

**PRAIRIE VALLEY COMMUNITY SCHOOL DISTRICT
GOWRIE, IOWA**

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

YEAR ENDED JUNE 30, 2014

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor’s Report	2-4
Management’s Discussion and Analysis	5-15
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 16-17
Statement of Activities	B 18-19
Governmental Fund Financial Statements:	
Balance Sheet	C 20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 22
Statement of Revenues, Expenditures and Changes in Fund Balances	E 23-24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 25
Proprietary Fund Financial Statements:	
Statement of Net Position	G 26
Statement of Revenues, Expenses and Changes in Fund Net Position	H 27
Statement of Cash Flows	I 28-29
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	J 30
Statement of Changes in Fiduciary Net Position	K 31
Notes to Financial Statements	32-51
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/ Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	52-53
Notes to Required Supplementary Information - Budgetary Reporting	54
Schedule of Funding Progress for the Retiree Health Plan	55

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1	56
Capital Project Accounts:		
Combining Balance Sheet	2	57
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	3	58
Nonmajor Enterprise Funds:		
Combining Schedule of Net Position	4	59
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position	5	60-61
Combining Schedule of Cash Flows	6	62-63
Schedule of Changes in Private Purpose Trusts	7	64
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	8	65
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	9	66-67
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>		68-70
Schedule of Findings		71-76

Prairie Valley Community School District
Gowrie, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Scott Hansch	President	2013
Shannon Miller	Vice President	2013
Rick Brand	Board Member	2013
John Field	Board Member	2015
Brian Holmgaard	Board Member	2015
Emilea Lundberg	Board Member	2013
Gary Welter	Board Member	2015

(After September 2013 Election)

Shannon Miller	President	2017
Gary Welter	Vice President	2015
Jim Carlson	Board Member	2017
John Field	Board Member	2015
Joe Harrison	Board Member	2017
Brian Holmgaard	Board Member	2015
Heidi McGuire	Board Member	2017

School Officials

Lois Irwin	Superintendent	2014
Lisa Willardson	District Secretary/ Treasurer Business Manager	2014
Gruhn Law Firm	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

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Jerilyn J. Maher, C.P.A.
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Independent Auditor's Report

To the Board of Education of
Prairie 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 Prairie Valley Community School District, Gowrie, 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 the 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 Prairie 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 5 through 15 and 52 through 55 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 the 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 Prairie 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 two years ended June 30, 2013 (which is not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unqualified 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 March 30, 2015 on our consideration of Prairie Valley Community School District's internal control over financial reporting and 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 Prairie Valley Community School District's internal control over financial reporting and compliance.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prairie 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 \$6,874,326 in fiscal year 2013 to \$7,082,178 in fiscal year 2014, while General Fund expenditures decreased from \$6,802,657 in fiscal year 2013 to \$6,648,784 in fiscal year 2014. The District's General Fund balance increased from \$1,934,259 at the end of fiscal year 2013 to \$2,367,653 at the end of fiscal year 2014, a 22.4% increase.
- The fiscal year 2014 General Fund revenue increase was attributable to increases in tuition and other local revenue. The decrease in expenditures was due primarily to a decrease in instruction costs. This resulted in the District being able to increase its carryover funds.

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 Prairie 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 Prairie Valley Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Prairie Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds.

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

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

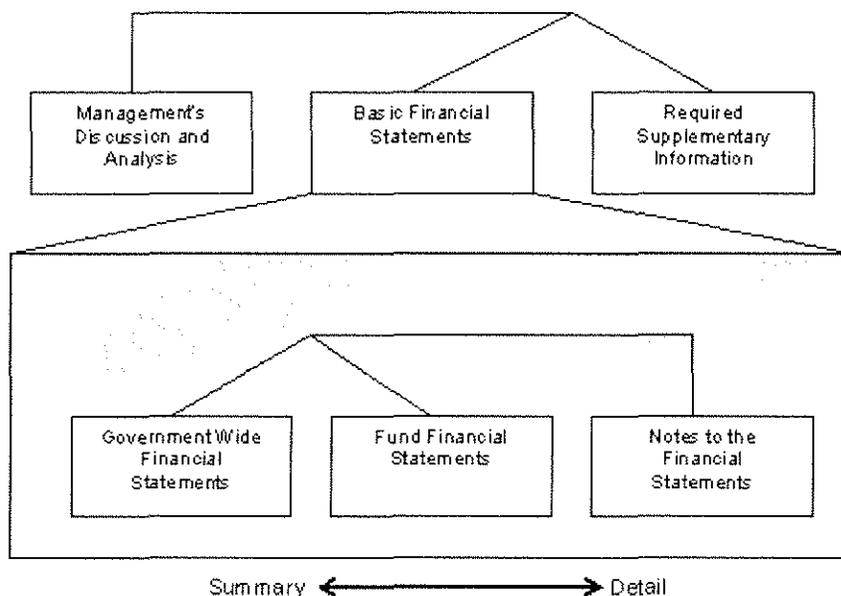


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<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, 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 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 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include 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 Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent, such as the Booster club.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 7,584	7,382	63	63	7,647	7,445	2.7%
Capital assets	7,127	7,712	35	54	7,162	7,766	-7.8%
Total assets	<u>14,711</u>	<u>15,094</u>	<u>98</u>	<u>117</u>	<u>14,809</u>	<u>15,211</u>	<u>-2.6%</u>
Long-term liabilities	1,098	1,445	---	---	1,098	1,445	-24.0%
Other liabilities	747	1,059	5	11	752	1,070	-29.7%
Total liabilities	<u>1,845</u>	<u>2,504</u>	<u>5</u>	<u>11</u>	<u>1,850</u>	<u>2,515</u>	<u>-26.4%</u>
Deferred inflows of resources	<u>2,921</u>	<u>2,898</u>	---	---	<u>2,921</u>	<u>2,898</u>	<u>0.8%</u>
Net position:							
Net investment in capital assets	6,391	6,516	35	54	6,426	6,570	-2.2%
Restricted	1,239	1,221	---	---	1,239	1,221	1.5%
Unrestricted	<u>2,315</u>	<u>1,955</u>	<u>58</u>	<u>52</u>	<u>2,373</u>	<u>2,007</u>	<u>18.2%</u>
Total net position	<u>\$ 9,945</u>	<u>9,692</u>	<u>93</u>	<u>106</u>	<u>10,038</u>	<u>9,798</u>	<u>2.4%</u>

The District's total net position increased 2%, or approximately \$240,000 from the prior year. The largest portion of the District's net position is 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 resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position, increased approximately \$18,000 or 2% from the prior year. The increase was primarily a result of an increase in the unspent categorical funding balance.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$366,000 or 18%. This increase in unrestricted net position was primarily a result of the District's increase in revenues.

