ROCK VALLEY
COMMUNITY SCHOOL DISTRICT

Rock Valley, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Responses

June 30, 2014

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

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ROCK VALLEY COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2014

Name	Title	Term Expires
BOARD OF EDUCATION		
(Before September 2013 Election)		
Al Vermeer	President	September 2013
Terry Van Maanen	Vice President	September 2013
James Van Veldhuizen	Board Member	September 2015
Jerry Kelderman	Board Member	September 2015
Scott Kooima	Board Member	September 2013
(After September 2013 Election)		
Al Vermeer	President	September 2017
Terry Van Maanen	Vice President	September 2017
James Van Veldhuizen	Board Member	September 2015
Jerry Kelderman	Board Member	September 2015
Steve Van Den Top	Board Member	September 2017
SCHOOL OFFICIALS		
Chad Janzen	Superintendent	June 30, 2014
Randy Taylor	Board Secretary and Business Manager	June 30, 2014
Maureen McGill Hoogeveen	Attorney	Indefinite

KRP
KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Rock Valley Community School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rock Valley Community School District (the District), Rock Valley, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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.

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We believe that 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 the 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 that Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 37 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 the District's basic 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 March 28, 2015, on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

King Reinsch Prosser & Co LLP

March 28, 2015
Sioux City, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rock Valley Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

- General Fund revenues increased from $7,327,388 in fiscal 2013 to $7,573,466 in fiscal 2014, while General Fund expenditures increased from $6,895,317 in fiscal 2013 to $7,108,672 in fiscal 2014. The District's General Fund balance increased from $3,326,104 in fiscal 2013 to $3,791,148 in fiscal 2014, a 14.0 percent increase.

- The increase in General Fund revenues was attributable to additional state aid received. The increase in General Fund expenditures was due primarily to an increase in number of employees along with expected inflationary increases in all cost including salaries and benefits.

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 the 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 the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and Capital Projects Fund.

Reporting the District's Financial Activities

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

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

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

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- Business Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

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

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

The District has two kinds of funds.

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

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

   The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

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-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-1 (In Thousands)
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	$ 12,220	$ 16,259	$ 154	$ 113	$ 12,374	$ 16,372	(24.4%)
Capital assets, net	11,873	10,668	11	25	11,884	10,693	11.1%
Total assets	$ 24,093	$ 26,927	$ 165	$ 138	$ 24,258	$ 27,065	(10.4%)
Long-term liabilities	$ 5,441	$ 10,796	$ -	$ -	$ 5,441	$ 10,796	(49.6%)
Other liabilities	1,329	387	6	8	1,335	395	238.0%
Total liabilities	$ 6,770	$ 11,183	$ 6	$ 8	$ 6,776	$ 11,191	(39.5%)
Deferred inflows of resources	$ 3,312	$ 3,263	$ -	$ -	$ 3,312	$ 3,263	1.5%
Net position:							
Net investment in capital assets	$ 6,663	$ 5,155	$ 11	$ 25	$ 6,674	$ 5,180	28.8%
Restricted	4,043	4,484	-	-	4,043	4,484	(9.8%)
Unrestricted	3,305	2,842	148	105	3,453	2,947	17.2%
Total net position	$ 14,011	$ 12,481	$ 159	$ 130	$ 14,170	$ 12,611	12.4%

The District's total net position increased 12.4 percent or approximately $1.559 million from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately $441,000, or 9.8 percent from the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Fund associated with large construction projects that were taking place.

Unrestricted net position is 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. The District's unrestricted net position increased approximately $506,000, or 17.2 percent over the prior year primarily due to the District's ability to keep General Fund expenditures less than General Fund revenues again this year.

Figure A-2 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-2 (In Thousands)
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for services	$ 1,089	$ 1,336	$ 223	$ 204	$ 1,312	$ 1,540	(14.8%)
Operating grants, contributions and restricted interest	1,520	1,427	212	200	1,732	1,627	6.5%
Capital grants, contributions and restricted interest	44	75	-	-	44	75	(41.3%)
General revenues:							
Property tax	3,269	3,127	-	-	3,269	3,127	4.5%
Statewide sales, services and use tax	598	573	-	-	598	573	4.4%
Unrestricted state grants	2,965	2,747	-	-	2,965	2,747	7.9%
Unrestricted investment earnings	60	62	-	1	60	63	(4.8%)
Other	11	1	-	-	11	1	1,000.0%
Total revenues	$ 9,556	$ 9,348	$ 435	$ 405	$ 9,991	$ 9,753	2.4%
Program expenses:							
Instruction	$ 5,552	$ 5,758	$ -	$ -	$ 5,552	$ 5,758	(3.6%)
Support services	1,874	1,869	-	-	1,874	1,869	0.3%
Non-instructional programs	-	-	406	406	406	406	0.0%
Other expenses	600	627	-	-	600	627	(4.3%)
Total expenses	$ 8,026	$ 8,254	$ 406	$ 406	$ 8,432	$ 8,660	(2.6%)
Change in net position	$ 1,530	$ 1,094	$ 29	$ (1)	$ 1,559	$ 1,093	42.6%
Net position beginning of year	12,481	11,387	130	131	12,611	11,518	9.5%
Net position end of year	$ 14,011	$ 12,481	$ 159	$ 130	$ 14,170	$ 12,611	12.4%

In fiscal year 2014, property tax and unrestricted state grants account for 65.2 percent of the governmental activities revenue (62.8 percent in 2013), while charges for services and operating grants, contributions and restricted interest accounted for 99.8 percent of the business type activities revenue (99.8 percent in 2013). The District's total revenues were approximately $10.0 million, of which approximately $9.6 million was for governmental activities and less than $500,000 was for business type activities.

