

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
MARENGO, IOWA

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

JUNE 30, 2014

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IOWA VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 election)		
Jane Fry	President	2013
Dale Slaymaker	Vice President	2013
Frank Davis	Board Member	2013
Mark Swift	Board Member	2015
Brad Patterson	Board Member	2015
(After September 2013 election)		
Jane Fry	President	2015
Dale Slaymaker	Vice President	2017
Mark Swift	Board Member	2015
Brad Patterson	Board Member	2017
Barry Goettsch	Board Member	2017
<u>School Officials</u>		
Alan Jensen	Superintendent	2015
Janet Grafft	District Secretary/Treasurer	2014
Harned & McMeen	Attorney	2014
Gruhn Law Firm	Attorney	2014

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
MICHAEL G. STANLEY, CPA
DEE A.A. HOKE, CPA

HUNT & ASSOCIATES, P.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Iowa 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 Iowa Valley Community School District, Marengo Iowa, 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 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 11 of the Code of Iowa. 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 Iowa 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*Required Supplementary Information*

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 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.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa 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 the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 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 financials 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2014 on our consideration of Iowa 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. 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 Iowa Valley Community School District's internal control over financial reporting and compliance.



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Basic Financial Statements

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,730,726	\$ 86	\$ 3,730,812
Receivables:			
Property tax:			
Current year	31,425	-	31,425
Succeeding year	1,879,472	-	1,879,472
Income surtax	366,063	-	366,063
Internal balances	30,130	(30,130)	-
Accounts	87,599	160	87,759
Due from other governments	147,562	-	147,562
Inventories	-	6,441	6,441
Prepaid expenses	1,515	-	1,515
Capital assets, net of accumulated depreciation (note 5)	5,289,035	16,805	5,305,840
Total assets	11,563,527	(6,638)	11,556,889
Liabilities			
Accounts payable	255,771	444	256,215
Salaries and benefits payable	504,401	19,556	523,957
Due to other governments	24,002	-	24,002
Advances from grantors	53,249	-	53,249
Unearned revenue	-	6,910	6,910
Accrued interest payable	1,047	-	1,047
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	57,969	-	57,969
Bonds payable	345,000	-	345,000
Portion due after one year:			
Early retirement	450	-	450
Bonds payable	735,000	-	735,000
Net OPEB liability	79,000	-	79,000
Total liabilities	2,055,889	26,910	2,082,799
Deferred Inflows of Resources			
Unavailable property tax revenue	1,879,472	-	1,879,472

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 4,209,035	\$ 16,805	\$ 4,225,840
Restricted for:			
Categorical funding	472,713	-	472,713
Debt service	9,224	-	9,224
Capital projects	779,679	-	779,679
Physical plant and equipment levy purposes	216,907	-	216,907
Management levy purposes	237,729	-	237,729
Student activities	89,449	-	89,449
Unrestricted	<u>1,613,430</u>	<u>(50,353)</u>	<u>1,563,077</u>
 Total net position	 <u>\$ 7,628,166</u>	 <u>\$ (33,548)</u>	 <u>\$ 7,594,618</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 4,371,399	\$ 451,740	\$ 551,993
Support services:			
Student	98,703	-	98,066
Instructional staff	381,504	-	43,103
Administration	632,268	-	-
Operation and maintenance of plant	534,653	-	-
Transportation	201,008	-	854
	<u>1,848,136</u>	<u>-</u>	<u>142,023</u>
Non-instructional programs	<u>5,815</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	112,405	-	-
Long-term debt interest and fiscal charges	14,142	-	-
AEA flowthrough	233,940	-	233,940
Depreciation (unallocated) *	153,223	-	-
	<u>513,710</u>	<u>-</u>	<u>233,940</u>
Total governmental activities	<u>6,739,060</u>	<u>451,740</u>	<u>927,956</u>

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,367,666)	\$ -	\$ (3,367,666)
(637)	-	(637)
(338,401)	-	(338,401)
(632,268)	-	(632,268)
(534,653)	-	(534,653)
(200,154)	-	(200,154)
(1,706,113)	-	(1,706,113)
(5,815)	-	(5,815)
(112,405)	-	(112,405)
(14,142)	-	(14,142)
-	-	-
(153,223)	-	(153,223)
(279,770)	-	(279,770)
(5,359,364)	-	(5,359,364)

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Operating Grants and Contributions
Business-Type Activities:			
Support services:			
Food service operations	\$ 13,844	\$ -	\$ -
Non-instructional programs:			
Food service operations	284,252	139,104	133,355
Other operations	9,161	19,966	-
	<u>293,413</u>	<u>159,070</u>	<u>133,355</u>
Total business-type activities	<u>307,257</u>	<u>159,070</u>	<u>133,355</u>
Total	<u>\$ 7,046,317</u>	<u>\$ 610,810</u>	<u>\$ 1,061,311</u>

General revenues:

- Property tax levied for:
 - General purposes
 - Debt service
 - Capital outlay
- Income surtax
- Statewide sales, services and use tax
- Unrestricted state grants
- Unrestricted investment earnings
- Other