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

Figure A-4
Changes in Net Position
(Expressed in Thousands)

	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>		<u>Total</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
							<u>2013-2014</u>
Revenues:							
Program revenues:							
Charges for service	\$ 1,060	691	184	223	1,244	914	36.1%
Operating grants, contributions and restricted interest	997	959	196	199	1,193	1,158	3.0%
Capital grants, contributions and restricted interest	---	---	4	---	4	---	100.0%
General revenues:							
Property tax	2,915	3,126	---	---	2,915	3,126	-6.7%
Statewide sales, services and use tax	530	542	---	---	530	542	-2.2%
Income surtax	311	276	---	---	311	276	12.7%
Unrestricted state grants	2,043	2,138	---	---	2,043	2,138	-4.4%
Unrestricted investment earnings	83	88	---	---	83	88	-5.7%
Other	127	105	5	3	132	108	22.2%
Sale of fixed assets	17	---	(23)	---	(6)	---	-100.0%
Total revenues	<u>8,083</u>	<u>7,925</u>	<u>366</u>	<u>425</u>	<u>8,449</u>	<u>8,350</u>	<u>1.2 %</u>
Program expenses:							
Instruction	4,992	4,962	---	---	4,992	4,962	0.6%
Support services	2,209	2,044	3	1	2,212	2,045	8.2%
Non-instructional programs	1	1	376	429	377	430	-12.3%
Other expenses	628	640	---	---	628	640	-1.9%
Total expenses	<u>7,830</u>	<u>7,647</u>	<u>379</u>	<u>430</u>	<u>8,209</u>	<u>8,077</u>	<u>1.6%</u>
Increase (decrease) in net position	253	278	(13)	(5)	240	273	-12.1%
Net position beginning of year	<u>9,692</u>	<u>9,414</u>	<u>106</u>	<u>111</u>	<u>9,798</u>	<u>9,525</u>	<u>2.9%</u>
Net position end of year	\$ <u>9,945</u>	<u>9,692</u>	<u>93</u>	<u>106</u>	<u>10,038</u>	<u>9,798</u>	<u>2.4%</u>

In fiscal 2014, property tax and unrestricted state grants account for 61.3% of governmental activities revenue while charges for service and operating grants and contributions account for 97.7% of business type activities revenues.

The District's total revenues were approximately \$8.4 million, of which approximately \$8.0 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.2% increase in revenues and a 1.6% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$8,082,562 and expenses were \$8,208,201 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 4,992	4,962	0.6%	3,288	3,682	-10.7%
Support services	2,209	2,044	8.1%	2,112	1,926	9.7%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	628	640	-1.9%	371	388	-4.4%
Total	\$ 7,830	7,647	2.4%	5,772	5,997	-3.8%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,060,288.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$997,353.
- The net cost of governmental activities was financed with \$3,755,445 in property and other taxes and \$2,042,526 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$365,875, representing a 14.0% decrease from the prior year, while expenses totaled \$430,225, a 12.0% decrease over the prior year. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Prairie 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 \$3,664,138, above last year's ending fund balances of \$3,206,364.

Governmental Fund Highlights

- The General Fund balance increased from \$1,934,259 to \$2,367,653 due to an increase in revenues and a decrease in expenditures.
- The Management Fund balance decreased from \$581,644 to \$494,878 due to a decrease in revenues.
- The Debt Service Fund balance stayed the same as the prior year at \$116,514.
- The Capital Projects Fund balance increased from \$530,964 in fiscal 2013 to \$634,636 in fiscal 2014, due in part to a decrease in expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$113,735 at June 30, 2013 to \$105,545 at June 30, 2014, representing a decrease of approximately 7%. The main reason for the decrease in the fund balance was due to disposal of fixed assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Prairie Valley Community School District did not amend its budget.

The District's total revenues were \$1,036,659 less than total budgeted revenues, a variance of 10.9%.

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

The certified budget was not exceeded in any of the four functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$7.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 7.8% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$516,958.

The original cost of the District's capital assets was approximately \$17.3 million. Governmental funds account for approximately \$17.1 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 158	158	---	---	158	158	0.0%
Buildings	6,136	6,354	---	---	6,136	6,354	-3.4%
Improvements other than buildings	264	281	---	---	264	281	-6.0%
Furniture and equipment	569	919	35	54	604	973	-37.9%
Total	\$ 7,127	7,712	35	54	7,162	7,766	-7.8%

Long-Term Debt

At June 30, 2014, the District had \$1,339,716 in total long-term debt outstanding. This represents a decrease of approximately 29% 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.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
Sales tax revenue bonds	\$ 536	643	-16.6%
Bus lease purchase obligation	200	479	-58.2%
Computer lease purchase obligation	---	74	-100.0%
Equipment note	45	72	-37.5%
Compensated absences	30	---	100.0%
Termination benefits	<u>146</u>	<u>72</u>	<u>102.8%</u>
Total	<u>\$ 957</u>	<u>1,340</u>	<u>-28.6%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

1. The District entered a whole grade sharing agreement with Southeast Webster Grand on July 1, 2014. Increased costs associated with this agreement are anticipated at approximately \$300,000. The increase costs will include transportation (\$30,000), loss of shared teachers (\$150,000), new uniforms for athletics (\$85,000), increased number of student computers (\$25,000), and facility and sign logo changes (\$10,000). In Fiscal Year 2016 the District will begin receiving supplemental weighting for the whole grade sharing agreement. The anticipated amount of this supplemental revenue will be \$100,000. The uncertainty of open enrollment numbers poses a constant challenge for the District as it fluctuates annually. In addition, the whole grade sharing effects which District gets the revenue, depending on what student center they attend.
2. The District's enrollment is projected to continue to decline. The Department of Education enrollment projection for the next 3 years is a decline of 26 students for an estimated revenue loss of \$161,000.
3. A five-year facilities plan has been developed and a facilities committee has been formed. The facilities committee agrees that the option of a public vote to increase the PPEL rate is needed. A vote will be presented to the public in Fiscal Year 2015.

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 Lisa Willardson, District Secretary/Treasurer and Business Manager, Prairie Valley Community School District, PO Box 49, Gowrie, Iowa, 50543.