The District's expenses primarily relate to instruction and support services, which account for 88.1 percent of the total expenses (88.1 percent in 2013).

As shown in Figure A-2, the District as a whole experienced a 2.4 percent increase in revenue and a 2.6 percent decrease in expenses. The decrease in expenses shows the District's ability to maintain costs effectively.

Governmental Activities - Revenues for governmental activities were $9,556,001 and expenses were $8,026,326 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-3 (In Thousands)
Total and Net Cost of Governmental Activities

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	$ 5,552	$ 5,758	(3.6%)	$ 3,403	$ 3,394	0.3%
Support services	1,874	1,869	0.3%	1,749	1,763	(0.8%)
Other expenses	600	627	(4.3%)	222	259	(14.3%)
Totals	$ 8,026	$ 8,254	(2.8%)	$ 5,374	$ 5,416	(0.8%)

- The cost financed by users of the District's programs was $1,088,502 ($1,335,640 in 2013).
- Federal and state governments subsidized certain programs with grants and contributions totaling $1,519,688 ($1,427,354 in 2013).
- The net cost of governmental activities was financed with $3,866,660 in property and other taxes ($3,700,830 in 2013) and $2,965,239 in unrestricted state grants ($2,746,633 in 2013).

Business Type Activities - Revenues for business type activities were $435,145 representing a 7.7 percent increase over the prior year, while expenses were $405,872, less than a 1.0 percent increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The increase in revenue for business type activities is due to increased prices for meals and all other items such as a la carte and seconds.

Individual Fund Analysis

As previously noted, the 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 a combined fund balance of $7,575,428, below last year's ending fund balances of $12,682,869. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2014 is due to the payoff of general obligation debt with prior year proceeds from refunding bonds.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with $3,791,148 in its fund balance. The General Fund balance increased $465,044 from last year due primarily to delaying the purchase of additional equipment and other capital outlay items.

The Capital Projects Fund balance decreased $709,399 during fiscal year 2014. This was primarily due to the progress of construction of new building improvements.

The Debt Service Fund decreased $4,940,913 during fiscal year 2014. This was primarily due to pay off of general obligation debt with proceeds of refunding bonds received in the previous year.

Proprietary Fund Highlights

The District's School Nutrition Fund net position increased from $129,422 at June 30, 2013 to $158,715 at June 30, 2014, representing an increase of 22.6 percent. For fiscal year 2014, the District increased prices for all food items per new guidelines while keeping costs consistent.

Budgetary Highlights

Over the course of the year, the District amended its budget one time to reflect additional expenditures and pay off of long-term debt.

The District's total revenues were $40,009 less than budgeted revenues, a variance of less than 1 percent.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum spending authority in the General Fund. Also, the capital project did not progress as anticipated, so less was spent in fiscal year 2014 than was planned.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2014, the District had invested approximately $11.9 million net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 11.1 percent from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was $517,965.

The original cost of the District's capital assets was approximately $16.8 million. Governmental funds account for approximately $16.7 million, with the remainder of approximately $100,000 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled $1,359,132 at June 30, 2014, compared to none reported at June 30, 2013. The significant increase resulted from construction expenditures associated with the CTE addition.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Percent Change
	2014	2013	2014	2013	2014	2013	2013-2014
Land	$ 407	$ 254	$ -	$ -	$ 407	$ 254	60.2%
Construction in progress	1,359	-	-	-	1,359	-	100.0%
Improvements other than buildings	533	547	-	-	533	547	(2.6%)
Buildings and improvements	8,403	8,664	-	-	8,403	8,664	(3.0%)
Vehicles	432	360	-	-	432	360	20.0%
Furniture and equipment	739	843	11	25	750	868	(13.6%)
Totals	$ 11,873	$ 10,668	$ 11	$ 25	$ 11,884	$ 10,693	11.1%

Long-Term Debt - At June 30, 2014, the District had $5,440,777 in total long-term debt outstanding. This represents a decrease of 49.6 percent from last year. (See Figure A-5) Additional information about the District's long-term liabilities is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit.

In August 2012, the District authorized general obligation school refunding bonds of $5,005,000 to pay off previous general obligation debt early in fiscal year 2014, and to obtain more beneficial interest rates for the District resulting in significant savings over the life of the obligation. The District had total outstanding bond indebtedness at June 30, 2014 of $5,005,000.

Figure A-5 (In Thousands)
Outstanding Long-Term Obligations

	June 30,		Percent Change
	2014	2013	2013-2014
General obligation bonds	$ -	$ 5,210	(100.0%)
General obligation school refunding bonds	5,005	5,005	0.0%
Capital lease obligation	205	303	(32.3%)
Early retirement	57	104	(45.2%)
Net OPEB liability	174	174	0.0%
	$ 5,441	$ 10,796	(49.6%)

Economic Factors Bearing on the District's Future

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

- Increases in state allowable growth.
- Increases in student enrollment.
- Additional borrowing against future sales, services and use tax monies to fund the construction already in progress.

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 Randy Taylor, Board Secretary and Business Manager, Rock Valley Community School District, 1712 20th Avenue, Rock Valley Iowa 51247.

