the former East Central CSD and Northeast CSD. The District court sided with Easton Valley on a summary judgement trial however the Iowa Supreme Court reversed the decision. It is set to go back to District court September 15, 2015 to revisit all aspects of the case.

## **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 Adam Crigger, Business Manager, Easton Valley Community School District, 321 School Street, Preston, Iowa, 52069.



## **BASIC FINANCIAL STATEMENTS**

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 3,666,090	131,654	3,797,744
Receivables:			
Property tax:			
Delinquent	38,271	-	38,271
Succeeding year	2,841,819	-	2,841,819
Accounts	7,682	1,635	9,317
Due from other governments	340,224	-	340,224
Inventories	-	7,314	7,314
Capital assets, net of accumulated depreciation	1,431,801	8,492	1,440,293
<b>TOTAL ASSETS</b>	<b>8,325,887</b>	<b>149,095</b>	<b>8,474,982</b>
<b>LIABILITIES</b>			
Accounts payable	269,962	139	270,101
Salaries and benefits payable	475,513	3,200	478,713
Long-term liabilities:			
Portion due within one year:			
Termination benefits payable	30,516	-	30,516
Portion due after one year:			
Termination benefits payable	30,515	-	30,515
Net OPEB liability	30,343	581	30,924
<b>TOTAL LIABILITIES</b>	<b>836,849</b>	<b>3,920</b>	<b>840,769</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,841,819	-	2,841,819
<b>NET POSITION</b>			
Net investment in capital assets	1,431,801	8,492	1,440,293
Restricted for:			
Categorical funding	385,816	-	385,816
Debt service	6,028	-	6,028
Management levy purposes	256,005	-	256,005
Student activities	205,597	-	205,597
School infrastructure	1,314,825	-	1,314,825
Physical plant and equipment	383,104	-	383,104
Unrestricted	664,043	136,683	800,726
<b>TOTAL NET POSITION</b>	<b>\$ 4,647,219</b>	<b>145,175</b>	<b>4,792,394</b>

SEE NOTES TO FINANCIAL STATEMENTS

**EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating Grants, Charges for Service		Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		Contributions and Restricted Interest	Contributions and Restricted Interest				
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,029,181	25,457	46,838	-	(2,956,886)	-	(2,956,886)
Special	1,081,700	121,149	30,433	-	(930,118)	-	(930,118)
Other	697,956	135,783	128,423	-	(433,750)	-	(433,750)
	4,808,837	282,389	205,694	-	(4,320,754)	-	(4,320,754)
Support services:							
Student	177,892	-	1,902	-	(175,990)	-	(175,990)
Instructional staff	313,711	-	1,156	-	(312,555)	-	(312,555)
Administration	699,580	-	-	-	(699,580)	-	(699,580)
Operation and maintenance of plant	605,416	-	-	26,405	(579,011)	-	(579,011)
Transportation	546,190	-	200	-	(545,990)	-	(545,990)
	2,342,789	-	3,258	26,405	(2,313,126)	-	(2,313,126)
Other expenses:							
AEA flowthrough	275,172	-	275,172	-	-	-	-
Depreciation(unallocated)*	80,905	-	-	-	(80,905)	-	(80,905)
	356,077	-	275,172	-	(80,905)	-	(80,905)
Total governmental activities	7,507,703	282,389	484,124	26,405	(6,714,785)	-	(6,714,785)
Business type activities:							
Support services:							
Administration	311	311	-	-	-	-	-
Operation and maintenance of plant	14,266	14,266	-	-	-	-	-
	14,577	14,577	-	-	-	-	-
Non-instructional programs:							
Food service operations	218,683	100,120	119,527	-	-	964	964
Other enterprise operations	7,500	11,903	-	-	-	4,403	4,403
	226,183	112,023	119,527	-	-	5,367	5,367
Total business type activities	240,760	126,600	119,527	-	-	5,367	5,367
Total	\$ 7,748,463	408,989	603,651	26,405	(6,714,785)	5,367	(6,709,418)
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,380,949	-	2,380,949
Capital outlay					67,194	-	67,194
Statewide sales, services and use tax					587,599	-	587,599
Unrestricted state grants					3,781,966	-	3,781,966
Unrestricted investment earnings					3,743	49	3,792
Other					230,618	753	231,371
Total general revenues					7,052,069	802	7,052,871
Change in net position					337,284	6,169	343,453
Net position beginning of year, as restated					4,309,935	139,006	4,448,941
Net position end of year					\$ 4,647,219	145,175	4,792,394

