

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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**Nodaway Valley Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Clint Hight	President	2013
Roger Jensen	Vice President	2013
Ron Baudler	Board Member	2013
Danelle Cooney	Board Member	2015
Amy DeVault	Board Member	2015
<b>(After September 2013 Election)</b>		
Roger Jensen	President	2017
Amy DeVault	Vice President	2015
Danelle Cooney	Board Member	2015
Jamie Campbell	Board Member	2017
Tyson Sickles	Board Member	2017
<b>School Officials</b>		
Casey Berlau	Superintendent	2014
Sharon Cox	District Secretary/ Business Manager	2014
Sandra Stewart	Board Treasurer	2014
Rick Engel	Attorney	2014
Ahler's Law Firm	Attorney	2014

**Nodaway Valley Community School District**

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Nodaway 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 Nodaway Valley Community School District, Greenfield, 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 Nodaway 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.

## **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 16 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 Nodaway Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for six years ended June 30, 2010 (which are not presented herein) and expressed an unmodified opinions on those financial statements. Supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2015 on our consideration of Nodaway 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 Nodaway Valley Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 12, 2015  
Newton, Iowa

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

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Nodaway 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.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$7,423,675 in fiscal year 2013 to \$7,527,924 in fiscal year 2014, while General Fund expenditures increased from \$7,141,299 in fiscal year 2013 to \$7,151,800 in fiscal year 2014. The increase in revenues was more than enough to offset the increase in expenditures causing the General Fund balance to increase 38.38% from \$980,031 at June 30, 2013 to \$1,356,155 at June 30, 2014.
- The increase in General Fund revenues was attributable to an increase in local tax revenues sources received compared to the prior year. The increase in expenditures was due to increases in the support services functional area compared to the prior year.

### **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 Nodaway 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 Nodaway 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 Nodaway Valley Community School District acts solely as an agent or custodial for the benefit of those outside of the School 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 as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

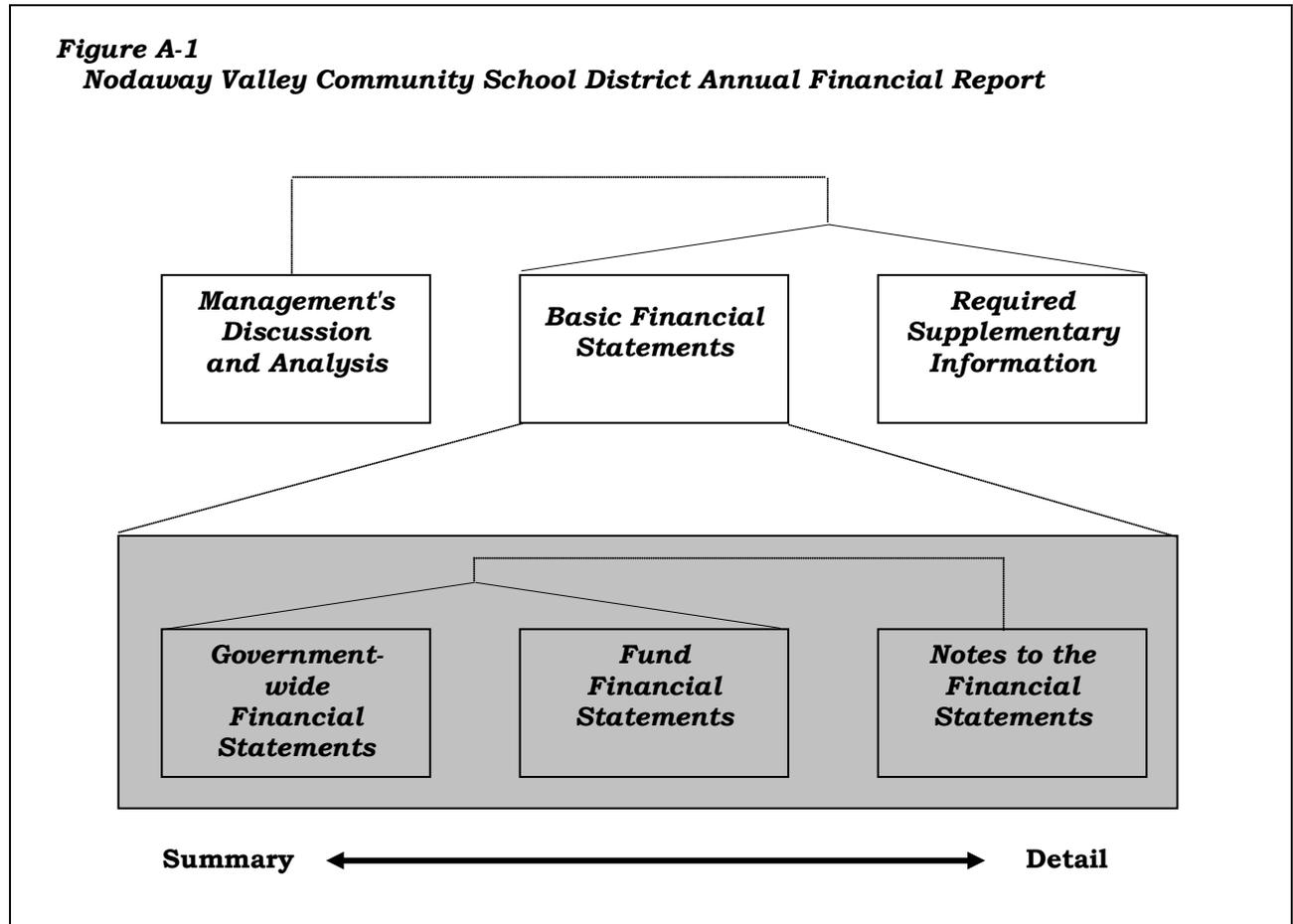


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 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
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.

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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 position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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's Enterprise Fund is the School Nutrition Fund.

The District's internal service fund (another type of proprietary fund) is the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund: the Flexible Spending Plan.

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 fund*: The District serves as the trustee, or fiduciary, for assets that belong to others. This fund includes the Private-Purpose Trust Fund.

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

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

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

Reconciliations between the government-wide financial statements and the 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 total net position at June 30, 2014 compared to June 30, 2013.