BASIC FINANCIAL STATEMENTS

EXHIBIT A

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS:			
Cash, cash equivalents and pooled investments	$ 8,250,714	$ 147,390	$ 8,398,104
Receivables:			
Property tax:			
Delinquent	30,688	-	30,688
Succeeding year	3,312,148	-	3,312,148
Accounts	24,223	-	24,223
Due from other governments	582,129	-	582,129
Inventories	20,279	6,978	27,257
Capital assets, net of accumulated depreciation	11,872,978	10,974	11,883,952
Total assets	$ 24,093,159	$ 165,342	$ 24,258,501
LIABILITIES:			
Accounts payable	$ 814,953	$ -	$ 814,953
Salaries and benefits payable	478,246	-	478,246
Accrued interest payable	15,026	-	15,026
Unearned revenue	-	6,627	6,627
Bond premium	21,537	-	21,537
Long-term liabilities:			
Portion due within one year:			
Early retirement	23,682	-	23,682
General obligation school refunding bonds	430,000	-	430,000
Capital lease obligation	101,009	-	101,009
Portion due after one year:			
Early retirement	32,878	-	32,878
General obligation school refunding bonds	4,575,000	-	4,575,000
Capital lease obligation	104,301	-	104,301
Net OPEB liability	173,907	-	173,907
Total liabilities	$ 6,770,539	$ 6,627	$ 6,777,166
DEFERRED INFLOWS OF RESOURCES:			
Unavailable property tax revenue	$ 3,312,148	$ -	$ 3,312,148
NET POSITION:			
Net investment in capital assets	$ 6,662,668	$ 10,974	$ 6,673,642
Restricted for:			
Categorical funding	351,358	-	351,358
Student activities	205,958	-	205,958
Management levy purposes	216,558	-	216,558
School infrastructure	2,290,453	-	2,290,453
Physical plant and equipment	670,437	-	670,437
Debt service	307,751	-	307,751
Unrestricted	3,305,289	147,741	3,453,030
Total net position	$ 14,010,472	$ 158,715	$ 14,169,187

See notes to financial statements.

EXHIBIT B

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

		Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular	$ 3,446,325	$ 814,282	$ 907,306	$ -
Special	960,036	-	122,193	-
Other	1,145,697	274,220	31,101	-
	$ 5,552,058	$ 1,088,502	$ 1,060,600	$ -
Support services:				
Student	$ 126,677	$ -	$ 8,941	$ -
Instructional staff	179,320	-	-	-
Administration	726,933	-	-	-
Operation and maintenance of plant	508,569	-	-	-
Transportation	332,327	-	116,235	-
	$ 1,873,826	$ -	$ 125,176	$ -
Other expenditures:				
Facilities acquisition	$ 8,569	$ -	$ -	$ 44,494
Long-term debt interest	257,961	-	-	-
AEA flow through	333,912	-	333,912	-
	$ 600,442	$ -	$ 333,912	$ 44,494
Total governmental activities	$ 8,026,326	$ 1,088,502	$ 1,519,688	$ 44,494
Business type activities:				
Non-instructional programs:				
Food service operations	$ 405,872	$ 222,961	$ 211,537	$ -
Total business type activities	$ 405,872	$ 222,961	$ 211,537	$ -
Total	$ 8,432,198	$ 1,311,463	$ 1,731,225	$ 44,494
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Debt service				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
$ (1,724,737)	$ -	$ (1,724,737)
(837,843)	-	(837,843)
(840,376)	-	(840,376)
$ (3,402,956)	$ -	$ (3,402,956)
$ (117,736)	$ -	$ (117,736)
(179,320)	-	(179,320)
(726,933)	-	(726,933)
(508,569)	-	(508,569)
(216,092)	-	(216,092)
$ (1,748,650)	$ -	$ (1,748,650)
$ 35,925	$ -	$ 35,925
(257,961)	-	(257,961)
-	-	-
$ (222,036)	$ -	$ (222,036)
$ (5,373,642)	$ -	$ (5,373,642)
$ -	$ 28,626	$ 28,626
$ -	$ 28,626	$ 28,626
$ (5,373,642)	$ 28,626	$ (5,345,016)
$ 2,283,332	$ -	$ 2,283,332
200,721	-	200,721
242,151	-	242,151
542,644	-	542,644
597,812	-	597,812
2,965,239	-	2,965,239
60,364	459	60,823
11,054	188	11,242
$ 6,903,317	$ 647	$ 6,903,964
$ 1,529,675	$ 29,273	$ 1,558,948
12,480,797	129,442	12,610,239
$ 14,010,472	$ 158,715	$ 14,169,187

EXHIBIT C

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
ASSETS:					
Cash, cash equivalents and pooled investments	$ 3,982,772	$ 339,230	$ 3,454,934	$ 473,778	$ 8,250,714
Receivables:					
Property tax:					
Delinquent	21,313	4,897	2,598	1,880	30,688
Succeeding year	2,233,518	492,684	340,253	245,693	3,312,148
Accounts	9,661	-	1,710	12,852	24,223
Due from other funds	106,837	187	34,915	-	141,939
Due from other governments	486,512	-	95,617	-	582,129
Inventories	-	-	-	20,279	20,279
Total assets	$ 6,840,613	$ 836,998	$ 3,930,027	$ 754,482	$ 12,362,120
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Accounts payable	$ 263,380	$ -	$ 521,860	$ 29,713	$ 814,953
Salaries and benefits payable	478,246	-	-	-	478,246
Due to other funds	34,915	-	107,024	-	141,939
Total liabilities	$ 776,541	$ -	$ 628,884	$ 29,713	$ 1,435,138
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	$ 2,233,518	$ 492,684	$ 340,253	$ 245,693	$ 3,312,148
Other	39,406	-	-	-	39,406
Total deferred inflows of resources	$ 2,272,924	$ 492,684	$ 340,253	$ 245,693	$ 3,351,554
Fund balances:					
Restricted for:					
Categorical funding	$ 351,358	$ -	$ -	$ -	$ 351,358
Student activities	-	-	-	205,958	205,958
Management levy purposes	-	-	-	273,118	273,118
School infrastructure	-	-	2,290,453	-	2,290,453
Physical plant and equipment	-	-	670,437	-	670,437
Debt service	-	344,314	-	-	344,314
Committed for:					
Building improvements and maintenance	1,005,000	-	-	-	1,005,000
Assigned	99,998	-	-	-	99,998
Unassigned	2,334,792	-	-	-	2,334,792
Total fund balances	$ 3,791,148	$ 344,314	$ 2,960,890	$ 479,076	$ 7,575,428
Total liabilities, deferred inflows of resources and fund balances	$ 6,840,613	$ 836,998	$ 3,930,027	$ 754,482	$ 12,362,120

See notes to financial statements.