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

* = This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ -	\$ (13,844)	\$ (13,844)
-	(11,793)	(11,793)
-	10,805	10,805
-	(988)	(988)
-	(14,832)	(14,832)
(5,359,364)	(14,832)	(5,374,196)
\$ 1,689,510	\$ -	\$ 1,689,510
201,151	-	201,151
77,265	-	77,265
399,041	-	399,041
488,727	-	488,727
2,469,973	-	2,469,973
4,921	-	4,921
78,390	-	78,390
5,408,978	-	5,408,978
49,614	(14,832)	34,782
7,578,552	(18,716)	7,559,836
\$ 7,628,166	\$ (33,548)	\$ 7,594,618

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 2,566,791	\$ 764,753	\$ 396,627	\$ 3,728,171
Receivables:				
Property tax:				
Current year	23,243	1,195	6,987	31,425
Succeeding year	1,313,257	65,716	500,499	1,879,472
Income surtax	209,179	156,884	-	366,063
Interfund (note 3)	30,130	-	-	30,130
Accounts	85,810	-	-	85,810
Due from other governments	70,451	77,111	-	147,562
Prepaid expenses	1,515	-	-	1,515
	<hr/>			
Total assets	<u>\$ 4,300,376</u>	<u>\$ 1,065,659</u>	<u>\$ 904,113</u>	<u>\$ 6,270,148</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 245,118	\$ 3,357	\$ 7,296	\$ 255,771
Salaries and benefits payable	503,951	-	450	504,401
Due to other governments	24,002	-	-	24,002
Advances from grantors	53,249	-	-	53,249
Total liabilities	<u>826,320</u>	<u>3,357</u>	<u>7,746</u>	<u>837,423</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,313,257	65,716	500,499	1,879,472
Other	209,179	156,884	-	366,063
Total deferred inflows of resources	<u>1,522,436</u>	<u>222,600</u>	<u>500,499</u>	<u>2,245,535</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	1,515	-	-	1,515
Restricted for:				
Categorical funding (note 11)	472,713	-	-	472,713
Debt service	-	-	10,271	10,271
School infrastructure	-	779,679	-	779,679
Physical plant and equipment	-	60,023	-	60,023
Management levy purposes	-	-	296,148	296,148
Student activities	-	-	89,449	89,449
Assigned:				
Instructional activities	69,075	-	-	69,075
Unassigned	1,408,317	-	-	1,408,317
Total fund balances	<u>1,951,620</u>	<u>839,702</u>	<u>395,868</u>	<u>3,187,190</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,300,376</u>	<u>\$ 1,065,659</u>	<u>\$ 904,113</u>	<u>\$ 6,270,148</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2014

Total fund balances of governmental funds	\$ 3,187,190
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,289,035
The balance of the Internal Service Fund, reported as a proprietary fund, is included in the government-wide statements because of the relationship of the internal transactions to the government as a whole.	4,344
Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	366,063
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(1,047)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, compensated absences, and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(1,217,419)</u>
Net position of governmental activities	<u>\$ 7,628,166</u>

See notes to financial statements.

IOWA 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	\$ 1,682,906	\$ 253,327	\$ 442,095	\$ 2,378,328
Tuition	200,008	-	-	200,008
Other	104,626	2,859	225,611	333,096
State sources	3,184,326	488,727	-	3,673,053
Federal sources	209,836	-	-	209,836
Total revenues	<u>5,381,702</u>	<u>744,913</u>	<u>667,706</u>	<u>6,794,321</u>
Expenditures:				
Current:				
Instruction	4,046,955	-	309,559	4,356,514
Support services:				
Student	94,324	-	4,379	98,703
Instructional staff	193,446	224,857	-	418,303
Administration	607,752	4,770	14,505	627,027
Operation and maintenance of plant	468,134	-	58,923	527,057
Transportation	163,430	98,604	4,708	266,742
	<u>1,527,086</u>	<u>328,231</u>	<u>82,515</u>	<u>1,937,832</u>
Non-instructional programs	-	-	5,815	5,815
Other expenditures:				
Facilities acquisition	-	318,340	-	318,340
Long term debt:				
Principal	-	-	345,000	345,000
Interest and fiscal charges	-	-	14,285	14,285
AEA flowthrough	233,940	-	-	233,940
	<u>233,940</u>	<u>318,340</u>	<u>359,285</u>	<u>911,565</u>
Total expenditures	<u>5,807,981</u>	<u>646,571</u>	<u>757,174</u>	<u>7,211,726</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(426,279)</u>	<u>98,342</u>	<u>(89,468)</u>	<u>(417,405)</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):				
Sale of equipment	\$ 5,713	\$ -	\$ -	\$ 5,713
Interfund transfers in (note 4)	-	-	161,700	161,700
Interfund transfers out (note 4)	-	(161,700)	-	(161,700)
Total other financing sources (uses)	<u>5,713</u>	<u>(161,700)</u>	<u>161,700</u>	<u>5,713</u>
Net change in fund balances	(420,566)	(63,358)	72,232	(411,692)
Fund balances beginning of year	<u>2,372,186</u>	<u>903,060</u>	<u>323,636</u>	<u>3,598,882</u>
Fund balances end of year	<u>\$ 1,951,620</u>	<u>\$ 839,702</u>	<u>\$ 395,868</u>	<u>\$ 3,187,190</u>

See notes to financial statements.