Figure A-3								
Condensed Statement of Net Position								
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
	June 30,		June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013	2013-14	
Current and other assets	\$ 6,998,386	6,877,439	54,484	57,618	7,052,870	6,935,057	1.70%	
Capital assets	6,588,154	6,845,146	28,091	32,778	6,616,245	6,877,924	-3.80%	
Total assets	13,586,540	13,722,585	82,575	90,396	13,669,115	13,812,981	-1.04%	
Long-term liabilities	1,278,011	2,013,366	1,719	1,354	1,279,730	2,014,720	-36.48%	
Other liabilities	704,326	1,165,661	5,944	6,043	710,270	1,171,704	-39.38%	
Total liabilities	1,982,337	3,179,027	7,663	7,397	1,990,000	3,186,424	-37.55%	
Deferred inflows of resources	3,496,967	3,169,560	-	-	3,496,967	3,169,560	10.33%	
Net position:								
Net investment in capital assets	5,563,154	5,195,146	28,091	32,778	5,591,245	5,227,924	6.95%	
Restricted	1,407,565	1,657,044	-	-	1,407,565	1,657,044	-15.06%	
Unrestricted	1,136,517	521,808	46,821	50,221	1,183,338	572,029	106.87%	
Total net position	\$ 8,107,236	7,373,998	74,912	82,999	8,182,148	7,456,997	9.72%	

The District's combined net position increased by 9.72%, or \$725,151 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position 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 decreased 15.06% or \$249,479 from the prior year. This decrease in restricted net position is primarily the result of the decrease in the fund balances of the Management Levy Fund and Capital Projects: Statewide Sales, Services, and Use Tax Fund during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately 106.87% or \$611,309. The increase in unrestricted net position is primarily the result of the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 370,188	463,618	170,929	178,983	541,117	642,601	-15.79%
Operating grants, contributions and restricted interest	589,985	667,421	223,645	201,547	813,630	868,968	-6.37%
General revenues:							
Property tax	3,467,059	3,334,812	-	-	3,467,059	3,334,812	3.97%
Income surtax	296,800	256,768	-	-	296,800	256,768	15.59%
Statewide sales, service and use tax	590,162	640,248	-	-	590,162	640,248	-7.82%
Unrestricted state grants	3,350,625	3,349,459	-	-	3,350,625	3,349,459	0.03%
Unrestricted investment earnings	4,333	3,756	65	94	4,398	3,850	14.23%
Other	36,776	101,218	1,152	-	37,928	101,218	-62.53%
Total revenues	<u>8,705,928</u>	<u>8,817,300</u>	<u>395,791</u>	<u>380,624</u>	<u>9,101,719</u>	<u>9,197,924</u>	<u>-1.05%</u>
Program expenses:							
Instruction	4,925,942	5,045,019	-	-	4,925,942	5,045,019	-2.36%
Support services	2,478,937	2,446,214	1,439	3,689	2,480,376	2,449,903	1.24%
Non-instructional programs	1,401	4,173	402,439	400,803	403,840	404,976	-0.28%
Other expenses	568,436	579,901	-	-	568,436	579,901	-1.98%
Total expenses	<u>7,974,716</u>	<u>8,075,307</u>	<u>403,878</u>	<u>404,492</u>	<u>8,378,594</u>	<u>8,479,799</u>	<u>-1.19%</u>
Excess(Deficiency) of revenues over(under) expenses	731,212	741,993	(8,087)	(23,868)	723,125	718,125	0.70%
Transfers	2,026	-	-	-	2,026	-	100.00%
Change in net position	733,238	741,993	(8,087)	(23,868)	725,151	718,125	-0.98%
Net position beginning of year	<u>7,373,998</u>	<u>6,632,005</u>	<u>82,999</u>	<u>106,867</u>	<u>7,456,997</u>	<u>6,738,872</u>	<u>-10.66%</u>
Net position end of year	<u>\$ 8,107,236</u>	<u>7,373,998</u>	<u>74,912</u>	<u>82,999</u>	<u>8,182,148</u>	<u>7,456,997</u>	<u>9.72%</u>

In fiscal year 2014, local tax (property tax, income surtax and statewide sales and services tax), and unrestricted state grants account for 88.50% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.69% of the revenue from business type activities.

The District's total revenues were approximately \$9.10 million of which approximately \$8.71 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 1.05% in revenues and a 1.19% decrease in expenses. The decrease in revenues is primarily due to a decrease in charges for service revenues compared to the previous year while the decrease in expenditures is primarily due to a decrease in expenditures incurred in the instruction functional area.

### Governmental Activities

Revenues for governmental activities were \$8,705,928 and expenses were \$7,974,716 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, non-instructional and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 4,925,942	5,045,019	-2.36%	4,272,340	4,198,597	1.76%
Support services	2,478,937	2,446,214	1.34%	2,434,307	2,414,960	0.80%
Non-instructional	1,401	4,173	-66.43%	1,401	4,173	-66.43%
Other expenses	568,436	579,901	-1.98%	306,495	326,538	-6.14%
Totals	<u>\$ 7,974,716</u>	<u>8,075,307</u>	<u>-1.25%</u>	<u>7,014,543</u>	<u>6,944,268</u>	<u>1.01%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$370,188
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$589,985.
- The net cost of governmental activities was financed with \$3,467,059 in property tax, \$296,800 in income surtax, \$590,162 in statewide sales, services and use tax, \$3,350,625 in unrestricted state grants, \$4,333 in interest income and \$36,776 in other general revenues.

### Business-Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$395,791 representing a 3.98% increase over the prior year, while expenses totaled \$403,878 a 0.15% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Nodaway 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 \$2,562,155, above last year's ending fund balances of \$2,322,318. The primary reason for the increase in combined fund balances was an increase in the fund balance of the General Fund.

### **Governmental Fund Highlights**

- The fluctuation in the District's General Fund financial position is the product of many factors. The District's General Fund balance increased from \$980,031 at June 30, 2013, to \$1,356,155 at June 30, 2014. Total revenues increased primarily due to an increase in local tax revenue received compared to the prior year. Total expenditures also increased during fiscal year 2014, but this increase was not enough to offset the increase in revenues ensuring and increase in ending fund balance.
- The Capital Projects Fund balance decreased from \$1,087,403 at June 30, 2013 to \$1,005,500 at June 30, 2014. A decrease in total revenues received compared to the prior year coupled with an increase in expenditures used for the early repayment of the District's 2008 revenue bond issuance were the primary factors for the decrease in ending fund balance.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from \$82,999 at June 30, 2013 to \$74,912 at June 30, 2014, representing a decrease of 9.74%. The primary reason for this decrease in ending net position was a decrease in charges for service revenue received compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$166,372 less than budgeted revenues, a variance of 1.80%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the District exceeded its General Fund unspent authorized budget for the year ended June 30, 2014.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2014, the District had invested \$6,616,245, 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 Note 4 to the financial statements. Depreciation expense for the year was \$372,946.

