

Turkey Valley Community School District

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

June 30, 2014

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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District, Jackson Junction, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Turkey Valley Community School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

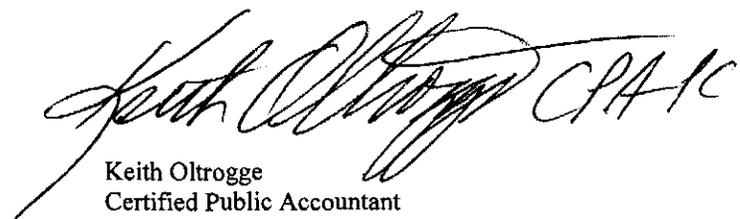
Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Turkey Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my 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, I have also issued my report dated March 18, 2015 on my consideration of Turkey Valley Community School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Turkey Valley Community School District's internal control over financial reporting and compliance.



Keith Oltrogge
Certified Public Accountant

March 18, 2015

Turkey Valley Community School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,933,858 in fiscal 2013 to \$4,444,732 in fiscal 2014, while General Fund expenditures increased from \$4,860,954 in fiscal 2013 to \$4,937,300 in fiscal 2014. The District's General Fund balance decreased from adjusted \$1,537,090 in fiscal year 2013 to \$1,044,522 in fiscal year 2014, a 32.0% decrease.
- The decrease in General Fund revenues was attributable to decreases in local sources in fiscal 2014. The increase in expenditures was due to an increase in instruction expenses.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 21.4% in 2013 to 14.6% in fiscal 2014. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Turkey Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Turkey Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Turkey Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the non-major governmental funds.

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

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

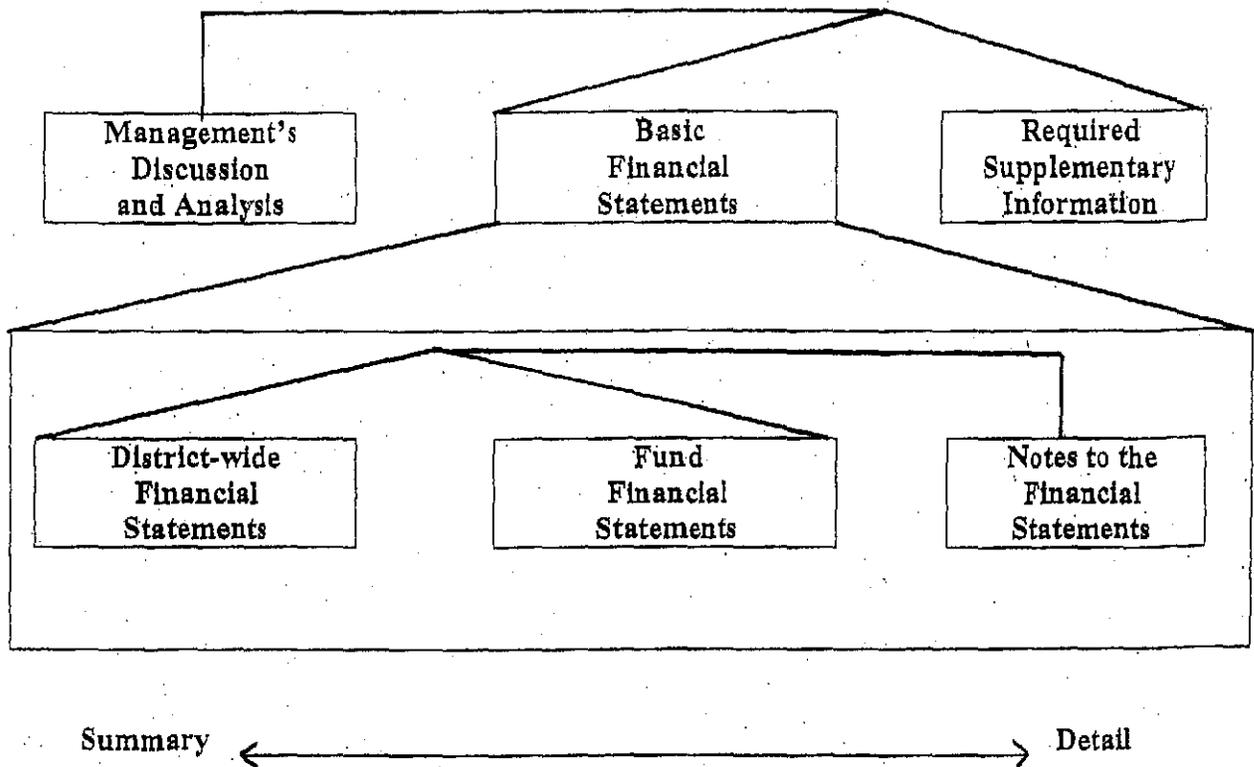


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

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

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$5,697,261	\$5,653,916	\$125,242	\$119,570	\$5,822,503	\$5,773,486	0.8%
Capital assets	3,440,648	3,329,377	18,797	20,241	3,459,445	3,349,618	3.3%
Total assets	\$9,137,909	\$8,983,293	\$144,039	\$139,811	\$9,281,948	\$9,123,104	1.7%
Long-term liabilities	\$93,514	\$92,077	\$-	\$-	\$93,514	\$92,077	1.6%
Other liabilities	764,348	650,916	32,692	43,637	797,040	694,553	14.8%
Total liabilities	\$857,862	\$742,993	\$32,692	\$43,637	\$890,554	\$786,630	13.2%
Deferred inflows of resources	\$2,359,529	\$2,362,324	\$-	\$-	\$2,359,529	\$2,362,324	-0.1%
Net position:							
Net investment in capital assets	\$3,440,648	\$3,329,377	\$18,797	\$20,241	\$3,459,445	\$3,349,618	3.3%
Restricted	1,818,325	1,548,683	-	-	1,818,325	1,548,683	17.4%
Unrestricted	662,370	1,000,766	91,725	75,083	754,095	1,075,849	-29.9%
Total net position	\$5,921,343	\$5,878,826	\$110,522	\$95,324	\$6,031,865	\$5,974,150	1.0%