IOWA 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

Net change in fund balances - total governmental funds \$ (411,692)

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

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

	Capital outlays	\$ 419,908	
	Depreciation expense	<u>(239,143)</u>	180,765

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (11,360)

The decrease in the balance of the Internal Service Fund represents an undercharge to the governmental funds for services rendered and is therefore included in the government-wide financial statements as an adjustment to expense. (2,759)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position. 345,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 143

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

	Early retirement	(24,183)	
	Net OPEB liability	<u>(26,300)</u>	<u>(50,483)</u>

Change in net position of governmental activities \$ 49,614

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Enterprise Funds			Internal
	School Nutrition	Other Enterprise	Total	Service Fund Flex 125 Plan
Assets				
Cash and cash equivalents	\$ 86	\$ -	\$ 86	\$ 2,555
Receivables:				
Accounts	-	160	160	1,789
Inventories	6,441	-	6,441	-
Capital assets, net of accumulated depreciation (note 5)	16,805	-	16,805	-
Total assets	<u>23,332</u>	<u>160</u>	<u>23,492</u>	<u>4,344</u>
Liabilities				
Interfund payable (note 3)	13,170	16,960	30,130	-
Accounts payable	201	243	444	-
Salaries and benefits payable	18,274	1,282	19,556	-
Unearned revenue	6,910	-	6,910	-
Total liabilities	<u>38,555</u>	<u>18,485</u>	<u>57,040</u>	<u>-</u>
Fund Net Position				
Invested in capital assets	16,805	-	16,805	-
Unrestricted	<u>(32,028)</u>	<u>(18,325)</u>	<u>(50,353)</u>	<u>4,344</u>
Total fund net position	<u>\$ (15,223)</u>	<u>\$ (18,325)</u>	<u>\$ (33,548)</u>	<u>\$ 4,344</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds			Internal
	School Nutrition	Other Enterprise	Total	Service Fund Flex 125 Plan
Operating revenues:				
Local sources:				
Charges for services	\$ 139,104	\$ 19,966	\$ 159,070	\$ 22,210
Operating expenses:				
Support services:				
Purchased services	13,243	-	13,243	24,970
Supplies	586	-	586	-
Other	15	-	15	-
	<u>13,844</u>	<u>-</u>	<u>13,844</u>	<u>24,970</u>
Non-instructional programs:				
Salaries	83,462	6,688	90,150	-
Benefits	42,362	1,109	43,471	-
Supplies	153,283	1,364	154,647	-
Depreciation	5,145	-	5,145	-
	<u>284,252</u>	<u>9,161</u>	<u>293,413</u>	<u>-</u>
Total expenses	<u>298,096</u>	<u>9,161</u>	<u>307,257</u>	<u>24,970</u>
Operating income (loss)	(158,992)	10,805	(148,187)	(2,760)
Non-operating revenues:				
Interest on investments	-	-	-	1
State sources	2,526	-	2,526	-
Federal sources	130,829	-	130,829	-
Total non-operating revenues	<u>133,355</u>	<u>-</u>	<u>133,355</u>	<u>1</u>
Change in fund net position	(25,637)	10,805	(14,832)	(2,759)
Fund net position beginning of year	<u>10,414</u>	<u>(29,130)</u>	<u>(18,716)</u>	<u>7,103</u>
Fund net position end of year	<u>\$ (15,223)</u>	<u>\$ (18,325)</u>	<u>\$ (33,548)</u>	<u>\$ 4,344</u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds			Internal
	School Nutrition	Other Enterprise	Total	Service Fund Flex 125 Plan
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 140,609	\$ -	\$ 140,609	\$ -
Cash received from miscellaneous operating activities	1,380	23,038	24,418	23,065
Cash payments to employees for services	(124,881)	(7,657)	(132,538)	-
Cash payments to suppliers for goods or services	(146,692)	(1,121)	(147,813)	(24,970)
Net cash provided by (used by) operating activities	(129,584)	14,260	(115,324)	(1,905)
Cash flows from non-capital financing activities:				
Increase (decrease) in due to other funds	13,170	(14,260)	(1,090)	-
State grants received	2,526	-	2,526	-
Federal grants received	111,162	-	111,162	-
Net cash provided by (used by) non-capital financing activities	126,858	(14,260)	112,598	-
Cash flows from capital and related financing activities:				
Purchase of equipment	(550)	-	(550)	-
Cash flows from investing activities:				
Interest on investments	-	-	-	1
Net decrease in cash and cash equivalents	(3,276)	-	(3,276)	(1,904)
Cash and cash equivalents beginning of year	3,362	-	3,362	4,459
Cash and cash equivalents end of year	\$ 86	\$ -	\$ 86	\$ 2,555