The original cost of the District's capital assets was \$11,932,133. Governmental funds account for \$11,730,366, with the remainder of \$201,767 accounted for in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The amount reported for the District's machinery and equipment at June 30, 2013 was \$640,716 as compared to \$587,921 at June 30, 2014. This decrease is attributable to annual depreciation expense incurred during the year.

Figure A-6  
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 56,788	56,788	-	-	56,788	56,788	0.00%
Buildings	5,333,449	5,491,654	-	-	5,333,449	5,491,654	-2.88%
Land improvements	638,087	688,766	-	-	638,087	688,766	-7.36%
Machinery and equipment	559,830	607,938	28,091	32,778	587,921	640,716	-8.24%
Total	\$ 6,588,154	6,845,146	28,091	32,778	6,616,245	6,877,924	-3.80%

### Long-Term Debt

At June 30, 2014, the District had \$1,279,730 in general obligation and other long-term debt outstanding. This represents a decrease of 36.48% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds of \$480,000 at June 30, 2014 payable from the Debt Service Fund.

The District had total outstanding Revenue Bonds of \$545,000 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had a computer loan payable of \$99,876 at June 30, 2014 payable from the General Fund.

The District had net OPEB liability of \$154,854 at June 30, 2014. \$153,135 of this total is attributable to the District's governmental type activities while the remaining \$1,719 is attributable to the District's business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 480,000	615,000	-	-	480,000	615,000	-21.95%
Revenue bonds	545,000	1,035,000	-	-	545,000	1,035,000	-47.34%
Computer loan	99,876	196,346	-	-	99,876	196,346	-49.13%
Termination benefits	-	46,374	-	-	-	46,374	-100.00%
Net OPEB liability	153,135	120,646	1,719	1,354	154,854	122,000	26.93%
Total	\$ 1,278,011	2,013,366	1,719	1,354	1,279,730	2,014,720	-36.48%

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## **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:

- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment decreased by 16 students. The District's October 2013 enrollment increased by 5 students.
- The District has been able to complete infrastructure repairs and replacement due to the Local Option Sales and Services/Statewide tax.
- The Board renewed the Instructional Support Levy for five years on October 10, 2011.
- The District will continue replacement of buses through a lease program. The Physical Plant and Equipment Levy will be used to pay for the buses.
- Grants are being sought to help with educational improvements in the District.
- The District continued to offer early retirement to help with personnel reductions. Early retirement incentives are paid from the Management Fund.
- Union negotiated agreements for salaries, increased health insurance, fuel costs, and utility costs need to be monitored as they have an impact on District finances.
- The requirements of the Affordable Health Care Act will impact the District's employee benefit costs. Offering health coverage to more employees will be an added expenditure to the District.

## **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 Sharon Cox, District Secretary, Nodaway Valley Community School District, 410 NW Second Street, Greenfield, Iowa, 50849. Phone 641-743-6127