Basic Financial Statements

Prairie Valley Community School District
Gowrie, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 3,813,724	37,835	3,851,559
Receivables:			
Property tax:			
Delinquent	29,294	-	29,294
Succeeding year	2,920,966	-	2,920,966
Accounts	12,602	1,426	14,028
Due from other governments	807,740	-	807,740
Inventories	-	23,547	23,547
Capital assets, net of accumulated depreciation/amortization	7,126,600	35,341	7,161,941
Total assets	<u>14,710,926</u>	<u>98,149</u>	<u>14,809,075</u>
Liabilities			
Accounts payable	138,826	166	138,992
Salaries and benefits payable	591,107	-	591,107
Early retirement payable	1,646	-	1,646
Accrued interest payable	15,071	-	15,071
Unearned revenue	-	4,708	4,708
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	107,000	-	107,000
Bus lease purchase obligation	30,627	-	30,627
Equipment note	34,765	-	34,765
Early retirement	91,284	-	91,284
Compensated absences	5,827	-	5,827
Portion due after one year:			
Revenue bonds payable	429,000	-	429,000
Bus lease purchase obligation	169,080	-	169,080
Equipment note	9,840	-	9,840
Early retirement	54,733	-	54,733
Compensated absences	24,481	-	24,481
Net OPEB liability	141,830	-	141,830
Total liabilities	<u>1,845,117</u>	<u>4,874</u>	<u>1,849,991</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	2,920,966	-	2,920,966

Prairie Valley Community School District
Gowrie, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	6,390,893	35,341	6,426,234
Restricted for:			
Categorical funding	103,387	-	103,387
Management levy purposes	348,861	-	348,861
Physical plant and equipment	10,502	-	10,502
School infrastructure	624,134	-	624,134
Student activities	50,457	-	50,457
Debt service	101,443	-	101,443
Unrestricted	<u>2,315,166</u>	<u>57,934</u>	<u>2,373,100</u>
Total net position	<u>\$ 9,944,843</u>	<u>93,275</u>	<u>10,038,118</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa
Statement of Activities
Year ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,554,641	638,523	471,495	-
Special instruction	632,468	141,362	96,177	-
Other instruction	804,603	244,076	111,859	-
	<u>4,991,712</u>	<u>1,023,961</u>	<u>679,531</u>	<u>-</u>
Support services:				
Student	207,447	-	22,418	-
Instructional staff	150,079	22,239	5,047	-
Administration	631,082	-	630	-
Operation and maintenance of plant	611,736	-	-	-
Transportation	608,606	14,088	32,832	-
	<u>2,208,950</u>	<u>36,327</u>	<u>60,927</u>	<u>-</u>
Non-instructional programs	<u>575</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	75,660	-	-	-
Long-term debt interest	27,696	-	-	-
AEA flowthrough	256,895	-	256,895	-
Depreciation/amortization (unallocated)*	268,161	-	-	-
	<u>628,412</u>	<u>-</u>	<u>256,895</u>	<u>-</u>
Total governmental activities	<u>7,829,649</u>	<u>1,060,288</u>	<u>997,353</u>	<u>-</u>
Business type activities:				
Support services:				
Operation and maintenance of plant	2,693	-	-	-
Non-instructional programs:				
Food service operations	368,593	180,903	195,826	4,364
Day Care	7,266	2,468	311	-
Total business type activities	<u>378,552</u>	<u>183,371</u>	<u>196,137</u>	<u>4,364</u>
Total	<u>\$ 8,208,201</u>	<u>1,243,659</u>	<u>1,193,490</u>	<u>4,364</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(2,444,623)	-	(2,444,623)
(394,929)	-	(394,929)
(448,668)	-	(448,668)
<u>(3,288,220)</u>	<u>-</u>	<u>(3,288,220)</u>
(185,029)	-	(185,029)
(122,793)	-	(122,793)
(630,452)	-	(630,452)
(611,736)	-	(611,736)
(561,686)	-	(561,686)
<u>(2,111,696)</u>	<u>-</u>	<u>(2,111,696)</u>
<u>(575)</u>	<u>-</u>	<u>(575)</u>
(75,660)	-	(75,660)
(27,696)	-	(27,696)
-	-	-
<u>(268,161)</u>	<u>-</u>	<u>(268,161)</u>
<u>(371,517)</u>	<u>-</u>	<u>(371,517)</u>
<u>(5,772,008)</u>	<u>-</u>	<u>(5,772,008)</u>
-	(2,693)	(2,693)
-	12,500	12,500
-	(4,487)	(4,487)
-	5,320	5,320
<u>(5,772,008)</u>	<u>5,320</u>	<u>(5,766,688)</u>
2,811,570	-	2,811,570
103,861	-	103,861
310,701	-	310,701
529,313	-	529,313
2,042,526	-	2,042,526
82,724	-	82,724
127,062	4,963	132,025
17,164	(22,960)	(5,796)
<u>6,024,921</u>	<u>(17,997)</u>	<u>6,006,924</u>
252,913	(12,677)	240,236
9,691,930	105,952	9,797,882
<u>\$ 9,944,843</u>	<u>93,275</u>	<u>10,038,118</u>

Prairie Valley Community School District
Gowrie, Iowa

Balance Sheet
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 2,621,642	495,002	509,901	116,514
Receivables:				
Property tax:				
Delinquent	26,728	1,522	1,044	-
Succeeding year	2,533,308	278,000	109,658	-
Accounts	12,602	-	-	-
Due from other governments	<u>683,577</u>	<u>-</u>	<u>124,163</u>	<u>-</u>
Total assets	<u>\$ 5,877,857</u>	<u>774,524</u>	<u>744,766</u>	<u>116,514</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 138,354	-	472	-
Salaries and benefits payable	591,107	-	-	-
Early retirement payable	-	1,646	-	-
Deferred revenue:				
Total liabilities	<u>729,461</u>	<u>1,646</u>	<u>472</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,533,308	278,000	109,658	-
Income surtax	<u>247,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>2,780,743</u>	<u>278,000</u>	<u>109,658</u>	<u>-</u>
Fund balances:				
Restricted for:				
Categorical funding	103,387	-	-	-
Debt service	-	-	-	116,514
Management levy purposes	-	494,878	-	-
Student activities	-	-	-	-
School infrastructure	-	-	624,134	-
Physical plant and equipment	-	-	10,502	-
Unassigned	<u>2,264,266</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,367,653</u>	<u>494,878</u>	<u>634,636</u>	<u>116,514</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,877,857</u>	<u>774,524</u>	<u>744,766</u>	<u>116,514</u>

See notes to financial statements.