The District’s combined net position increased 1.0%, or \$57,715, over the prior year. The largest portion of the District’s net position is in the “invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt”. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased approximately \$269,642, or 17.4% over the prior year. The increase is to reclassifications.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$321,754, or 29.9%. This decrease was due to General Fund expenditures exceeding revenue.

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

Figure A-4

Changes in Net Position

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$800,829	\$669,276	\$207,884	\$192,505	\$1,008,713	\$861,781	17.0%
Operating grants, contributions and restricted interest	807,048	789,149	84,758	83,581	891,806	872,730	2.2%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,397,025	2,521,629	-	-	2,397,025	2,521,629	-4.9%
Statewide sales, services and use tax	330,406	318,163	-	-	330,406	318,163	3.8%
Unrestricted state grants	1,380,500	1,471,048	-	-	1,380,500	1,471,048	-6.2%
Unrestricted investment earnings	11,065	13,227	92	160	11,157	13,387	-26.7%
Other	68,202	142,371	3,950	-	72,152	142,371	-49.3%
Total revenues	\$5,795,075	\$5,924,863	\$296,684	\$276,246	\$6,091,759	\$6,201,109	-1.8%
Program expenses:							
Governmental activities:							
Instruction	\$3,948,177	\$3,601,140	\$53,845	\$41,713	\$4,002,022	\$3,642,853	9.8%
Support services	1,614,839	1,623,150	-	-	1,614,839	1,623,150	-0.5%
Non-instructional programs	182	2,278	227,641	233,984	227,823	236,262	-3.6%
Other expenses	190,917	1,96,506	-	-	190,917	196,506	-2.9%
Total expenses	\$5,754,115	\$5,423,074	\$281,486	\$275,697	\$6,035,601	\$5,698,771	5.9%
Change in net position	\$40,960	\$501,789	\$15,198	\$549	\$56,158	\$502,338	-88.8%
Net position, beginning of year	\$5,878,826	\$5,377,582	\$95,324	\$94,775	\$5,974,150	\$5,472,357	9.2%
Prior period adjustment	1,557	-545	-	-	1,557	-545	285.7%
Adjusted net position, beginning of year	\$5,880,383	\$5,377,037	\$95,324	\$94,775	\$5,975,707	\$5,471,812	9.2%
Net position, end of year	\$5,921,343	\$5,878,826	\$110,522	\$95,324	\$6,031,865	\$5,974,150	1.0%

In fiscal year 2014, property tax and unrestricted state grants account for 62.0% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.6% of business type activities revenue.

The District's total revenues were approximately \$6.1 million, of which approximately \$5.8 million was for governmental activities and \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.8% decrease in revenues and a 5.9% increase in expenses. Property tax decreased approximately \$124,604.

Governmental Activities

Revenues for governmental activities were \$5,795,075 and expenses were \$5,754,115 for the year ended June 30, 2014. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$3,948,177	\$3,601,140	9.6%	\$2,445,615	\$2,244,116	9.0%
Support services	1,614,839	1,623,150	-0.5%	1,509,524	1,521,749	-0.8%
Non-instructional programs	182	2,278	-92.0%	182	2,278	-92.0%
Other expenses	190,917	196,506	-0.3%	190,917	196,506	-0.3%
Totals	\$5,754,115	\$5,423,074	6.1%	\$4,146,238	\$3,964,649	4.6%

During the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,008,713.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$891,806.
- The net cost of governmental activities was financed with \$2,727,431 in property and other taxes and \$1,380,500 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$296,684 and expenses were \$281,486. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Turkey Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,921,343, above last year's adjusted ending fund balances of \$5,878,826.

Governmental Fund Highlights

- The District is trying to curb all unnecessary expenditures while providing excellent educational opportunities for the students. The General Fund balance decreased from adjusted \$1,537,090 to \$1,044,522 due, in part, to expenditures exceeding revenue.
- The Capital Projects Fund balance increased from \$800,249 to \$834,700 due, in part, to the decrease in expenditures.
- The Management Fund balance increased from \$83,214 to \$478,169, due to the increase in property taxes.

Proprietary Fund Highlights

- School Nutrition Fund net position increased \$5,411 due to the increase in revenue.
- The Preschool Program net position increased from -\$37,892 in fiscal 2013 to -\$28,105 at June 30, 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, Turkey Valley Community School District amended its budget one time to reflect additional expenditures associated with the fitness facility.

The District's Governmental receipts were \$192,922 less than budgeted receipts, a variance of 3.1%. The variance resulted from the District receiving less in local sources than originally anticipated.

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

Fund Balance vs. Unspent (Unused) Budget Authority

Unspent budget authority is a unique feature of the Iowa school foundation formula. Iowa public school districts are required to keep track of fund balance and unused budget authority.

Simply stated, fund balance is the balance on the books assuming the District would cease operations at the end of the fiscal year. The following pages within the audit report will state fund balances for the various funds required to operate the District.