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,924,111	37,344	2,961,455
Receivables:			
Property tax:			
Delinquent	59,836	-	59,836
Succeeding year	3,496,967	-	3,496,967
Income surtax	248,261	-	248,261
Accounts	13,762	-	13,762
Due from other governments	255,449	-	255,449
Inventories	-	17,140	17,140
Capital assets, net of accumulated depreciation	6,588,154	28,091	6,616,245
<b>TOTAL ASSETS</b>	<b>13,586,540</b>	<b>82,575</b>	<b>13,669,115</b>
<b>LIABILITIES</b>			
Accounts payable	151,250	-	151,250
Salaries and benefits payable	539,753	-	539,753
Accrued interest payable	13,323	-	13,323
Unearned revenue	-	5,944	5,944
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	130,000	-	130,000
Revenue bonds payable	125,000	-	125,000
Computer loan payable	99,876	-	99,876
Portion due after one year:			
General obligation bonds payable	350,000	-	350,000
Revenue bonds payable	420,000	-	420,000
Net OPEB liability	153,135	1,719	154,854
<b>TOTAL LIABILITIES</b>	<b>1,982,337</b>	<b>7,663</b>	<b>1,990,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	3,496,967	-	3,496,967
<b>NET POSITION</b>			
Net investment in capital assets	5,563,154	28,091	5,591,245
Restricted for:			
Categorical funding	210,418	-	210,418
Management levy	107,036	-	107,036
Student activities	84,611	-	84,611
School infrastructure	938,134	-	938,134
Physical plant and equipment levy	67,366	-	67,366
Unrestricted	1,136,517	46,821	1,183,338
<b>TOTAL NET POSITION</b>	<b>\$ 8,107,236</b>	<b>74,912</b>	<b>8,182,148</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,602,329	170,225	37,496	(2,394,608)	-	(2,394,608)
Special	1,032,096	15,300	51,554	(965,242)	-	(965,242)
Other	1,291,517	184,663	194,364	(912,490)	-	(912,490)
	<u>4,925,942</u>	<u>370,188</u>	<u>283,414</u>	<u>(4,272,340)</u>	<u>-</u>	<u>(4,272,340)</u>
Support services:						
Student	106,328	-	12,507	(93,821)	-	(93,821)
Instructional staff	319,049	-	29,456	(289,593)	-	(289,593)
Administration	761,388	-	170	(761,218)	-	(761,218)
Operation and maintenance of plant	785,051	-	-	(785,051)	-	(785,051)
Transportation	507,121	-	2,497	(504,624)	-	(504,624)
	<u>2,478,937</u>	<u>-</u>	<u>44,630</u>	<u>(2,434,307)</u>	<u>-</u>	<u>(2,434,307)</u>
Non-instructional programs:						
Food service operations	1,401	-	-	(1,401)	-	(1,401)
Long-term debt interest	48,112	-	-	(48,112)	-	(48,112)
Other expenses:						
AEA flowthrough	261,941	-	261,941	-	-	-
Depreciation(unallocated)*	258,383	-	-	(258,383)	-	(258,383)
	<u>520,324</u>	<u>-</u>	<u>261,941</u>	<u>(258,383)</u>	<u>-</u>	<u>(258,383)</u>
Total governmental activities	<u>7,974,716</u>	<u>370,188</u>	<u>589,985</u>	<u>(7,014,543)</u>	<u>-</u>	<u>(7,014,543)</u>
Business type activities:						
Support services:						
Administration	450	-	-	-	(450)	(450)
Operation and maintenance of plant	989	-	-	-	(989)	(989)
Total support services	<u>1,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,439)</u>	<u>(1,439)</u>
Non-instructional programs:						
Nutrition services	402,439	170,929	223,645	-	(7,865)	(7,865)
Total business type activities	<u>403,878</u>	<u>170,929</u>	<u>223,645</u>	<u>-</u>	<u>(9,304)</u>	<u>(9,304)</u>
Total	<u>\$ 8,378,594</u>	<u>541,117</u>	<u>813,630</u>	<u>(7,014,543)</u>	<u>(9,304)</u>	<u>(7,023,847)</u>
<b>General Revenues &amp; Transfers:</b>						
Property tax levied for:						
General purposes				\$ 3,238,199	-	3,238,199
Capital outlay				79,670	-	79,670
Debt service				149,190	-	149,190
Income surtax				296,800	-	296,800
Statewide sales, services and use tax				590,162	-	590,162
Unrestricted state grants				3,350,625	-	3,350,625
Unrestricted investment earnings				4,333	65	4,398
Other				36,776	1,152	37,928
Transfers				2,026	-	2,026
Total general revenues & transfers				<u>7,747,781</u>	<u>1,217</u>	<u>7,748,998</u>
Change in net position				733,238	(8,087)	725,151
Net position beginning of year				<u>7,373,998</u>	<u>82,999</u>	<u>7,456,997</u>
Net position end of year				<u>\$ 8,107,236</u>	<u>74,912</u>	<u>8,182,148</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Capital			
	General	Projects	Nonmajor	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,851,042	883,104	189,965	2,924,111
Receivables:				
Property tax:				
Delinquent	53,232	1,331	5,273	59,836
Succeeding year	2,961,931	83,561	451,475	3,496,967
Income surtax	248,261	-	-	248,261
Accounts	316	-	13,446	13,762
Due from other governments	133,684	121,765	-	255,449
<b>TOTAL ASSETS</b>	<b>\$ 5,248,466</b>	<b>1,089,761</b>	<b>660,159</b>	<b>6,998,386</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 142,366	700	8,184	151,250
Salaries and benefits payable	539,753	-	-	539,753
Total liabilities	682,119	700	8,184	691,003
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,961,931	83,561	451,475	3,496,967
Income surtax	248,261	-	-	248,261
Total deferred inflows of resources	3,210,192	83,561	451,475	3,745,228
Fund balances:				
Restricted for:				
Categorical funding	210,418	-	-	210,418
Debt service	-	-	8,853	8,853
Management levy purposes	-	-	107,036	107,036
Student activities	-	-	84,611	84,611
School infrastructure	-	938,134	-	938,134
Physical plant and equipment	-	67,366	-	67,366
Unassigned	1,145,737	-	-	1,145,737
Total fund balances	1,356,155	1,005,500	200,500	2,562,155
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,248,466</b>	<b>1,089,761</b>	<b>660,159</b>	<b>6,998,386</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY 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>	\$	2,562,155
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,588,154
Accounts receivable income surtax, are not yet available to finance expenditures of the current year and, therefore, are recognized as a deferred inflows of resources in the governmental funds.		248,261
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(13,323)
Long-term liabilities, including bonds payable, computer loan payable and other postemployment benefits payable, are not pnot due and payable in the current period and therefore, are not reported in the governmental funds.		<u>(1,278,011)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>8,107,236</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY 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	\$ 3,377,549	79,670	299,232	3,756,451
Tuition	140,360	-	-	140,360
Other	120,256	1,364	206,221	327,841
State sources	3,701,610	590,202	145	4,291,957
Federal sources	181,911	-	-	181,911
Total revenues	<u>7,521,686</u>	<u>671,236</u>	<u>505,598</u>	<u>8,698,520</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,530,503	2,353	62,976	2,595,832
Special	1,023,089	-	5,603	1,028,692
Other	1,088,788	-	207,043	1,295,831
	<u>4,642,380</u>	<u>2,353</u>	<u>275,622</u>	<u>4,920,355</u>
Support services:				
Student	128,768	-	1,401	130,169
Instructional staff	270,023	40,604	3,269	313,896
Administration	786,683	-	17,370	804,053
Operation and maintenance of plant	580,239	70,941	92,510	743,690
Transportation	379,258	54,530	18,772	452,560
	<u>2,144,971</u>	<u>166,075</u>	<u>133,322</u>	<u>2,444,368</u>
Non-instructional programs:				
Food service operations	-	-	1,401	1,401
Capital outlay	-	57,156	-	57,156
Long-term debt:				
Principal	-	-	721,470	721,470
Interest & fiscal charges	-	-	57,768	57,768
	<u>-</u>	<u>-</u>	<u>779,238</u>	<u>779,238</u>
Other expenditures:				
AEA flowthrough	261,941	-	-	261,941
Total expenditures	<u>7,049,292</u>	<u>225,584</u>	<u>1,189,583</u>	<u>8,464,459</u>
Excess(Deficiency) of revenues over(under) expenditures	472,394	445,652	(683,985)	234,061
Other financing sources(uses):				
Transfer in	2,488	-	630,063	632,551
Transfer out	(102,508)	(527,555)	(462)	(630,525)
Sale of equipment	3,750	-	-	3,750
Total other financing sources(uses)	<u>(96,270)</u>	<u>(527,555)</u>	<u>629,601</u>	<u>5,776</u>
Change in fund balances	376,124	(81,903)	(54,384)	239,837
Fund balances beginning of year	980,031	1,087,403	254,884	2,322,318
Fund balances end of year	<u>\$ 1,356,155</u>	<u>1,005,500</u>	<u>200,500</u>	<u>2,562,155</u>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY 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

**Change in fund balances - total governmental funds (page 22)** \$ 239,837

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

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

Capital outlays	\$ 117,410	
Depreciation expense	(368,259)	
Loss on asset disposal	<u>(6,143)</u>	(256,992)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 9,656

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 721,470

Net change in Internal Service Funds charged back against expenditures made for the flex benefit program at an entity-wide basis. (2,026)

Income surtax accounts receivable is not available to finance expenditures of the current year period and therefore, is recognized as a deferred inflow of resources in the governmental funds. 7,408

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.