Exhibit C

<u>Nonmajor Special Revenue Student Activities</u>	<u>Total</u>
50,457	3,793,516
-	29,294
-	2,920,966
-	12,602
-	807,740
<u>50,457</u>	<u>7,564,118</u>
-	138,826
-	591,107
-	1,646
<u>-</u>	<u>731,579</u>
-	2,920,966
-	247,435
<u>-</u>	<u>3,168,401</u>
-	103,387
-	116,514
-	494,878
50,457	50,457
-	624,134
-	10,502
-	2,264,266
<u>50,457</u>	<u>3,664,138</u>
<u>50,457</u>	<u>7,564,118</u>

Prairie Valley Community School District
Gowrie, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

Total fund balances of governmental funds (page 21) \$ 3,664,138

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,126,600

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 247,435

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. (15,071)

Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds. (1,098,467)

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 20,208

Net position of governmental activities (page 17) \$ 9,944,843

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Revenues:				
Local sources:				
Local tax	\$ 2,955,915	152,058	103,861	-
Tuition	698,907	-	-	-
Other	396,844	1,213	11,574	-
State sources	2,895,113	65	529,358	-
Federal sources	135,399	-	-	-
Total revenues	<u>7,082,178</u>	<u>153,336</u>	<u>644,793</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,122,865	158,438	75,588	-
Special	628,126	-	-	-
Other	637,460	-	-	-
	<u>4,388,451</u>	<u>158,438</u>	<u>75,588</u>	<u>-</u>
Support services:				
Student	205,934	-	-	-
Instructional staff	167,811	-	-	-
Administration	626,978	-	-	-
Operation and maintenance of plant	528,865	64,339	-	-
Transportation	473,275	17,325	-	-
	<u>2,002,863</u>	<u>81,664</u>	<u>-</u>	<u>-</u>
Non-instructional programs	575	-	-	-
Other expenditures:				
Facilities acquisition	-	-	146,830	-
Long-term debt:				
Principal	-	-	-	276,763
Interest and fiscal charges	-	-	-	41,940
AEA flowthrough	256,895	-	-	-
	<u>256,895</u>	<u>-</u>	<u>146,830</u>	<u>318,703</u>
Total expenditures	<u>6,648,784</u>	<u>240,102</u>	<u>222,418</u>	<u>318,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>433,394</u>	<u>(86,766)</u>	<u>422,375</u>	<u>(318,703)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	318,703
Operating transfers out	-	-	(318,703)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(318,703)</u>	<u>318,703</u>
Change in fund balances	433,394	(86,766)	103,672	-
Fund balances beginning of year	1,934,259	581,644	530,964	116,514
Fund balances end of year	<u>\$ 2,367,653</u>	<u>494,878</u>	<u>634,636</u>	<u>116,514</u>

See notes to financial statements.

Exhibit E

<u>Nonmajor Special Revenue Student Activities</u>	<u>Total</u>
-	3,211,834
-	698,907
170,794	580,425
-	3,424,536
-	<u>135,399</u>
<u>170,794</u>	<u>8,051,101</u>
-	3,356,891
-	628,126
163,320	<u>800,780</u>
<u>163,320</u>	<u>4,785,797</u>
-	205,934
-	167,811
-	626,978
-	593,204
-	<u>490,600</u>
-	<u>2,084,527</u>
-	<u>575</u>
-	146,830
-	276,763
-	41,940
-	<u>256,895</u>
-	<u>722,428</u>
<u>163,320</u>	<u>7,593,327</u>
<u>7,474</u>	<u>457,774</u>
-	318,703
-	<u>(318,703)</u>
-	<u>-</u>
7,474	457,774
<u>42,983</u>	<u>3,206,364</u>
<u>50,457</u>	<u>3,664,138</u>

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 24) \$ 457,774

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Depreciation/amortization expense and loss on sale of fixed asset exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 117,563	
Depreciation/amortization expense	(510,187)	
Loss on sale of fixed assets	<u>(192,859)</u>	(585,483)

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 14,297

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Repaid		486,786
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 14,244

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:

Termination benefits	(73,399)	
Compensated absences	(30,308)	
Other postemployment benefits	<u>(36,838)</u>	(140,545)

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 5,840

Change in net position of governmental activities (page 19) \$ 252,913

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 37,835	20,208
Accounts receivable	1,426	-
Inventories	23,547	-
Total current assets	<u>62,808</u>	<u>20,208</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>35,341</u>	-
Total noncurrent assets	<u>35,341</u>	-
Total assets	<u>98,149</u>	<u>20,208</u>
Liabilities		
Current liabilities:		
Accounts payable	166	-
Unearned revenue	4,708	-
Total current liabilities	<u>4,874</u>	-
Total liabilities	<u>4,874</u>	-
Net Position		
Net investment in capital assets	35,341	-
Unrestricted	<u>57,934</u>	<u>20,208</u>
Total net position	<u>\$ 93,275</u>	<u>20,208</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit H

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

	Year ended June 30, 2014	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 183,371		27,577
Miscellaneous	4,963		-
Total operating revenues	<u>188,334</u>		<u>27,577</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant	2,693		-
	<u>2,693</u>		<u>-</u>
Non-instructional programs:			
Salaries	126,519		-
Benefits	29,002		21,737
Purchased services	2,126		-
Supplies	211,442		-
Depreciation	6,770		-
	<u>375,859</u>		<u>21,737</u>
Total operating expenses	<u>378,552</u>		<u>21,737</u>
Operating income (loss)	<u>(190,218)</u>		<u>5,840</u>
Non-operating revenues:			
State sources	3,265		-
Federal sources	192,872		-
Total non-operating revenues	<u>196,137</u>		<u>-</u>
Income before capital asset contributions	5,919		5,840
Capital asset contributions	4,364		-
Loss on disposal of fixed assets	<u>(22,960)</u>		<u>-</u>
Total capital asset contributions and loss on disposal of fixed assets	<u>(18,596)</u>		<u>-</u>
Increase (decrease) in net position	(12,677)		5,840
Net position beginning of year	<u>105,952</u>		<u>14,368</u>
Net position end of year	<u>93,275</u>		<u>20,208</u>
See notes to financial statements.			

Prairie Valley Community School District
Gowrie, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 180,900	-
Cash received from other services	7,480	27,577
Cash paid to employees for services	(160,496)	(21,737)
Cash paid to suppliers for goods or services	(192,809)	-
Net cash provided by (used by) operating activities	<u>(164,925)</u>	<u>5,840</u>
Cash flows from non-capital financing activities:		
State grants received	3,265	-
Federal grants received	165,288	-
Net cash provided by non-capital financing activities	<u>168,553</u>	<u>-</u>
Cash flows used by capital and related financing activities:		
Acquisition of capital assets	<u>(6,446)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,818)	5,840
Cash and cash equivalents beginning of year	<u>48,485</u>	<u>14,368</u>
Cash and cash equivalents end of year	<u>\$ 45,667</u>	<u>20,208</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (190,218)	5,840
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	27,584	-
Depreciation	6,770	-
Decrease in accounts receivable	949	-
(Increase) in inventories	(3,797)	-
(Decrease) in accounts payable	(335)	-
(Decrease) in salaries and benefits payable	(4,975)	-
(Decrease) in unearned revenue	(903)	-
Net cash provided by (used by) operating activities	<u>\$ (164,925)</u>	<u>5,840</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$27,584 of federal commodities.

During the year ended June 30, 2014, the District received \$4,364 in capital asset contributions from the Capital Projects Fund.