EXHIBIT D

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total fund balances of governmental funds (page 15)	$ 7,575,428
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,872,978
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	39,406
Long-term liabilities, including bonds payable, early retirement, capital lease obligations and other post employment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(5,440,777)
Bond issue premiums are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	(21,537)
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(15,026)
Net position of governmental activities (page 13)	$ 14,010,472

See notes to financial statements.

EXHIBIT E

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	$ 2,283,332	$ 542,644	$ 242,151	$ 200,721	$ 3,268,848
Tuition	614,670	-	-	-	614,670
Other	189,667	12,699	60,869	276,048	539,283
State sources	4,170,559	222	597,911	87	4,768,779
Federal sources	315,238	-	-	-	315,238
Total revenues	$ 7,573,466	$ 555,565	$ 900,931	$ 476,856	$ 9,506,818
Expenditures:					
Current:					
Instruction:					
Regular	$ 3,246,509	$ -	$ -	$ 51,000	$ 3,297,509
Special	896,081	-	-	-	896,081
Other	799,681	-	-	269,690	1,069,371
	$ 4,942,271	$ -	$ -	$ 320,690	$ 5,262,961
Support services:					
Student	$ 118,238	$ -	$ -	$ -	$ 118,238
Instructional staff	217,596	-	-	-	217,596
Administration	635,849	-	-	42,657	678,506
Operation and maintenance of plant	445,967	-	-	28,722	474,689
Transportation	414,839	-	-	6,960	421,799
	$ 1,832,489	$ -	$ -	$ 78,339	$ 1,910,828
Other expenditures:					
Facilities acquisition	$ -	$ -	$ 1,542,493	$ -	$ 1,542,493
Long-term debt:					
Principal	-	5,307,821	-	-	5,307,821
Interest and fiscal charges	-	295,494	-	-	295,494
AEA flow through	333,912	-	-	-	333,912
	$ 333,912	$ 5,603,315	$ 1,542,493	$ -	$ 7,479,720
Total expenditures	$ 7,108,672	$ 5,603,315	$ 1,542,493	$ 399,029	$ 14,653,509
Excess (deficiency) of revenue over (under) expenditures	$ 464,794	$ (5,047,750)	$ (641,562)	$ 77,827	$ (5,146,691)
Other financing sources (uses):					
Sale of capital assets	$ 250	$ -	$ 39,000	$ -	$ 39,250
Operating transfers in	-	106,837	-	-	106,837
Operating transfers out	-	-	(106,837)	-	(106,837)
Total other financing sources (uses)	$ 250	$ 106,837	$ (67,837)	$ -	$ 39,250
Change in fund balances	$ 465,044	$ (4,940,913)	$ (709,399)	$ 77,827	$ (5,107,441)
Fund balances beginning of year	3,326,104	5,285,227	3,670,289	401,249	12,682,869
Fund balances end of year	$ 3,791,148	$ 344,314	$ 2,960,890	$ 479,076	$ 7,575,428

See notes to financial statements.

EXHIBIT F

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds (page 17)		$ (5,107,441)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 1,746,066	
Depreciation expense	(512,011)	1,234,055
Certain local source revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.		39,406
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		5,307,821
Early retirement expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		47,775
Governmental funds report the effect of premiums when new debt is issued, whereas, these amounts are amortized in the Statement of Activities.		1,958
Cash received on the sale of capital assets is recognized as revenue in the governmental funds. In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between cash received and the net book value of the capital asset disposed.		(29,474)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		35,575
Change in net position of governmental activities (page 14)		$ 1,529,675

See notes to financial statements.

EXHIBIT G

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2014

	School Nutrition
ASSETS:	
Current assets:	
Cash, cash equivalents and pooled investments	$ 147,390
Inventories	6,978
Total current assets	$ 154,368
Noncurrent assets:	
Capital assets, net of accumulated depreciation	$ 10,974
Total assets	$ 165,342
LIABILITIES:	
Current liabilities:	
Unearned revenue	$ 6,627
Total current liabilities	$ 6,627
NET POSITION:	
Net investment in capital assets	$ 10,974
Unrestricted	147,741
Total net position	$ 158,715

See notes to financial statements.

EXHIBIT H

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2014

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	$ 222,961
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	$ 114,971
Benefits	24,299
Supplies	260,395
Other	253
Depreciation	5,954
Total operating expenses	$ 405,872
Operating loss	$ (182,911)
Non-operating revenues:	
Interest income	$ 459
State sources	3,828
Federal sources	207,709
Gain on sale of capital assets	188
Total non-operating revenues	$ 212,184
Increase in net position	$ 29,273
Net position beginning of year	129,442
Net position end of year	$ 158,715

See notes to financial statements.