Other postemployment benefits	\$ (32,489)	
Termination benefits	<u>46,374</u>	<u>13,885</u>

**Change in net position of governmental activities (page 19)** \$ 733,238

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2014

		Business Type Activities: Enterprise Fund School Nutrition
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$	37,344
Inventories		17,140
Total current assets		54,484
Non-current assets:		
Capital assets, net of accumulated depreciation		28,091
<b>TOTAL ASSETS</b>		<b>82,575</b>
<b>LIABILITIES</b>		
Current liabilities:		
Unearned revenue		5,944
Non-current liabilities:		
Net OPEB liability		1,719
<b>TOTAL LIABILITIES</b>		<b>7,663</b>
<b>NET POSITION</b>		
Net investment in capital assets		28,091
Unrestricted		46,821
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>74,912</b>

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY 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 Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 170,929	-
Miscellaneous	1,152	-
Total operating revenues	<u>172,081</u>	<u>-</u>
Operating expenses:		
Support services:		
Administration:		
Services	450	-
Operation and maintenance of plant:		
Services	811	-
Supplies	178	-
	<u>1,439</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	144,643	-
Benefits	30,858	-
Services	191	-
Supplies	222,060	-
Depreciation	4,687	-
	<u>402,439</u>	<u>-</u>
Total operating expenses	<u>403,878</u>	<u>-</u>
Operating loss	(231,797)	-
Non-operating revenues:		
State sources	3,713	-
Federal sources	219,932	-
Interest income	65	-
Total non-operating revenues	<u>223,710</u>	<u>-</u>
Change in net assets before other financing uses	(8,087)	-
Other financing uses:		
Transfer out	-	(2,026)
Change in net position	(8,087)	(2,026)
Net position beginning of year	<u>82,999</u>	<u>2,026</u>
Net position end of year	<u>\$ 74,912</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from charges for services	\$ 171,005	-
Cash received from miscellaneous operating activities	1,152	-
Cash payments to employees for services	(175,236)	-
Cash payments to suppliers for goods or services	(201,295)	-
Net cash used in operating activities	<u>(204,374)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
Transfer out to General Fund	-	(2,026)
State grants received	3,713	-
Federal grants received	195,800	-
Net cash provided by non-capital financing activities	<u>199,513</u>	<u>(2,026)</u>
Cash flows from investing activities:		
Interest on investment	65	-
Net decrease in cash and cash equivalents	(4,796)	(2,026)
Cash and cash equivalents beginning of year	42,140	2,026
Cash and cash equivalents end of year	<u>\$ 37,344</u>	<u>-</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (231,797)	-
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	24,132	-
Depreciation	4,687	-
Increase in inventories	(1,662)	-
Decrease in accounts payable	(75)	-
Decrease in salaries and benefits payable	(100)	-
Increase in unearned revenues	76	-
Increase in other postemployment benefits	365	-
Net cash used in operating activities	<u>\$ (204,374)</u>	<u>-</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$24,132.

SEE NOTES TO FINANCIAL STATEMENTS.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	<u>\$ 1,500</u>
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u><u>\$ 1,500</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$          1,500</u>
Deductions:	<u>                          -</u>
Change in net position	1,500
Net position beginning of year	<u>                          -</u>
Net position end of year	<u><u>\$          1,500</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**(1) Summary of Significant Accounting Policies**

The Nodaway Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Greenfield, Bridgewater, and Fontanelle, Iowa and the predominately agricultural territory in a portion of Adair and Madison Counties. The District is governed by 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, Nodaway 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 Nodaway 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 Adair and Madison County Assessors' Conference Board.

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three 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. Unspent bond proceeds are added to invested in capital assets, net of related debt.

*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 that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District also reports two non-major proprietary funds:

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

The Internal Service Fund is used to account for the self-funded employee health insurance plan of the District and the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

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

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

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

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

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

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

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

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

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis 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, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

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	200,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	10-20 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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 receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on 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. During the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$502,379 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 102,508
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	527,555
General	Internal Service	2,026
General	Activity	462
Total		<u>\$ 632,551</u>

The transfer from Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bonded indebtedness.

The transfer from the General Fund to the Debt Service Fund was needed for payment of principal and interest on the District's computer loan indebtedness.

The transfer from the Internal Service Fund to the General Fund was needed to close the Internal Service Fund.

The transfer from the Activity Fund to the General Fund was needed to close the pop and juice account per auditor recommendation from the prior year audit report.

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 56,788	-	-	56,788
Total capital assets not being depreciated	56,788	-	-	56,788
Capital assets being depreciated:				
Buildings	8,902,917	49,500	-	8,952,417
Land improvements	1,157,703	-	-	1,157,703
Machinery and equipment	1,626,907	67,910	131,359	1,563,458
Total capital assets being depreciated	11,687,527	117,410	131,359	11,673,578
Less accumulated depreciation for:				
Buildings	3,411,263	207,705	-	3,618,968
Land improvements	468,937	50,679	-	519,616
Machinery and equipment	1,018,969	109,875	125,216	1,003,628
Total accumulated depreciation	4,899,169	368,259	125,216	5,142,212
Total capital assets being depreciated, net	6,788,358	(250,849)	6,143	6,531,366
Governmental activities capital assets, net	\$ 6,845,146	(250,849)	6,143	6,588,154

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 201,767	-	-	201,767
Less accumulated depreciation	168,989	4,687	-	173,676
Business type activities capital assets, net	\$ 32,778	(4,687)	-	28,091

Depreciation expense was charged by the District as follows:

**Governmental activities:**

Instruction:			
Regular		\$	3,308
Other			7,312
Support services:			
Instructional staff			3,954
Administration			12,148
Operation and maintenance of plant			31,090
Transportation			52,064
			<u>109,876</u>
Unallocated depreciation			<u>258,383</u>
		\$	<u>368,259</u>

**Business type activities:**

Food service operations		\$	<u>4,687</u>
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**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 615,000	-	135,000	480,000	130,000
Revenue bonds	1,035,000	-	490,000	545,000	125,000
Computer loan	196,346	-	96,470	99,876	99,876
Termination benefits	46,374	-	46,374	-	-
Net OPEB liability	120,646	32,489	-	153,135	-
Total	\$ 2,013,366	32,489	767,844	1,278,011	354,876
<b>Business type activities:</b>					
Net OPEB liability	\$ 1,354	365	-	1,719	-

**General Obligation Bonds Payable**

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Dated April 1, 2011			
	Interest Rate	Principal	Interest	Total
2015	2.00 %	\$ 130,000	10,975	140,975
2016	2.00	125,000	8,375	133,375
2017	2.50	125,000	5,875	130,875
2018	2.75	100,000	2,750	102,750
Total		<u>\$ 480,000</u>	<u>27,975</u>	<u>507,975</u>

**Revenue Bonds Payable**

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of 2009 Series B			
	Interest Rate	Principal	Interest	Total
2015	4.50 %	\$ 125,000	21,713	146,713
2016	4.50	200,000	14,400	214,400
2017	4.50	220,000	4,950	224,950
Total		<u>\$ 545,000</u>	<u>41,063</u>	<u>586,063</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$670,000 of bonds issued in fiscal year 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2017. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments are expected to require nearly 25% of the statewide sales, services and use tax revenues. Total principal and interest remaining to be paid on the bonds is \$586,063. For the current year \$490,000 in principal and \$37,555 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$590,162.

