

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Projects Accounts:		
Combining Balance Sheet	3	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50-51
Private Purpose Trust - Scholarship Funds:		
Combining Balance Sheet	6	52-53
Combining Statement of Changes in Fiduciary Net Position	7	54-55
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8	56
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	9	57
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		58-59
Schedule of Findings		60-63

Missouri Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Brenda Dooley	President	2015
Daniel Zaiser	Vice President	2013
Michele Wilson	Board Member	2015
Kelley Weihs	Board Member	2015
Roy Haynes	Board Member	2013
(After September 2013 Election)		
Brenda Dooley	President	2015
Daniel Zaiser	Vice President	2017
Michele Wilson	Board Member	2015
Kelley Weihs	Board Member	2015
Jeff Janssen	Board Member	2017
School Officials		
Deidre Drees	Superintendent	2014
Rhonda Oliphant	District Secretary/Treasurer	2014
Rick Franck	Attorney	2014

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Missouri 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 six years ended June 30, 2013 and another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9 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 February 2, 2015, on our consideration of Missouri 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 Missouri Valley Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 2, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Missouri 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 \$8,780,675 in fiscal 2013 to \$9,180,279 in fiscal 2014, while General Fund expenditures increased from \$8,199,152 in fiscal 2013 to \$8,209,978 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$1,024,862 in fiscal 2013 to \$1,995,163 in fiscal 2014, a 94.68% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state source revenues. The increase in expenditures was due primarily to an increase in regular instruction and operation and maintenance of plant services.

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 Missouri 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 Missouri 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 Missouri 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.

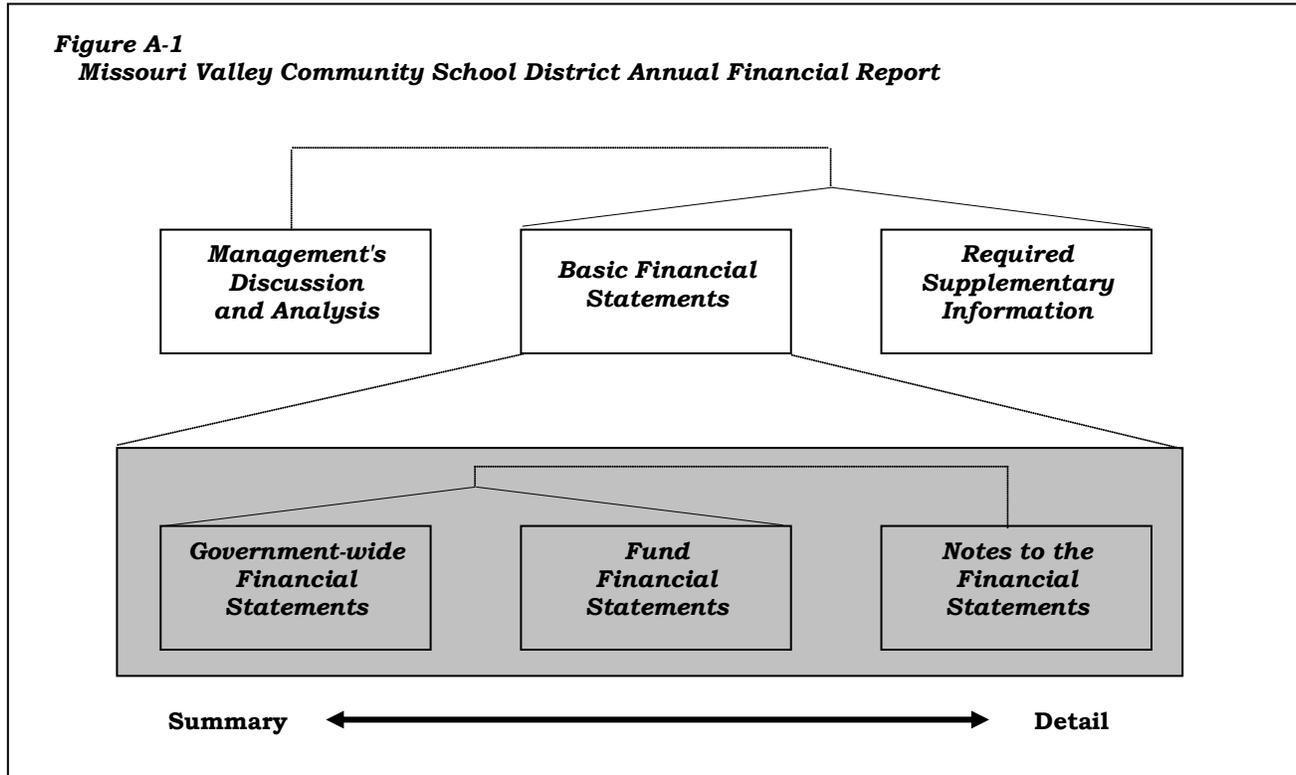


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

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

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

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

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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Figure A-3 Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 10,356,501	9,888,586	94,195	97,500	10,450,696	9,986,086	4.65%
Capital assets	7,470,002	7,947,039	39,464	39,199	7,509,466	7,986,238	-5.97%
Total assets	<u>17,826,503</u>	<u>17,835,625</u>	<u>133,659</u>	<u>136,699</u>	<u>17,960,162</u>	<u>17,972,324</u>	<u>-0.07%</u>
Long-term liabilities	631,283	2,218,845	-	-	631,283	2,218,845	-71.55%
Other liabilities	859,076	819,851	4,097	7,264	863,173	827,115	4.36%
Total liabilities	<u>1,490,359</u>	<u>3,038,696</u>	<u>4,097</u>	<u>7,264</u>	<u>1,494,456</u>	<u>3,045,960</u>	<u>-50.94%</u>
Deferred inflows of resources	4,134,494	4,150,455	-	-	4,134,494	4,150,455	-0.38%
Net position:							
Net investment in capital assets	6,880,002	5,767,039	39,464	39,199	6,919,466	5,806,238	19.17%
Restricted	3,005,764	3,485,073	-	-	3,005,764	3,485,073	-13.75%
Unrestricted	2,315,884	1,394,362	90,098	90,236	2,405,982	1,484,598	62.06%
Total net position	<u>\$ 12,201,650</u>	<u>10,646,474</u>	<u>129,562</u>	<u>129,435</u>	<u>12,331,212</u>	<u>10,775,909</u>	<u>14.43%</u>

The District's combined net position increased by 14.43%, or \$1,555,303 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 \$479,309, or 13.75% compared to the prior year. The decrease in restricted net position is attributable to the decrease in fund balance of the Debt Service Fund as compared to the prior 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 \$921,384, or 62.06%. The increase in unrestricted net position is due mainly to the increase in fund balance of the General Fund as compared to the prior year.