EXHIBIT I

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 221,882
Cash paid to employees for services	(139,270)
Cash paid to suppliers for goods or services	(226,802)
Net cash used by operating activities	$ (144,190)
Cash flows from non-capital financing activities:	
State grants received	$ 3,828
Federal grants received	182,636
Net cash provided by non-capital financing activities	$ 186,464
Cash flows from capital and related financing activities:	
Proceeds from the sale of capital assets	$ 8,000
Net cash provided by capital and related financing activities	$ 8,000
Cash flows from investing activities:	
Interest on investments	$ 459
Net increase in cash, cash equivalents and pooled investments	$ 50,733
Cash, cash equivalents and pooled investments beginning of year	96,657
Cash, cash equivalents and pooled investments end of year	$ 147,390
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (182,911)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	33,139
Depreciation	5,954
(Increase) decrease in inventories	1,268
Increase (decrease) in accounts payable	(561)
Increase (decrease) in unearned revenues	(1,079)
Net cash used by operating activities	$ (144,190)

Supplemental schedule of non-cash items; non-capital financing activities:
During the year ended June 30, 2014, the District received $29,990 of federal commodities.

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Rock Valley Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. The geographic area served includes the City of Rock Valley, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

A. Reporting Entity

For financial reporting purposes, the 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. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the GASB criteria.

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

B. Basis of Presentation

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Statement of Net Position presents the District's non-fiduciary 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 three 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.

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

Net position restricted through enabling legislation as of June 30, 2014 consists of $216,558 for management levy, $670,437 for physical plant and equipment levy, and $2,290,453 for statewide sales tax.

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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, compensated absences and special termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2 percent per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of $1,000 and estimated useful lives in excess of two years.

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	50 years
Improvements other than buildings	20 years
Vehicles, furniture and equipment	5-15 years
Intangibles	5-10 years

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

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts that are designated by the Board of Education for a particular purpose but do not meet the criteria to be classified as restricted or committed. Those assigned amounts cannot be used for any other purpose unless approved by the Board of Education at monthly meetings.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, no expenditures exceeded the amounts budgeted.

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS:

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

NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (CONTINUED):

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

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS:

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

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	$ 187
Capital Projects	General	$ 34,915
General	Capital Projects	$ 106,837

The Capital Projects Fund is repaying the Debt Service Fund for property tax incorrectly recorded.

The General Fund is repaying the Capital Projects Fund for paying General Fund expenditures in error.

The Capital Projects Fund is repaying the General Fund for capital lease payments made by the General Fund.

All balances are to be repaid by June 30, 2015.

NOTE 4 - INTERFUND TRANSFERS:

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

Transfer To	Transfer From	Amount
Debt Service	Capital Projects	$ 106,837

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

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	$ 254,126	$ 152,921	$ -	$ 407,047
Construction in progress	-	1,359,132	-	1,359,132
Total capital assets not being depreciated	$ 254,126	$ 1,512,053	$ -	$ 1,766,179
Capital assets being depreciated:				
Improvements other than buildings	$ 860,471	$ 21,870	$ -	$ 882,341
Buildings and improvements	11,649,909	-	41,200	11,608,709
Vehicles	634,685	119,577	10,350	743,912
Furniture and equipment	1,654,593	92,566	-	1,747,159
Intangibles	12,492	-	12,492	-
Total capital assets being depreciated	$ 14,812,150	$ 234,013	$ 64,042	$ 14,982,121
Less accumulated depreciation for:				
Improvements other than buildings	$ 312,842	$ 36,691	$ -	$ 349,533
Buildings and improvements	2,985,625	231,732	11,726	3,205,631
Vehicles	275,097	47,419	10,350	312,166
Furniture and equipment	811,823	196,169	-	1,007,992
Intangibles	12,492	-	12,492	-
Total accumulated depreciation	$ 4,397,879	$ 512,011	$ 34,568	$ 4,875,322
Total capital assets being depreciated, net	$ 10,414,271	$ (277,998)	$ 29,474	$ 10,106,799
Governmental activities capital assets, net	$ 10,668,397	$ 1,234,055	$ 29,474	$ 11,872,978
Business type activities:				
Furniture and equipment	$ 90,399	$ -	$ 16,807	$ 73,592
Less accumulated depreciation	65,659	5,954	8,995	62,618
Business type activities capital assets, net	$ 24,740	$ (5,954)	$ 7,812	$ 10,974

NOTE 5 - CAPITAL ASSETS (CONTINUED):

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	$ 235,350
Special	63,956
Other	76,324
Support services:	
Student	8,439
Instructional staff	15,530
Administration	48,427
Operation and maintenance of plant	33,880
Transportation	30,105
Total depreciation expense - governmental activities	$ 512,011
Business type activities:	
Food service operations	$ 5,954

NOTE 6 - LONG-TERM LIABILITIES:

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	$ 5,210,000	$ -	$ 5,210,000	$ -	$ -
General obligation school refunding bonds	5,005,000	-	-	5,005,000	430,000
Capital lease obligation	303,131	-	97,821	205,310	101,009
Early retirement	104,335	-	47,775	56,560	23,682
Total	$ 10,622,466	$ -	$ 5,355,596	$ 5,266,870	$ 554,691

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

General Obligation School Refunding Bonds - 2012 - In order to obtain more favorable interest rates, in August 2012 the District issued $5,005,000 General Obligation Bonds (refunding), to advance refund $4,880,000 of the District's previously issued and outstanding general obligation bonds with interest rates ranging between 4.00 and 4.20 percent. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by $659,485 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of $589,483. Details of the District's June 30, 2014 general obligation indebtedness are as follows:

School Refunding Bond Issue of 2012

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	1.00%	$ 430,000	$ 73,562	$ 503,562
2016	1.00%	435,000	69,263	504,263
2017	1.00%	435,000	64,913	499,913
2018	1.25%	440,000	60,562	500,562
2019	1.25%	445,000	55,062	500,062
Thereafter	1.50-2.00%	2,820,000	185,013	3,005,013
		$ 5,005,000	$ 508,375	$ 5,513,375