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

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,704,980	1,473,758	481,824	3,660,562
Receivables:				
Property tax:				
Delinquent	34,869	1,050	2,352	38,271
Succeeding year	2,295,000	361,819	185,000	2,841,819
Accounts	4,226	-	3,456	7,682
Due from other governments	114,855	225,369	-	340,224
<b>TOTAL ASSETS</b>	<b>\$ 4,153,930</b>	<b>2,061,996</b>	<b>672,632</b>	<b>6,888,558</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 267,714	2,248	-	269,962
Salaries and benefits payable	475,513	-	-	475,513
Total liabilities	743,227	2,248	-	745,475
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,295,000	361,819	185,000	2,841,819
Fund balances:				
Restricted for:				
Categorical funding	385,816	-	-	385,816
Debt service	-	-	6,028	6,028
Management levy purposes	-	-	276,007	276,007
Student activities	-	-	205,597	205,597
School infrastructure	-	1,314,825	-	1,314,825
Physical plant and equipment	-	383,104	-	383,104
Unassigned	729,887	-	-	729,887
Total fund balances	1,115,703	1,697,929	487,632	3,301,264
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 4,153,930</b>	<b>2,061,996</b>	<b>672,632</b>	<b>6,888,558</b>

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$	3,301,264
<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.		1,431,801
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		5,528
Long-term liabilities, including termination benefits payable and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(91,374)</u>
<b>Net position of governmental activities(page 18)</b>	\$	<u><u>4,647,219</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,231,342	67,194	149,607	2,448,143
Tuition	143,093	-	-	143,093
Other	51,162	-	322,495	373,657
State sources	4,116,213	587,599	882	4,704,694
Federal sources	175,400	-	-	175,400
Total revenues	<u>6,717,210</u>	<u>654,793</u>	<u>472,984</u>	<u>7,844,987</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,170,021	-	25,566	3,195,587
Special	1,079,099	-	-	1,079,099
Other	378,630	-	317,263	695,893
	<u>4,627,750</u>	<u>-</u>	<u>342,829</u>	<u>4,970,579</u>
Support services:				
Student	176,437	-	-	176,437
Instructional staff	200,779	170,757	-	371,536
Administration	711,146	-	-	711,146
Operation and maintenance of plant	462,678	39,814	91,550	594,042
Transportation	338,468	144,984	15,339	498,791
	<u>1,889,508</u>	<u>355,555</u>	<u>106,889</u>	<u>2,351,952</u>
Capital outlay	-	117,868	-	117,868
Other expenditures:				
AEA flowthrough	275,172	-	-	275,172
Total expenditures	<u>6,792,430</u>	<u>473,423</u>	<u>449,718</u>	<u>7,715,571</u>
Excess(Deficiency) of revenues over(under) expenditures	(75,220)	181,370	23,266	129,416
Other financing sources:				
Sale of equipment	21,473	-	-	21,473
Change in fund balances	(53,747)	181,370	23,266	150,889
Fund balances beginning of year, as restated	<u>1,169,450</u>	<u>1,516,559</u>	<u>464,366</u>	<u>3,150,375</u>
Fund balances end of year	<u>\$ 1,115,703</u>	<u>1,697,929</u>	<u>487,632</u>	<u>3,301,264</u>

SEE NOTES TO FINANCIAL STATEMENTS

EASTON 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, 2014

<b>Change in fund balances - total governmental funds(page 22)</b>	\$	150,889
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
<p>Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay and depreciation expense in the current year are as follows:</p>		
Capital outlay	\$ 352,379	
Depreciation expense	<u>(179,916)</u>	172,463
<p>Net change in Internal Service Funds charged back against expenditures made for flex contributions at an entity-wide basis.</p>		
		(40)
<p>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.</p>		
Other postemployment benefits	(30,343)	
Termination benefits	<u>44,315</u>	<u>13,972</u>
<b>Change in net position of governmental activities(page 19)</b>	<b>\$</b>	<b><u>337,284</u></b>

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	Day Care	Total	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and pooled investments	\$ 117,301	14,353	131,654	5,528
Accounts receivable	1,635	-	1,635	-
Inventories	7,314	-	7,314	-
Total current assets	126,250	14,353	140,603	5,528
Noncurrent assets:				
Capital assets, net of accumulated depreciation	8,492	-	8,492	-
<b>TOTAL ASSETS</b>	134,742	14,353	149,095	5,528
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	139	-	139	-
Salaries and benefits payable	3,200	-	3,200	-
Total current liabilities	3,339	-	3,339	-
Noncurrent liabilities				
Net OPEB liability	581	-	581	-
<b>TOTAL LIABILITIES</b>	3,920	-	3,920	-
<b>NET POSITION</b>				
Net investment in capital assets	8,492	-	8,492	-
Unrestricted	122,330	14,353	136,683	5,528
<b>TOTAL NET POSITION</b>	\$ 130,822	14,353	145,175	5,528