The Iowa public school funding formula is a pupil based formula. Each district receives an amount of funding (cash) and the authorization to spend it (authority). Another way to look at authority is to think of it as a credit card limit. Simply stated the budget authority is the number of student's times the formula amount per student. Unspent budget authority is the total authority (credit card limit) minus expenditures for the fiscal year. This "unspent budget authority" amount is carried forward to be included in the total authorized budget or spending authority for the next fiscal year.

Total authorized budget or spending authority is the legal limit an Iowa public school district can spend in a fiscal year. As stated above, this is not the same as cash or fund balance. The State of Iowa has established spending authority to enforce per pupil spending equity across the state. Unspent budget authority gained more importance in 2007 when the Iowa Legislature passed a law allowing the initiation of a Phase II review of public school districts that overspend their budget spending authority for two consecutive years. This review is both a financial viability review as well as a full academic review. At the completion of the review, the School Budget Review committee (SBRC), through the State Board of Education, may order remedies up to and including dissolution of the school district.

Adequate unspent budget authority is critical in management of the District in the event of unforeseen increases or decreases in enrollment as well unanticipated mid-year across the board reductions in state foundation aid. With approximately 80% of a public school districts expenses directly tied to labor contracts, it is very difficult to make mid-year corrections when state mandated across the board funding reductions are implemented.

The following chart shows the change in Unspent Budget Authority between fiscal years 2013 and 2014.

	Unspent Budget Authority Comparison		
	2013	2014	Change
Budget Revenue			
Maximum General Fund District Cost	\$3,520,068	\$3,468,600	-\$51,468
Preschool Foundation Aid	72,012	76,513	4,501
Instructional Support Fund	210,156	203,312	-6,844
Other Miscellaneous Income	769,116	1,093,482	324,366
Previous Year Unspent Budget Authority	1,091,484	861,337	-230,147
Maximum Budget Authority	\$5,662,836	\$5,703,244	\$40,408
Total Expenditures	\$4,801,499	\$5,195,386	-\$393,887
End Fiscal Year Unspent Budget Authority	\$861,337	\$507,858	\$353,479

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$3,459,445, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.3% from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$299,385.

The original cost of the District’s capital assets was \$9,512,286. Governmental funds account for \$9,467,937, with the remainder of \$44,349 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6
Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$31,046	\$31,046	\$-	\$-	\$31,046	\$31,046	-
Construction in process	167,506	-	-	-	167,506	-	100%
Buildings	2,535,923	2,642,863	-	-	2,535,923	2,642,863	-4.1%
Improvements other than buildings	148,038	149,088	-	-	148,038	149,088	-0.7%
Furniture and equipment	558,135	506,380	18,797	20,241	576,932	526,621	9.6%
Totals	\$3,440,648	\$3,329,377	\$18,797	\$20,241	\$3,459,445	\$3,349,618	3.3%

Long-Term Debt

At June 30, 2014, the District had only early retirement and net OPEB liability for long term debt. Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District’s debt since 1997. 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 does not have any outstanding general obligation debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

At the time these financial statements were prepared and audited, the District was not aware of existing circumstances that could significantly affect its financial health in the future except for:

- The District has experienced declining enrollment for the past several years and expects it to continue to decline in the future.

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 Janice Myers, Board Treasurer, Turkey Valley Community School District, 3219 State Highway 24, Jackson Junction IA 52171-8308.

Basic Financial Statements

Turkey Valley Community School District

Statement of Net Position

June 30, 2014

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash, Cash Equivalents and Pooled Investments	\$ 2,925,376	\$ 114,988	\$ 3,040,364
Receivables:			
Property tax:			
Delinquent	39,272	-	39,272
Succeeding year	2,359,529	-	2,359,529
Accounts	102,656	58	102,714
Due from other governments	270,428	-	270,428
Inventories	-	10,196	10,196
Capital assets, net of accumulated depreciation	3,440,648	18,797	3,459,445
Total Assets	\$ 9,137,909	\$ 144,039	\$ 9,281,948
Liabilities			
Bank overdrafts	-	24,616	24,616
Accounts payable	288,258	3,938	292,196
Salaries and benefits payable	476,090	-	476,090
Unearned revenue	-	4,138	4,138
Long-term liabilities:			
Portion due within one year:			
Early retirement	18,090	-	18,090
Portion due after one year:			
Early retirement	15,165	-	15,165
Net OPEB liability	60,259	-	60,259
Total Liabilities	\$ 857,862	\$ 32,692	\$ 890,554
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 2,359,529	-	\$ 2,359,529
Net Position			
Net investment in capital assets	\$ 3,440,648	\$ 18,797	\$ 3,459,445
Restricted for:			
Categorical funding	121,893	-	121,893
General fund	200,000	-	200,000
Management levy	444,914	-	444,914
Physical plant and equipment	182,647	-	182,647
Student activities	216,818	-	216,818
Capital projects	652,053	-	652,053
Unrestricted	662,370	91,725	754,095
Total Net Position	\$ 5,921,343	\$ 110,522	\$ 6,031,865

See notes to financial statements.

