

PRESCOTT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Prescott Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 Election)		
Marnie Cline	President	2013
Doug Birt	Vice President	2015
Steve Wainwright	Board Member	2015
Randy Cooper	Board Member	2013
Don Gee	Board Member	2015
(After September 2013 Election)		
Randy Cooper	President	2017
Doug Birt	Vice President	2015
Steve Wainwright	Board Member	2015
Marnie Cline	Board Member	2017
Don Gee	Board Member	2015
<u>School Officials</u>		
Steve McDermott	Superintendent	2014
Roy Stroud	Business Manager/Board Secretary	2014
Ahlers & Cooney, P.C.	Attorney	2014

PRESCOTT COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Prescott 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 Prescott Community School District, Prescott, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prescott 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 and the Budgetary Comparison Information on pages 7 through 15 and 38 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prescott 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 three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2015, on our consideration of Prescott Community School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Prescott Community School District’s internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 16, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prescott 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 \$951,128 in fiscal year 2013 to \$1,058,968 in fiscal year 2014, while General Fund expenditures increased from \$1,146,313 in fiscal year 2013 to \$1,151,147 in fiscal year 2014. The increase in General Fund revenues was not enough to offset the increase in expenditures causing the District's General Fund balance to decrease from \$539,025 at June 30, 2013 to \$447,026 at June 30, 2014, a 17.10% decrease.
- The increase in General Fund revenues was attributable to an increase in state sources. The increase in expenditures was due primarily to the increase in regular instructional expenditures as compared to the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Prescott 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 Prescott Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Prescott Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

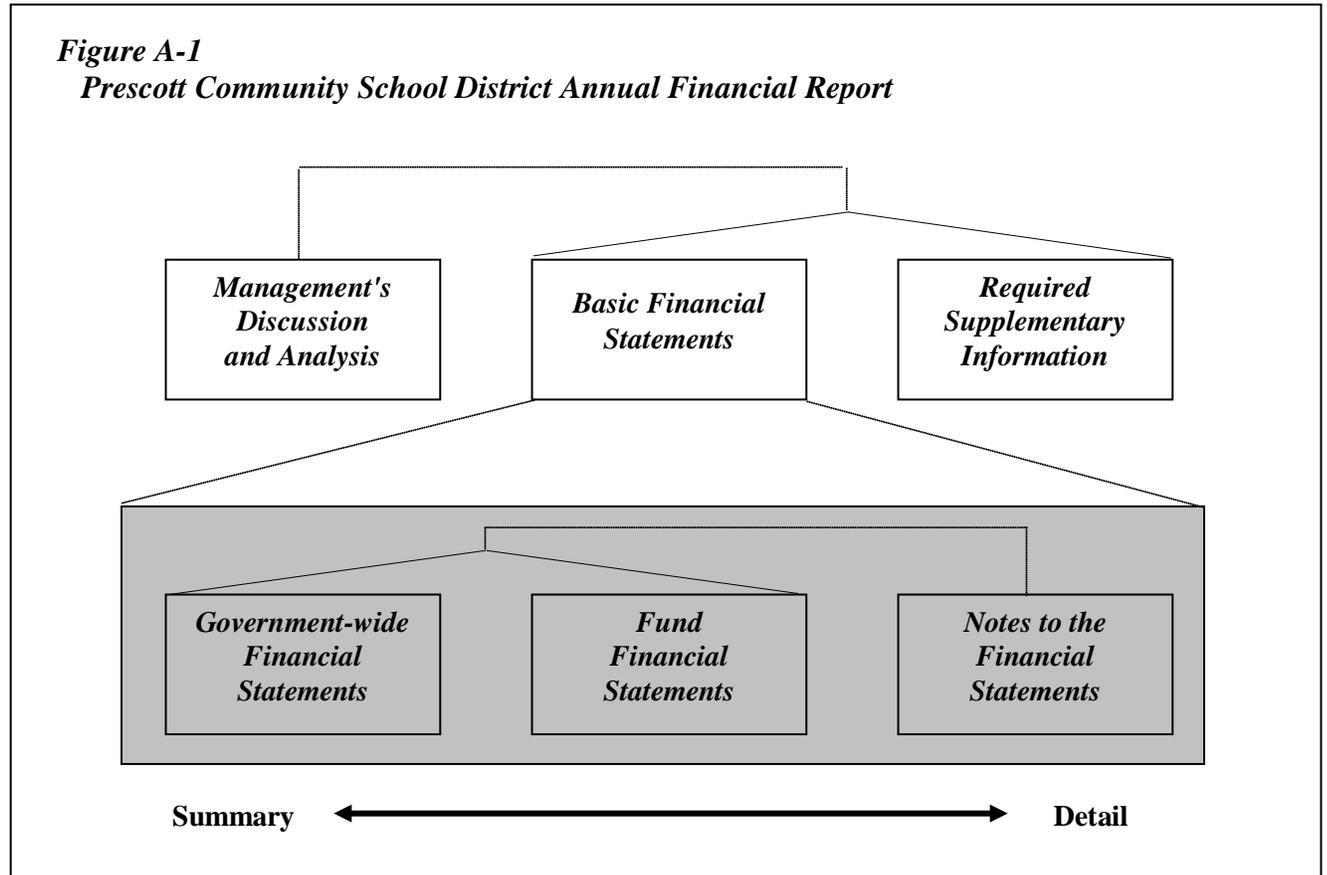


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund includes the Agency Fund.