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 509,300	30,388
Accrued interest	<u>650</u>	<u>-</u>
Total assets	<u>509,950</u>	<u>30,388</u>
Liabilities		
Other payables	<u>-</u>	<u>30,388</u>
Total liabilities	<u>-</u>	<u>30,388</u>
Net Position		
Reserved for scholarships	<u>\$ 509,950</u>	<u>-</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 2,111
Interest income	<u>4,417</u>
Total additions	<u>6,528</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>9,950</u>
Total deductions	<u>9,950</u>
Change in net position	(3,422)
Net position beginning of year	<u>513,372</u>
Net position end of year	<u>\$ 509,950</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Prairie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the cities of Gowrie, Somers, Farnhamville, Callender and Rinard, Iowa, and the predominately agricultural territory in Calhoun, Greene and Webster 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, Prairie 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 District has no component units which meet the Governmental Accounting Standards Board criteria.

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is used to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments and certain early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt

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

The District proprietary funds are the Enterprise, School Nutrition and Day Care funds. These funds are used to account for the food service and day care operations of the District.

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

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.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

Capital Assets – Capital assets, which include property, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20-50
Intangible assets	5-10
Furniture and equipment	5-15

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. District employees accumulate a limited amount of earned but unused sick leave benefits. Employees are eligible to be paid out for unused sick leave benefits if they meet certain requirements. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amount budgeted.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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 Diversified Portfolio which are valued at an amortized cost of \$10,158 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standards & Poor's Financial Services.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

(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	\$ <u>318,703</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 158,054	---	---	158,054
Capital assets being depreciated:				
Buildings	11,805,171	26,513	---	11,831,684
Improvements other than buildings	718,035	2,531	---	720,566
Furniture and equipment	4,638,705	88,519	(337,504)	4,389,720
Total capital assets being depreciated	<u>17,161,911</u>	<u>117,563</u>	<u>(337,504)</u>	<u>16,941,970</u>
Less accumulated depreciation for:				
Buildings	5,451,178	244,789	---	5,695,967
Improvements other than buildings	437,160	19,101	---	456,261
Furniture and equipment	3,719,544	246,297	(144,645)	3,821,196
Total accumulated depreciation	<u>9,607,882</u>	<u>510,187</u>	<u>(144,645)</u>	<u>9,973,424</u>
Total capital assets being depreciated, net	<u>7,554,029</u>	<u>(392,624)</u>	<u>(192,859)</u>	<u>6,968,546</u>
Governmental activities capital assets, net	<u>\$ 7,712,083</u>	<u>(392,624)</u>	<u>(192,859)</u>	<u>7,126,600</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 183,230	10,811	(32,798)	161,243
Less accumulated depreciation	<u>128,970</u>	<u>6,770</u>	<u>(9,838)</u>	<u>125,902</u>
Business type activities capital assets, net	<u>\$ 54,260</u>	<u>4,041</u>	<u>(22,960)</u>	<u>35,341</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

 Regular \$ 86,488

Support services:

 Instructional staff 25,011

 Operation and maintenance of plant 14,824

 Transportation 115,703

Unallocated 242,026

Total depreciation expense – governmental activities \$ 510,187

Business type activities:

 Food service operations \$ 6,771

(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
Governmental activities:					
Sales tax revenue bonds	\$ 643,000	---	107,000	536,000	107,000
Bus lease purchase obligation 2012	249,484	---	249,484	---	---
Bus lease purchase obligation 2013	229,469	---	29,762	199,707	30,627
Computer lease purchase obligation	73,608	---	73,608	---	---
Equipment note	71,537	---	26,932	44,605	34,765
Compensated absences	---	30,308	---	30,308	5,827
Termination benefits	72,618	131,223	57,824	146,017	91,284
Net OPEB liability	<u>104,992</u>	<u>36,838</u>	<u>---</u>	<u>141,830</u>	<u>---</u>
Total	<u>\$ 1,444,708</u>	<u>198,369</u>	<u>544,610</u>	<u>1,098,467</u>	<u>269,503</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

Revenue Bonds

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

Year Ending <u>June 30,</u>	<u>Bond Issue of July 15, 2011</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	3.55%	\$ 107,000	17,129	124,129
2016	3.55	107,000	13,330	120,330
2017	3.55	107,000	9,532	116,532
2018	3.55	107,000	5,733	112,733
2019	3.55	<u>108,000</u>	<u>1,917</u>	<u>109,917</u>
Total		\$ <u>536,000</u>	<u>47,641</u>	<u>583,641</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$750,000 of bonds issued in July 2011. The bonds were issued for the purpose of financing the construction of a weight/wrestling room. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 23% of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the notes is \$583,641. For the current year, \$126,923 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$529,313.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

Capital Lease Purchase Obligations

In June 2011, the District entered into a capital lease-purchase agreement with Mercedes-Benz Financial Services USA LLC to finance the purchase of four buses totaling \$337,504. The lease is financed for three years at an interest rate of 3.51%. There are no future lease payments.

Payments under the agreement totaled \$265,069 for the year ended June 30, 2014.

In July 2012, the District entered into a capital lease-purchase agreement with De Lage Landen Public Finance LLC to finance the purchase of three buses totaling \$265,908. The lease is financed for three years at an interest rate of 2.91%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2014:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 36,439
2016	<u>174,000</u>
Total minimum lease payments	210,439
Less amount representing interest	<u>(10,732)</u>
Net present value of minimum lease payments	\$ <u>199,707</u>

Payments under the agreement totaled \$36,439 for the year ended June 30, 2014.

In July 2011, the District entered into a capital lease-purchase agreement with Kinetic Leasing, Inc. to finance the purchase of computers for the one to one computer program totaling \$221,000. The lease is financed for three years at an interest rate of 4.989%. There are no future lease payments.

Payments under the agreement totaled \$77,281 for the year ended June 30, 2014.

In October 2012, the District entered into a lease agreement with BB Community Leasing Services, Inc. to finance the HVAC improvements. The lease is financed for three years at an interest rate of 5.79%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2014:

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 36,270
2016	<u>9,892</u>
Total minimum lease payments	46,162
Less amount representing interest	<u>(1,558)</u>
Net present value of minimum lease payments	\$ <u>44,604</u>

Payments under the agreement totaled \$28,994 for the year ended June 30, 2014.

Termination Benefits

The District offers a voluntary early retirement plan to its licensed teaching employees. Eligible employees must have completed fifteen years of full-time service to the District and must have reached the age of fifty-five in the year in which they retire. The benefit is determined by taking 140% of the difference between the employees current salary and the step I base rate of pay. The benefit can be paid out in a lump sum, over 12 monthly payments, in 60 monthly payments or applied to their insurance payment for up to five years. If the employees choose to have their benefit applied to insurance payments, any remaining amount will be paid out at the end of five years.