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

	Figure A-4						
	Changes in Net Position						
	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
Revenues:							
Program revenues:							
Charges for service	\$ 441,883	492,527	198,563	186,088	640,446	678,615	-5.62%
Operating grants, contributions and restricted interest	720,589	820,479	232,869	227,666	953,458	1,048,145	-9.03%
Capital grants, contributions and restricted interest	17,250	-	-	-	17,250	-	100.00%
General revenues:							
Property tax	4,150,187	4,197,531	-	-	4,150,187	4,197,531	-1.13%
Income surtax	298,038	254,680	-	-	298,038	254,680	17.02%
Statewide sales, services and use tax	767,122	714,057	-	-	767,122	714,057	7.43%
Unrestricted state grants	4,596,133	4,072,266	-	-	4,596,133	4,072,266	12.86%
Nonspecific program federal grants	8,037	-	-	-	8,037	-	100.00%
Unrestricted investment earnings	2,618	7,722	5	14	2,623	7,736	-66.09%
Other	177,028	140,296	1,554	2,389	178,582	142,685	25.16%
Total revenues	<u>11,178,885</u>	<u>10,699,558</u>	<u>432,991</u>	<u>416,157</u>	<u>11,611,876</u>	<u>11,115,715</u>	<u>4.46%</u>
Program expenses:							
Instruction	6,043,114	5,673,278	3,792	5,360	6,046,906	5,678,638	6.49%
Support services	2,810,181	2,835,563	11,218	6,146	2,821,399	2,841,709	-0.71%
Non-instructional programs	-	-	421,454	415,437	421,454	415,437	1.45%
Other expenses	766,814	768,646	-	-	766,814	768,646	-0.24%
Total expenses	<u>9,620,109</u>	<u>9,277,487</u>	<u>436,464</u>	<u>426,943</u>	<u>10,056,573</u>	<u>9,704,430</u>	<u>3.63%</u>
Excess(Deficiency) of revenues over(under) expenditures	1,558,776	1,422,071	(3,473)	(10,786)	1,555,303	1,411,285	10.20%
Transfers	(3,600)	-	3,600	-	-	-	0.00%
Change in net position	1,555,176	1,422,071	127	(10,786)	1,555,303	1,411,285	10.20%
Net position beginning of year	10,646,474	9,224,403	129,435	140,221	10,775,909	9,364,624	15.07%
Net position end of year	<u>\$ 12,201,650</u>	<u>10,646,474</u>	<u>129,562</u>	<u>129,435</u>	<u>12,331,212</u>	<u>10,775,909</u>	<u>14.43%</u>

In fiscal 2014, property tax and unrestricted state grants accounted for 78.24% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 99.64% of the revenue from business type activities.

The District's total revenues were approximately \$11.61 million, of which approximately \$11.18 million was for governmental activities and approximately \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.46% increase in revenues and a 3.63% increase in expenses. The increase in revenues can be attributed to the increase in unrestricted state grants received during the year. The increase in expenses can be attributed to the increase in expenses in the instruction functional area.

Governmental Activities

Revenues for governmental activities were \$11,178,885 and expenses were \$9,620,109 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2014 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	\$ 6,043,114	5,673,278	6.52%	5,237,779	4,732,938	10.67%
Support services	2,810,181	2,835,563	-0.90%	2,785,735	2,792,836	-0.25%
Other expenses	766,814	768,646	-0.24%	416,873	438,707	-4.98%
Totals	<u>\$ 9,620,109</u>	<u>9,277,487</u>	<u>3.69%</u>	<u>8,440,387</u>	<u>7,964,481</u>	<u>5.98%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$441,883.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$737,839.
- The net cost of governmental activities was financed with \$4,150,187 in property tax, \$298,038 in income surtax, \$767,122 in statewide sales, services and use tax, \$4,596,133 in unrestricted state grants, \$8,037 in nonspecific program federal grants, \$2,618 in interest income and \$177,028 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$432,991 and expenses were \$436,464. The District's business type activities include the School Nutrition Fund and the School Store Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Missouri 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 balances of \$4,830,083, above last year's ending fund balance of \$4,415,122. The increase in combined fund balances is due mainly to the increase in fund balance for the General Fund and the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase during the year in state source revenues resulted in an increase in revenues. The District also saw an increase in expenditures due primarily to an increase in regular instruction and capital outlay. The District's General Fund balance increased from \$1,024,862 at June 30, 2013 to \$1,995,163 at June 30, 2014.
- The Capital Projects Accounts balance increased from \$1,644,444 at the beginning of fiscal year 2014 to \$1,999,441 at the end of fiscal year 2014. The increase in revenues and decrease in expenditures as compared to the previous year led to the increase in ending balance.

- The Debt Service Fund balance decreased from \$1,235,666 to \$293,905 during the year. The primary reason for this decrease in fund balance is due to paying off the District's Qualified Zone Academy Bond indebtedness.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$128,262 at June 30, 2013 to \$127,923 at June 30, 2014, representing a decrease of 0.26%.

The School Store Fund net position increased from \$1,173 at June 30, 2013 to \$1,639 at June 30, 2014, representing an increase of 39.73%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Missouri Valley Community School District amended its budget one time to reflect the redistribution of expenditures between functional classifications. The budget in total was unchanged.

The District's revenues were \$68,491 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$7,509,466, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 5.97% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$623,622.

The original cost of the District's capital assets was \$16,455,489. Governmental funds account for \$16,244,798 with the remainder of \$210,691 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 District's machinery and equipment totaled \$528,197 at June 30, 2014, compared to \$677,197 reported at June 30, 2013. The decrease is primarily due to the disposal of District buses and other vehicles.

	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	\$ 61,250	61,250	-	-	61,250	61,250	0.00%
Construction in progress	32,006	30,960	-	-	32,006	30,960	3.38%
Buildings	6,796,806	7,118,333	-	-	6,796,806	7,118,333	-4.52%
Land improvements	91,207	98,498	-	-	91,207	98,498	-7.40%
Machinery and equipment	488,733	637,998	39,464	39,199	528,197	677,197	-22.00%
Total	\$ 7,470,002	7,947,039	39,464	39,199	7,509,466	7,986,238	-5.97%

Long-Term Debt

At June 30, 2014, the District had \$631,283 in general obligation and other long-term debt outstanding. This represents a decrease of 71.55% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District had outstanding general obligation bonds of \$290,000 at June 30, 2014, payable from the Debt Service Fund.