The District made the fiscal year 2015 principal payment on the June 2008 revenue bonds in January 2014 saving the District \$2,923 in interest.

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

- a) An amount equal to accrued interest shall be deposited to a sinking fund for application to the first payment of interest on the bonds.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

**Computer Loan**

During the year ended June 30, 2011, the District entered into a four year loan through First National Bank of Greenfield, Iowa, for the purchase of laptop computers as part of the District's One on One Initiative. In fiscal year 2015, the final payment of \$99,876 in principal and \$2,632 in interest is due on the loan. The interest rate on the loan is 3.5%.

### **Termination Benefits**

The District offered a voluntary early retirement plan to its employees in fiscal years 2012 and 2013. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which retirement commenced. Applications for early retirement required approval from the superintendent and Board of Education.

Early retirement benefits were a cash incentive to be paid in one installment on either December 20th or January 20<sup>th</sup> of the succeeding fiscal year at the election of the retiree. The cash incentive amount for each retiree was determined using the difference between Step 4BA on the salary schedule and the employee's last base salary without supplemental or extended contract pay.

At June 30, 2014, the District had no outstanding early retirement obligations. Actual early retirement benefits paid for the year ended June 30, 2014, totaled \$46,374.

### **(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual 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 years ended June 30, 2014, 2013, and 2012 were \$410,777 \$404,755, and \$353,325 respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer health plan which provides medical, prescription drug, and dental benefits for employees, retirees, and their spouses. There are 77 active and 3 retired members in the plan.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit and explicit 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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	67,000
Interest on net OPEB obligation		5,490
Adjustment to annual required contribution		(4,636)
Annual OPEB cost		<u>67,854</u>
Contributions made		<u>(35,000)</u>
Increase in net OPEB obligation		32,854
Net OPEB obligation beginning of year		<u>122,000</u>
Net OPEB obligation end of year	\$	<u><u>154,854</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$35,000 to the medical plan. Plan members eligible for benefits contributed \$41,000, or 53.95% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2012	\$ 50,452	45.76%	\$ 85,711
2013	68,289	46.86%	122,000
2014	67,854	51.58%	154,854

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$500,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$500,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,946,911, and the ratio of the UAAL to the covered payroll was 12.67%. 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 events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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 is presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the information provided by the Nodaway Valley Community School District based on the average retirement age of pension eligible retirees over the past five years.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years. The salary increase rate was assumed to be 3.5% per year. Projected claim costs of the medical plan are illustrated below for retirees less than 65 years of age

**(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision.

The District’s contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$579,768.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$261,941 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.

**(10) Categorical Funding**

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

Program	Amount
Gifted and talented programs	\$ 71,849
Beginning teacher mentoring and induction programs	170
Teacher salary supplement	32,110
Four-year old preschool state aid	29,493
Successful progression for early readers	13,004
Professional development for model core curriculum	22,702
Professional development	32,485
Iowa alliance for the arts	2,969
Teacher leadership grants	5,636
Total	<u>\$ 210,418</u>

**(11) Budget Overexpenditure**

During the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

**(12) Operating Leases**

On June 21, 2012, the District entered into a 5 year lease agreement for a digital copy machine, with monthly payments of \$380. As of June 30, 2014, 35 months remained on the lease agreement with payments payable from the General Fund.

On February 1, 2012, the District entered into a 4 year lease agreement for 4 school buses. The lease agreement is renewable at the end of each fiscal year, with the option to terminate the lease in the event of non-appropriation. On March 27, 2013, the District entered into another four year lease agreement for two Blue Bird school buses. Remaining payments on the bus leases are payable from the Capital Projects: Physical Plant and Equipment Levy Fund, and are as follows:

Year Ending June 30,	Bus Lease Dated February 1, 2012		Bus Lease Dated March 27, 2013		Total
	Principal	Interest	Principal	Interest	
2015	\$ 210,625	5,375	20,047	3,123	239,170
2016	-	-	20,527	2,643	23,170
2017	-	-	90,048	2,152	92,200
<b>Total</b>	<b>\$ 210,625</b>	<b>5,375</b>	<b>130,622</b>	<b>7,918</b>	<b>354,540</b>

**(13) Reconciliation of Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
<b>Fund balance (Exhibit C)</b>	\$ -	8,853	1,145,737
Capital assets, net of accumulated depreciation	6,588,154	-	-
General obligation bond capitalized indebtedness	(480,000)	-	-
Revenue bond capitalized indebtedness	(545,000)	-	-
Computer loan indebtedness	-	-	(99,876)
Accrued interest payable	-	(8,853)	(4,470)
Income surtax	-	-	248,261
Net OPEB liability	-	-	(153,135)
<b>Net position (Exhibit A)</b>	<b>\$ 5,563,154</b>	<b>-</b>	<b>1,136,517</b>

**(14) 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

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

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,224,652	172,146	4,396,798	5,185,633	5,185,633	(788,835)
State sources	4,291,957	3,713	4,295,670	3,570,050	3,570,050	725,620
Federal sources	181,911	219,932	401,843	505,000	505,000	(103,157)
Total revenues	8,698,520	395,791	9,094,311	9,260,683	9,260,683	(166,372)
Expenditures/Expenses:						
Instruction	4,920,355	-	4,920,355	5,489,611	5,489,611	569,256
Support services	2,444,368	1,439	2,445,807	2,693,295	2,693,295	247,488
Non-instructional programs	1,401	402,439	403,840	405,000	405,000	1,160
Other expenditures	1,098,335	-	1,098,335	1,419,995	1,419,995	321,660
Total expenditures/expenses	8,464,459	403,878	8,868,337	10,007,901	10,007,901	1,139,564
Excess(Deficiency) of revenues over(under) expenditures/expenses	234,061	(8,087)	225,974	(747,218)	(747,218)	973,192
Other financing sources, net	5,776	-	5,776	-	-	-
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	239,837	(8,087)	231,750	(747,218)	(747,218)	973,192
Balances beginning of year	2,322,318	82,999	2,405,317	1,310,342	1,310,342	1,094,975
Balances end of year	\$ 2,562,155	74,912	2,637,067	563,124	563,124	2,068,167