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Enterprise Funds			Internal
	School Nutrition	Other Enterprise	Total	Service Fund Flex 125 Plan
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (158,992)	\$ 10,805	\$ (148,187)	\$ (2,760)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	5,145	-	5,145	-
Commodities used	19,667	-	19,667	-
Decrease in accounts receivable	-	3,072	3,072	855
Decrease in inventories	567	-	567	-
Increase in salaries and benefits payable	943	140	1,083	-
Increase in accounts payable	201	243	444	-
Increase in deferred revenue	2,885	-	2,885	-
Net cash provided by (used by) operating activities	\$ <u>(129,584)</u>	\$ <u>14,260</u>	\$ <u>(115,324)</u>	\$ <u>(1,905)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$19,667 of federal commodities.

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2014

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>5,045</u>	\$ <u>47,239</u>
Liabilities:		
Due to other organizations	<u>-</u>	<u>47,239</u>
Fiduciary Net Position:		
Unrestricted	\$ <u><u>5,045</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2014

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 12,691	
Interest	<u>2,083</u>	
Total additions	<u>14,774</u>	
Deductions:		
Support services:		
Scholarships awarded	7,995	
Loss on sale of investments	<u>248</u>	
	<u>8,243</u>	
Change in fiduciary net position	6,531	
Fiduciary net position beginning of year	<u>(1,486)</u>	
Fiduciary net position end of year	<u>\$ 5,045</u>	

See notes to financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies

Iowa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Marengo, Iowa, and agricultural territory in Iowa County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Iowa 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. Iowa 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Iowa County Assessor's Conference Board.

B. Basis of Presentation

District-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 attributable to the acquisition, construction, or improvement of those assets.

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the 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 District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

Property Tax Receivable – Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

Interfund Receivables/Payables – Certain transactions occur between funds in the normal course of District business. These transactions are shown as interfund receivables and payables to the extent that such transactions have not been repaid by year end.

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.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Purchased capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 2,500
Buildings	50,000
Improvements other than buildings	50,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

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

Advances from grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year have been accrued as liabilities.

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The District had no compensated absences liability at June 30, 2014.

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collectible 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 consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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 are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures/expenses exceeded the amounts budgeted in the support services and other expenditures functions.

Note 2. Cash and Pooled Investments

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 2. Cash and Pooled Investments (continued)

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 as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>5,236</u>

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

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services.

Note 3. Interfund Receivables/Payables

The detail of the District’s interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise Fund, School Nutrition	\$ 13,170
	Enterprise Fund, Preschool	<u>16,960</u>
		<u>\$ 30,130</u>

These amounts arise due to pooled cash funds.

Note 4. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>161,700</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. 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
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 209,500	\$ -	\$ -	\$ 209,500
Construction in progress	-	188,619	-	188,619
Total capital assets not being depreciated	<u>209,500</u>	<u>188,619</u>	<u>-</u>	<u>398,119</u>
Capital assets being depreciated:				
Buildings	7,466,617	-	-	7,466,617
Improvements other than buildings	824,990	17,316	-	842,306
Furniture and equipment	978,763	213,973	21,400	1,171,336
Total capital assets being depreciated	<u>9,270,370</u>	<u>231,289</u>	<u>21,400</u>	<u>9,480,259</u>
Less accumulated depreciation for:				
Buildings	3,277,506	141,553	-	3,419,059
Improvements other than buildings	360,188	31,132	-	391,320
Furniture and equipment	733,906	66,458	21,400	778,964
Total accumulated depreciation	<u>4,371,600</u>	<u>239,143</u>	<u>21,400</u>	<u>4,589,343</u>
Total capital assets being depreciated, net	<u>4,898,770</u>	<u>(7,854)</u>	<u>-</u>	<u>4,890,916</u>
Governmental activities capital assets, net	<u>\$ 5,108,270</u>	<u>\$ 180,765</u>	<u>\$ -</u>	<u>\$ 5,289,035</u>
Business-type activities:				
Furniture and equipment	\$ 82,733	\$ 550	\$ 3,673	\$ 79,610
Less accumulated depreciation	<u>61,333</u>	<u>5,145</u>	<u>3,673</u>	<u>62,805</u>
Business-type activities capital assets, net	<u>\$ 21,400</u>	<u>\$ (4,595)</u>	<u>\$ -</u>	<u>\$ 16,805</u>

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 47,358

Support services:

Administration 2,088

Operation and maintenance of plant 4,945

Transportation 31,529

85,920

Unallocated depreciation 153,223

Total depreciation expense - governmental activities \$ 239,143

Business-type activities:

Food service operations \$ 5,145

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. 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	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 34,236	\$ 55,269	\$ 31,086	\$ 58,419	\$ 57,969
General obligation bonds	1,425,000	-	345,000	1,080,000	345,000
Net OPEB liability	52,700	26,300	-	79,000	-
Total	<u>\$ 1,511,936</u>	<u>\$ 81,569</u>	<u>\$ 376,086</u>	<u>\$ 1,217,419</u>	<u>\$ 402,969</u>

Early Retirement

The District offered a one-time voluntary early retirement plan to its certified employees for the year ended June 30, 2009. The identical offer was extended for additional years through June 30, 2014. Eligible employees must have completed thirteen years of contracted service to the District and have been at least 55 years old before the fiscal year end.