The District had outstanding capital loan notes payable from the Capital Projects: Physical Plant and Equipment Levy Fund of \$300,000 at June 30, 2014.

The District had outstanding compensated absences of \$41,283 at June 30, 2014, payable from the General Fund.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 290,000	725,000	-60.00%
Revenue bonds	-	55,000	-100.00%
Capital loan notes	300,000	400,000	-25.00%
Qualified zone academy bonds	-	1,000,000	-100.00%
Compensated absences	41,283	38,845	6.28%
Totals	<u>\$ 631,283</u>	<u>2,218,845</u>	<u>-71.55%</u>

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:
- Continued budget concerns at the state level will affect future District projections. Low allowable growth (Supplemental State Aid) may impact the spending authority of the District.
- The District continues to have issues with declining enrollment. The decline in enrollment means less state funding for the District.
- Certain costs will continue to increase, such as those associated with salaries and benefits. Health insurance premiums will continue to be a major issue for the District in the foreseeable future.
- Open enrollment is a process allowed under Iowa Code that allows parents or guardians residing in an Iowa school district to enroll their children into another Iowa school district. In the fiscal year ending June 30, 2014, the Missouri Valley Community School District had seventy students enrolled out of the district and thirty-seven students enrolled into the district. Closing the gap between the numbers of open enrolled out students and open enrolled in students would benefit the health of the General Fund.

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 Rhonda Oliphant, District Secretary/Treasurer, Missouri Valley Community School District, 109 East Michigan Street, Missouri Valley, Iowa, 51555.

Missouri Valley Community School District

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,155,339	76,102	5,231,441
Receivables:			
Property tax:			
Delinquent	46,845	-	46,845
Succeeding year	4,134,494	-	4,134,494
Income surtax	263,574	-	263,574
Due from other governments	484,283	-	484,283
Inventories	-	15,457	15,457
Capital assets, net of accumulated depreciation	7,470,002	39,464	7,509,466
Net OPEB asset	271,966	2,636	274,602
TOTAL ASSETS	17,826,503	133,659	17,960,162
LIABILITIES			
Accounts payable	189,946	-	189,946
Salaries and benefits payable	666,438	-	666,438
Accrued interest payable	2,692	-	2,692
Unearned revenue	-	4,097	4,097
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	290,000	-	290,000
Capital loan note payable	100,000	-	100,000
Compensated absences	41,283	-	41,283
Portion due after one year:			
Capital loan note payable	200,000	-	200,000
TOTAL LIABILITIES	1,490,359	4,097	1,494,456
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property tax revenue	4,134,494	-	4,134,494
NET POSITION			
Net investment in capital assets	6,880,002	39,464	6,919,466
Restricted for:			
Categorical funding	173,536	-	173,536
Debt service	374,074	-	374,074
School infrastructure	1,753,745	-	1,753,745
Physical plant and equipment	162,835	-	162,835
Management levy purposes	449,675	-	449,675
Student activities	91,899	-	91,899
Unrestricted	2,315,884	90,098	2,405,982
TOTAL NET POSITION	\$ 12,201,650	129,562	12,331,212

SEE NOTES TO FINANCIAL STATEMENTS.

**MISSOURI 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	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,832,783	254,272	21,316	-	(3,557,195)	-	(3,557,195)
Special	1,060,874	29,614	49,191	-	(982,069)	-	(982,069)
Other	1,149,457	157,579	293,363	-	(698,515)	-	(698,515)
	<u>6,043,114</u>	<u>441,465</u>	<u>363,870</u>	<u>-</u>	<u>(5,237,779)</u>	<u>-</u>	<u>(5,237,779)</u>
Support services:							
Student	274,542	-	170	-	(274,372)	-	(274,372)
Instructional staff	303,249	-	4,647	-	(298,602)	-	(298,602)
Administration	986,022	-	-	-	(986,022)	-	(986,022)
Operation and maintenance of plant	845,611	-	-	17,250	(828,361)	-	(828,361)
Transportation	400,757	418	1,961	-	(398,378)	-	(398,378)
	<u>2,810,181</u>	<u>418</u>	<u>6,778</u>	<u>17,250</u>	<u>(2,785,735)</u>	<u>-</u>	<u>(2,785,735)</u>
Long-term debt interest	38,155	-	-	-	(38,155)	-	(38,155)
Other expenditures:							
AEA flowthrough	349,941	-	349,941	-	-	-	-
Depreciation (unallocated)*	378,718	-	-	-	(378,718)	-	(378,718)
	<u>728,659</u>	<u>-</u>	<u>349,941</u>	<u>-</u>	<u>(378,718)</u>	<u>-</u>	<u>(378,718)</u>
Total governmental activities	<u>9,620,109</u>	<u>441,883</u>	<u>720,589</u>	<u>17,250</u>	<u>(8,440,387)</u>	<u>-</u>	<u>(8,440,387)</u>
Business type activities:							
Instruction:							
Regular	15	-	-	-	-	(15)	(15)
Other	3,777	-	-	-	-	(3,777)	(3,777)
	<u>3,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,792)</u>	<u>(3,792)</u>
Support services:							
Administration	915	-	-	-	-	(915)	(915)
Operation and maintenance of plant	10,303	-	-	-	-	(10,303)	(10,303)
	<u>11,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,218)</u>	<u>(11,218)</u>
Non-instructional programs:							
Food service operations	421,454	194,305	232,869	-	-	5,720	5,720
School store operations	-	4,258	-	-	-	4,258	4,258
Total non-instructional programs	<u>421,454</u>	<u>198,563</u>	<u>232,869</u>	<u>-</u>	<u>-</u>	<u>9,978</u>	<u>9,978</u>
Total business type activities	<u>436,464</u>	<u>198,563</u>	<u>232,869</u>	<u>-</u>	<u>-</u>	<u>(5,032)</u>	<u>(5,032)</u>
Total	<u>\$ 10,056,573</u>	<u>640,446</u>	<u>953,458</u>	<u>17,250</u>	<u>(8,440,387)</u>	<u>(5,032)</u>	<u>(8,445,419)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes					\$ 3,441,073	-	3,441,073
Debt service					459,740	-	459,740
Capital outlay					249,374	-	249,374
Income surtax					298,038	-	298,038
Statewide sales, services and use tax					767,122	-	767,122
Unrestricted state grants					4,596,133	-	4,596,133
Nonspecific program federal grants					8,037	-	8,037
Unrestricted investment earnings					2,618	5	2,623
Other					177,028	1,554	178,582
Transfers					(3,600)	3,600	-
Total general revenues and transfers					<u>9,995,563</u>	<u>5,159</u>	<u>10,000,722</u>
Change in net position					1,555,176	127	1,555,303
Net position beginning of year					10,646,474	129,435	10,775,909
Net position end of year					<u>\$ 12,201,650</u>	<u>129,562</u>	<u>12,331,212</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 2,674,846	1,650,327	288,763	541,403	5,155,339
Receivables:					
Property tax:					
Delinquent	35,379	3,891	5,142	2,433	46,845
Succeeding year	3,254,374	254,971	300,149	325,000	4,134,494
Income surtax	263,574	-	-	-	263,574
Due from other governments	88,047	396,236	-	-	484,283
TOTAL ASSETS	\$ 6,316,220	2,305,425	594,054	868,836	10,084,535
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 136,671	51,013	-	2,262	189,946
Salaries and benefits payable	666,438	-	-	-	666,438
Total liabilities	803,109	51,013	-	2,262	856,384
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,254,374	254,971	300,149	325,000	4,134,494
Income surtax	263,574	-	-	-	263,574
Total deferred inflows of resources	3,517,948	254,971	300,149	325,000	4,398,068
Fund balances:					
Restricted for:					
Categorical funding	173,536	-	-	-	173,536
Debt service	-	82,861	293,905	-	376,766
School infrastructure	-	1,753,745	-	-	1,753,745
Physical plant and equipment	-	162,835	-	-	162,835
Management levy purposes	-	-	-	449,675	449,675
Student activities	-	-	-	91,899	91,899
Unassigned	1,821,627	-	-	-	1,821,627
Total fund balances	1,995,163	1,999,441	293,905	541,574	4,830,083
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,316,220	2,305,425	594,054	868,836	10,084,535