Capital Lease - On July 1, 2012, the District entered into a four-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Initiative. This initiative was approved by the District to provide laptops for students and faculty use. The cost of the laptops and accessories was $403,427 and has been capitalized and is being depreciated in accordance with the District's policy. The assets and associated depreciation expense are included in the furniture and equipment classification.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

Capital Lease Obligation

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.23%	$ 101,009	$ 5,828	$ 106,837
2016	3.23%	104,301	2,536	106,837
		$ 205,310	$ 8,364	$ 213,674

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED):

Early Retirement - The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least 55 and must have completed 10 years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement benefits for each eligible employee will be based on the age of the applicant as of July 1 and the total salary of the applicant during the most recently completed school year. Early retirement benefits consist of health insurance premiums until age 65 although the retiree is responsible for any premium increases. Early retirement benefits paid during the year ended June 30, 2014 totaled $51,000. At June 30, 2014, the District had obligations to eight participants with a total liability of $56,560 through January 2018. The total liability for early retirement is recorded in the government-wide financial statements, and is calculated assuming a 5 percent discount rate.

NOTE 7 - 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 percent of their annual covered salary and the District is required to contribute 8.93 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were $381,785, $358,499, and $309,875, respectively, equal to the required contributions for each year.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 78 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

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

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

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

Annual required contribution	$ 66,477
Interest on net OPEB obligation	1,739
Adjustment to annual required contribution	(6,705)
Annual OPEB cost	$ 61,511
Contributions made	(61,511)
Increase in net OPEB obligation	$ -
Net OPEB obligation beginning of year	173,907
Net OPEB obligation end of year	$ 173,907

The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed $61,511 to the medical plan. Plan members eligible for benefits contributed $40,235, or 39.5 percent of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	$ 54,825	69.1%	$ 66,889
2013	174,529	38.7%	173,907
2014	61,511	100.0%	173,907

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was $416,915, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of $416,915. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 8 percent. The ultimate medical trend rate is 3 percent. The medical trend rate is reduced 1 percent each year until reaching the 3 percent ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group. Active plan members were assumed to retire at age 59, or the first subsequent year in which the member would qualify for benefits.

NOTE 9 - RISK MANAGEMENT:

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

The District maintains a partially self-insured health coverage program for its employees. The District purchases an insurance policy for participating employees that provides a $2,500 annual deductible. Employees are reimbursed for qualified expenditures incurred above and beyond their elected coverage of either $500 or $1,000 annual deductible plans up to $2,500, at which point the District's outside policy is in effect. Management has determined that there is no liability for claims incurred but unpaid as of June 30, 2014. The District uses the General Fund to account for its partial self-insurance program.

NOTE 10 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $333,912 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 11 - CONSTRUCTION COMMITMENT:

The District entered into contracts totaling $7,436,500 for a new building addition. As of June 30, 2014, $1,322,707 of costs had been incurred against the contracts. The remaining balance of $6,113,793 will be paid as work on the project progresses.

NOTE 12 - PROSPECTIVE ACCOUNTING CHANGE:

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

REQUIRED SUPPLEMENTARY INFORMATION

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 4,422,801	$ 223,420	$ 4,646,221	$ 4,923,998	$ 4,923,998	$ (277,777)
State sources	4,768,779	3,828	4,772,607	4,713,786	4,713,786	58,821
Federal sources	315,238	207,709	522,947	344,000	344,000	178,947
Total revenues	$ 9,506,818	$ 434,957	$ 9,941,775	$ 9,981,784	$ 9,981,784	$ (40,009)
Expenditures/expenses:						
Instruction	$ 5,262,961	$ -	$ 5,262,961	$ 5,820,000	$ 5,820,000	$ 557,039
Support services	1,910,828	-	1,910,828	2,534,674	2,534,674	623,846
Non-instructional programs	-	405,872	405,872	575,000	415,852	9,980
Other expenditures	7,479,720	-	7,479,720	2,008,367	8,373,043	893,323
Total expenditures/expenses	$ 14,653,509	$ 405,872	$ 15,059,381	$ 10,938,041	$ 17,143,569	$ 2,084,188
Excess (deficiency) of revenues over (under) expenditures/expenses	$ (5,146,691)	$ 29,085	$ (5,117,606)	$ (956,257)	$ (7,161,785)	$ (2,044,179)
Other financing sources, net	$ 39,250	$ 188	$ 39,438			
Excess (deficiency) of revenues and other financing sources over (under) expenditure/expenses and other financing uses	$ (5,107,441)	$ 29,273	$ (5,078,168)			
Balances beginning of year	12,682,869	129,442	12,812,311			
Balances end of year	$ 7,575,428	$ 158,715	$ 7,734,143			

See accompanying independent auditor's report.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with 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. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by $6,205,528.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2010	July 1, 2009	$ -	$ 398	$ 398	0.0%
2013	July 1, 2012	$ -	$ 417	$ 417	0.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue		
	Student Activity	Management Levy	Total
ASSETS:			
Cash, cash equivalents and pooled investments	$ 202,518	$ 271,260	$ 473,778
Receivables:			
Property tax:			
Delinquent	-	1,880	1,880
Succeeding year	-	245,693	245,693
Accounts	12,852	-	12,852
Inventories	20,279	-	20,279
Total assets	$ 235,649	$ 518,833	$ 754,482
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	$ 29,691	$ 22	$ 29,713
Total liabilities	$ 29,691	$ 22	$ 29,713
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	$ -	$ 245,693	$ 245,693
Total deferred inflows of resources	$ -	$ 245,693	$ 245,693
Fund balances:			
Restricted for:			
Student activities	$ 205,958	$ -	$ 205,958
Management levy purposes	-	273,118	273,118
Total fund balances	$ 205,958	$ 273,118	$ 479,076
Total liabilities, deferred inflows of resources and fund balances	$ 235,649	$ 518,833	$ 754,482

See accompanying independent auditor's report.