- Agency Fund - The District administers and accounts for revenues collected and expenditures paid for the Prescott Parent-Teacher Organization.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change 2014-13
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 1,582,404	1,583,520	1,478	1,463	1,583,882	1,584,983	-0.07%
Capital assets	314,802	312,048	6,099	6,769	320,901	318,817	0.65%
Total assets	1,897,206	1,895,568	7,577	8,232	1,904,783	1,903,800	0.05%
Long-term liabilities	37,098	45,289	-	-	37,098	45,289	-18.09%
Other liabilities	221,585	215,615	58,993	49,575	280,578	265,190	5.80%
Total liabilities	258,683	260,904	58,993	49,575	317,676	310,479	2.32%
Deferred inflows of resources	478,017	506,044	-	-	478,017	506,044	-5.54%
Net position:							
Net investment in capital assets	277,704	266,759	6,099	6,769	283,803	273,528	3.76%
Restricted	468,869	330,881	-	-	468,869	330,881	41.70%
Unrestricted	413,933	530,980	(57,515)	(48,112)	356,418	482,868	-26.19%
Total net position	\$ 1,160,506	1,128,620	(51,416)	(41,343)	1,109,090	1,087,277	2.01%

The District's combined net position increased by 2.01%, or \$21,813, from the prior year. The largest portion of the District's net position is restricted net position.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$137,988, or 41.70% from the prior year. The increase in restricted net position is mainly the result of an increase in the ending fund balances of the Capital Projects Fund accounts.

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 - decreased \$126,450, or 26.19%. The decrease in unrestricted net position is mainly the result of the District's decrease in General Fund ending balance.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2014-13
Revenues:							
Program revenues:							
Charges for service	\$ 39,601	31,287	6,416	25,914	46,017	57,201	-19.55%
Operating grants, contributions and restricted interest	178,532	139,052	22,533	24,957	201,065	164,009	22.59%
Capital grants, contributions and restricted interest	20,000	-	-	-	20,000	-	100.00%
General revenues:							
Property tax	502,710	554,859	-	-	502,710	554,859	-9.40%
Statewide sales, services and use tax	78,386	73,087	-	-	78,386	73,087	7.25%
Unrestricted state grants	397,869	302,972	-	-	397,869	302,972	31.32%
Unrestricted investment earnings	1,391	2,207	-	238	1,391	2,445	-43.11%
Other	28,684	9,778	-	130	28,684	9,908	189.50%
Total revenues	1,247,173	1,113,242	28,949	51,239	1,276,122	1,164,481	9.59%
Program expenses:							
Instruction	890,060	894,097	-	-	890,060	894,097	-0.45%
Support services	270,812	275,193	-	370	270,812	275,563	-1.72%
Non-instructional programs	-	-	39,022	50,127	39,022	50,127	-22.15%
Other expenses	54,415	51,093	-	-	54,415	51,093	6.50%
Total expenses	1,215,287	1,220,383	39,022	50,497	1,254,309	1,270,880	-1.30%
Excess(Deficiency) of revenues over (under) expenses	31,886	(107,141)	(10,073)	742	21,813	(106,399)	120.50%
Transfers	-	7,428	-	(7,428)	-	-	0.00%
Change in net position	31,886	(99,713)	(10,073)	(6,686)	21,813	(106,399)	-120.50%
Net position beginning of year	1,128,620	1,228,333	(41,343)	(34,657)	1,087,277	1,193,676	-8.91%
Net position end of year	\$ 1,160,506	1,128,620	(51,416)	(41,343)	1,109,090	1,087,277	2.01%

During fiscal year 2014, property tax and unrestricted state grants accounted for 72.21% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest accounted for all of the revenue from business type activities.

The District's total revenues were approximately \$1.28 million of which approximately \$1.25 million was for governmental activities and approximately \$0.03 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.59% increase in revenues and a 1.30% decrease in expenses. The increase in revenues is primarily due to an increase in unrestricted state grants received, while the decrease in expenditures is due to a decrease in non-instructional programs expenses incurred during the year.

Governmental Activities

Revenues for governmental activities were \$1,247,173 and expenses were \$1,215,287 for the year ended June 30, 2014.