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI 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(page 20)	\$	4,830,083
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		7,470,002
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		263,574
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.		(2,692)
Other post employment benefits are not yet available to finance expenditures of the current fiscal period.		271,966
Long-term liabilities, including general obligation bonds payable, capital loan note payable and compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(631,283)</u>
Net position of governmental activities(page 18)	\$	<u><u>12,201,650</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 3,528,719	249,374	459,740	215,022	4,452,855
Tuition	259,410	-	-	-	259,410
Other	88,736	41,135	857	267,782	398,510
State sources	5,094,314	767,237	213	101	5,861,865
Federal sources	209,100	476	882	417	210,875
TOTAL REVENUES	9,180,279	1,058,222	461,692	483,322	11,183,515
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,518,681	-	-	147,858	3,666,539
Special	1,019,777	-	-	-	1,019,777
Other	956,724	-	-	186,052	1,142,776
	5,495,182	-	-	333,910	5,829,092
Support services:					
Student	268,368	-	-	-	268,368
Instructional staff	205,070	-	-	-	205,070
Administration	930,137	19,650	1,750	-	951,537
Operation and maintenance of plant	693,835	59,804	-	105,066	858,705
Transportation	267,445	81,916	-	12,922	362,283
	2,364,855	161,370	1,750	117,988	2,645,963
Capital outlay	-	312,382	-	-	312,382
Long-term debt:					
Principal	-	-	1,590,000	-	1,590,000
Interest and fiscal charges	-	-	41,176	-	41,176
	-	-	1,631,176	-	1,631,176
Other expenditures:					
AEA flowthrough	349,941	-	-	-	349,941
TOTAL EXPENDITURES	8,209,978	473,752	1,632,926	451,898	10,768,554
Excess(Deficiency) of revenues over(under) expenditures	970,301	584,470	(1,171,234)	31,424	414,961
Other financing sources(uses):					
Transfer in	-	66,046	295,519	-	361,565
Transfer out	-	(295,519)	(66,046)	-	(361,565)
Total other financing sources(uses)	-	(229,473)	229,473	-	-
Change in fund balances	970,301	354,997	(941,761)	31,424	414,961
Fund balances beginning of year	1,024,862	1,644,444	1,235,666	510,150	4,415,122
Fund balances end of year	\$ 1,995,163	1,999,441	293,905	541,574	4,830,083

SEE NOTES TO FINANCIAL STATEMENTS.

MISSOURI 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) \$ 414,961

*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 reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:

Capital outlay	\$ 140,617	
Depreciation expense	(617,654)	(477,037)

Income surtax receivable is not available to finance expenditures of the current year period in the governmental funds. (4,630)

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. 1,590,000

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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,021

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:

Compensated absences	\$ (2,438)	
Other postemployment benefits	31,299	28,861

Change in net position of governmental activities(page 19) \$ 1,555,176

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

	Enterprise Funds		
	School Nutrition	School Store	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 74,463	1,639	76,102
Inventories	15,457	-	15,457
Total current assets	89,920	1,639	91,559
Noncurrent assets:			
Capital assets, net of accumulated depreciation	39,464	-	39,464
Net OPEB asset	2,636	-	2,636
Total noncurrent assets	42,100	-	42,100
TOTAL ASSETS	132,020	1,639	133,659
LIABILITIES			
Unearned revenue	4,097	-	4,097
NET POSITION			
Net investment in capital assets	39,464	-	39,464
Unrestricted	88,459	1,639	90,098
TOTAL NET POSITION	\$ 127,923	1,639	129,562