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Daycare	Total	
<b>OPERATING REVENUES:</b>				
Local sources:				
Charges for service	\$ 114,697	11,903	126,600	-
Miscellaneous	753	-	753	-
<b>TOTAL OPERATING REVENUES</b>	<b>115,450</b>	<b>11,903</b>	<b>127,353</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>				
Support services:				
Administration:				
Services	-	-	-	41
Other	311	-	311	-
	311	-	311	41
Operation and maintenance of plant:				
Salaries	4,824	-	4,824	-
Benefits	2,735	-	2,735	-
Services	1,790	-	1,790	-
Supplies	4,917	-	4,917	-
	14,266	-	14,266	-
Total support services	14,577	-	14,577	41
Non-instructional programs:				
Food service operations:				
Salaries	81,919	-	81,919	-
Benefits	20,203	-	20,203	-
Services	199	-	199	-
Supplies	114,386	-	114,386	-
Depreciation	1,976	-	1,976	-
	218,683	-	218,683	-
Other enterprise operations:				
Salaries	-	6,433	6,433	-
Benefits	-	1,067	1,067	-
	-	7,500	7,500	-
Total non-instructional programs	218,683	7,500	226,183	-
<b>TOTAL OPERATING EXPENSES</b>	<b>233,260</b>	<b>7,500</b>	<b>240,760</b>	<b>41</b>
<b>OPERATING INCOME(LOSS)</b>	<b>(117,810)</b>	<b>4,403</b>	<b>(113,407)</b>	<b>(41)</b>
<b>NON-OPERATING REVENUES:</b>				
State sources	2,333	-	2,333	-
Federal sources	117,194	-	117,194	-
Interest income	49	-	49	1
<b>TOTAL NON-OPERATING REVENUES</b>	<b>119,576</b>	<b>-</b>	<b>119,576</b>	<b>1</b>
Change in net position	1,766	4,403	6,169	(40)
Net position beginning of year, as restated	129,056	9,950	139,006	5,568
Net position end of year	\$ 130,822	14,353	145,175	5,528

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	Day Care	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 114,456	-	114,456	-
Cash received from miscellaneous	753	11,903	12,656	-
Cash payments to employees for services	(108,855)	(7,500)	(116,355)	(41)
Cash payments to suppliers for goods or services	(105,051)	-	(105,051)	-
Net cash provided by(used in) operating activities	(98,697)	4,403	(94,294)	(41)
Cash flows from non-capital financing activities:				
State grants received	2,333	-	2,333	-
Federal grants received	98,574	-	98,574	-
Net cash provided by non-capital financing activities	100,907	-	100,907	-
Cash flows from investing activities:				
Interest on investments	49	-	49	1
Net increase(decrease) in cash and cash equivalents	2,259	4,403	6,662	(40)
Cash and cash equivalents beginning of year	115,042	9,950	124,992	5,568
Cash and cash equivalents end of year	\$ 117,301	14,353	131,654	5,528
<b>Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:</b>				
Operating income(loss)	\$ (117,810)	4,403	(113,407)	(41)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	18,620	-	18,620	-
Depreciation	1,976	-	1,976	-
Increase in inventories	(2,207)	-	(2,207)	-
Increase in accounts receivable	(241)	-	(241)	-
Increase in accounts payable	139	-	139	-
Increase in salaries and benefits payable	1,662	-	1,662	-
Decrease in other postemployment benefits	(836)	-	(836)	-
Net cash provided by(used in) operating activities	\$ (98,697)	4,403	(94,294)	(41)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2014, the District received \$18,620 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
<b>ASSETS</b>		
Cash and pooled investments	\$ 187,915	849
<b>LIABILITIES</b>		
Due to other groups	-	849
<b>NET POSITION</b>		
Restricted for scholarships	<u>\$ 187,915</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 132,170
Interest income	460
Total additions	<u>132,630</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>5,400</u>
Change in net position	127,230
Net position beginning of year, as restated	<u>60,685</u>
Net position end of year	<u>\$ 187,915</u>

SEE NOTES TO FINANCIAL STATEMENTS

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

The Easton Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Miles and Sabula, Iowa, and the predominate agricultural territory in Clinton and Jackson 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, Easton Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Easton Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clinton and Jackson Counties Assessors' Conference Board.

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following non-major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for day to day daycare operations offered by the District. The Internal Service Fund is used to account for the employee flex benefits.

The District also reports a fiduciary fund which focuses on net position and changes in net position.

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating 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, Deferred Inflows of Resources and Fund Balances**

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, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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.

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

Deferred inflows of resources 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.

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

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

Unassigned - All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

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

**Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2014 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 and the Treasurer of the State of Iowa; 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, 2014 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$73,136 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust were rated AAA by Standard & Poor's Financial Services.

**Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Restated Beginning Balance	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,297	-	-	18,297
Total capital assets not being depreciated	18,297	-	-	18,297
Capital assets being depreciated:				
Buildings	2,895,113	34,979	-	2,930,092
Land improvements	831,979	-	-	831,979
Machinery and equipment	1,460,615	317,400	672,318	1,105,697
Total capital assets being depreciated	5,187,707	352,379	672,318	4,867,768
Less accumulated depreciation for:				
Buildings	2,256,369	42,427	-	2,298,796
Land improvements	336,252	38,478	-	374,730
Machinery and equipment	1,354,045	99,011	672,318	780,738
Total accumulated depreciation	3,946,666	179,916	672,318	3,454,264
Total capital assets being depreciated, net	1,241,041	172,463	-	1,413,504
Governmental activities capital assets, net	\$ 1,259,338	172,463	-	1,431,801

	Restated Beginning Balance	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 84,600	-	-	84,600
Less accumulated depreciation	74,132	1,976	-	76,108
Business type activities capital assets, net	<u>\$ 10,468</u>	<u>(1,976)</u>	<u>-</u>	<u>8,492</u>

Depreciation expense was charged to the following functions:

**Governmental activities:**

Instruction:

Regular	\$ 35,925
Other	792

Support services:

Student	450
Instructional staff	11,445
Administration	2,292
Operation and maintenance of plant	745
Transportation	<u>47,362</u>
	99,011

Unallocated depreciation	<u>80,905</u>
--------------------------	---------------

Total depreciation expense - governmental activities	<u>\$ 179,916</u>
--	-------------------

**Business type activities:**

Food service operations	<u>\$ 1,976</u>
-------------------------	-----------------

**Note 4. Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Restated Beginning Balance	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Termination benefits	\$ 105,346	-	44,315	61,031	30,516
Net OPEB liability	-	30,343	-	30,343	-
Total	<u>\$ 105,346</u>	<u>30,343</u>	<u>44,315</u>	<u>91,374</u>	<u>30,516</u>
<b>Business type activities:</b>					
Net OPEB liability	<u>\$ -</u>	<u>581</u>	<u>-</u>	<u>581</u>	<u>-</u>

**Termination Benefits**

During fiscal year 2013, the East Central Community School District approved a voluntary early retirement plan for employees. Now that East Central Community School District and the Preston Community School District have merged the terms of the early retirement plan become the liability of the Easton Valley Community School District.

The plan was only offered to employees through April 2013. Eligible employees must have completed at least ten years of continuous service to the District. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal one-half of the employee's regular annual salary in effect during the employee's last year of employment. The policy requires benefits to be paid in six bi-annual installments over the next three years beginning January 1, 2014 with the final payment to be made by May 1, 2016.

At June 30, 2014, the District had obligations to six participants on this plan with a total liability of \$61,031. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$44,315.

**Note 5. 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the year ended June 30, 2014 was \$270,907.

**Note 6. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 55 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 36,596
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>36,596</u>
Contributions made	<u>5,672</u>
Increase in net OPEB obligation	30,924
Net OPEB obligation beginning of year, as restated	-
Net OPEB obligation end of year	<u><u>\$ 30,924</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2013. 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, 2014.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 36,596	15.5%	\$ 30,924

**Funded Status and Funding Progress** - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$267,122, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$267,122. The covered payroll (annual payroll of active employees covered by the plan) was \$2,398,069, and the ratio of the UAAL to covered payroll was 11.1%. As of June 30, 2014 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 event far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 July 1, 2013 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 7. Risk Management**

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

**Note 8. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$275,172 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## **Note 9. Operating Leases**

During fiscal year 2012, the Preston Community School District entered into operating leases with DeLage Landen Public Finance for four buses. Annual lease payments from the Capital Projects: Statewide Sales, Services and Use Tax Fund are \$41,686 and \$14,741. One lease contract extends through August of 2014 and the second lease contract extends through December of 2014. Now that East Central Community School District and the Preston Community School District have merged the terms of the lease agreements are the obligation of the Easton Valley Community School District.

## **Note 10. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2014, is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented	\$ 41,989
Returning Dropouts and Dropout Prevention Programs	111,656
Beginning Teacher Mentoring and Induction Program	860
Teacher Salary Supplement	112,414
Market Factor	4,857
Professional Development for Model Core Curriculum	35,348
Professional Development	50,991
Market Factor Incentives	3,010
Successful Progression for Early Readers	17,200
Teacher Leadership Grants	7,491
Total	<u>\$ 385,816</u>

## **Note 11. Restatement of Easton Valley Community School District Beginning Balances**

Effective July 1, 2013, the East Central Community School District and the Preston Community School District merged to form a new district, Easton Valley Community School District. The following shows the ending fund balances for each district at June 30, 2013 combined to become the restated July 1, 2013 beginning fund balances for Easton Valley Community School District:

	<u>Ending Balance</u>	<u>Ending Balance</u>	<u>Capital</u>	<u>Restated</u>
	<u>June 30, 2013</u>	<u>June 30, 2013</u>	<u>Asset</u>	<u>Beginning Balances</u>
	<u>East Central CSD</u>	<u>Preston CSD</u>	<u>Appraisal</u>	<u>July 1, 2013</u>
			<u>Adjustment</u>	<u>Easton Valley CSD</u>
<b>Governmental Funds:</b>				
<i>Governmental Activities:</i>				
General Fund	\$ (125,459)	1,294,909	-	1,169,450
Student Activity Fund	44,349	152,988	-	197,337
Management Fund	123,486	137,515	-	261,001
Capital Projects: Statewide Sales, Service and Use Tax Fund	551,114	649,535	-	1,200,649
Capital Projects: Physical Plant & Equipment Levy Fund	67,110	248,800	-	315,910
Debt Service Fund	-	6,028	-	6,028
<b>Total Governmental Funds</b>	<u>\$ 660,600</u>	<u>2,489,775</u>	<u>-</u>	<u>3,150,375</u>
<b>Proprietary Funds:</b>				
<i>Governmental Activities:</i>				
Internal Service Fund	\$ 790	4,778	-	5,568
<i>Business Type Activities:</i>				
Nutrition Fund	63,943	78,407	(13,294)	129,056
Child Care Fund	9,950	-	-	9,950
Total business type activities	73,893	78,407	(13,294)	139,006
<b>Total Proprietary Funds</b>	<u>\$ 74,683</u>	<u>83,185</u>	<u>(13,294)</u>	<u>144,574</u>
<b>Fiduciary Funds:</b>				
Private Purpose Trust Fund	\$ 42,300	18,385	-	60,685
Agency Fund	-	849	-	849
<b>Total Fiduciary Funds</b>	<u>\$ 42,300</u>	<u>19,234</u>	<u>-</u>	<u>61,534</u>

After the merger of the two districts, Easton Valley Community School District had an appraisal of the district's capital assets completed. Major changes were to the purchase price of assets and accumulated depreciation due to assets in prior years not being removed from the capital assets listing. The following shows the ending capital assets balances for each district at June 30, 2013 combined to become the July 1, 2013 beginning asset balances for Easton Valley Community School District as well as the adjustments made to the purchase price and accumulated depreciation from the appraisal to arrive to the restated beginning balances for Easton Valley Community School District:

	Ending Balance June 30, 2013 East Central CSD	Ending Balance June 30, 2013 Preston CSD	Combined Balances July 1, 2013 Easton Valley CSD	Appraisal Changes	Restated Beginning Balances July 1, 2013 Easton Valley CSD
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 6,827	11,470	18,297	-	18,297
Total capital assets not being depreciated	6,827	11,470	18,297	-	18,297
Capital assets being depreciated:					
Buildings	1,417,148	1,934,062	3,351,210	(456,097)	2,895,113
Land improvements	659,794	272,160	931,954	(99,975)	831,979
Machinery and equipment	2,144,394	1,479,822	3,624,216	(2,163,601)	1,460,615
Total capital assets being depreciated	4,221,336	3,686,044	7,907,380	(2,719,673)	5,187,707
Less accumulated depreciation for:					
Buildings	1,007,965	1,367,939	2,375,904	(119,535)	2,256,369
Land improvements	410,081	130,682	540,763	(204,511)	336,252
Machinery and equipment	1,992,555	1,367,229	3,359,784	(2,005,739)	1,354,045
Total accumulated depreciation	3,410,601	2,865,850	6,276,451	(2,329,785)	3,946,666
Total capital assets being depreciated, net	810,735	820,194	1,630,929	(389,888)	1,241,041
Governmental activities capital assets, net	\$ 817,562	831,664	1,649,226	(389,888)	1,259,338
<b>Business type activities:</b>					
Machinery and equipment	\$ 50,917	75,478	126,395	(41,795)	84,600
Less accumulated depreciation	34,055	68,579	102,634	(28,501)	74,132
Business type activities capital assets, net	\$ 16,862	6,899	23,761	(13,294)	10,468

As a result of the merger of the two districts and the capital asset restatement, the net position reported at the beginning of the year for the governmental activities is summarized as follows:

	Combined Fund Balances June 30, 2013 as Previously Reported	Capital Assets, Net of Accumulated Depreciation	Blending of Internal Service Fund	Long-term Liabilities*	Net Position, as Restated
<b>Combination of Governmental Activities:</b>					
Net position, June 30, 2013					
East Central	\$ 660,600	817,562	790	(105,346)	1,373,606
Preston	2,489,775	831,664	4,778	-	3,326,217
Appraisal adjustments, net	-	(389,888)	-	-	(389,888)
<b>Net position, July 1, 2013, as restated</b>	<b>\$ 3,150,375</b>	<b>1,259,338</b>	<b>5,568</b>	<b>(105,346)</b>	<b>4,309,935</b>

\* The June 30, 2013 net OPEB liability of \$85,271 for East Central CSD and the June 30, 2013 net OPEB liability of \$51,660 for Preston CSD have been removed from the the restated long-term liabilities of Easton Valley CSD. Easton Valley CSD is a new entity, therefore the beginning net OPEB liability balance would be \$0.