The early retirement benefit for each eligible employee is equal to a cash payment of 50% of the employee's present year salary excluding any extracurricular salaries, extended contract, and Teacher Quality payments. An employee can also remain on the District's health insurance program as long as they pay the entire monthly premium.

The District offered various plans in prior years as early retirement incentives. Details of those plans are available upon request.

At June 30, 2014, the District had obligations to three participants with a total liability of \$58,419. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$31,086. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	0.70 %	\$ 345,000	\$ 12,560	\$ 357,560
2016	0.95	150,000	10,145	160,145
2017	1.15	140,000	8,720	148,720
2018	1.40	150,000	7,110	157,110
2019	1.60	150,000	5,010	155,010
2020	1.80	145,000	2,610	147,610
		<u>\$ 1,080,000</u>	<u>\$ 46,155</u>	<u>\$ 1,126,155</u>

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 49 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

Annual required contribution	\$ 56,144
Interest on net OPEB obligation	1,318
Adjustment to annual required contribution	4,317
Annual OPEB cost	<u>53,145</u>
Contributions made	<u>26,845</u>
Increase in net OPEB obligation	26,300
Net OPEB obligation beginning of year	<u>52,700</u>
Net OPEB obligation end of year	<u><u>\$ 79,000</u></u>

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

For the year ended June 30, 2014, the District contributed \$26,845 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 34,407	80.5%	\$ 21,100
2013	55,713	86.9%	52,700
2014	53,145	50.5%	79,000

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 \$319,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$319,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,284,000, and the ratio of the UAAL to covered payroll was 24.8%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 7. Other Postemployment Benefits (OPEB) (continued)

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

Note 8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$306,590, \$287,842, and \$272,232, respectively, equal to the required contributions for each year.

Note 9. Risk Management

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

Note 10. 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 \$233,940 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.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Note 11. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Gifted and talented programs	\$ 161,320
Returning dropouts and dropout prevention programs	134,040
Four year old preschool state aid	87,878
Professional development	38,782
Teacher salary supplement	19,395
Successful progression for early readers	14,019
Teacher leadership grants	6,798
Professional development for model core curriculum	6,242
Foster care advance	1,849
Beginning teacher mentoring	1,445
Home school assistance program	<u>945</u>
 Total	 <u>\$ 472,713</u>

Note 12. Construction Commitments

The District has entered into various contracts totaling \$1,009,000 for a high school remodeling project. As of June 30, 2014, costs of \$117,990 had been incurred against the contracts. The balance of \$891,010 remaining at June 30, 2014 will be paid as work on the project progresses.

Note 13. Prospective Accounting Change

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

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Required Supplementary Information

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
REVENUES:						
Local sources	\$ 2,911,432	\$ 159,070	\$ 3,070,502	\$ 2,109,629	\$ 2,109,629	\$ 960,873
Intermediate sources	-	-	-	136,761	136,761	(136,761)
State sources	3,673,053	2,526	3,675,579	3,353,042	3,353,042	322,537
Federal sources	209,836	130,829	340,665	128,300	128,300	212,365
Total revenues	6,794,321	292,425	7,086,746	5,727,732	5,727,732	1,359,014
EXPENDITURES/EXPENSES:						
Instruction	4,356,514	-	4,356,514	4,410,003	4,500,003	143,489
Support services	1,937,832	13,844	1,951,676	1,761,988	1,761,988	(189,688)
Non-instructional programs	5,815	293,413	299,228	292,000	315,000	15,772
Other expenditures	911,565	-	911,565	785,299	900,299	(11,266)
Total expenditures/expenses	7,211,726	307,257	7,518,983	7,249,290	7,477,290	(41,693)
Excess (deficiency) of revenues over (under) expenditures/ expenses	(417,405)	(14,832)	(432,237)	(1,521,558)	(1,749,558)	1,317,321
Other financing sources, net	5,713	-	5,713	-	-	5,713
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(411,692)	(14,832)	(426,524)	(1,521,558)	(1,749,558)	1,323,034
Balance beginning of year	3,598,882	(18,716)	3,580,166	3,781,544	-	3,580,166
Balance end of year	<u>\$ 3,187,190</u>	<u>\$ (33,548)</u>	<u>\$ 3,153,642</u>	<u>\$ 2,259,986</u>	<u>\$ (1,749,558)</u>	<u>\$ 4,903,200</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures/expenses 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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures/expenses by \$228,000.