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,489,151	\$ 299,703	\$ 626,555	\$ -
Special instruction	653,576	71,954	108,354	-
Other instruction	805,450	346,569	49,427	-
	<u>\$ 3,948,177</u>	<u>\$ 718,226</u>	<u>\$ 784,336</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 222,803	\$ -	\$ 2,112	\$ -
Instructional staff services	96,115	-	-	-
Administration services	559,293	82,603	-	-
Operation and maintenance of plant services	415,911	-	-	-
Transportation services	320,717	-	20,600	-
	<u>\$ 1,614,839</u>	<u>\$ 82,603</u>	<u>\$ 22,712</u>	<u>\$ -</u>
Non-Instructional programs	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 15,230	\$ -	\$ -	\$ -
AEA flow-through	175,687	-	-	-
	<u>\$ 190,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 5,754,115</u>	<u>\$ 800,829</u>	<u>\$ 807,048</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 227,641	\$ 148,202	\$ 84,758	\$ -
Instruction:				
Preschool operations	53,845	59,682	-	-
Total Business Type Activities	<u>\$ 281,486</u>	<u>\$ 207,884</u>	<u>\$ 84,758</u>	<u>\$ -</u>
Total	<u>\$ 6,035,601</u>	<u>\$ 1,008,713</u>	<u>\$ 891,806</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ -1,562,893	\$ -	\$ -1,562,893
-473,268	-	-473,268
-409,454	-	-409,454
<u>\$ -2,445,615</u>	<u>\$ -</u>	<u>\$ -2,445,615</u>
\$ -220,691	\$ -	\$ -220,691
-96,115	-	-96,115
-476,690	-	-476,690
-415,911	-	-415,911
-300,117	-	-300,117
<u>\$ -1,509,524</u>	<u>\$ -</u>	<u>\$ -1,509,524</u>
<u>\$ -182</u>	<u>\$ -</u>	<u>\$ -182</u>
\$ -15,230	\$ -	\$ -15,230
-175,687	-	-175,687
<u>\$ -190,917</u>	<u>\$ -</u>	<u>\$ -190,917</u>
<u>\$ -4,146,238</u>	<u>\$ -</u>	<u>\$ -4,146,238</u>
\$ -	\$ 5,319	\$ 5,319
-	5,837	5,837
<u>\$ -</u>	<u>\$ 11,156</u>	<u>\$ 11,156</u>
<u>\$ -4,146,238</u>	<u>\$ 11,156</u>	<u>\$ -4,135,082</u>

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2014

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses		
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
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			
Prior period adjustment			
Adjusted 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
\$ 2,219,730	\$ -	\$ 2,219,730
177,295	-	177,295
330,406	-	330,406
1,380,500	-	1,380,500
11,065	92	11,157
68,202	3,950	72,152
\$ 4,187,198	\$ 4,042	\$ 4,191,240
\$ 40,960	\$ 15,198	\$ 56,158
\$ 5,878,826	\$ 95,324	\$ 5,974,150
1,557	-	1,557
\$ 5,880,383	\$ 95,324	\$ 5,975,707
\$ 5,921,343	\$ 110,522	\$ 6,031,865

Turkey Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2014

	General	Management Levy	Capital Projects	Non-Major Funds	Total
Assets					
Cash, Cash Equivalents and Pooled Investments	\$ 1,338,782	\$ 496,130	\$ 851,716	\$ 238,748	\$ 2,925,376
Receivables:					
Property Tax:					
Delinquent	28,019	8,315	2,938	-	39,272
Succeeding year	1,775,215	400,001	184,313	-	2,359,529
Accounts	102,656	-	-	-	102,656
Due from other governments	171,475	-	98,953	-	270,428
Interfund receivable	16,235	-	4,139	-	20,374
Total Assets	\$ 3,432,382	\$ 904,446	\$ 1,142,059	\$ 238,748	\$ 5,717,635
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 158,692	\$ -	\$ 123,046	\$ 6,520	\$ 288,258
Salaries and benefits payable	449,814	26,276	-	-	476,090
Interfund payable	4,139	-	-	15,410	19,549
Total Liabilities	\$ 612,645	\$ 26,276	\$ 123,046	\$ 21,930	\$ 783,897
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 1,775,215	\$ 400,001	\$ 184,313	\$ -	\$ 2,359,529
Total deferred inflows of resources	\$ 1,775,215	\$ 400,001	\$ 184,313	\$ -	\$ 2,359,529
Fund Balances:					
Restricted for:					
Categorical funding	\$ 121,893	\$ -	\$ -	\$ -	\$ 121,893
General fund	200,000	-	-	-	200,000
Management levy purposes	-	478,169	-	-	478,169
Student activities	-	-	-	216,818	216,818
School infrastructure	-	-	652,053	-	652,053
Physical plant and equipment	-	-	182,647	-	182,647
Unassigned	722,629	-	-	-	722,629
Total Fund Balance	\$ 1,044,522	\$ 478,169	\$ 834,700	\$ 216,818	\$ 2,574,209
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,432,382	\$ 904,446	\$ 1,142,059	\$ 238,748	\$ 5,717,635

See notes to financial statements.

Turkey 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 16)	\$ 2,574,209
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,440,648
Long-term liabilities, including bonds, notes payable, early retirement and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds	<u>-93,514</u>
Net Position of governmental activities (page 13)	<u>\$ 5,921,343</u>

See notes to financial statements.