During the year ended June 30, 2014 the District offered a new voluntary early retirement plan to its licensed teaching employees. Eligible employees must have completed ten years of full-time service to the District and must have reached age fifty-five in the year in which they retire. The benefit is an amount based on years of service, 10-14 years, \$15,000, 15-19 years, \$20,000 and 20 or more years, \$25,000. The benefit can be paid out in a lump sum or applied to their insurance payment, any remaining amount will be paid out at the end of five years

During the year ended June 30, 2014 the District offered a voluntary early retirement plan to administration employees. The benefit was \$40,000 to be paid out over five months in the following fiscal year.

At June 30, 2014 the District has obligations to six participants with a total liability of \$146,017. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$57,824.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

(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 were \$355,034, \$344,191 and \$321,171, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 61 active and seven retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

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	\$ 48,966
Interest on net OPEB obligation	2,625
Adjustment to annual required contribution	<u>(7,561)</u>
Annual OPEB cost	44,030
Contributions made	<u>(7,192)</u>
Increase in net OPEB obligation	36,838
Net OPEB obligation beginning of year	<u>104,992</u>
Net OPEB obligation end of year	\$ <u>141,830</u>

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

For the year ended June 30, 2014, the District contributed \$7,192 to the medical plan. Plan members eligible for benefits contributed \$39,589, or 85% 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 <u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 49,983	50.9%	\$ 68,355
2013	42,571	13.9%	104,992
2014	44,030	16.3%	141,830

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 \$362,376, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$362,376. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,150,000 and the ratio of the UAAL to covered payroll was 11.5%. As of June 30, 2014, there were no trust fund assets.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

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, 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$626 per month for retirees less than age 65. The UAAL is being amortized as a level dollar funding over 30 years.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$256,895 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with IKON Office Solutions, Inc. for the rental of copiers on May 29, 2012 for a period of 48 months. The amount paid for the fiscal year ended June 30, 2014 was \$30,180. The fixed future rentals are as follows:

Year Ending <u>June 30,</u>	
2015	\$ 30,180
2016	<u>30,180</u>
Total	\$ <u>60,360</u> =====

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

(11) Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited English proficient	\$ 2,591
Home school assistance program	5,435
Preschool	13,176
Successful progression for Early Readers	16,650
Professional development – core curriculum	23,175
Professional development	35,112
Teacher leadership	<u>7,248</u>
Total	<u>\$ 103,387</u>

(12) Deficit Fund Balance

The Enterprise, Day Care Fund had a deficit fund balance of \$12,270 at June 30, 2014. The District has discontinued the day care program and is reviewing options to eliminate this deficit balance. The deficit in the Enterprise, Day Care Fund was due to expenditures being incurred before the receipts were available to pay for them.

(13) Prospective Accounting Change

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2014

(14) Subsequent Events

Subsequent events have been evaluated through March 30, 2015 which is the date the financial statements were available to be issued.

On December 15, 2014 the Board approved a lease for three buses at a cost of \$51,089 per year for four years.

Required Supplementary Information

Prairie Valley Community School District
Gowrie, Iowa

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

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,491,166	188,334
State sources	3,424,536	3,265
Federal sources	<u>135,399</u>	<u>192,872</u>
Total revenues	<u>8,051,101</u>	<u>384,471</u>
Expenditures/Expenses:		
Instruction	4,785,797	-
Support services	2,084,527	2,693
Non-instructional programs	575	375,859
Other expenditures	<u>722,428</u>	<u>-</u>
Total expenditures/expenses	<u>7,593,327</u>	<u>378,552</u>
Excess (deficiency) of revenues under (under) expenditures/expenses	457,774	5,919
Other financing sources, net	<u>-</u>	<u>(18,596)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	457,774	(12,677)
Balances beginning of year	<u>3,206,364</u>	<u>105,952</u>
Balances end of year	<u>\$ 3,664,138</u>	<u>93,275</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
4,679,500	5,478,369	5,478,369	(798,869)
3,427,801	3,598,362	3,598,362	(170,561)
<u>328,271</u>	<u>395,500</u>	<u>395,500</u>	<u>(67,229)</u>
<u>8,435,572</u>	<u>9,472,231</u>	<u>9,472,231</u>	<u>(1,036,659)</u>
4,785,797	5,785,500	5,785,500	999,703
2,087,220	2,342,300	2,342,300	255,080
376,434	385,000	385,000	8,566
<u>722,428</u>	<u>991,981</u>	<u>991,981</u>	<u>269,553</u>
<u>7,971,879</u>	<u>9,504,781</u>	<u>9,504,781</u>	<u>1,532,902</u>
463,693	(32,550)	(32,550)	496,243
<u>(18,596)</u>	<u>72,000</u>	<u>72,000</u>	<u>(90,596)</u>
445,097	39,450	39,450	405,647
<u>3,312,316</u>	<u>3,135,903</u>	<u>3,135,903</u>	<u>176,413</u>
<u>3,757,413</u>	<u>3,175,353</u>	<u>3,175,353</u>	<u>582,060</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

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

During the year ended June 30, 2014, expenditures did not exceeded the amount budgeted.

Prairie Valley Community School District

Gowrie, Iowa

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	Jul 1, 2009	-	\$ 521	521	0.0%	\$4,506,000	11.6%
2011	Jul 1, 2009	-	521	521	0.0%	4,195,000	12.4%
2012	Jul 1, 2009	-	521	521	0.0%	3,189,000	16.3%
2013	Jul 1, 2012	-	367	367	0.0%	3,275,000	11.2%
2014	Jul 1, 2012	-	362	362	0.0%	3,150,000	11.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Prairie Valley Community School District
Gowrie, Iowa

Schedule 1

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 25,747	68,441	62,544	(358)	31,286
Cheerleaders	3,191	15,811	10,941	119	8,180
Class of 2013	1,401	42	-	(1,443)	-
Class of 2014	1,056	300	1,289	390	457
Class of 2015	-	7,659	6,802	443	1,300
Drill Team	2,610	9,209	9,256	-	2,563
Dramatics	871	926	481	-	1,316
FFA	881	26,977	29,074	630	(586)
FCCLA	(3,128)	12,117	5,812	(63)	3,114
Instrumental	3,343	732	9,920	5,937	92
HS Student Council	2,884	17,800	17,935	(287)	2,462
Tri M	818	215	218	-	815
Vocal Music	398	-	-	(398)	-
Yearbook	2,514	10,565	8,330	(5,300)	(551)
MS Student Council	397	-	718	330	9
Total	<u>\$ 42,983</u>	<u>170,794</u>	<u>163,320</u>	<u>-</u>	<u>50,457</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 2