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

Figure A-5 Total and Net Cost of Governmental Activities						
Total Cost of Services				Net Cost of Services		
		Change				Change
2014	2013	2014-13		2014	2013	2014-13
Instruction	\$ 890,060	894,097	-0.45%	709,073	759,462	-6.63%
Support services	270,812	275,193	-1.59%	250,360	274,486	-8.79%
Other expenses	54,415	51,093	6.50%	17,721	16,096	10.10%
Totals	\$ 1,215,287	1,220,383	-0.42%	977,154	1,050,044	-6.94%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$39,601.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$198,532.
- The net cost of governmental activities was financed with \$502,710 in property tax, \$78,386 in statewide sales, services and use tax, \$397,869 in unrestricted state grants, \$1,391 in interest income and \$28,684 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2014, were \$28,949 and expenses totaled \$39,022. The District's business type activities include the School Nutrition and Before and After School Funds. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Prescott 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 \$882,849, above last year's ending fund balances of \$861,916. The increase in combined fund balances is primarily a result of the increase in fund balances for the Capital Projects: Statewide Sales, Services and Use Tax Fund and the Capital Projects: Physical Plant and Equipment Levy Fund during the year.

Governmental Fund Highlights

- The General Fund balance decreased from \$539,205 at June 30, 2013 to \$447,026 at June 30, 2014. The decline in the District's General Fund financial position is the result of many factors. The increase in General Fund revenues is a result of increase in state source revenues. The increase in expenditures is primarily due to the increase in the instruction functional area. The increase in revenues was not enough to offset the increase in expenditures during the year ensuring a decrease in General Fund balance.
- The Capital Projects Accounts balance increased from \$253,262 at June 30, 2013 to \$349,251 at June 30, 2014. The increase in fund balance was primarily a result of increased tax collections and reduced expenditures as compared to the previous year.

Proprietary Fund Highlights

- The School Nutrition Fund net position decreased from a deficit balance of \$8,945 at June 30, 2013 to a deficit balance of \$19,018 at June 30, 2014, representing a decrease of 96.81%. A reason for this difference is due to the decrease in charges for service revenues received as compared to the prior year.
- The Before and After School Fund net position remained the same at a deficit balance of \$32,298 at both June 30, 2013, and June 30, 2014, representing no change from the prior year. There was no activity in the Before and After School during fiscal year 2014.

BUDGETARY HIGHLIGHTS

The District's revenues were \$18,051 less than budgeted revenues, a variance of 1.39%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$320,901, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.65% from the previous year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$57,778

The original cost of the District's capital assets was \$1,032,396. Governmental funds account for \$1,007,685 with the remainder of \$24,711 in the Proprietary, School Nutrition Funds.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$8,999 at June 30, 2013, compared to \$15,293 reported at June 30, 2014. This increase resulted from playground improvements made during the year which were capitalized as part of the District's capital asset listing.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2014-13
Land	\$ 20,000	20,000	-	-	20,000	20,000	0.00%
Buildings	150,198	165,372	-	-	150,198	165,372	-9.18%
Land improvements	15,293	8,999	-	-	15,293	8,999	69.94%
Machinery and equipment	129,311	117,677	6,099	6,769	135,410	124,446	8.81%
Total	\$ 314,802	312,048	6,099	6,769	320,901	318,817	0.65%

Long-Term Debt

At June 30, 2014, the District had a bus lease payable of \$37,908 from the Capital Projects: Physical Plant and Equipment Levy Fund. This represents a decrease of 18.09% from the prior year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	2014	2013	2014-13
Bus lease payable	\$ 37,098	45,289	-18.09%

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:

- Prescott CSD has worked through the process to consolidate with Creston CSD. The vote is scheduled for April 7th, 2015. If the vote passes the Prescott CSD will be consolidate in the 2016-17 school year. If the vote does not pass the board will need to decide their next process.
- Student enrollment did increase by 4 students which will lead to an increase in future funding.
- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

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 Billie Jo Greene, Business Manager/Board Secretary, Prescott Community School District, 813 1st Street, Prescott, Iowa, 50850.

PRESCOTT COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

PRESCOTT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,020,598	-	1,020,598
Receivables:			
Property tax:			
Delinquent	6,079	-	6,079
Succeeding year	478,017	-	478,017
Accounts	1,700	487	2,187
Due from other governments	76,010	-	76,010
Inventories	-	991	991
Capital assets, net of accumulated depreciation	314,802	6,099	320,901
TOTAL ASSETS	1,897,206	7,577	1,904,783
LIABILITIES			
Excess of warrants issued over bank balance	-	58,206	58,206
Accounts payable	149,641	-	149,641
Salaries and benefits payable	55,711	-	55,711
Advances from grantors	16,186	-	16,186
Accrued interest payable	47	787	834
Long-term liabilities:			
Portion due within one year:			
Bus lease payable	8,427	-	8,427
Portion due after one year:			
Bus lease payable	28,671	-	28,671
TOTAL LIABILITIES	258,683	58,993	317,676
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	478,017	-	478,017
NET POSITION			
Net investment in capital assets	277,704	6,099	283,803
Restricted for:			
Categorical funding	33,046	-	33,046
School infrastructure	305,566	-	305,566
Physical plant and equipment	43,685	-	43,685
Management levy purposes	86,547	-	86,547
Student activities	25	-	25
Unrestricted	413,933	(57,515)	356,418
TOTAL NET POSITION	\$ 1,160,506	(51,416)	1,109,090