During the year ended June 30, 2014, expenditures/expenses in the support services and other expenditures functions exceeded the amounts budgeted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information
Year Ended June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 376	\$ 376	0.0%	\$ 3,437	10.9%
2011	July 1, 2009	-	350	350	0.0%	3,307	10.6%
2012	July 1, 2009	-	323	323	0.0%	3,322	9.7%
2013	July 1, 2012	-	349	349	0.0%	1,296	26.9%
2014	July 1, 2012	-	319	319	0.0%	1,284	24.8%

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014

	Special Revenue			
	Management	Student	Debt	Total
	Levy	Activity	Service	
Assets				
Cash and pooled investments	\$ 292,729	\$ 96,745	\$ 7,153	\$ 396,627
Receivables:				
Property tax:				
Current year	3,869	-	3,118	6,987
Succeeding year	300,000	-	200,499	500,499
Total assets	<u>\$ 596,598</u>	<u>\$ 96,745</u>	<u>\$ 210,770</u>	<u>\$ 904,113</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 7,296	\$ -	\$ 7,296
Salaries and benefits payable	450	-	-	450
Total liabilities	<u>450</u>	<u>7,296</u>	<u>-</u>	<u>7,746</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	300,000	-	200,499	500,499
Fund balances:				
Debt service	-	-	10,271	10,271
Management levy purposes	296,148	-	-	296,148
Student activities	-	89,449	-	89,449
Total fund balances	<u>296,148</u>	<u>89,449</u>	<u>10,271</u>	<u>395,868</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 596,598</u>	<u>\$ 96,745</u>	<u>\$ 210,770</u>	<u>\$ 904,113</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Special Revenue		Debt Service	Total
	Management Levy	Student Activity		
Revenues:				
Local sources:				
Local tax	\$ 240,943	\$ -	\$ 201,152	\$ 442,095
Other	593	225,018	-	225,611
Total revenues	<u>241,536</u>	<u>225,018</u>	<u>201,152</u>	<u>667,706</u>
Expenditures:				
Current:				
Instruction	37,500	272,059	-	309,559
Support services:				
Student	4,379	-	-	4,379
Administration	12,905	100	1,500	14,505
Operation and maintenance of plant	58,923	-	-	58,923
Transportation	4,708	-	-	4,708
Non-instructional programs	5,815	-	-	5,815
Other expenditures:				
Long term debt:				
Principal	-	-	345,000	345,000
Interest and fiscal charges	-	-	14,285	14,285
Total expenditures	<u>124,230</u>	<u>272,159</u>	<u>360,785</u>	<u>757,174</u>
Excess (deficiency) of revenues over (under) expenditures	117,306	(47,141)	(159,633)	(89,468)
Other financing sources:				
Interfund transfers in	-	-	161,700	161,700
Net change in fund balances	117,306	(47,141)	2,067	72,232
Fund balances beginning of year	<u>178,842</u>	<u>136,590</u>	<u>8,204</u>	<u>323,636</u>
Fund balances end of year	<u>\$ 296,148</u>	<u>\$ 89,449</u>	<u>\$ 10,271</u>	<u>\$ 395,868</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 703,938	\$ 60,815	\$ 764,753
Receivables:			
Property tax:			
Current year	-	1,195	1,195
Succeeding year	-	65,716	65,716
Income surtax	-	156,884	156,884
Due from other governments	77,111	-	77,111
	<u>77,111</u>	<u>-</u>	<u>77,111</u>
 Total assets	 <u>\$ 781,049</u>	 <u>\$ 284,610</u>	 <u>\$ 1,065,659</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,370	\$ 1,987	\$ 3,357
	<u>1,370</u>	<u>1,987</u>	<u>3,357</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	65,716	65,716
Other	-	156,884	156,884
	<u>-</u>	<u>222,600</u>	<u>222,600</u>
Fund balances:			
Restricted for:			
School infrastructure	779,679	-	779,679
Physical plant and equipment	-	60,023	60,023
Total fund balances	<u>779,679</u>	<u>60,023</u>	<u>839,702</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 781,049</u>	 <u>\$ 284,610</u>	 <u>\$ 1,065,659</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2014

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 253,327	\$ 253,327
Other	731	2,128	2,859
State sources	488,727	-	488,727
Total revenues	489,458	255,455	744,913
Expenditures:			
Current:			
Support services:			
Instructional staff	224,857	-	224,857
Administration	4,770	-	4,770
Transportation	17,624	80,980	98,604
Other expenditures:			
Facilities acquisition	278,577	39,763	318,340
Total expenditures	525,828	120,743	646,571
Excess (deficiency) of revenues over (under) expenditures	(36,370)	134,712	98,342
Other financing uses:			
Interfund transfers out	-	(161,700)	(161,700)
Net change in fund balances	(36,370)	(26,988)	(63,358)
Fund balances beginning of year	816,049	87,011	903,060
Fund balances end of year	\$ 779,679	\$ 60,023	\$ 839,702

See accompanying independent auditor's report.