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

During the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

NODAWAY VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 353,000	353,000	0.0%	\$ 3,590,000	9.83%
2011	July 1, 2009	-	353,000	353,000	0.0%	3,659,442	9.65%
2012	July 1, 2009	-	353,000	353,000	0.0%	3,751,923	9.41%
2013	July 1, 2012	-	500,000	500,000	0.0%	3,846,195	13.00%
2014	July 1, 2012	-	500,000	500,000	0.0%	3,946,911	12.67%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 104,447	79,349	183,796	6,169	189,965
Receivables:					
Property tax:					
Delinquent	2,589	-	2,589	2,684	5,273
Succeeding year	200,000	-	200,000	251,475	451,475
Accounts	-	13,446	13,446	-	13,446
<b>TOTAL ASSETS</b>	<b>\$ 307,036</b>	<b>92,795</b>	<b>399,831</b>	<b>260,328</b>	<b>660,159</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	-	8,184	8,184	-	8,184
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	200,000	-	200,000	251,475	451,475
Fund balances:					
Restricted for:					
Debt service	-	-	-	8,853	8,853
Management levy purpose	107,036	-	107,036	-	107,036
Student activities	-	84,611	84,611	-	84,611
Total fund balances	107,036	84,611	191,647	8,853	200,500
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 307,036</b>	<b>92,795</b>	<b>399,831</b>	<b>260,328</b>	<b>660,159</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue				Total
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 150,042	-	150,042	149,190	299,232
Other	6,613	199,603	206,216	5	206,221
State sources	78	-	78	67	145
Total revenues	156,733	199,603	356,336	149,262	505,598
Expenditures:					
Current:					
Instruction:					
Regular	62,976	-	62,976	-	62,976
Special	5,603	-	5,603	-	5,603
Other	1,401	205,642	207,043	-	207,043
Support services:					
Student	1,401	-	1,401	-	1,401
Instructional staff	3,269	-	3,269	-	3,269
Administration	17,027	343	17,370	-	17,370
Operation and maintenance of plant	92,510	-	92,510	-	92,510
Transportation	18,772	-	18,772	-	18,772
Non-instructional programs:					
Food service operations	1,401	-	1,401	-	1,401
Long-term debt:					
Principal	-	-	-	721,470	721,470
Interest and fiscal charges	-	-	-	57,768	57,768
Total expenditures	204,360	205,985	410,345	779,238	1,189,583
Deficiency of revenues under expenditures	(47,627)	(6,382)	(54,009)	(629,976)	(683,985)
Other financing sources(uses):					
Transfer in	-	-	-	630,063	630,063
Transfer out	-	(462)	(462)	-	(462)
Total other financing sources(uses)	-	(462)	(462)	630,063	629,601
Change in fund balances	(47,627)	(6,844)	(54,471)	87	(54,384)
Fund balance beginning of year	154,663	91,455	246,118	8,766	254,884
Fund balance end of year	\$ 107,036	84,611	191,647	8,853	200,500

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY 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	\$ 817,069	66,035	883,104
Receivables:			
Property tax:			
Delinquent	-	1,331	1,331
Succeeding year	-	83,561	83,561
Due from other governments	121,765	-	121,765
<b>TOTAL ASSETS</b>	<b>\$ 938,834</b>	<b>150,927</b>	<b>1,089,761</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 700	-	700
Deferred inflows of resources:			
Deferred revenue:			
Succeeding year property tax	-	83,561	83,561
Fund balances:			
Restricted for:			
School infrastructure	938,134	-	938,134
Physical plant and equipment	-	67,366	67,366
Total fund balances	938,134	67,366	1,005,500
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 938,834</b>	<b>150,927</b>	<b>1,089,761</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY 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	\$ -	79,670	79,670
Other	1,283	81	1,364
State sources	590,162	40	590,202
Total revenues	<u>591,445</u>	<u>79,791</u>	<u>671,236</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	2,353	2,353
Support services:			
Instructional staff	40,604	-	40,604
Operation and maintenance of plant	69,486	1,455	70,941
Transportation	-	54,530	54,530
Capital outlay	48,339	8,817	57,156
Total expenditures	<u>158,429</u>	<u>67,155</u>	<u>225,584</u>
Excess of revenues over expenditures	433,016	12,636	445,652
Other financing uses:			
Transfer out	<u>(527,555)</u>	-	<u>(527,555)</u>
Change in fund balances	(94,539)	12,636	(81,903)
Fund balance beginning of year	<u>1,032,673</u>	<u>54,730</u>	<u>1,087,403</u>
Fund balance end of year	<u>\$ 938,134</u>	<u>67,366</u>	<u>1,005,500</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NODAWAY 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	Interfund Transfers	Balance End of Year
Drama	\$ 271	1,812	1,217	-	866
Vocal music	1,917	5,295	6,042	-	1,170
Band	1,013	8,107	4,544	-	4,576
Scoreboard fund	5,294	7,506	4,729	-	8,071
Basketball	5,600	23,908	13,479	-	16,029
Baseball-softball	-	12,671	12,476	-	195
Track	3,870	10,192	13,999	-	63
Golf	-	925	925	-	-
Bowling	413	1	-	-	414
Archery	-	3,603	1,316	-	2,287
Football	2,925	16,307	14,047	-	5,185
Soccer	-	9,866	9,866	-	-
Wrestling	2,434	9,776	11,537	-	673
Volleyball	3,563	8,114	3,647	-	8,030
Dance team	2,441	2,258	3,361	-	1,338
FFA	3,141	21,908	18,976	-	6,073
Greenhouse	24,478	4,402	26,448	-	2,432
Student council	-	2,947	2,497	-	450
Activity ticket	5,305	18,024	19,622	-	3,707
Juice and pop machine	430	32	-	(462)	-
Strength training	-	688	-	-	688
Yearbook middle school	2,425	489	108	-	2,806
Yearbook	4,981	6,733	8,941	-	2,773
MS student council	8,847	4,562	6,564	-	6,845
Class of 2012	416	-	416	-	-
Class of 2013	4,750	1	4,751	-	-
Class of 2014	3,464	107	2,926	-	645
Class of 2015	3,387	17,613	12,608	-	8,392
Class of 2016	90	1,111	508	-	693
Class of 2017	-	155	-	-	155
Cheerleading	-	240	240	-	-
Honor society	-	250	195	-	55
<b>Total</b>	<b>\$ 91,455</b>	<b>199,603</b>	<b>205,985</b>	<b>(462)</b>	<b>84,611</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NODAWAY 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	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,756,451	4,223,316	3,974,373	3,720,981	3,263,173	3,171,353	3,039,974	3,025,752	2,927,106	2,926,431
Tuition	140,360	198,853	220,479	202,175	161,170	157,308	137,680	157,706	125,053	127,338
Other	327,841	479,630	389,374	378,703	397,834	331,650	347,326	353,245	495,234	259,834
Intermediate sources	-	-	-	-	-	-	-	-	103	-
State sources	4,291,957	3,719,342	3,685,524	3,601,208	3,227,689	3,846,166	3,791,546	3,446,890	3,426,585	3,383,312
Federal sources	181,911	187,647	335,159	615,010	325,166	249,685	183,982	186,358	191,085	202,301
<b>Total</b>	<b>\$ 8,698,520</b>	<b>8,808,788</b>	<b>8,604,909</b>	<b>8,518,077</b>	<b>7,375,032</b>	<b>7,756,162</b>	<b>7,500,508</b>	<b>7,169,951</b>	<b>7,165,166</b>	<b>6,899,216</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,595,832	2,655,682	2,661,607	3,016,779	2,653,950	2,901,054	2,769,469	2,303,741	2,153,852	2,353,831
Special	1,028,692	1,032,277	931,726	911,347	940,099	857,693	792,189	818,833	729,609	997,283
Other	1,295,831	1,343,594	1,175,608	1,160,709	1,192,273	1,266,548	1,053,215	943,112	1,038,156	610,754
Support services:										
Student	130,169	115,337	131,948	121,302	176,161	52,152	79,660	75,520	85,252	77,039
Instructional staff	313,896	248,629	257,407	215,127	179,222	271,782	219,251	247,715	201,143	141,386
Administration	804,053	781,953	746,297	746,755	800,821	820,304	818,182	807,012	731,596	772,778
Operation and maintenance of plant	743,690	681,987	650,801	643,346	650,440	730,112	689,551	668,638	630,562	504,911
Transportation	452,560	459,449	429,662	438,890	444,562	371,172	403,514	483,665	344,023	318,494
Non-instructional programs	1,401	4,173	12,842	4,133	-	3,257	3,047	2,764	2,492	2,310
Capital outlay	57,156	94,657	342,992	155,211	931,734	1,079,557	394,867	114,925	511,367	175,248
Long-term debt:										
Principal	721,470	518,181	513,228	412,755	275,000	330,000	365,000	1,650,000	335,000	320,000
Interest & fiscal charges	57,768	73,642	90,873	115,669	71,491	66,665	59,306	128,612	146,001	109,314
Other expenditures:										
AEA flow-through	261,941	253,363	251,017	288,384	287,118	261,611	252,005	242,400	237,121	237,625
<b>Total</b>	<b>\$ 8,464,459</b>	<b>8,262,924</b>	<b>8,196,008</b>	<b>8,230,407</b>	<b>8,602,871</b>	<b>9,011,907</b>	<b>7,899,256</b>	<b>8,486,937</b>	<b>7,146,174</b>	<b>6,620,973</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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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 Nodaway 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 Nodaway 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 12, 2015.