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Service	Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 625,714	36,006	39,694	-	(550,014)	-	(550,014)
Special	146,412	-	4,536	-	(141,876)	-	(141,876)
Other	117,934	3,595	97,156	-	(17,183)	-	(17,183)
	890,060	39,601	141,386	-	(709,073)	-	(709,073)
Support services:							
Instructional staff	28,384	-	-	-	(28,384)	-	(28,384)
Adminstration	76,568	-	-	-	(76,568)	-	(76,568)
Operation and maintenance of plant	103,451	-	-	20,000	(83,451)	-	(83,451)
Transportation	62,409	-	452	-	(61,957)	-	(61,957)
	270,812	-	452	20,000	(250,360)	-	(250,360)
Long-term debt interest	1,301	-	-	-	(1,301)	-	(1,301)
Other expenses:							
AEA flowthrough	36,694	-	36,694	-	-	-	-
Depreciation(unallocated)*	16,420	-	-	-	(16,420)	-	(16,420)
	53,114	-	36,694	-	(16,420)	-	(16,420)
Total governmental activities	1,215,287	39,601	178,532	20,000	(977,154)	-	(977,154)
Business type activities:							
Non-instructional programs:							
Food service operations	39,022	6,416	22,533	-	-	(10,073)	(10,073)
Total	\$ 1,254,309	46,017	201,065	20,000	(977,154)	(10,073)	(987,227)
General Revenues:							
Property tax levied for:							
General purposes					\$ 454,178	-	454,178
Capital outlay					48,532	-	48,532
Statewide sales, services and use tax					78,386	-	78,386
Unrestricted state grants					397,869	-	397,869
Unrestricted investment earnings					1,391	-	1,391
Other					28,684	-	28,684
Total general revenues					1,009,040	-	1,009,040
Change in net position					31,886	(10,073)	21,813
Net position beginning of year					1,128,620	(41,343)	1,087,277
Net position end of year					\$ 1,160,506	(51,416)	1,109,090

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

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Capital			Total
	General	Projects	Nonmajor	
ASSETS				
Cash and pooled investments	\$ 613,527	320,983	86,088	1,020,598
Receivables:				
Property tax				
Delinquent	5,008	587	484	6,079
Succeeding year	408,053	49,964	20,000	478,017
Accounts	1,700	-	-	1,700
Due from other governments	47,935	28,075	-	76,010
TOTAL ASSETS	\$ 1,076,223	399,609	106,572	1,582,404
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 149,247	394	-	149,641
Salaries and benefits payable	55,711	-	-	55,711
Advances from grantors	16,186	-	-	16,186
Total liabilities	221,144	394	-	221,538
Deferred inflows of resources:				
Unavaialble revenue:				
Succeeding year property tax	408,053	49,964	20,000	478,017
Fund balances:				
Restricted for:				
Categorical funding	33,046	-	-	33,046
School infrastructure	-	305,566	-	305,566
Physical plant and equipment	-	43,685	-	43,685
Management levy purposes	-	-	86,547	86,547
Student activities	-	-	25	25
Unassigned	413,980	-	-	413,980
Total fund balances	447,026	349,251	86,572	882,849
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,076,223	399,609	106,572	1,582,404

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 882,849
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	314,802
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.	(47)
Long-term liabilities, including bus lease payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(37,098)</u>
Net position of governmental activities(page 18)	<u><u>\$ 1,160,506</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 414,131	48,532	40,047	502,710
Tuition	36,163	-	-	36,163
Other	38,473	20,004	1,236	59,713
State sources	492,068	78,386	-	570,454
Federal sources	78,133	-	-	78,133
Total revenues	<u>1,058,968</u>	<u>146,922</u>	<u>41,283</u>	<u>1,247,173</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	636,119	-	8,619	644,738
Special	146,412	-	-	146,412
Other	117,934	-	-	117,934
	<u>900,465</u>	<u>-</u>	<u>8,619</u>	<u>909,084</u>
Support services:				
Instructional staff	7,930	20,454	-	28,384
Administration	61,378	10,636	5,217	77,231
Operation and maintenance of plant	93,738	-	6,790	100,528
Transportation	50,942	-	3,534	54,476
	<u>213,988</u>	<u>31,090</u>	<u>15,541</u>	<u>260,619</u>
Capital outlay	-	10,343	-	10,343
Long-term debt:				
Principal	-	-	8,191	8,191
Interest and fiscal charges	-	-	1,309	1,309
	<u>-</u>	<u>-</u>	<u>9,500</u>	<u>9,500</u>
Other expenditures:				
AEA flowthrough	36,694	-	-	36,694
Total expenditures	<u>1,151,147</u>	<u>41,433</u>	<u>33,660</u>	<u>1,226,240</u>
Excess(Deficiency) of revenues over(under) expenditures	(92,179)	105,489	7,623	20,933
Other financing sources(uses):				
Transfer in	-	-	9,500	9,500
Transfer out	-	(9,500)	-	(9,500)
Total other financing sources(uses)	<u>-</u>	<u>(9,500)</u>	<u>9,500</u>	<u>-</u>
Change in fund balances	(92,179)	95,989	17,123	20,933
Fund balances beginning of year	<u>539,205</u>	<u>253,262</u>	<u>69,449</u>	<u>861,916</u>
Fund balances end of year	<u>\$ 447,026</u>	<u>349,251</u>	<u>86,572</u>	<u>882,849</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds(page 22) \$ 20,933