Turkey Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2014

	General	Management Levy	Capital Projects	Non-Major Funds	Total
Revenues:					
Local Sources:					
Local tax	\$ 1,719,006	\$ 500,724	\$ 507,701	\$ -	\$ 2,727,431
Tuition	315,195	-	-	-	315,195
Other	220,073	-	3,900	337,628	561,601
Intermediate sources	3,300	-	-	-	3,300
State sources	1,989,186	288	102	-	1,989,576
Federal sources	197,972	-	-	-	197,972
Total Revenues	\$ 4,444,732	\$ 501,012	\$ 511,703	\$ 337,628	\$ 5,795,075
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,156,506	\$ 66,004	\$ 131,183	\$ -	\$ 2,353,693
Special instruction	653,576	-	-	-	653,576
Other instruction	455,060	-	-	343,338	798,398
	\$ 3,265,142	\$ 66,004	\$ 131,183	\$ 343,338	\$ 3,805,667
Support Services:					
Student services	\$ 219,709	\$ -	\$ -	\$ -	\$ 219,709
Instructional staff services	96,115	-	-	-	96,115
Administration services	553,752	144	-	-	553,896
Operation and maintenance of plant services	358,526	31,147	2,554	-	392,227
Transportation services	268,369	8,764	76,779	-	353,912
	\$ 1,496,471	\$ 40,055	\$ 79,333	\$ -	\$ 1,615,859
Other Expenditures:					
Facilities acquisition	\$ -	\$ -	\$ 266,736	\$ -	\$ 266,736
AEA flow-through	175,687	-	-	-	175,687
	\$ 175,687	\$ -	\$ 266,736	\$ -	\$ 442,423
Total Expenditures	\$ 4,937,300	\$ 106,059	\$ 477,252	\$ 343,338	\$ 5,863,949
Net change in fund balances	\$ -492,568	\$ 394,953	\$ 34,451	\$ -5,710	\$ -68,874
Fund balances beginning of year	\$ 1,535,533	\$ 83,216	\$ 800,249	\$ 222,528	\$ 2,641,526
Prior period adjustment	1,557	-	-	-	1,557
Adjusted beginning fund balances	\$ 1,537,090	\$ 83,216	\$ 800,249	\$ 222,528	\$ 2,643,083
Fund Balances End of Year	\$ 1,044,522	\$ 478,169	\$ 834,700	\$ 216,818	\$ 2,574,209

See notes to financial statements.

Turkey Valley Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2014

Change in fund balances – total governmental funds (page 18) \$ -68,874

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, these 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, are as follows:

Expenditures for capital assets	\$ 406,963	
Depreciation expense	-295,689	
Adjustment	-3	111,271
	<hr/>	

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

Early retirement	\$ 29,775	
Other postemployment benefits	-31,212	-1,437
	<hr/>	

Change in Net Position of Governmental Activities (page 15) \$ 40,960

Turkey Valley Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	School Nutrition	Preschool Program	Total
Assets			
Current Assets:			
Cash, cash equivalents and pooled investments	\$ 114,988	\$ -	\$ 114,988
Accounts receivable	58	-	58
Inventories	10,196	-	10,196
Total current assets	<u>\$ 125,242</u>	<u>\$ -</u>	<u>\$ 125,242</u>
Non-Current Assets:			
Capital assets, net of accumulated depreciation	\$ 18,797	\$ -	\$ 18,797
Total non-current assets	<u>\$ 18,797</u>	<u>\$ -</u>	<u>\$ 18,797</u>
Total Assets	<u>\$ 144,039</u>	<u>\$ -</u>	<u>\$ 144,039</u>
Liabilities			
Current Liabilities:			
Due to other funds	\$ 825	\$ -	\$ 825
Bank overdrafts	-	24,616	24,616
Accounts payable	449	3,489	3,938
Unearned revenue	4,138	-	4,138
Total current liabilities	<u>\$ 5,412</u>	<u>\$ 28,105</u>	<u>\$ 33,517</u>
Total Liabilities	<u>\$ 5,412</u>	<u>\$ 28,105</u>	<u>\$ 33,517</u>
Net Position			
Net investment in capital assets	\$ 18,797	\$ -	\$ 18,797
Unrestricted	119,830	-28,105	91,725
Total Net Position	<u>\$ 138,627</u>	<u>\$ -28,105</u>	<u>\$ 110,522</u>

See notes to financial statements.

Turkey Valley Community School District

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

Year Ended June 30, 2014

	School Nutrition	Preschool Program	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 148,202	\$ 59,682	\$ 207,884
Contributions	-	3,950	3,950
	<u>\$ 148,202</u>	<u>\$ 63,632</u>	<u>\$ 211,834</u>
Operating expenses:			
Instructional programs:			
Salaries	\$ -	\$ 43,150	\$ 43,150
Benefits	-	7,151	7,151
Supplies	-	3,544	3,544
Total	<u>\$ -</u>	<u>\$ 53,845</u>	<u>\$ 53,845</u>
Non-instructional programs:			
Salaries	\$ 89,719	\$ -	\$ 89,719
Benefits	27,209	-	27,209
Purchased services	3,098	-	3,098
Supplies	103,624	-	103,624
Depreciation	3,696	-	3,696
Miscellaneous	295	-	295
Total	<u>\$ 227,641</u>	<u>\$ -</u>	<u>\$ 227,641</u>
Total operating expenses	<u>\$ 227,641</u>	<u>\$ 53,845</u>	<u>\$ 281,486</u>
Operating income/loss	<u>\$ -79,439</u>	<u>\$ 9,787</u>	<u>\$ -69,652</u>
Non-operating revenues:			
State sources	\$ 1,706	\$ -	\$ 1,706
Federal sources	83,052	-	83,052
Interest income	92	-	92
Total non-operating revenues	<u>\$ 84,850</u>	<u>\$ -</u>	<u>\$ 84,850</u>
Change in net position	\$ 5,411	\$ 9,787	\$ 15,198
Net position beginning of year	133,216	-37,892	95,324
Net Position End of Year	<u>\$ 138,627</u>	<u>\$ -28,105</u>	<u>\$ 110,522</u>

See notes to financial statements.