IOWA 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	Expenditures	Balance End of Year
Drama	\$ 3,135	\$ 2,496	\$ 2,260	\$ 3,371
Choir - Sunshine Inn	1,807	10,326	8,478	3,655
Band	3,905	8,038	8,984	2,959
Golf	2,753	5,936	6,875	1,814
Class of:				
2013	1,058	-	1,058	-
2014	1,835	260	1,414	681
2015	200	3,683	1,444	2,439
2016	14	100	-	114
2017	148	-	-	148
HS Cheerleaders	2,277	1,758	2,198	1,837
Boys Basketball	4,309	4,180	7,779	710
Football	8,843	11,947	19,921	869
Baseball	(6,603)	15,340	8,737	-
Track - Boys	5,793	2,210	7,176	827
Wrestling	9,215	9,274	18,489	-
Basketball - Girls	2,677	4,546	6,519	704
Volleyball	10,445	3,801	11,056	3,190
Softball	(6,963)	9,810	2,847	-
Track - Girls	2,674	5,274	7,948	-
Interest	5,966	1,175	7,141	-
Annual	6,555	8,554	6,349	8,760
Wrestling Camp	-	1,708	1,708	-
TAG - Special Project	7	-	-	7
IV Baseball Camp	3,282	5,515	5,817	2,980
IV Volleyball Camp	1,206	2,405	2,531	1,080
IV Girls Basketball Camp	(197)	7,958	6,193	1,568
IV Boys Basketball Camp	(271)	1,246	533	442
Softball/Baseball Lights	-	1,160	-	1,160
IV FootballTrack Camp	10,736	13,842	17,821	6,757
IV Softball Camp	2,621	3,091	2,582	3,130
IV Special Events	14,503	20,359	34,962	(100)
High School Student Council	12,940	3,392	13,326	3,006
Elementary Student Council	4,442	835	74	5,203
Science Club	-	800	648	152
Tiger's Eye	923	-	-	923
Fine Arts Special Project	15,711	-	100	15,611
Tiger Pride Video	473	-	473	-

IOWA 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	Expenditures	Balance End of Year
Speech Team	\$ 118	\$ 716	\$ 648	\$ 186
Spanish Trip	3	13,991	9,063	4,931
8th Grade Circle	-	3,439	3,438	1
FFA Marengo Chapter	5,917	30,961	30,851	6,027
FCS Club	343	257	359	241
Pep Club	3,790	4,635	4,359	4,066
 Total	 <u>\$ 136,590</u>	 <u>\$ 225,018</u>	 <u>\$ 272,159</u>	 <u>\$ 89,449</u>

See accompanying independent auditor's report.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash and investments	\$ 41,370	\$ 48,323	\$ 42,454	\$ 47,239
Liabilities				
Due to other organizations	\$ 41,370	\$ 48,323	\$ 42,454	\$ 47,239

See accompanying independent auditor's report.

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IOWA 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,			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 2,378,328	\$ 2,962,891	\$ 3,065,284	\$ 2,871,276
Tuition	200,008	196,752	228,370	180,459
Other	333,096	309,188	313,169	370,570
Intermediate sources				
State sources	3,673,053	3,434,074	3,627,089	3,706,535
Federal sources	209,836	303,644	360,443	639,280
Total revenues	<u>\$ 6,794,321</u>	<u>\$ 7,206,549</u>	<u>\$ 7,594,355</u>	<u>\$ 7,768,120</u>
Expenditures:				
Instruction	\$ 4,356,514	\$ 4,420,747	\$ 4,262,651	\$ 4,209,453
Support services:				
Student	98,703	88,194	70,312	108,882
Instructional staff	418,303	230,328	183,320	109,409
Administration	627,027	622,203	612,109	555,607
Operation and maintenance of plant	527,057	450,037	430,955	427,319
Transportation	266,742	259,716	188,427	171,180
Non-instructional programs	5,815	5,335	5,250	5,250
Other expenditures:				
Facilities acquisition	318,340	358,841	332,247	786,723
Long-term debt:				
Principal	345,000	345,000	1,910,000	175,000
Interest and fiscal charges	14,285	16,361	116,618	80,895
AEA flowthrough	233,940	228,371	230,080	247,542
Total expenditures	<u>\$ 7,211,726</u>	<u>\$ 7,025,133</u>	<u>\$ 8,341,969</u>	<u>\$ 6,877,260</u>

See accompanying independent auditor's report.