SCHEDULE 2

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Student Activity	Management Levy	Total
Revenues:			
Local sources:			
Local tax	$ -	$ 200,721	$ 200,721
Other	274,219	1,829	276,048
State sources	-	87	87
Total revenues	$ 274,219	$ 202,637	$ 476,856
Expenditures:			
Current:			
Instruction:			
Regular	$ -	$ 51,000	$ 51,000
Other	269,690	-	269,690
	$ 269,690	$ 51,000	$ 320,690
Support services:			
Administration	$ -	$ 42,657	$ 42,657
Operation and maintenance of plant	-	28,722	28,722
Transportation	-	6,960	6,960
	$ -	$ 78,339	$ 78,339
Total expenditures	$ 269,690	$ 129,339	$ 399,029
Change in fund balances	$ 4,529	$ 73,298	$ 77,827
Fund balances beginning of year	201,429	199,820	401,249
Fund balances end of year	$ 205,958	$ 273,118	$ 479,076

See accompanying independent auditor's report.

SCHEDULE 3

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2014

ACCOUNT:	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Activity tickets	$ -	$ 5,215	$ -	$ (5,215)	$ -
Adult activity tickets	-	9,899	-	(9,899)	-
Agriculture resale	214	-	-	-	214
Annual 2013	2,268	400	4,435	1,767	-
Annual 2014	-	13,434	10,901	-	2,533
Art resale	3,859	-	-	-	3,859
Band and vocal	200	3,088	4,143	1,586	731
Band resale	1,118	719	1,416	-	421
Baseball	5	-	6,781	6,411	(365)
Basketball	1,199	13,761	11,847	(2,000)	1,113
Cheerleaders	4,150	2,767	2,058	-	4,859
Class of 2014	5,083	-	568	(4,515)	-
Class of 2015	8,104	3,095	8,683	-	2,516
Class of 2016	6,547	5,941	2,879	-	9,609
Class of 2017	5,077	250	35	-	5,292
Class of 2018	1,188	779	-	2,743	4,710
Class of 2019	250	265	-	-	515
Class of 2020	-	5	-	1,962	1,967
Club reserve	26,250	-	11,521	2,748	17,477
Drama and speech	-	1,215	2,008	793	-
Elementary activity	889	13,588	17,587	3,592	482
FCA	323	74	6	-	391
FFA	3,036	46,771	45,147	1,250	5,910
FFA test plot	16,807	4,264	302	(1,981)	18,788
FHA	720	869	792	-	797
Football	7,358	8,743	20,890	4,625	(164)
Golf	-	456	1,555	1,099	-
High school girls basketball	1,659	6,865	2,573	(4,500)	1,451
High school girls track	1,323	-	-	-	1,323
High school girls volleyball	-	3,684	3,808	-	(124)
Instrument rent/repair	861	1,663	3,196	672	-
Interest	17,378	-	-	-	17,378
Junior high boys athletics	40	170	5,308	4,073	(1,025)
Junior high girls athletics	262	-	2,854	1,316	(1,276)
Library club	587	-	-	-	587
Magazine sale	-	11,836	7,132	(4,704)	-
Middle school leadership group	832	888	182	-	1,538
Miscellaneous insurance - student	-	522	522	-	-
Pep club	395	-	-	-	395
Spanish club	2,003	1,598	1,050	-	2,551
Spirit club	8,158	13,641	2,407	-	19,392
Spirit club resale	25,346	38,001	36,443	-	26,904
Student council	3,544	5,552	2,788	-	6,308
Student pictures	17,552	10	50	-	17,512
General athletics	10,102	44,071	28,647	(8,930)	16,596
Track	45	-	-	-	45
TSA program	5,160	5,188	5,495	(1,218)	3,635
TSA resale	4,079	4,932	5,152	-	3,859
Wrestling	7,458	-	8,529	8,325	7,254
Total	$ 201,429	$ 274,219	$ 269,690	$ -	$ 205,958

See accompanying independent auditor's report.

SCHEDULE 4

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTS

JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS:			
Cash, cash equivalents and pooled investments	$ 2,716,696	$ 738,238	$ 3,454,934
Receivables:			
Property tax:			
Delinquent	-	2,598	2,598
Succeeding year	-	340,253	340,253
Accounts	-	1,710	1,710
Due from other funds	-	34,915	34,915
Due from other governments	95,617	-	95,617
Total assets	$ 2,812,313	$ 1,117,714	$ 3,930,027
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	$ 521,860	$ -	$ 521,860
Due to other funds	-	107,024	107,024
Total liabilities	$ 521,860	$ 107,024	$ 628,884
Deferred inflows of resources:			
Unavailable revenue			
Succeeding year property tax	$ -	$ 340,253	$ 340,253
Total deferred inflows of resources	$ -	$ 340,253	$ 340,253
Fund balances:			
Restricted for:			
School infrastructure	$ 2,290,453	$ -	$ 2,290,453
Physical plant and equipment	-	670,437	670,437
Total fund balances	$ 2,290,453	$ 670,437	$ 2,960,890
Total liabilities, deferred inflows of resources and fund balances	$ 2,812,313	$ 1,117,714	$ 3,930,027