Turkey Valley Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2014

	School Nutrition	Preschool Program
Cash flows from operating activities:		
Cash received from preschool fees and donations	\$ -	\$ 63,632
Cash received from sale of lunches and breakfasts	147,677	-
Cash paid to employees for services	-117,705	-50,301
Cash paid to suppliers for goods or services	-84,935	-55
Net cash provided (used) by operating activities	<u>\$ -54,963</u>	<u>\$ 13,276</u>
Cash flows from non-capital financing activities:		
State grants received	\$ 1,706	\$ -
Federal grants received	57,739	-
Net cash provided by non-capital financing activities	<u>\$ 59,445</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$ -2,252	\$ -
Cash flows from investing activities:		
Interest on investments	\$ 92	\$ -
Net increase in cash and cash equivalents	\$ 2,322	\$ 13,276
Cash and cash equivalents beginning of year	112,666	-37,892
Cash and Cash Equivalents End of Year	<u>\$ 114,988</u>	<u>\$ -24,616</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income/loss	\$ -79,439	\$ 9,787
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	25,313	-
Depreciation	3,696	-
Decrease in accounts receivable	331	-
(Increase) in inventories	-3,681	-
Decrease in unearned revenue	-856	-
Increase in accounts payable	314	-
(Decrease) in accrued salaries	-617	3,489
Decrease in interfund payable	-24	-
Net Cash Provided (Used) by Operating Activities	<u>\$ -54,963</u>	<u>\$ 13,276</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$25,313 of federal commodities.

Turkey Valley Community School District

Statement of Net Position
Fiduciary Funds

June 30, 2014

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ <u>1,747</u>
Liabilities	
Accounts payable	\$ <u>-</u>
Net Position	
Reserved for scholarships	<u>\$ 1,747</u>

Turkey Valley Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended June 30, 2014

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions: Local sources: Interest income	\$ 16
Deductions: Support services: Scholarships awarded	\$ 800
Change in net position	\$ -784
Net Position beginning of year	<u>2,531</u>
Net Position End of Year	<u>\$ 1,747</u>

Turkey Valley Community School District

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Turkey Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territories and small rural communities in eastern Chickasaw, northwestern Fayette, Southern Howard and southern Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Turkey Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Turkey Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's 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 categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

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

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

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means 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 sixty days after year-end.

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

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

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

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.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

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

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Total	\$521,933

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

Credit Risk – The investments in the Iowa Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Due From and Due To Other Funds**

The detail of inter-fund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Enterprise – School Nutrition Fund	\$825
General Fund	Special Revenue – Activity Fund	15,410
Capital Projects – Physical, Plant and Equipment Levy	General Fund	4,139
		<u>\$20,374</u>

The Enterprise – School Nutrition Fund owes the General Fund for unreimbursed salaries. The balance will be repaid by June 30, 2015.

The Special Revenue – Activity Fund owes the General Fund for reclassified expenses. The balance was repaid.

The General Fund owes the Capital Projects – Physical Plant and Equipment Levy for reclassified expenditures. The balance was repaid.

(4) Capital Assets

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

	Balance Beginning Of Year	Increases	Decreases	Re- classified	Balance End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 31,046	\$ -	\$ -	\$ -	\$ 31,046
Construction in process	-	167,506	-	-	167,506
Total capital assets not being depreciated	\$ 31,046	\$ 167,506	\$ -	\$ -	\$ 198,552
Capital assets being depreciated:					
Buildings	\$ 3,946,281	\$ 28,626	\$ -	\$ -9,506	\$ 3,965,401
Improvements other than buildings	226,808	46,932	-	-6,644	267,096
Furniture and equipment	4,856,842	163,899	-	16,147	5,036,888
Total capital assets being depreciated	\$ 9,029,931	\$ 239,457	\$ -	\$ -3	\$ 9,269,385
Less accumulated depreciation for:					
Buildings	\$ 1,303,418	\$ 135,561	\$ -	\$ -9,501	\$ 1,429,478
Improvements other than buildings	77,720	12,287	-	29,051	119,058
Furniture and equipment	4,350,462	147,841	-	-19,550	4,478,753
Total accumulated depreciation	\$ 5,731,600	\$ 295,689	\$ -	\$ -	\$ 6,027,289
Total capital assets being depreciated, net	\$ 3,298,331	\$ -56,232	\$ -	\$ -3	\$ 3,242,096
Governmental Activities Capital Assets, Net	\$ 3,329,377	\$ 111,274	\$ -	\$ -3	\$ 3,440,648

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 42,097	\$ 2,252	\$ -	\$ 44,349
Less accumulated depreciation	21,856	3,696	-	25,552
Business Type Activities Capital Assets, Net	\$ 20,241	\$ -1,444	\$ -	\$ 18,797

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

\$ 207,902

Other

20,702

Support services:

Support service

1,773

Administration

115

Operation and maintenance of plant

21,043

Transportation

44,154

Total Depreciation Expense – Governmental Activities

\$ 295,689

Business Type Activities:

Food service operations

\$ 3,696

(5) **Long-term Liabilities**

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

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Early retirement	\$ 63,030	\$ 2,788	\$ 32,563	\$ 33,255	\$ 18,090
Net OPEB liability	29,047	31,212	-	60,259	-
Total	\$ 92,077	\$ 34,000	\$ 32,563	\$ 93,514	\$ 18,090

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-five and must have completed twenty years of continuous service to the District. Employees completed an application, which was required to be approved by the Board of Education. The early retirement benefits paid during the year ended June 30, 2014 totaled \$32,563.