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 500,443	9,458	509,901
Receivables:			
Property tax:			
Delinquent	-	1,044	1,044
Succeeding year	-	109,658	109,658
Due from other governments	<u>124,163</u>	<u>-</u>	<u>124,163</u>
Total assets	<u>\$ 624,606</u>	<u>120,160</u>	<u>744,766</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	<u>\$ 472</u>	<u>-</u>	<u>472</u>
Total liabilities	<u>472</u>	<u>-</u>	<u>472</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>109,658</u>	<u>109,658</u>
Total deferred inflows of resources	<u>-</u>	<u>109,658</u>	<u>109,658</u>
Fund balances:			
Restricted for:			
School infrastructure	624,134	-	624,134
Physical plant and equipment	<u>-</u>	<u>10,502</u>	<u>10,502</u>
Total fund balances	<u>624,134</u>	<u>10,502</u>	<u>634,636</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 624,606</u>	<u>120,160</u>	<u>744,766</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 3

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	103,861	103,861
Other	11,574	-	11,574
State sources	529,313	45	529,358
Total revenues	<u>540,887</u>	<u>103,906</u>	<u>644,793</u>
Expenditures:			
Instruction:			
Regular	75,588	-	75,588
Other expenditures:			
Facilities acquisition	105,035	41,795	146,830
Total expenditures	<u>180,623</u>	<u>41,795</u>	<u>222,418</u>
Excess of revenues over expenditures	<u>360,264</u>	<u>62,111</u>	<u>422,375</u>
Other financing sources (uses):			
Operating transfers out	<u>(241,422)</u>	<u>(77,281)</u>	<u>(318,703)</u>
Total other financing sources (uses)	<u>(241,422)</u>	<u>(77,281)</u>	<u>(318,703)</u>
Change in fund balances	118,842	(15,170)	103,672
Fund balances beginning of year	<u>505,292</u>	<u>25,672</u>	<u>530,964</u>
Fund balances end of year	<u>\$ 624,134</u>	<u>10,502</u>	<u>634,636</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 4

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2014

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 50,105	-	50,105
Accounts receivable	1,426	-	1,426
Inventories	<u>23,547</u>	<u>-</u>	<u>23,547</u>
Total current assets	<u>75,078</u>	<u>-</u>	<u>75,078</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>35,341</u>	<u>-</u>	<u>35,341</u>
Total noncurrent assets	<u>35,341</u>	<u>-</u>	<u>35,341</u>
Total assets	<u>110,419</u>	<u>-</u>	<u>110,419</u>
Liabilities			
Current liabilities:			
Excess of warrants issued over bank balance	-	12,270	12,270
Accounts payable	166	-	166
Unearned revenue	<u>4,708</u>	<u>-</u>	<u>4,708</u>
Total current liabilities	<u>4,874</u>	<u>12,270</u>	<u>17,144</u>
Total liabilities	<u>4,874</u>	<u>12,270</u>	<u>17,144</u>
Net Position			
Net investment in capital assets	35,341	-	35,341
Unrestricted	<u>70,204</u>	<u>(12,270)</u>	<u>57,934</u>
Total net position	<u>\$ 105,545</u>	<u>(12,270)</u>	<u>93,275</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 5

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 180,903	2,468	183,371
Miscellaneous	<u>4,963</u>	<u>-</u>	<u>4,963</u>
Total operating revenues	<u>185,866</u>	<u>2,468</u>	<u>188,334</u>
Operating expenses:			
Support services:			
Operation and maintenance of plant	<u>2,693</u>	<u>-</u>	<u>2,693</u>
	<u>2,693</u>	<u>-</u>	<u>2,693</u>
Non-instructional programs:			
Salaries	120,566	5,953	126,519
Benefits	28,092	910	29,002
Purchased services	2,126	-	2,126
Supplies	211,039	403	211,442
Depreciation	<u>6,770</u>	<u>-</u>	<u>6,770</u>
	<u>368,593</u>	<u>7,266</u>	<u>375,859</u>
Total operating expenses	<u>371,286</u>	<u>7,266</u>	<u>378,552</u>
Operating loss	<u>(185,420)</u>	<u>(4,798)</u>	<u>(190,218)</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Schedule 5

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Non-operating revenues:			
State sources	3,032	233	3,265
Federal sources	<u>192,794</u>	<u>78</u>	<u>192,872</u>
Total non-operating revenues	<u>195,826</u>	<u>311</u>	<u>196,137</u>
Income (loss) before capital asset contributions	<u>10,406</u>	<u>(4,487)</u>	<u>5,919</u>
Capital asset contributions:			
Capital asset contributions	4,364	-	4,364
Loss on disposal of fixed assets	<u>(22,960)</u>	<u>-</u>	<u>(22,960)</u>
Total capital asset contributions and loss on disposal of fixed asset	<u>(18,596)</u>	<u>-</u>	<u>(18,596)</u>
Decrease in net position	(8,190)	(4,487)	(12,677)
Net position beginning of year	<u>113,735</u>	<u>(7,783)</u>	<u>105,952</u>
Net position end of year	<u>\$ 105,545</u>	<u>(12,270)</u>	<u>93,275</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 6

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 180,900	-	180,900
Cash received from other services	4,963	2,517	7,480
Cash paid to employees for services	(153,633)	(6,863)	(160,496)
Cash paid to suppliers for goods or services	<u>(192,406)</u>	<u>(403)</u>	<u>(192,809)</u>
Net cash used by operating activities	<u>(160,176)</u>	<u>(4,749)</u>	<u>(164,925)</u>
Cash flows from non-capital financing activities:			
State grants received	3,032	233	3,265
Federal grants received	165,210	78	165,288
Excess of warrants issued over bank balance	-	4,438	4,438
Net cash provided by non-capital financing activities	<u>168,242</u>	<u>4,749</u>	<u>172,991</u>
Cash flows used by capital and related financing activities:			
Acquisition of capital assets	<u>(6,446)</u>	<u>-</u>	<u>(6,446)</u>
Net increase (decrease) in cash and cash equivalents	1,620	-	1,620
Cash and cash equivalents beginning of year	<u>48,485</u>	<u>-</u>	<u>48,485</u>
Cash and cash equivalents end of year	<u>\$ 50,105</u>	<u>-</u>	<u>50,105</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Schedule 6

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2014

	<u>School</u> <u>Nutrition</u>	<u>Day</u> <u>Care</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (185,420)	(4,798)	(190,218)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	27,584	-	27,584
Depreciation	6,770	-	6,770
Decrease in accounts receivable	900	49	949
(Increase) in inventories	(3,797)	-	(3,797)
(Decrease) in accounts payable	(335)	-	(335)
(Decrease) in salaries and benefits payable	(4,975)	-	(4,975)
(Decrease) in unearned revenue	(903)	-	(903)
Net cash used by operating activities	<u>\$ (160,176)</u>	<u>(4,749)</u>	<u>(164,925)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$27,584 of federal commodities.