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	School Store	Total
Operating revenues:			
Local sources:			
Charges for services	\$ 194,305	4,258	198,563
Donations	500	-	500
Miscellaneous	1,554	-	1,554
Total operating revenues	<u>196,359</u>	<u>4,258</u>	<u>200,617</u>
Operating expenses:			
Instruction:			
Regular	-	15	15
Other	-	3,777	3,777
Total instruction	<u>-</u>	<u>3,792</u>	<u>3,792</u>
Support services:			
Administration:			
Services	915	-	915
Operation and maintenance of plant:			
Services	10,303	-	10,303
Total support services	<u>11,218</u>	<u>-</u>	<u>11,218</u>
Non-instructional programs:			
Food service operations:			
Salaries	130,008	-	130,008
Benefits	31,020	-	31,020
Services	525	-	525
Supplies	251,811	-	251,811
Other	2,122	-	2,122
Depreciation	5,968	-	5,968
Total non-instructional programs	<u>421,454</u>	<u>-</u>	<u>421,454</u>
Total operating expenses	<u>432,672</u>	<u>3,792</u>	<u>436,464</u>
Operating income(loss)	(236,313)	466	(235,847)
Non-operating revenues:			
State sources	3,713	-	3,713
Federal sources	228,656	-	228,656
Interest income	5	-	5
Total non-operating revenues	<u>232,374</u>	<u>-</u>	<u>232,374</u>
Change in net position before other financing sources	(3,939)	466	(3,473)
Other financing sources:			
Contributed capital	3,600	-	3,600
Change in net position	(339)	466	127
Net position beginning of year	<u>128,262</u>	<u>1,173</u>	<u>129,435</u>
Net position end of year	<u>\$ 127,923</u>	<u>1,639</u>	<u>129,562</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise Funds		
	School Nutrition	School Store	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 191,190	-	191,190
Cash received from donations	500	-	500
Cash received from miscellaneous	1,554	-	1,554
Cash received from school store operating activities	-	4,258	4,258
Cash payments to employees for services	(161,331)	-	(161,331)
Cash payments to suppliers for goods or services	(246,194)	(3,792)	(249,986)
Net cash provided by (used in) operating activities	(214,281)	466	(213,815)
Cash flows from non-capital financing activities:			
State grants received	3,713	-	3,713
Federal grants received	201,500	-	201,500
Net cash provided by non-capital financing activities	205,213	-	205,213
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,633)	-	(2,633)
Cash flows from investing activities:			
Interest on investments	5	-	5
Net increase(decrease) in cash and cash equivalents	(11,696)	466	(11,230)
Cash and cash equivalents at beginning of year	86,159	1,173	87,332
Cash and cash equivalents at end of year	\$ 74,463	1,639	76,102
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (236,313)	466	(235,847)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Commodities consumed	27,156	-	27,156
Depreciation	5,968	-	5,968
Increase in inventories	(7,622)	-	(7,622)
Decrease in accounts payable	(52)	-	(52)
Decrease in unearned revenue	(3,115)	-	(3,115)
Decrease in other postemployment benefits	(303)	-	(303)
Net cash provided by (used in) operating activities	\$ (214,281)	466	(213,815)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$27,156 of federal commodities.

During the year ended June 30, 2014, the District received contributed capital of \$3,600 from the Capital Projects: Property, Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	\$ 119,190	1,199
LIABILITIES		
Due to other groups	-	1,199
NET POSITION		
Restricted for scholarships	<u>\$ 119,190</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 1,111
Contributions	3,552
Total additions	<u>4,663</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>9,200</u>
Change in net position	(4,537)
Net position beginning of year	<u>123,727</u>
Net position end of year	<u>\$ 119,190</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

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

The Missouri 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. The geographic area served includes the cities of Missouri Valley, Iowa, and the predominately agricultural territory in Harrison and Pottawattamie Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Missouri 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 Missouri Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide 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 Harrison County and Pottawattamie County Assessors' Conference Boards.

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 support.

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.

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 often has constraints on resources that are 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 that are 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 Projects Fund.

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 of capital facilities and other capital assets.

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Enterprise, School Store Fund. The School Nutrition Fund is used to account for the food service operations of the District. The School Store Fund is used to account for the operations of the school store within the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangible assets	100,000
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 (In Years)
Buildings	50 years
Land improvements	20 years
Intangible assets	2 or more
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 and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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.

(2) **Cash and Pooled Investments**

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,821,270 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 and Poor's Financial Services.

(3) **Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 56,621
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	124,000
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	66,046
Debt Service	Capital Projects: Physical Plant and Equipment Levy	114,898
Total		<u>\$ 361,565</u>

The transfer of \$56,621 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest requirements on the District's revenue bonded indebtedness. An additional transfer of \$124,000 was needed for the final payment on the District's qualified zone academy bonded indebtedness.

The purpose of the \$66,046 transfer from Debt Service to Capital Projects: Statewide Sales, Services and Use Tax Fund was to close out the Debt Service Money Market Sinking Fund for the revenue and qualified zone academy bonds, which were paid off during the year.

The transfer of \$114,898 from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for principal and interest requirements on the District's capital loan note indebtedness.

(4) Capital Assets

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

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,250	-	-	61,250
Construction in progress	30,960	50,946	49,900	32,006
Total capital assets not being depreciated	<u>92,210</u>	<u>50,946</u>	<u>49,900</u>	<u>93,256</u>
Capital assets being depreciated:				
Buildings	12,805,972	49,900	-	12,855,872
Land improvements	770,441	-	-	770,441
Machinery and equipment	3,125,757	89,671	690,199	2,525,229
Total capital assets being depreciated	<u>16,702,170</u>	<u>139,571</u>	<u>690,199</u>	<u>16,151,542</u>
Less accumulated depreciation for:				
Buildings	5,687,639	371,427	-	6,059,066
Land improvements	671,943	7,291	-	679,234
Machinery and equipment	2,487,759	238,936	690,199	2,036,496
Total accumulated depreciation	<u>8,847,341</u>	<u>617,654</u>	<u>690,199</u>	<u>8,774,796</u>
Total capital assets being depreciated, net	<u>7,854,829</u>	<u>(478,083)</u>	<u>-</u>	<u>7,376,746</u>
Governmental activities capital assets, net	<u>\$ 7,947,039</u>	<u>(427,137)</u>	<u>49,900</u>	<u>7,470,002</u>
Business type activities:				
Machinery and equipment	\$ 208,777	6,233	4,319	210,691
Less accumulated depreciation	169,578	5,968	4,319	171,227
Business type activities capital assets, net	<u>\$ 39,199</u>	<u>265</u>	<u>-</u>	<u>39,464</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 75,997
Other	6,731
Support services:	
Student	636
Instructional staff	92,849
Administration	7,733
Operation of plant and maintenance	3,970
Transportation	51,020
	<u>238,936</u>
Unallocated depreciation	<u>378,718</u>
Total governmental activities depreciation expense	<u>\$ 617,654</u>
Business type activities:	
Food services	<u>\$ 5,968</u>

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 725,000	-	435,000	290,000	290,000
Revenue bonds	55,000	-	55,000	-	-
Capital loan notes	400,000	-	100,000	300,000	100,000
Qualified zone academy bonds	1,000,000	-	1,000,000	-	-
Compensated absences	38,845	41,283	38,845	41,283	41,283
Total	<u>\$ 2,218,845</u>	<u>41,283</u>	<u>1,628,845</u>	<u>631,283</u>	<u>431,283</u>

Capital Loan Notes

During the year ended June 30, 2010, the District issued capital loan notes for the purchase of equipment. Principal and interest payments will be made from the Capital Projects: Physical Plant and Equipment Levy Fund. Details of the District's capital loan notes indebtedness at June 30, 2014 are as follows:

Year Ending June 30,	Capital Loan issue dated June 10, 2010			
	Interest Rates	Principal	Interest	Total
2015	4.00	100,000	11,000	111,000
2016	4.00	100,000	6,000	106,000
2017	4.00	100,000	2,000	102,000
Total		<u>\$ 300,000</u>	<u>19,000</u>	<u>319,000</u>