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

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

Capital outlay	\$ 59,862	
Depreciation expense	(57,108)	2,754

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

8,191

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

8

Change in net position of governmental activities(page 19)

\$ 31,886

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

	Business Type Activities:		
	Enterprise Funds		
	School Nutrition	Before and After School Fund	Total
ASSETS			
Current assets:			
Accounts receivable	\$ 487	-	487
Inventories	991	-	991
Capital assets, net of accumulated depreciation	6,099	-	6,099
TOTAL ASSETS	7,577	-	7,577
LIABILITIES			
Current liabilities:			
Excess of warrants issued over bank balance	25,808	32,398	58,206
Salaries and benefits payable	787	-	787
TOTAL LIABILITIES	26,595	32,398	58,993
NET POSITION			
Net investment in capital assets	6,099	-	6,099
Unrestricted	(25,117)	(32,398)	(57,515)
TOTAL NET POSITION	\$ (19,018)	(32,398)	(51,416)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds		
	School Nutrition	Before and After School Fund	Total
OPERATING REVENUES:			
Local sources:			
Charges for service	\$ 6,416	-	6,416
OPERATING EXPENSES:			
Non-instructional programs:			
Food service operations:			
Salaries	15,599	-	15,599
Benefits	3,368	-	3,368
Supplies	19,385	-	19,385
Depreciation	670	-	670
TOTAL OPERATING EXPENSES	39,022	-	39,022
OPERATING LOSS	(32,606)	-	(32,606)
NON-OPERATING REVENUES:			
State sources	308	-	308
Federal sources	22,225	-	22,225
TOTAL NON-OPERATING REVENUES	22,533	-	22,533
Change in net position	(10,073)	-	(10,073)
Net position beginning of year	(8,945)	(32,398)	(41,343)
Net position end of year	\$ (19,018)	(32,398)	(51,416)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities:		
	Enterprise Fund		
	School Nutrition	Before and After School Fund	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 6,391	-	6,391
Cash payments to employees for services	(18,967)	-	(18,967)
Cash payments to suppliers for goods or services	(18,236)	-	(18,236)
Net cash used in operating activities	<u>(30,812)</u>	<u>-</u>	<u>(30,812)</u>
Cash flows from non-capital financing activities:			
State grants received	308	-	308
Federal grants received	21,086	-	21,086
Net cash provided by non-capital financing activities	<u>21,394</u>	<u>-</u>	<u>21,394</u>
Net decrease in cash and cash equivalents	(9,418)	-	(9,418)
Cash and cash equivalents beginning of year	<u>(16,390)</u>	<u>(32,398)</u>	<u>(48,788)</u>
Cash and cash equivalents end of year	<u>\$ (25,808)</u>	<u>(32,398)</u>	<u>(58,206)</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (32,606)	-	(32,606)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	1,139	-	1,139
Depreciation	670	-	670
Decrease in inventories	10	-	10
Increase in accounts receivable	(25)	-	(25)
Net cash used in operating activities	<u>\$ (30,812)</u>	<u>-</u>	<u>(30,812)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$1,139.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 3,290</u>
LIABILITIES	
Due to other groups	<u>\$ 3,290</u>

SEE NOTES TO FINANCIAL STATEMENTS.

PRESCOTT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Prescott Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through sixth. The geographic area served includes the City of Prescott, Iowa, and the predominate agricultural territory in Adams County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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 that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District also reports the following non-major proprietary funds:

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

The Enterprise, Before and After School Fund is used to account for the before and after school programs offered by the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund includes the following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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 the amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

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

Asset Class	Estimated Useful Lives
Buildings	20-40 years
Land improvements	20-40 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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

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 collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 Balances - In the governmental fund financial statements, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

The District's deposits 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$487,939 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Physical Plant and Equipment Levy	<u>\$ 9,500</u>

The Capital Projects: Physical Plant and Equipment Levy Fund transferred money to the Debt Service Fund for principal and interest payments on the District's bus lease indebtedness.