	2010	2009	2008	2007	2006	2005
\$	2,909,926	\$ 2,862,787	\$ 2,885,059	\$ 2,672,973	\$ 2,260,877	\$ 1,999,518
	137,108	144,967	104,244	159,160	127,401	133,010
	245,431	331,557	196,782	445,902	347,904	307,765
	-	-	2,446	-	-	-
	3,076,460	3,454,253	3,333,862	3,145,971	3,140,564	2,906,807
	139,948	167,692	142,668	138,600	151,901	154,165
\$	<u>6,508,873</u>	<u>6,961,256</u>	<u>6,665,061</u>	<u>6,562,606</u>	<u>6,028,647</u>	<u>5,501,265</u>
\$	4,197,956	\$ 3,954,208	\$ 3,682,576	\$ 3,960,891	\$ 3,967,370	\$ 3,685,635
	103,449	173,914	131,993	198,377	192,850	196,432
	135,641	139,136	148,739	144,168	86,402	216,939
	571,429	587,083	666,380	658,850	649,443	580,017
	452,735	450,607	441,493	431,878	436,270	407,681
	139,114	128,764	141,463	232,534	204,699	150,272
	5,250	4,551	4,204	4,604	16,078	21,568
	405,655	307,315	78,732	228,212	75,276	5,261
	170,000	165,000	160,000	155,000	155,000	155,000
	86,115	91,140	95,465	100,115	104,765	109,415
	257,003	229,080	215,770	203,803	198,574	189,855
\$	<u>6,524,347</u>	<u>6,230,798</u>	<u>5,766,815</u>	<u>6,318,432</u>	<u>6,086,727</u>	<u>5,718,075</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Iowa 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 December 9, 2014.

Internal Control Over Financial Reporting

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

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether Iowa 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 that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

Iowa Valley Community School District's Responses to Findings

Iowa Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Iowa 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 report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa 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.

Hunt & Associates, P.C.

Oskaloosa, Iowa
December 9, 2014

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures/expenses for the year ended June 30, 2014, exceeded the amounts budgeted in the support services and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget in sufficient amounts before expenditures exceed the budget in the future.

Conclusion – Response accepted.

II-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-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.

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
Mark Swift, Board Member Owner of Brown’s True Value Hardware	School supplies	\$10,822
Jack Patterson, father of Board Member Brad Patterson	Services	\$12,849

In accordance with Chapter 279.7A of the Code of Iowa, the transaction appears to represent a conflict of interest since the cumulative amount was greater than \$2,500 for the fiscal year.

In accordance with an attorney general’s opinion dated November 9, 1976, the transactions with the father of the Board Member do not appear to represent a conflict of interest.

Recommendation – The District should contract legal counsel for advice toward the best resolution of this situation.

Response – These types of supplies are hard to purchase in Marengo due to the limited number of vendors and would be more expensive to purchase elsewhere. We will look into this situation in the future.

Conclusion – Response accepted.

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 ensure that the coverage is adequate for current operations.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

II-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

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 – The District’s supplementary weighting certified to the Iowa Department of Education for October 1, 2013 was overstated by .182 due to courses that were claimed for 1/8 of a year but should have been claimed for 1/16 of a year.

Recommendation – The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and Iowa Department of Management.

Conclusion – Response accepted.

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

II-J-14 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

II-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax 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		\$	816,049
Revenues:			
Interest	\$	731	
Statewide sales, services and use tax		<u>488,727</u>	489,458
Expenditures/transfers out:			
School infrastructure construction		249,970	
Equipment		<u>275,858</u>	<u>525,828</u>
Ending balance		\$	<u><u>779,679</u></u>

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

II-M-14 Financial Condition – At June 30, 2014 the District’s business-type activities had a deficit unrestricted net position totaling \$50,353. Related to this situation, the District’s Enterprise Fund, School Nutrition and Enterprise Fund, Preschool each had deficit unrestricted net positions totaling \$32,028 and \$18,325, respectively. The School Nutrition Fund lost \$25,637 in financial operations during the year ended June 30, 2014.

Recommendation – The District should investigate alternatives to eliminate these deficits and return the business-type activities and enterprise funds to sound conditions. Special attention should be directed to the School Nutrition Fund to eliminate deficit operating results and to bring the fund back to a financially viable situation. Costs should be closely monitored and adjusted where possible and meal prices should be analyzed to better position the School Nutrition Fund in the future.

Response – We will take the actions necessary to bring these funds back to financially healthy positions. We are closely monitoring the School Nutrition Fund to enable us to make the proper decisions going into the future.

Conclusion – Response accepted.

IOWA VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2014

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

II-N-14 Implied Interfund Loan – The Enterprise Fund, School Nutrition and Enterprise Fund, Preschool had deficit cash balances of \$13,170 and \$16,960, respectively. This situation creates an implied interfund loan between these funds and the General Fund. However, the Board did not follow a declaratory order from the Iowa Department of Education which requires formal action to be taken by the Board to establish an interfund loan and requires interest to be paid to the lending fund and for the loan to be repaid by three months following the fiscal year end.

Recommendation – The District should formalize any implied interfund loan at year end and set up a formal agreement between funds to comply with the Iowa Department of Education declaratory order.

Response – We will research this situation further and take the appropriate action in the future.

Conclusion – Response accepted.

II-O-14 Financial Reporting – We noted that the final report filed with the Iowa Department of Education for the Title I program included an overstatement of related expenditures totaling \$53,249.

Recommendation – The District should contact the Iowa Department of Education to correct this error and determine what actions to take for future Title I program funding.

Response – We will contact the proper authorities to correct this error.

Conclusion – Response accepted.