General Obligation Bonds Payable

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

Year Ending June 30,	Bond issue dated May 1, 2003			
	Interest Rates	Principal	Interest	Total
2015	3.50	\$ 290,000	10,150	300,150

(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 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 was \$395,914, \$385,776 and \$356,693, 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 and prescription drug benefits for employees, retirees and their spouses under one of three fully insured Copay plans offered through Alliance Select. There are 99 active and 23 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Alliant Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 128,000
Interest on net OPEB obligation	(10,935)
Adjustment to annual required contribution	9,333
Annual OPEB cost	<u>126,398</u>
Contributions made	(158,000)
Increase in net OPEB obligation	<u>(31,602)</u>
Net OPEB obligation - beginning of year	<u>(243,000)</u>
Net OPEB obligation - end of year	<u><u>\$ (274,602)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$158,000 to the medical plan. Plan members eligible for benefits contributed \$207,000, or 69.00% 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	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	126,171	163.27%	(203,245)
2013	127,245	131.24%	(243,000)
2014	126,398	125.00%	(274,602)

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 \$1,458,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,458,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,901,070 and the ratio of the UAAL to covered payroll was 37.37%. 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 for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the unit credit 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 and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$703 per month for retirees and \$1,055 per month for spouses less than 65. The salary increase rate was assumed to 3.5% per year. The implicit subsidy portion of UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Categorical Funding

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

Program	Amount
At-risk supplemental weighting	\$ 15,165
Returning dropouts and dropout prevention programs	60,418
Beginning teacher mentoring and induction program	690
Teacher salary supplement	64,031
Professional development for model core curriculum	4,545
Professional development	1,507
Early Literacy Grant	18,926
Teacher Leadership Grants	8,254
Total	<u>\$ 173,536</u>

(9) Risk Management

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

(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 \$349,941 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.

(11) **Detailed 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:

	Invested in	Debt	Unassigned/
	Capital Assets	Service	Unrestricted
Fund Balance (Exhibit C)	\$ -	376,766	1,821,627
Capital assets, net of accumulated depreciation	7,470,002	-	-
General obligation bond capitalized indebtedness	(290,000)	-	-
Capital loan note payable	(300,000)		
Income surtax	-	-	263,574
Accrued interest payable	-	(2,692)	-
Accrued compensated absences	-	-	(41,283)
Net OPEB asset	-	-	271,966
Net position (Exhibit A)	<u>\$ 6,880,002</u>	<u>374,074</u>	<u>2,315,884</u>

(12) **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

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 5,110,775	200,622	5,311,397	6,097,684	6,097,684	(786,287)
Intermediate sources	-	-	-	200	200	(200)
State sources	5,861,865	3,713	5,865,578	5,028,131	5,028,131	837,447
Federal sources	210,875	228,656	439,531	422,000	422,000	17,531
Total revenues	<u>11,183,515</u>	<u>432,991</u>	<u>11,616,506</u>	<u>11,548,015</u>	<u>11,548,015</u>	<u>68,491</u>
Expenditures/Expenses:						
Instruction	5,829,092	3,792	5,832,884	5,921,000	5,921,000	88,116
Support services	2,645,963	11,218	2,657,181	3,322,375	3,297,375	640,194
Non-instructional programs	-	421,454	421,454	450,000	450,000	28,546
Other expenditures	2,293,499	-	2,293,499	2,356,219	2,381,219	87,720
Total expenditures/expenses	<u>10,768,554</u>	<u>436,464</u>	<u>11,205,018</u>	<u>12,049,594</u>	<u>12,049,594</u>	<u>844,576</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	414,961	(3,473)	411,488	(501,579)	(501,579)	913,067
Other financing sources, net	-	3,600	3,600	5,000	5,000	(1,400)
Excess(Deficiency) of revenues and other net financing sources over(under) expenditures/expenses and other net financing sources	414,961	127	415,088	(496,579)	(496,579)	911,667
Balances beginning of year	4,415,122	129,435	4,544,557	3,760,888	3,760,888	783,669
Balances end of year	<u>\$ 4,830,083</u>	<u>129,562</u>	<u>4,959,645</u>	<u>3,264,309</u>	<u>3,264,309</u>	<u>1,695,336</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment to reflect the redistribution of expenditures between classifications.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,755,000	1,755,000	0.0%	\$ 4,283,923	40.97%
2011	July 1, 2009	-	1,755,000	1,755,000	0.0%	4,117,113	42.63%
2012	July 1, 2009	-	1,755,000	1,755,000	0.0%	4,419,984	39.71%
2013	July 1, 2012	-	1,458,000	1,458,000	0.0%	3,881,694	37.56%
2014	July 1, 2012	-	1,458,000	1,458,000	0.0%	3,901,070	37.37%

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

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 449,504	91,899	541,403
Receivables:			
Property tax:			
Delinquent	2,433	-	2,433
Succeeding year	325,000	-	325,000
TOTAL ASSETS	\$ 776,937	91,899	868,836
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,262	-	2,262
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	325,000	-	325,000
Fund balances:			
Restricted for:			
Management levy purposes	449,675	-	449,675
Student activities	-	91,899	91,899
Total fund balances	449,675	91,899	541,574
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 776,937	91,899	868,836

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 215,022	-	215,022
Other	100,726	167,056	267,782
State sources	101	-	101
Federal sources	417	-	417
TOTAL REVENUES	316,266	167,056	483,322
EXPENDITURES:			
Current:			
Instruction:			
Regular	147,858	-	147,858
Other	-	186,052	186,052
Support services:			
Operation and maintenance of plant	105,066	-	105,066
Transportation	12,922	-	12,922
TOTAL EXPENDITURES	265,846	186,052	451,898
Change in fund balances	50,420	(18,996)	31,424
Fund balances beginning of year	399,255	110,895	510,150
Fund balance end of year	\$ 449,675	91,899	541,574

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,485,013	165,314	1,650,327
Receivables:			
Property tax:			
Delinquent	-	3,891	3,891
Succeeding year	-	254,971	254,971
Due from other governments	396,236	-	396,236
TOTAL ASSETS	\$ 1,881,249	424,176	2,305,425
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 44,643	6,370	51,013
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	254,971	254,971
Fund balances:			
Restricted for:			
Debt service	82,861	-	82,861
School infrastructure	1,753,745	-	1,753,745
Physical plant and equipment	-	162,835	162,835
Total fund balances	1,836,606	162,835	1,999,441
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,881,249	424,176	2,305,425