(6) **Pension and Retirement Benefits**

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$262,819, \$244,184, and \$219,503, respectively, equal to the required contributions for each year.

(7) **Other Postemployment Benefits (OPEB)**

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 51 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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	\$	45,300
Interest on net OPEB obligation		726
Adjustment to annual required contribution		2,048
Annual OPEB cost	\$	45,822
Contributions made		-14,610
Increase in net OPEB obligation	\$	31,212
Net OPEB obligation beginning of year		29,047
Net OPEB obligation end of year	\$	60,259

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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 \$331,482 to the medical plan. Plan members eligible for benefits contributed \$31,724 of the premium costs or 8.7%.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$37,203	104%	-\$1,489
June 30, 2011	\$38,217	105%	-\$5,106
June 30, 2012	\$40,021	80%	-\$306
June 30, 2013	\$49,263	40%	\$29,047
June 30, 2014	\$45,300	32%	\$60,259

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 \$295,592, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$295,592. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,191,484 and the ratio of the UAAL to covered payroll was 13.5%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$310.88 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$175,687 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

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

Program	Amount
Home School Assistance	\$ 1,714
Gifted and Talented Programs	17,813
Teacher Salary Supplement	55,000
Core Curriculum	582
Preschool	25,527
Mentor	80
Early Reader	14,763
Teacher Leadership	6,414
Total	<u>\$ 121,893</u>

(11) Subsequent Events

The District has evaluated subsequent events through March 18, 2015 which is the date that the financial statement were available to be issued.

(12) Construction Commitments

The District entered into a contract totaling \$485,311 for a boiler project. As of June 30, 2014, costs of \$167,506 had been incurred against the contract. The balance of \$317,805 will be paid as work on the project progresses.

(13) Prior Period Adjustment

The General Fund had a \$1,557 prior period adjustment for over stated receivables recorded for 2013.

(14) Deficit Balances

The District's Enterprise, Preschool Fund had a negative, unrestricted net position balance of \$28,105 at June 30, 2014.

(15) 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

Turkey Valley Community School District

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

Required Supplementary Information

Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,604,227	\$ 211,926
Intermediate sources	3,300	-
State sources	1,989,576	1,706
Federal sources	197,972	83,052
Total Receipts	<u>\$ 5,795,075</u>	<u>\$ 296,684</u>
Disbursements:		
Instruction	\$ 3,805,667	\$ 53,845
Support services	1,615,859	-
Non-instructional programs	-	227,641
Other expenditures	442,423	-
Total Disbursements	<u>\$ 5,863,949</u>	<u>\$ 281,486</u>
Excess (deficiency) of revenue over (under) expenditures/expense	\$ -68,874	\$ 15,198
Other financing sources	-	-
Excess (deficiency) of revenue over (under) expenditures and other sources	<u>\$ -68,874</u>	<u>\$ 15,198</u>
Balances beginning of year	\$ 2,641,526	\$ 95,324
Prior period adjustment	1,557	-
Adjusted balances beginning of year	<u>\$ 2,643,083</u>	<u>\$ 95,324</u>
Balances End of Year	<u>\$ 2,574,209</u>	<u>\$ 110,522</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amount		Final To Actual Variance
		Original	Final	
\$	3,816,153	\$ 3,971,708	\$ 3,971,708	\$ -155,555
	3,300	2,000	2,000	1,300
	1,991,282	1,926,973	1,926,973	64,309
	281,024	384,000	384,000	-102,976
\$	6,091,759	\$ 6,284,681	\$ 6,284,681	\$ -192,922
\$	3,859,512	\$ 4,112,820	\$ 4,112,820	\$ 253,308
	1,615,859	1,849,021	1,849,021	233,162
	227,641	250,000	500,000	272,359
	442,423	444,340	444,340	1,917
\$	6,145,435	\$ 6,656,181	\$ 6,906,181	\$ 760,746
\$	-53,676	\$ -371,500	\$ -621,500	\$ 567,824
	-	35,000	35,000	-35,000
\$	-53,676	\$ -336,500	\$ -586,500	\$ 532,824
\$	2,736,850	\$ 2,433,809	\$ 2,433,809	\$ 303,041
	1,557	-	-	1,557
\$	2,738,407	\$ 2,433,809	\$ 2,433,809	\$ 304,598
\$	2,684,731	\$ 2,097,309	\$ 1,847,309	\$ 837,422

Turkey Valley Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$250,000.

Turkey Valley Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2014

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$-	\$445	\$455	0.0%	\$2,676	17.0%
2010	July 1, 2009	\$-	\$399	\$399	0.0%	\$2,784	14.3%
2011	July 1, 2009	\$-	\$364	\$364	0.0%	\$2,462	14.8%
2012	July 1, 2009	\$-	\$336	\$336	0.0%	\$2,992	12.6%
2013	July 1, 2012	\$-	\$318	\$318	0.0%	\$2,272	14.0%
2014	July 1, 2012	\$-	\$296	\$296	0.0%	\$2,191	13.5%

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

Supplementary Information

Turkey Valley Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2014

	Special Revenue
	Student Activity
Assets	
Cash, cash equivalents and pooled investments	\$ 238,748
Total Assets	\$ 238,748
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities:	
Interfund payable	\$ 15,410
Accounts payable	6,520
Total liabilities	<u>\$ 21,930</u>
Fund Balances:	
Restricted for:	
Student activities	\$ 216,818
Total fund balances	<u>\$ 216,818</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 238,748</u>

See accompanying independent auditor's report.