See accompanying independent auditor's report.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	$ -	$ 242,151	$ 242,151
Other	20,959	39,910	60,869
State sources	597,812	99	597,911
Total revenues	$ 618,771	$ 282,160	$ 900,931
Expenditures:			
Other expenditures:			
Facilities acquisition	$ 1,350,801	$ 191,692	$ 1,542,493
Total expenditures	$ 1,350,801	$ 191,692	$ 1,542,493
Excess (deficiency) of revenues over (under) expenditures	$ (732,030)	$ 90,468	$ (641,562)
Other financing sources (uses):			
Sale of capital assets	$ -	$ 39,000	$ 39,000
Operating transfers out	-	(106,837)	(106,837)
Total other financing sources (uses)	$ -	$ (67,837)	$ (67,837)
Change in fund balances	$ (732,030)	$ 22,631	$ (709,399)
Fund balances beginning of year	3,022,483	647,806	3,670,289
Fund balances end of year	$ 2,290,453	$ 670,437	$ 2,960,890

See accompanying independent auditor's report.

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -

ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	$ 3,268,848	$ 3,700,830	$ 3,406,526	$ 3,212,599	$ 2,920,523	$ 2,748,469	$ 2,520,028	$ 2,490,485	$ 1,954,019	$ 1,995,560
Tuition	614,670	747,908	722,585	853,253	861,399	548,654	544,643	563,893	548,739	474,848
Other	539,283	724,721	531,657	593,364	628,833	625,119	711,229	734,322	675,227	383,855
State sources	4,768,779	3,897,870	3,536,450	3,291,057	2,833,279	3,567,630	2,887,207	2,952,460	2,379,024	2,177,666
Federal sources	315,238	277,496	248,466	470,554	591,798	206,663	230,067	239,845	225,874	224,333
Total	$ 9,506,818	$ 9,348,825	$ 8,445,684	$ 8,420,827	$ 7,835,832	$ 7,696,535	$ 6,893,174	$ 6,981,005	$ 5,782,883	$ 5,256,262
Expenditures:										
Instruction:										
Regular	$ 3,297,509	$ 3,472,219	$ 3,152,014	$ 2,876,301	$ 2,783,440	$ 2,915,628	$ 2,798,602	$ 2,433,989	$ 2,247,721	$ 2,238,603
Special	896,081	962,631	902,468	928,228	938,526	927,259	737,590	595,827	594,036	517,314
Other	1,069,371	842,318	828,688	733,689	757,210	618,457	631,076	578,173	490,871	574,282
Support services:										
Student	118,238	261,935	214,971	234,580	239,257	173,231	204,860	226,839	213,440	109,853
Instructional staff	217,596	53,965	68,347	82,716	68,565	63,732	34,408	74,956	75,214	75,229
Administration	678,506	653,425	653,005	619,751	563,096	564,539	542,598	500,035	476,282	453,033
Operation and maintenance of plant	474,689	477,908	445,818	430,783	476,985	454,736	413,003	389,182	406,119	492,963
Transportation	421,799	267,140	349,536	305,670	249,672	282,636	239,929	269,035	175,457	198,364
Other expenditures:										
Facilities acquisition	1,542,493	1,063,145	637,500	579,159	392,478	567,395	1,195,366	5,596,647	1,061,389	118,224
Long-term debt:										
Principal	5,307,821	415,296	300,000	290,000	275,000	260,000	250,000	50,000	-	-
Interest and fiscal charges	295,494	296,261	236,516	248,066	259,016	268,116	276,866	440,711	-	-
AEA flow through	333,912	293,626	263,705	278,582	264,615	242,296	213,002	196,955	187,873	178,464
Total	$ 14,653,509	$ 9,059,869	$ 8,052,568	$ 7,607,525	$ 7,267,860	$ 7,338,025	$ 7,537,300	$ 11,352,349	$ 5,928,402	$ 4,956,329

See accompanying independent auditor's report.

KRP
KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

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
Rock Valley Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Rock Valley Community School District (the District) as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a 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 that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given the limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify a deficiency in internal control described in Part I of the accompanying Schedule of Findings and Responses as item I-A-14 that we consider to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

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.

Rock Valley Community School District's Responses to Findings

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of 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.

March 28, 2015
Sioux City, Iowa

King Reinsch Grasser & Co LLP

ROCK VALLEY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESS:

I-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions (b) recording transactions (c) maintaining custody of the assets that result from transactions and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for certain accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to payroll activities. The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions such as by reviewing payroll registers for accuracy by comparing to approved pay rates/contracts for selected employees.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes where possible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the amended certified budget amounts in any of the program functions.

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

Part II: Other Findings Related to Required Statutory Reporting (Continued):

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.

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

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

II-G-14 Certified Enrollment - Variances were noted in the basic enrollment data certified to the Department of Education.

Recommendation - In the future, the District should ensure that all certified counts are accurate prior to submission.

Response - Variances will be reported to the Department of Management and the Iowa Department of Education. Also, all counts will be verified by District management prior to submission to ensure accuracy.

Conclusion - Response accepted.

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

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

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

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

Part II: Other Findings Related to Required Statutory Reporting (Continued):

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

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

Beginning balance		$ 3,022,483
Revenues/transfers in:		
Sales tax revenues	$ 597,812	
Other local revenues	20,959	618,771
		$ 3,641,254
Expenditures/transfers out:		
Buildings and improvements	$ 1,350,113	
Other	688	1,350,801
Ending Balance		$ 2,290,453

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

II-M-14 Deficit Balances - Five student activity accounts had deficit balances at June 30, 2014.

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

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.