During the year ended June 30, 2014, the District received \$4,364 in capital asset contributions from the Capital Projects Fund.

See accompanying independent auditor's report.

Prairie Valley Community School District
 Gowrie, Iowa
 Schedule of Changes in Private Purpose Trusts

Schedule 7

Year ended June 30, 2014

	Balance Beginning <u>of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance End <u>of Year</u>
Belle Erickson Scholarship	\$ 3,308	9	100	3,217
William Johnson Scholarship	5,071	10	150	4,931
George Larson Scholarship	1,284	54	-	1,338
Administration Scholarship	83	111	400	(206)
Nels Lindquist Scholarship	55	-	-	55
Cone Scholarship	98,759	415	2,000	97,174
Franzeen Memorial	400,787	3,921	5,100	399,608
Lucile Swenson Scholarship	3,889	8	200	3,697
Board Scholarship	28	-	-	28
TAG scholarship	108	-	-	108
Murphy Family Scholarship	-	2,000	2,000	-
Total	<u>\$ 513,372</u>	<u>6,528</u>	<u>9,950</u>	<u>509,950</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 8

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2014

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Assets				
Cash, cash equivalents and pooled investments	\$ 28,449	<u>31,167</u>	<u>29,228</u>	<u>30,388</u>
Total assets	<u>\$ 28,449</u>	<u>31,167</u>	<u>29,228</u>	<u>30,388</u>
Liabilities				
Other payables	\$ 28,449	<u>31,167</u>	<u>32,127</u>	<u>27,489</u>
Total liabilities	<u>\$ 28,449</u>	<u>31,167</u>	<u>32,127</u>	<u>27,489</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 3,211,834	3,977,158	4,853,128	4,754,141
Tuition	698,907	435,476	560,302	1,014,680
Other	580,425	448,366	556,572	402,198
State sources	3,424,536	2,957,001	2,930,962	2,890,816
Federal sources	135,399	139,964	148,328	433,798
Total	<u>\$ 8,051,101</u>	<u>7,957,965</u>	<u>9,049,292</u>	<u>9,495,633</u>
Expenditures:				
Instruction	\$ 4,785,797	4,923,637	5,355,161	5,724,148
Support services:				
Student	205,934	150,525	197,439	96,624
Instructional staff	167,811	238,559	235,856	182,451
Administration	626,978	538,374	622,612	619,551
Operation and maintenance of plant	593,204	530,253	649,091	607,598
Transportation	490,600	736,638	842,584	487,178
Non-instructional programs	575	624	573	1,003
Other expenditures:				
Facilities acquisition	146,830	397,485	1,300,401	416,448
Long-term debt:				
Principal	276,763	238,977	-	-
Interest and other charges	41,940	45,560	12,277	-
AEA flowthrough	256,895	251,097	247,033	278,373
Total	<u>\$ 7,593,327</u>	<u>8,051,729</u>	<u>9,463,027</u>	<u>8,413,374</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
4,092,143	4,338,860	3,665,659	3,719,267	3,650,440	3,204,132
568,302	316,708	401,462	271,497	325,919	337,496
435,100	431,858	415,926	448,045	465,189	300,843
2,530,608	3,237,474	3,312,581	2,933,000	3,033,541	3,080,538
613,586	270,516	167,650	174,707	175,394	192,841
<u>8,239,739</u>	<u>8,595,416</u>	<u>7,963,278</u>	<u>7,546,516</u>	<u>7,650,483</u>	<u>7,115,850</u>
5,433,797	5,057,567	5,260,502	4,414,486	4,355,134	4,175,869
163,912	285,127	215,322	295,054	257,714	217,938
172,777	171,519	169,072	267,356	276,775	271,524
688,136	644,515	610,271	534,203	551,462	452,591
787,420	727,139	698,257	728,467	756,911	659,980
442,947	408,261	405,809	508,023	483,942	407,869
501	171	470	-	-	-
445,298	603,013	308,616	244,556	47,524	345,857
-	300,000	385,000	375,000	360,000	350,000
-	7,900	21,945	34,830	46,658	57,543
277,363	255,106	250,637	241,023	231,059	233,255
<u>8,412,151</u>	<u>8,460,318</u>	<u>8,325,901</u>	<u>7,642,998</u>	<u>7,367,179</u>	<u>7,172,426</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

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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
Prairie 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 Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prairie 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 Prairie Valley Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Prairie 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 certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

Compliance and Other Matters

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

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

Prairie Valley Community School District's Responses to Findings

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

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 30, 2015

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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 – We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-14 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Prairie Valley Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2014

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

- I-C-14 Disbursement Approval – For five disbursement tested, there was no evidence of Board approval. For two disbursements, there was insufficient documentation to determine the date of Superintendent approved routine expenditures for advance payment in accordance with the District’s policy.

Recommendation – The District should ensure all expenditures are properly approved. For payment made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

Response – We will ensure all expenditures are properly approved and maintain documentation by having the Superintendent initial and date the claims.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, did not exceed the certified budget amounts.
- II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- II-F-14 Board Minutes - As previously noted, five disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and an additional two disbursements had insufficient documentation they had been approved for payment by the Superintendent in advance of Board approval as allowed by Chapter 279.30 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board and sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval.

Response – All disbursements will be approved by the Board and procedures have been revised to ensure the Superintendent's approval of disbursements prior to Board meetings is adequately documented.

Conclusion – Response accepted.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2014

II-G-14 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2013 was understated. The District did not include one full time student that should have been counted.

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

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

Conclusion – Response accepted.

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

II-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District's investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. The District did not approve a resolution naming approved depositories and the maximum depository amount.

Recommendation – As per its board policy, the District should approve at its annual meeting a resolution naming approved depositories and the maximum depository amounts.

Response – This was an oversight this year and we have approved the name of the depositories and the maximum depository amount for FY15.

Conclusion - Response accepted.

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

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

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2014

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

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

Beginning balance		\$ 505,292
Revenues/transfer in:		
Sales tax revenues	\$ 529,313	
Other local revenues	<u>11,574</u>	<u>540,887</u>
		1,046,179
Expenditures/transfers out:		
School infrastructure construction	105,035	
Equipment	75,588	
Transfers to other funds:		
Debt service fund	<u>241,422</u>	<u>422,045</u>
Ending balance		\$ <u>624,134</u>

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

- II-M-14 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.
- II-N-14 Deficit Balances – The Day Care Fund and two student activity account had deficit balances at June 30, 2014.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2014

Response – The District is continuing to investigate alternatives to eliminate the deficit in the student activity account at the end of the fiscal year. The District is no longer operating the day care program and is reviewing options to remove this deficit.

Conclusion – Response accepted.