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHNGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
REVENUES:			
Local sources:			
Local tax	\$ -	249,374	249,374
Other	787	40,348	41,135
State sources	767,122	115	767,237
Federal sources	-	476	476
TOTAL REVENUES	767,909	290,313	1,058,222
EXPENDITURES:			
Current:			
Support services:			
Administration	-	19,650	19,650
Operation and maintenance of plant	7,426	52,378	59,804
Transportation	68,416	13,500	81,916
Capital outlay	233,828	78,554	312,382
TOTAL EXPENDITURES	309,670	164,082	473,752
Excess of revenues over expenditures	458,239	126,231	584,470
Other financing sources (uses):			
Transfer in	66,046	-	66,046
Transfer out	(180,621)	(114,898)	(295,519)
Total other financing sources(uses)	(114,575)	(114,898)	(229,473)
Change in fund balances	343,664	11,333	354,997
Fund balances beginning of year	1,492,942	151,502	1,644,444
Fund balances end of year	\$ 1,836,606	162,835	1,999,441

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Thespians	\$ 1,604	1,694	2,318	980
HS Vocal Music	10,049	456	7,204	3,301
MS Vocal Music	5,679	-	216	5,463
Elementary Vocal Music	4	-	-	4
HS Swing Choir	227	30	227	30
HS Band	2,070	800	531	2,339
MS Band	4,665	-	-	4,665
6th Grade Band	80	1,965	1,965	80
Boys Cross Country	465	250	391	324
Girls Cross Country	122	292	318	96
Drill Team	2,584	7,710	9,036	1,258
HS Boys Basketball	3,028	8,749	6,239	5,538
HS Football	9,086	7,085	11,070	5,101
G/B Soccer	205	5,282	5,187	300
HS Baseball	108	4,375	3,246	1,237
HS Boys Track	311	2,121	2,365	67
MS G/B Track	39	-	-	39
Golf Club	98	571	424	245
HS Wrestling	155	1,543	1,647	51
HS Girls Basketball	4,536	6,393	5,633	5,296
MS Girls Basketball	1	-	-	1
HS Volleyball	3,005	6,102	6,918	2,189
MS Volleyball	18	-	-	18
HS Softball	696	3,202	3,026	872
MS Softball	11	-	-	11
Athletics	1,074	9,866	8,734	2,206
Coaches Fund Reimbursement	83	1,700	1,119	664
Elementary Activity	208	-	125	83
MS Student Activity	608	-	-	608
HS Activity	1,031	1	105	927
Arrowhead Diner Account	101	-	101	-
MS Student Council	1,402	10,812	8,151	4,063
HS Student Council	2,237	1,505	1,846	1,896
MS Jump Rope for Heart	2	-	-	2
Annual	2,941	3,507	4,001	2,447
5th Grade	22	-	-	22
Kuhlmann Technology	321	-	-	321
Student Technology	8	-	-	8
Technology Projector	120	-	-	120
Friends of Rachel	100	97	141	56
Dream Program	12	-	-	12

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 5

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
National Honor Society	117	736	543	310
MoValley Home Page	1,285	-	1,285	-
Business Ed.	277	10	287	-
Art	491	-	-	491
Future Homemakers	3,100	1,210	142	4,168
Health Occupations	7,828	11,690	16,353	3,165
Key Club	1,331	2,680	2,463	1,548
MVHS Pep Club	828	-	202	626
Science Club	572	1,481	1,111	942
Spanish Club	1,321	-	47	1,274
Math Club	1,374	844	845	1,373
Class of 2014	1,935	730	2,517	148
Class of 2015	793	16,378	14,670	2,501
Class of 2016	1,436	325	334	1,427
Class of 2017	181	-	-	181
Social Studies Investments	-	5	-	5
Social Studies Students	2,967	-	502	2,465
Special Needs	1,044	-	278	766
Activity Fund Investments	219	2	55	166
Boys Basketball	3,247	3,242	5,114	1,375
Football	1,755	12,530	8,852	5,433
Baseball	3,977	8,845	9,595	3,227
Boys Track/Cross Country	847	295	503	639
Girls Basketball	1,135	1,845	1,734	1,246
Volleyball	8,929	3,089	10,459	1,559
Softball	2,595	2,000	2,940	1,655
Girls Cross Country	1,244	3,632	3,635	1,241
MS Cheerleaders	2	-	-	2
HS Cheerleaders	349	4,337	4,301	385
Concessions	600	5,042	5,001	641
Total	\$ 110,895	167,056	186,052	91,899

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				
	Vocal Scholarship	Longview Scholarship	Key Club Scholarship	Rand Scholarship	Walsh Scholarship
ASSETS					
Cash and pooled investments	\$ 527	450	200	33,450	41,794
LIABILITIES					
	-	-	-	-	-
NET POSITION					
Restricted for scholarships	\$ 527	450	200	33,450	41,794

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 6

Jensen Scholarship	McIntosh Scholarship	Thomas Scholarship	Brookhouser Scholarship	Faubel Scholarship	Land & Mineral Scholarship	Total
28,195	3,774	4,809	240	5,251	500	119,190
-	-	-	-	-	-	-
28,195	3,774	4,809	240	5,251	500	119,190

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund				
	Vocal Scholarship	Longview Scholarship	Key Club Scholarship	Rand Scholarship	Walsh Scholarship
Additions:					
Local sources:					
Interest	\$ -	-	-	168	942
Contributions	-	301	-	-	-
Total additions	-	301	-	168	942
Deductions:					
Instruction:					
Other:					
Scholarships awarded	100	150	-	-	1,200
Change in net position	(100)	151	-	168	(258)
Net position beginning of year	627	299	200	33,282	42,052
Net position end of year	\$ 527	450	200	33,450	41,794

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 7

Jensen Scholarship	McIntosh Scholarship	Thomas Scholarship	Brookhouser Scholarship	Faubel Scholarship	Land & Mineral Scholarship	Total
1	-	-	-	-	-	1,111
-	3,000	-	-	251	-	3,552
1	3,000	-	-	251	-	4,663
1,000	4,000	500	-	2,000	250	9,200
(999)	(1,000)	(500)	-	(1,749)	(250)	(4,537)
29,194	4,774	5,309	240	7,000	750	123,727
28,195	3,774	4,809	240	5,251	500	119,190

MISSOURI VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY POSITION
 AND LIABILITIES - AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Assets				
Cash and pooled investments	\$ 1,272	542	615	1,199
Liabilities				
Due to other groups	\$ 1,272	542	615	1,199