As a result of the merger of the two districts and the capital asset restatement, the net position reported at the beginning of the year for the business type activities is summarized as follows:

	<u>Fund Balances</u> June 30, 2013 as Previously Reported
<b>Combination of Business Type Activities:</b>	
Net position, June 30, 2013	
East Central	\$ 73,893
Preston	78,407
Appraisal adjustments, net	(13,294)
<b>Net position, July 1, 2013, as restated</b>	<u>\$ 139,006</u>

**Note 12. Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Management</u> Levy	<u>Unassigned/ Unrestricted</u>
<b>Fund balance (Exhibit C)</b>	\$ 276,007	729,887
Termination benefits	(20,002)	(41,029)
Internal service fund	-	5,528
Net OPEB liability	-	(30,343)
<b>Net position (Exhibit A)</b>	<u>\$ 256,005</u>	<u>664,043</u>

**Note 13. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.



**REQUIRED SUPPLEMENTARY INFORMATION**

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES,  
 EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,964,893	127,402	3,092,295	3,755,875	3,755,875	(663,580)
Intermediate sources	-	-	-	400	400	(400)
State sources	4,704,694	2,333	4,707,027	3,995,006	3,995,006	712,021
Federal sources	175,400	117,194	292,594	360,000	360,000	(67,406)
Total revenues	<u>7,844,987</u>	<u>246,929</u>	<u>8,091,916</u>	<u>8,111,281</u>	<u>8,111,281</u>	<u>(19,365)</u>
Expenditures/Expenses:						
Instruction	4,970,579	-	4,970,579	5,321,314	5,321,314	350,735
Support services	2,351,952	14,577	2,366,529	2,169,208	2,445,211	78,682
Non-instructional programs	-	226,183	226,183	272,000	272,000	45,817
Other expenditures	393,040	-	393,040	647,059	647,059	254,019
Total expenditures/expenses	<u>7,715,571</u>	<u>240,760</u>	<u>7,956,331</u>	<u>8,409,581</u>	<u>8,685,584</u>	<u>729,253</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	129,416	6,169	135,585	(298,300)	(574,303)	709,888
Other financing sources, net	<u>21,473</u>	-	<u>21,473</u>	-	-	<u>21,473</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	150,889	6,169	157,058	(298,300)	(574,303)	731,361
Balances beginning of year, as restated	<u>3,150,375</u>	<u>139,006</u>	<u>3,289,381</u>	<u>3,280,932</u>	<u>3,280,932</u>	<u>8,449</u>
Balances end of year	<u>\$ 3,301,264</u>	<u>145,175</u>	<u>3,446,439</u>	<u>2,982,632</u>	<u>2,706,629</u>	<u>739,810</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2014

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 comparison 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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$276,003.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

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)
2014	July 1, 2013	-	\$ 267,122	\$ 267,122	0.0%	\$ 2,398,069	11.1%

See Note 6 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**

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
<b>ASSETS</b>					
Cash and pooled investments	\$ 273,655	202,141	475,796	6,028	481,824
Receivables:					
Property tax:					
Delinquent	2,352	-	2,352	-	2,352
Succeeding year	185,000	-	185,000	-	185,000
Accounts	-	3,456	3,456	-	3,456
<b>TOTAL ASSETS</b>	<b>\$ 461,007</b>	<b>205,597</b>	<b>666,604</b>	<b>6,028</b>	<b>672,632</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities	\$ -	-	-	-	-
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	185,000	-	185,000	-	185,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	6,028	6,028
Management levy purposes	276,007	-	276,007	-	276,007
Student activities	-	205,597	205,597	-	205,597
Total fund balances	276,007	205,597	481,604	6,028	487,632
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 461,007</b>	<b>205,597</b>	<b>666,604</b>	<b>6,028</b>	<b>672,632</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 149,607	-	149,607	-	149,607
Other	15,146	307,349	322,495	-	322,495
State sources	882	-	882	-	882
Total revenues	165,635	307,349	472,984	-	472,984
Expenditures:					
Current:					
Instruction:					
Regular	25,566	-	25,566	-	25,566
Other	18,174	299,089	317,263	-	317,263
Support services:					
Operation and maintenance of plant	91,550	-	91,550	-	91,550
Transportation	15,339	-	15,339	-	15,339
Total expenditures	150,629	299,089	449,718	-	449,718
Excess of revenues over expenditures	15,006	8,260	23,266	-	23,266
Fund balances beginning of year, as restated	261,001	197,337	458,338	6,028	464,366
Fund balances end of year	\$ 276,007	205,597	481,604	6,028	487,632