Note 4. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
Bus lease	\$ 45,289	-	8,191	37,098	8,427

Bus Lease Payable

During fiscal year 2013, the District entered into an agreement for the lease purchase of a 2013 Blue Bird microbus. The details of the District's bus lease indebtedness, which is to be paid from the Capital Projects: Physical Plant and Equipment Levy Fund, at June 30, 2014 are as follows:

Year Ending June 30,	Bus Lease Dated June 15, 2013			
	Interest Rate	Principal	Interest	Total
2015	2.89 %	\$ 8,427	1,073	9,500
2016	2.89	28,671	829	29,500
Total		<u>\$ 37,098</u>	<u>1,902</u>	<u>39,000</u>

Note 5. 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	\$ 20,000	-	-	20,000
Total capital assets not being depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital assets being depreciated:				
Buildings	551,461	-	-	551,461
Land improvements	15,949	7,540	-	23,489
Machinery and equipment	435,818	52,322	75,405	412,735
Total capital assets being depreciated	<u>1,003,228</u>	<u>59,862</u>	<u>75,405</u>	<u>987,685</u>
Less accumulated depreciation for:				
Buildings	386,089	15,174	-	401,263
Land improvements	6,950	1,246	-	8,196
Machinery and equipment	318,141	40,688	75,405	283,424
Total accumulated depreciation	<u>711,180</u>	<u>57,108</u>	<u>75,405</u>	<u>692,883</u>
Total capital assets being depreciated, net	<u>292,048</u>	<u>2,754</u>	<u>-</u>	<u>294,802</u>
Governmental activities capital assets, net	<u>\$ 312,048</u>	<u>2,754</u>	<u>-</u>	<u>314,802</u>
Business type activities:				
Machinery and equipment	\$ 24,711	-	-	24,711
Less accumulated depreciation	17,942	670	-	18,612
Total accumulated depreciation	<u>\$ 6,769</u>	<u>(670)</u>	<u>-</u>	<u>6,099</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 31,284
Support services:	
Administration	1,351
Operation and maintenance of plant	120
Transportation	7,933
	<u>40,688</u>
Unallocated depreciation	<u>16,420</u>
Total governmental activities depreciation expense	<u>\$ 57,108</u>
Business type activities:	
Food service operations	<u>\$ 670</u>

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$34,989, \$28,736 and \$20,787 respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$36,694 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Deficit Unrestricted Net Position

At June 30, 2014, the District had deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$25,117 and total deficit net position of \$19,018. The District had deficit unrestricted and total net position in the Enterprise, Before and After School Fund of \$32,398.

Note 10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention	\$ 11,679
Successful progression for early readers	12,313
Professional development for model core curriculum	1,110
Professional development	2,612
Teacher leadership grants	5,332
Total	<u>\$ 33,046</u>

Note 11. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to 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.

Note 12. Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	Net Investment in Capital Assets	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	413,980
Capital assets, net of accumulated depreciation	314,802	-
Bus lease capitalized indebtedness	(37,098)	-
Accrued interest payable	-	(47)
Net position (Exhibit A)	\$ 277,704	413,933

PRESCOTT COMMUNITY SCHOOL DISTRICT

Required Supplementary Information

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 598,586	6,416	605,002	609,444	609,444	(4,442)
State sources	570,454	308	570,762	589,729	589,729	(18,967)
Federal sources	78,133	22,225	100,358	95,000	95,000	5,358
Total revenues	<u>1,247,173</u>	<u>28,949</u>	<u>1,276,122</u>	<u>1,294,173</u>	<u>1,294,173</u>	<u>(18,051)</u>
Expenditures/Expenses:						
Instruction	909,084	-	909,084	966,000	966,000	56,916
Support services	260,619	-	260,619	465,500	465,500	204,881
Non-instructional programs	-	39,022	39,022	95,000	95,000	55,978
Other expenditures	56,537	-	56,537	170,501	170,501	113,964
Total expenditures/expenses	<u>1,226,240</u>	<u>39,022</u>	<u>1,265,262</u>	<u>1,697,001</u>	<u>1,697,001</u>	<u>431,739</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	20,933	(10,073)	10,860	(402,828)	(402,828)	413,688
Balances beginning of year	<u>861,916</u>	<u>(41,343)</u>	<u>820,573</u>	<u>1,167,376</u>	<u>1,167,376</u>	<u>(346,803)</u>
Balances end of year	<u>\$ 882,849</u>	<u>(51,416)</u>	<u>831,433</u>	<u>764,548</u>	<u>764,548</u>	<u>66,885</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

PRESCOTT COMMUNITY SCHOOL DISTRICT

Supplementary Information

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 86,063	25	86,088
Receivables:			
Property tax:			
Delinquent	484	-	484
Succeeding year	20,000	-	20,000
TOTAL ASSETS	\$ 106,547	25	106,572
LIABILITIES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	20,000	-	20,000
Fund balances:			
Restricted for:			
Management levy purposes	86,547	-	86,547
Student activities	-	25	25
Total fund balances	86,547	25	86,572
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 106,547	25	106,572

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total Special Revenue		
REVENUES:					
Local sources:					
Local tax	\$ 40,047	-	40,047	-	40,047
Other	1,236	-	1,236	-	1,236
TOTAL REVENUES	41,283	-	41,283	-	41,283
EXPENDITURES:					
Current:					
Instruction					
Regular	8,619	-	8,619		8,619
Support services:					
Administration	5,217	-	5,217	-	5,217
Operation and maintenance of plant	6,790	-	6,790	-	6,790
Transportation	3,534	-	3,534	-	3,534
Other expenditures:					
Long-term debt:					
Principal	-	-	-	8,191	8,191
Interest and fiscal charges	-	-	-	1,309	1,309
TOTAL EXPENDITURES	24,160	-	24,160	9,500	33,660
Excess(Deficiency) of revenues over (under) expenditures	17,123	-	17,123	(9,500)	7,623
Other financing sources:					
Transfer in	-	-	-	9,500	9,500
Change in fund balances	17,123	-	17,123	-	17,123
Fund balances beginning of year	69,424	25	69,449	-	69,449
Fund balances end of year	\$ 86,547	25	86,572	-	86,572