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 4,452,855	5,174,151	4,901,408	4,683,194	4,029,810	3,911,604	3,590,504	3,563,857	3,293,136	2,567,624
Tuition	259,410	240,179	257,228	271,975	231,738	169,642	180,746	187,568	170,217	173,745
Other	398,510	428,807	429,233	592,188	504,928	514,006	521,478	626,661	679,339	1,261,196
State sources	5,861,865	4,627,054	4,764,068	4,885,514	4,397,047	4,857,892	4,573,434	4,337,603	4,219,487	4,125,824
Federal sources	210,875	237,250	192,430	610,937	761,681	295,545	286,018	210,874	280,238	285,265
Total	\$ 11,183,515	10,707,441	10,544,367	11,043,808	9,925,204	9,748,689	9,152,180	8,926,563	8,642,417	8,413,654
Expenditures:										
Current:										
Instruction:										
Regular	\$ 3,666,539	3,582,784	3,428,719	3,554,400	3,526,034	3,666,662	3,451,845	3,066,054	2,919,893	3,114,027
Special	1,019,777	1,029,556	1,135,942	1,082,721	1,012,539	1,148,742	1,146,073	1,085,851	1,063,065	1,197,697
Other	1,142,776	1,149,488	1,189,617	1,224,357	1,300,515	969,973	886,236	1,048,621	1,098,824	785,507
Support services:										
Student	268,368	273,024	260,936	150,238	169,672	155,837	190,204	182,325	132,436	134,866
Instructional staff	205,070	214,827	171,694	369,364	417,530	315,230	271,626	271,163	337,026	168,072
Administration	951,537	1,044,550	1,074,533	1,122,685	1,095,628	1,022,919	985,912	906,653	870,944	814,554
Operation and maintenance of plant	858,705	759,377	698,584	782,484	774,021	986,220	903,724	791,257	822,026	742,073
Transportation	362,283	433,246	456,509	363,713	412,343	346,895	436,857	328,577	349,093	332,589
Capital outlay	312,382	189,766	88,320	796,568	456,881	204,021	274,905	1,717,443	847,757	101,128
Long-term debt:										
Principal	1,590,000	610,000	610,000	595,000	480,000	465,000	450,000	440,000	3,470,000	260,000
Interest and other charges	41,176	63,272	85,609	104,567	94,986	110,014	124,375	136,397	354,517	309,698
Other expenditures:										
AEA flow-through	349,941	329,939	332,204	373,579	373,644	333,778	301,546	290,839	275,773	274,053
Total	\$ 10,768,554	9,679,829	9,532,667	10,519,676	10,113,793	9,725,291	9,423,303	10,265,180	12,541,354	8,234,264

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Missouri 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 Missouri 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 February 2, 2015.

Internal Control Over Financial Reporting

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

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

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Missouri 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.

Missouri Valley Community School District's Responses to Findings

Missouri Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Missouri 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 Missouri 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.

February 2, 2015
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - ordering, receiving, issuing and storing.
- 4) Financial reporting - preparing, reconciling and approving.
- 5) Computer systems - performing all general accounting functions and controlling all data input and output.
- 6) School lunch program - journalizing, posting, reconciling, purchase order processing, and check preparation

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

Response - The District continues to evaluate and review internal control methods; segregating wherever possible with a limited support staff.

Conclusion - Response accepted.

I-B-14 Capital Assets - A record of capital asset acquisitions and disbursements are kept by the District, however, these changes are not being made on the District's accounting software by District personnel. Capital assets are required to be maintained for financial statement presentation. However, it appears when capital assets are disposed, identification tags are not turned in to the district office. This does not provide sufficient documentation to make necessary adjustments to the District's capital assets.

Recommendation - The District should have a complete list of additions, deletions, and current assets for reporting purposes. The District should implement internal controls consistent with board policy 811.1 which states "The capital assets management system will be updated monthly to account for the addition/acquisition, disposal, and relocation/transfers of capital assets." All personnel responsible for capital assets should be given a listing of capital assets for their respective department and be reconciled on a monthly basis with the District's official capital asset listing.

Response - The District will strive to conduct monthly updates and reviews pertaining to capital assets; including listings of assets to personnel responsible for them.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 did not exceed the certified budgeted amounts in any of the functional areas.

II-B-14 Questionable Disbursements - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted and 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
Daniel Zaiser, Board Member Spouse owns Zaiser Embroidery	Purchased services	\$ 349
Joyce Lehman, Substitute Teacher Spouse owns Lehman's Printing	Purchased services	\$ 3,720
Sara Guinan, Teacher Spouse owns Guinan Heating & Cooling	Supplies & services	\$ 490
Jim Hornbeck, Coach Owns CJ Futures Inc.	Landscaping	\$ 7,056
Carol Rodewald, Director of Food Service Owns Carol's Cakes & Catering	Purchased prom supplies	\$ 100

In accordance with the Attorney General’s opinion dated November 9, 1976, the above transactions with the board member’s spouse and spouses of District employees do not appear to represent a conflict of interest.

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with the coach and Director of Food Service do not appear to represent a conflict of interest.

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

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

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

- II-H-14 Supplementary Weighting - No variance regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was 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 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, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,492,942
Revenues:		
Sales tax revenues	\$ 767,122	
Other local revenues	787	
Transfers from other funds:		
Debt service fund	66,046	833,955
		<u>2,326,897</u>
Expenditures/transfers out:		
School infrastructure	37,409	
Equipment	238,946	
Other	33,315	
Transfers to other funds:		
Debt service fund	180,621	490,291
Ending Balance		<u>\$ 1,836,606</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 - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for students.

Administratively Maintained Accounts: We noted during our audit that the District has a Coaches Fund Reimbursement account in the Student Activity Fund to track revenues and expenses for coaches' travel, membership dues, and coaches' clinics.

Recommendation The Coaches Fund Reimbursement account does not appear to be a student ran organization but rather an administratively maintained account. The revenues and expenses in the account should be accounted for in the accounts of their related sport. Any remaining balance in this account should be allocated to other activity fund accounts according to the decision of the Board based on recommendation from the business manager from historical activity that has been in the accounts.

Response - The District has reviewed procedures and made adjustments to comply with the recommendation. The coaches fund account has been allocated and no longer exists.

Conclusion - Response accepted.

Interest Allocation: We noted that the District received interest in the High School Activity and Activity Fund Investments accounts in the Student Activity Fund. However, this interest was not allocated among the various accounts at least once during the year.

Recommendation - The interest earned each year should be allocated out at once during the year among the various individual accounts.

Response - The interest(dividends) earned are being used for the purchase of financial/business supplies used for maintaining all of the Student Activity Funds.

Conclusion - Response accepted.