**Internal Control Over Financial Reporting**

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

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 deficiency described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Nodaway 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.

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

Nodaway Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Nodaway 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 Nodaway 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 12, 2015  
Newton, Iowa

NODAWAY 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 noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas of the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recording keeping, and custody of investments.
- 3) Receipts - posting and reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible. Office staff is reviewing the "Segregation of Financial Duties in the Smaller Public School to Improve Financial Internal Controls" that was published by Iowa Association of School Business Officials and will implement additional controls.

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit we noted four out of twenty four disbursements tested in the Student Activity Fund had purchase orders dated after the invoice date or instances of purchases made without a valid purchase order.

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 purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The district has started using an electronic purchase order that is more time efficient and allows for the proper approval and review of available funding prior to orders being placed or purchases made. The district will continue to require purchase orders in advance of making purchases.

Conclusion - Response accepted.

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

II-A-14 Certified Budget - We noted the District exceeded its General Fund unspent authorized budget for the year ended June 30, 2014 by approximately \$113,000.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee (SBRC) to resolve the exceeding of the District's General Fund unspent authorized budget.

Response - The district presented a Corrective Action Plan to the School Budget Review Committee January 21, 2015. The decision of the Committee was to approve modified supplemental amount for the 2014-2015 school year in the amount of \$112,595 as part of its corrective action plan and to receive the District's corrective action plan.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted during our audit a disbursement for magazine fundraiser prizes to being awarded to students who were top sellers from the Middle School Student Council account within the Student Activity Fund. Giving prizes for a fundraiser does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and refrain from purchasing prizes to be given to students, and providing field trips to students who receive good grades to be in compliance with Attorney General's opinion dated April 25, 1979.

Response - The District will review and correct our fundraiser procedures regarding prizes and field trips.

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 an instance of employees purchasing meals while on travel for District business which was reimbursed by the District but not supported by a detailed receipt of the purchase.

Recommendation - The District should review procedures in place for reimbursing employees for meals purchased while on District travel. Detailed receipts should be turned into the District central office as a proof of purchase allowing the District to determine if the meal expense meets public purpose requirements. The District should require a receipt to support all purchases made while on travel for District business.

Response - The District will require receipts when reimbursement for meals is requested. Detailed receipts for any reimbursements during travel will also be required.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Rose, Grantham, Teacher Spouse owns Grantham Sanitation	Purchased Services	<u>\$ 12,681</u>

In accordance with the Attorney General’s Opinion dated November 9, 1976, the above transaction with the teacher’s spouse does 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.

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting - No variances in the basic enrollment data 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 filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 1,032,673
Revenues/transfers in:		
Sales tax revenues	\$ 590,162	
Other local revenues	1,283	591,445
		<u>1,624,118</u>
Expenditures:		
School infrastructure construction	\$ 10,705	
Equipment	99,729	
Other	47,995	
Transfers to other funds:		
Debt service fund	527,555	685,984
		<u>938,134</u>
Ending balance		<u>\$ 938,134</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 Student Activity Fund - During our audit concerns arose about the propriety of certain accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8).

**Questioned Accounts:** We noted a Scoreboard and a Greenhouse accounts within the Student Activity Fund. The revenues and expenditures related to the Greenhouse account appear to be for construction purposes and appear more appropriately handled in the Capital Projects Fund. The revenues and expenditures of the Scoreboard account do not appear to be co-curricular or extracurricular in nature and would appear to be more appropriate to a different fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the Scoreboard and Greenhouse accounts should be reviewed by the District. The remaining balances in these two funds should be moved to the appropriate accounts within the Student Activity Fund or transferred to the Fund where the expenditures are allowed.

Response - The district will review the Scoreboard and Greenhouse accounts and move balances to appropriate accounts. The activity fund will only be used for co-curricular or extra-curricular programs.

Conclusion - Response accepted.