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 277,491	43,492	320,983
Receivables:			
Property tax:			
Delinquent	-	587	587
Succeeding year	-	49,964	49,964
Due from other governments	28,075	-	28,075
TOTAL ASSETS	\$ 305,566	94,043	399,609
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	394	394
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	49,964	49,964
Fund balances:			
Restricted for:			
School infrastructure	305,566	-	305,566
Physical plant and equipment	-	43,685	43,685
Total fund balances	305,566	43,685	349,251
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 305,566	94,043	399,609

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	48,532	48,532
Other	4	20,000	20,004
Federal sources	78,386	-	78,386
TOTAL REVENUES	78,390	68,532	146,922
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	20,454	-	20,454
Administration	-	10,636	10,636
Capital outlay	10,343	-	10,343
TOTAL EXPENDITURES	30,797	10,636	41,433
Excesss of revenues over expenditures	47,593	57,896	105,489
Other financing uses:			
Transfer out	-	(9,500)	(9,500)
Change in fund balances	47,593	48,396	95,989
Fund balances beginning of year	257,973	(4,711)	253,262
Fund balances end of year	\$ 305,566	43,685	349,251

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

PRESCOTT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITES
AGENCY FUND
YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 3,663	-	373	3,290
LIABILITIES				
Due to other groups	\$ 3,663	-	373	3,290

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 503,110	627,946	573,151	631,801	598,441	533,168	511,927	476,570	444,195	396,154
Tuition	36,163	31,287	23,532	6,515	8,163	11,966	42,939	30,453	28,604	15,304
Other	59,313	11,985	30,295	28,762	7,245	14,089	57,658	32,657	29,227	56,148
State sources	570,454	385,352	465,169	435,020	467,984	549,505	519,182	508,711	522,902	512,440
Federal sources	78,133	56,672	71,625	126,574	154,145	139,941	93,730	108,413	66,904	47,684
Total	\$ 1,247,173	1,113,242	1,163,772	1,228,672	1,235,978	1,248,669	1,225,436	1,156,804	1,091,832	1,027,730
Expenditures:										
Instruction:										
Regular	\$ 644,738	525,951	397,499	529,665	485,382	556,951	559,500	560,175	467,916	475,073
Special	146,412	236,718	62,965	136,045	192,750	127,556	124,912	122,440	129,482	140,840
Other	117,934	125,954	128,145	126,135	357	17,749	5,451	2,135	8,524	45,329
Support services:										
Instructional staff	28,384	14,103	26,433	21,557	52,760	157,589	127,546	115,130	67,490	26,287
Administration	77,231	83,120	85,044	80,807	103,587	120,462	189,028	167,701	163,985	152,885
Operation and maintenance of plant	100,528	81,827	75,794	85,528	74,366	74,034	71,335	72,489	68,192	58,444
Transportation	54,476	132,602	54,865	48,587	49,051	57,339	64,349	64,050	74,337	55,631
Non-instructional programs	-	-	-	-	-	-	-	-	-	288
Capital outlay	10,343	43,307	109,160	14,082	13,219	28,831	83,286	43,236	73,489	40,522
Long-term debt:										
Principal	8,191	-	-	-	-	-	-	-	-	-
Interest	1,309	-	-	-	-	-	-	-	-	-
Other expenditures:										
AEA flow-through	36,694	34,997	35,625	39,925	40,616	36,342	35,544	34,871	34,117	33,187
Total	\$ 1,226,240	1,278,579	975,530	1,082,331	1,012,088	1,176,853	1,260,951	1,182,227	1,087,532	1,028,486

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Prescott Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prescott Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 16, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prescott Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

Prescott Community School District's Responses to Findings

Prescott Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Prescott 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 Prescott Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 16, 2015
Newton, Iowa

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

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - We will continue to work on segregation of duties.

Conclusion - Response accepted.

I-B-14 Receipting Procedures - During our audit we noted the recognition of District receipts were not recorded onto the District's Uniform Financial Accounting System in a timely manner. The individuals performing receipting functions need to be well trained in all areas to ensure proper recording of receipts. We also noted receipts collected throughout the year were not deposited at a District depository in a timely manner.

Necessary adjustments for these receipts were subsequently made at the end of the year prior to the certification of the Certified Annual Report.

Recommendation - The proper recording of District receipts records facilities better control over District funds and aid in other required areas such as bank reconciliations. The necessity of the numerous adjustments for the financial statements at year end may indicate that additional training is necessary for District accounting personnel. The District should

ensure all accounting personnel are properly trained on the use of the District's Uniform Financial Accounting System and provided additional training if needed. The District should also ensure all money received is deposited at the appropriate District depository in a timely manner. Receipts are District assets once received and depositing them in a timely manner provides an added control against misappropriation of these assets.