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,091,704	382,054	1,473,758
Receivables:			
Property tax:			
Delinquent	-	1,050	1,050
Succeeding year	-	361,819	361,819
Due from other governments	225,369	-	225,369
<b>TOTAL ASSETS</b>	<b>\$ 1,317,073</b>	<b>744,923</b>	<b>2,061,996</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities	\$ 2,248	-	2,248
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	361,819	361,819
Fund balances:			
Restricted for:			
School infrastructure	1,314,825	-	1,314,825
Physical plant and equipment	-	383,104	383,104
Total fund balances	1,314,825	383,104	1,697,929
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,317,073</b>	<b>744,923</b>	<b>2,061,996</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	67,194	67,194
State sources	587,599	-	587,599
Total revenues	587,599	67,194	654,793
Expenditures:			
Current:			
Support services:			
Instructional staff	170,757	-	170,757
Operation and maintenance of plant	39,814	-	39,814
Transportation	144,984	-	144,984
Capital outlay	117,868	-	117,868
Total expenditures	473,423	-	473,423
Excess of revenues over expenditures	114,176	67,194	181,370
Fund balances beginning of year, as restated	1,200,649	315,910	1,516,559
Fund balances end of year	\$ 1,314,825	383,104	1,697,929

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 5,353	274	-	5,627
Drama - Thesbians	5,565	3,052	3,098	5,519
Dance club	336	-	-	336
Band, chorus, instrumental	620	10	277	353
PPAB	19,446	30,595	20,065	29,976
Co-ed athletics	25,380	67,345	91,940	785
Athletic wear	4,940	-	-	4,940
Track	857	2,059	768	2,148
Boys basketball	1,964	23,307	20,792	4,479
Football	4,509	3,473	1,703	6,279
Baseball	6,143	1,060	1,854	5,349
Girls basketball	3,041	4,800	1,827	6,014
Volleyball	1,062	9,461	9,045	1,478
Softball	6,925	47	150	6,822
Golf	54	-	-	54
FBLA	2,117	-	-	2,117
Cheerleaders	300	720	-	1,020
Athletic boosters	57,633	103,187	101,819	59,001
SES	284	-	200	84
FCCLA	78	-	-	78
FFA	5,953	28,260	13,866	20,347
Spanish club	1,708	-	-	1,708
Class of 2014	981	140	995	126
Class of 2015	2,550	11,025	11,473	2,102
Class of 2016	1,276	2,150	1,828	1,598
Class of 2017	-	6,559	4,203	2,356
National honor society	270	284	383	171
JH student council	8,284	6,848	6,833	8,299
Student council	2,586	1,978	1,984	2,580
Student activity	18,578	715	3,429	15,864
Speech and drama	3,196	-	557	2,639
Project graduation	4,349	-	-	4,349
Student of the month	132	-	-	132
Career day	261	-	-	261
German	380	-	-	380
Stand chapter	226	-	-	226
Total	<u>\$ 197,337</u>	<u>307,349</u>	<u>299,089</u>	<u>205,597</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund								
	Wendell Scholarship	Carstensen Scholarship	Edwin Black Scholarship	Johnson/Faur Scholarship	Nelson Scholarship	Wiese Scholarship	Wosoba Scholarship	School Sponsored Scholarship	Total
<b>ASSETS</b>									
Cash and pooled investments	\$ 128,836	11,292	4,207	26,153	6,261	1,900	6,907	2,359	187,915
<b>LIABILITIES</b>									
	-	-	-	-	-	-	-	-	-
<b>NET POSITION</b>									
Restricted for scholarships	\$ 128,836	11,292	4,207	26,153	6,261	1,900	6,907	2,359	187,915

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF  
 CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND, PRIVATE PURPOSE TRUST  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund								Total
	Wendell Scholarship	Carstensen Scholarship	Edwin Black Scholarship	Johnson/Faur Scholarship	Nelson Scholarship	Wiese Scholarship	Wosoba Scholarship	School Sponsored Scholarship	
Additions:									
Local sources:									
Gifts and contributions	\$ 128,836	-	-	-	600	-	901	1,833	132,170
Interest income	-	38	2	265	71	10	74	-	460
Total additions	128,836	38	2	265	671	10	975	1,833	132,630
Deductions:									
Instruction:									
Regular:									
Scholarships awarded	-	200	600	500	1,200	-	1,300	1,600	5,400
Change in net position	128,836	(162)	(598)	(235)	(529)	10	(325)	233	126,997
Net position beginning of year, as restated	-	11,454	4,805	26,388	6,790	1,890	7,232	2,126	60,685
Net position end of year	\$ 128,836	11,292	4,207	26,153	6,261	1,900	6,907	2,359	187,915

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis
	Years Ended June 30,
	2014
Revenues:	
Local sources:	
Local tax	\$ 2,448,143
Tuition	143,093
Other	373,657
State sources	4,704,694
Federal sources	175,400
Total	\$ 7,844,987
Expenditures:	
Current:	
Instruction:	
Regular	\$ 3,195,587
Special	1,079,099
Other	695,893
Support services:	
Student	176,437
Instructional staff	371,536
Administration	711,146
Operation and maintenance of plant	594,042
Transportation	498,791
Capital outlay	117,868
Other expenditures:	
AEA flow-through	275,172
Total	\$ 7,715,571

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

**To the Board of Education of the Easton Valley Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Easton Valley Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2015.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 and I-C-14 to be significant deficiencies.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 29, 2015  
Newton, IA

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

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

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - The District will review internal control procedures and will find ways to improve with the limited staff on hand.