Response - Receipts are now being timely recorded in the District's accounting system.

Conclusion - Response accepted.

I-C-14 Credit Card Procedures - We noted during our audit, that the District did not pay a credit card bills by the due date or in a timely manner. As a result, the District had to pay penalties and late fees that were unnecessary had the bills been processed timely.

Recommendation - The District should remit payments to credit card vendors in a timely manner to avoid unnecessary penalties and late fees.

Response - Credit cards are now paid timely along with all other bills on a monthly basis. All bills are additionally approved by the board.

Conclusion - Response accepted.

I-D-14 Title I Reporting - We noted during our audit that Title I reports submitted to the Iowa Department of Education were not reconciled to actual expenses reported in the District's general ledger, thus creating a carryover allocation that is in excess of the 15% of the original Title I budget allocation. The amount claimed in excess of actual expenses was \$16,186.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget to be within a carryover amount that is 15% of the original Title I budget allocation. The District should contact the Iowa Department of Education to develop a workout plan for the amount of Title I claimed in excess of actual expenses of \$16,186.

Response - Title I is being worked on and reconciled by the District.

Conclusion - Response accepted.

OTHER MATTERS:

I-E-14 Deficit Lunch Account Balances - During our audit we noted multiple negative staff lunch account balances on the Districts financial statements at June 30, 2014. Some of these negative amounts appeared to be excessive.

Recommendation - The District should develop policies regarding the treatment of deficit account balances aimed at discouraging accounts from becoming excessively deficit. The District may also wish to investigate alternatives to bring deficit accounts back to a positive balance.

Response - The District has cleared up all negative staff lunch balances.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

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

II-B-14 Questionable Disbursements - We noted no expenditures that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense - No travel advances to District officials or employees were noted; however, we noted during our audit that according to District board policy 401.7 employees are to be reimbursed mileage at the rate of 27¢ per mile, but the District is reimbursing employees at the rate of 35¢ per mile.

We also noted during our audit that employees were not always submitting detailed receipts for travel expenses charged to the District's credit cards. Board policy 401.7 addresses the use of District issued credit cards for travel expenses by employees while on District business. If an employee fails to submit a detailed receipt, which doesn't include the credit card receipt, indicating the date, purpose and nature of the expense for each item purchased, that expense would become the employee's expense that would have to be reimbursed to the District within ten days following the use of the District credit card.

Recommendation - The District needs to reimburse employees at the current rate per mile stated in board policy 401.7. The board can elect to review the policy and adopt a new policy to be able to reimburse mileage at 35¢ per mile. Policies need to be explained and disseminated to employees.

The District should review board policy 401.7 with employees and require that detailed receipts of travel expenses be given to central office staff or hold employees personally responsible for those expenses according to District policy.

Response - The correct mileage rate is now being used by the District for all travel reimbursements, and District will ensure credit card purchases are supported.

Conclusion - Response accepted.

II-D-14 Business Transactions - No business transactions between the District and District officials 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 should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - Board minutes are now published on a timely basis.

Conclusion - Response accepted.

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

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

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

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

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

II-L-14 Financial Condition - At June 30, 2014, the District had deficit unrestricted net position in the Enterprise, School Nutrition Fund of \$25,117 and total deficit net position of \$19,018. The District had deficit unrestricted and total net position in the Enterprise, Before and After School Fund of \$32,398.

Recommendation - The District should develop workout plans for each fund to return them to positive balances.

Response - The District is working on developing a work out plan for these two funds to eliminate deficit balances.

Conclusion - Response accepted.

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

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

Beginning Balance		\$ 257,973
Revenues:		
Sales tax revenues	\$ 78,386	
Other	4	78,390
		<u>336,363</u>
Expenditures:		
School infrastructure construction	10,343	
Equipment	20,454	30,797
		<u>30,797</u>
Ending balance		<u>\$ 305,566</u>

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

II-N-14 Retention of Supporting Documentation - According to Chapter 291.6(1) of the Code of Iowa, the Board Secretary is required to “file and preserve copies of all reports made and all papers pertaining to the business of the District”. However, we noted during our audit the following deficiencies:

Board Minutes: According to Chapter 291.6(2) of the Code of Iowa, the Board Secretary is required to “keep a complete record of all the proceedings of the meetings of the board and of all regular or special elections in the corporation in separate books”. However, the Board Secretary only had documentation of board minutes for board meetings from July 2013 through December 2013.

Budget Publication: Noted the District was unable to locate proof of budget publication for the fiscal 2014 budget.

Recommendation - The Board Secretary should be required by the Board of Directors of the District to preserve all pertinent paperwork for bank deposits, as well as keep a complete record of all the proceedings of the meetings of the board to be in compliance with 291.6(1)(2) of the Code of Iowa.

Response - All District records are now being kept properly.

Conclusion - Response accepted.