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit that the District does not use a purchase order system in the Student Activity Fund. The District uses undated and unapproved check requisitions in place of purchase orders. This practice does not provide assurance that purchases are approved by administration before purchases are made from vendors.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who

approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchasing process should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the actual purchase takes place.

Response - The District's Activities Director will work on implementing a purchase order system for the Student Activity Fund.

Conclusion - Response accepted.

I-C-14 Negative Lunch Account Balances - We noted during our audit that the Nutrition Fund is carrying numerous excessive negative student lunch account balances on the books.

Recommendation - The District should review their procedures and policies regarding negative student lunch account balances and implement practices designed to prevent account balances from becoming negative. Additionally, the District should try various collection techniques to collect the outstanding balances from the families.

Response - The District will continue to pursue collecting negative lunch balances and follow procedures to prevent accounts from becoming an excessive amount.

Conclusion - Response accepted.

#### **OTHER MATTERS:**

I-D-14 Student Activity Fund - We noted during our audit that interest earned within the Student Activity Fund during the year was not allocated to individual Student Activity Fund accounts.

Recommendation - Interest received in the Student Activity Fund should be allocated amongst the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

Response - The District will break out interest in the Student Activity Fund to the various sub accounts.

Conclusion - Response accepted.

EASTON VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 did not exceed budgeted amounts.

II-B-14 Questionable Disbursements - We noted during our audit that the District purchased gift cards from the Student Activity Fund to give to students as incentive prizes for positive behavior. We also noted that the District purchased gift cards from the General Fund to give to employees for years of service being employed by the District. Giving gift cards for these purposes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - The District will not purchase gift cards in the future.

Conclusion - Response accepted.

II-C-14 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.

However, we noted during our audit that the District was providing a \$1,500 per year travel benefit for an employee as an unaccountable plan according to IRS Publication 15-B. The District was subsequently paying this benefit through the District's accounts payable system where the benefit was not being subjected to applicable taxation.

Recommendation - The District should report the amount of the stipend paid to this employee for travel as additional compensation on the employee's W-2. The District should review IRS publication 15B with regard to taxable benefits.

Response - The District will amend its practice to be in compliance with IRS publications.

Conclusion - Response accepted.

II-D-14 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kathy Meier, Secretary Husband owns Comfort Heating and Cooling	Services	\$301

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted the following:

**District Depositories:** We noted in the District’s board minutes that the official depositories were disclosed, however the maximum limits at each of the depositories were not disclosed.

According to Chapter 12C.2 of the Code of Iowa, “the approval of a financial institution as a depository of public funds for a public body shall be by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved, and specify the maximum amount that may be kept on deposit in each depository.

Recommendation - The District should review Chapter 12C.2 of the Code of Iowa. Each financial institution that holds District deposits should be approved with a maximum depository amount by the Board of Directors and noted in the board minutes annually to be in compliance with Chapter 12C.2 of the Code of Iowa.

Response - The District will have the Board of Education adopt depository amounts in the future.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy.

II-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-14 Categorical Funding - We noted during our audit that when making adjustments to clear warnings for the District’s CAR upload for teacher salary supplement, the District inadvertently completed journal entries in excess of actual expenditures. The result of this oversight caused the ending restricted balance to be lower than actual at June 30, 2014. The following shows the adjustment that needs to be made by the District:

	Restricted Balance on District's CAR	Amount of Expense Adjustment	Audited Ending Restricted Balance
Teacher Salary Supplement	\$ 105,658	\$ 6,756	\$ 112,414

Recommendation - The District should contact the Iowa Department of Education regarding corrective action required.

Response - The District will contact the Department of Education to correct this matter.

Conclusion - Response accepted.

- II-L-14 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, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning balance, as restated		\$	1,200,649
Sales tax revenues			<u>587,599</u>
			1,788,248
Expenditures/transfer out:			
School infrastructure construction	\$	271,628	
Equipment		<u>201,795</u>	<u>473,423</u>
Ending balance		\$	<u><u>1,314,825</u></u>

For the year ended June 30, 2014 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District's Activities Director will collect non-certified staff timesheets in the future.

Conclusion - Response accepted.

- II-N-14 Payroll Authorization - We noted during our audit, the District does not maintain the written authorization to mail employees' payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

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

Response - The District will maintain letters of authorization to mail employee paychecks.

Conclusion - Response accepted.

II-O-14 Supporting Documentation - We noted during our audit that five disbursements checked during audit testing had no invoices or documentation of the purchase other than the check that was written for the purchase.

Recommendation - Chapter 291.6 of the code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. The District should review purchasing procedures and obtain invoices to match with paid disbursements.

Response - The District will double check procedures for filing so that all supporting documentation stays with the check stubs.

Conclusion - Response accepted.