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2014

		<u>Special Revenue</u>
		<u>Student Activity</u>
Revenues:		
Local Sources:		
Other	\$	337,628
Total Revenues	\$	<u>337,628</u>
 Expenditures:		
Current:		
Instruction:		
Other instruction	\$	343,338
Total Expenditures	\$	<u>343,338</u>
 Excess (deficiency) of revenues over (under) expenditures	 \$	 -5,710
 Fund balances beginning of year		 <u>222,528</u>
 Fund Balances End of Year	 \$	 <u>216,818</u>

Turkey 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	\$ 676,146	\$ 175,570	\$ 851,716
Receivables:			
Property Tax:			
Delinquent	-	2,938	2,938
Succeeding year	-	184,313	184,313
Due from other governments	98,953	-	98,953
Due from other funds	-	4,139	4,139
Total Assets	\$ 775,099	\$ 366,960	\$ 1,142,059
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 123,046	\$ -	\$ 123,046
Total Liabilities	\$ 123,046	\$ -	\$ 123,046
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	\$ 184,313	\$ 184,313
Total deferred inflows of resources	\$ -	\$ 184,313	\$ 184,313
Fund Balances:			
Restricted for:			
School infrastructure	\$ 652,053	\$ -	\$ 652,053
Physical plant and equipment	-	182,647	182,647
Total fund balances	\$ 652,053	\$ 182,647	\$ 834,700
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 775,099	\$ 366,960	\$ 1,142,059

See accompanying independent auditor's report.

Turkey Valley Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local Sources:			
Local tax	\$ 330,406	\$ 177,295	\$ 507,701
Other	2,916	984	3,900
State sources	-	102	102
Total Revenues	<u>\$ 333,322</u>	<u>\$ 178,381</u>	<u>\$ 511,703</u>
Expenditures:			
Instruction:			
Regular instruction	\$ -	\$ 131,183	\$ 131,183
Support Services:			
Operation and maintenance of plant services	-	2,554	2,554
Transportation service	-	76,779	76,779
Other Expenditures:			
Facilities acquisition	266,736	-	266,736
Total Expenditures	<u>\$ 266,736</u>	<u>\$ 210,516</u>	<u>\$ 477,252</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 66,586	\$ -32,135	\$ 34,451
Fund balances beginning of year	585,467	214,782	800,249
Fund Balances End of Year	<u>\$ 652,053</u>	<u>\$ 182,647</u>	<u>\$ 834,700</u>

See accompanying independent auditor's report.

Turkey 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 and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Petty cash	\$ 6,506	\$ 113,670	\$ 111,617	\$ -	\$ 8,559
General accounts	20,376	814	-	-	21,190
Materials for resale (resale)	8,067	2,536	3,113	-	7,490
Athletics	110,561	121,268	121,802	-	110,027
School music groups (Fine Arts)	4,613	10,613	10,443	-	4,783
School clubs (classes)	30,006	12,540	10,553	-	31,993
Other student activities (clubs)	42,399	76,187	85,810	-	32,776
Total	\$ 222,528	\$ 337,628	\$ 343,338	\$ -	\$ 216,818

See accompanying independent auditor's report.

Turkey 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
Revenues:				
Local Sources:				
Local tax	\$ 2,727,431	\$ 2,839,792	\$ 2,780,105	\$ 2,693,374
Tuition	315,195	269,876	315,284	315,171
Other	561,601	554,997	812,073	769,547
Intermediate sources	3,300	-	1,101	2,241
State sources	1,989,576	2,012,026	2,134,931	2,135,936
Federal sources	197,972	248,172	281,541	437,647
Total	\$ 5,795,075	\$ 5,924,863	\$ 6,326,035	\$ 6,353,916
Expenditures:				
Instruction:				
Regular instruction	\$ 2,353,693	\$ 2,181,398	\$ 2,250,878	\$ 2,228,528
Special instruction	653,576	634,576	581,821	635,574
Other instruction	798,398	649,223	720,396	671,070
Support services:				
Student services	219,709	219,558	230,277	197,287
Instructional staff services	76,115	134,283	122,214	126,857
Administrative services	553,896	552,749	551,251	545,102
Operation and maintenance of plant services	392,227	400,698	418,998	401,388
Transportation services	353,912	365,346	325,099	244,892
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	266,736	241,335	448,509	340,103
Long-term debt:				
Principal	-	-	-	35,073
Interest and other charges	-	-	-	211
AEA flow-through	175,687	169,970	172,848	198,719
Total	\$ 5,863,949	\$ 5,549,136	\$ 5,822,291	\$ 5,624,804

See accompanying independent auditor's report.

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 2,488,771	\$ 2,379,007	\$ 2,245,185	\$ 2,284,801	\$ 1,841,014	\$ 1,745,603
267,580	354,181	300,172	276,491	279,544	273,768
533,416	430,812	449,689	397,752	686,953	608,742
5,494	-	26,149	32,849	30,789	43,048
1,838,904	2,350,109	2,369,384	2,392,953	2,321,536	2,356,429
436,164	277,176	75,968	133,742	131,944	65,365
<u>\$ 5,570,329</u>	<u>\$ 5,791,285</u>	<u>\$ 5,466,547</u>	<u>\$ 5,518,588</u>	<u>\$ 5,291,780</u>	<u>\$ 5,092,955</u>
\$ 2,299,165	\$ 2,237,723	\$ 2,256,909	\$ 2,462,001	\$ 2,222,574	\$ 2,116,665
638,381	613,753	474,371	401,676	413,974	476,850
627,431	599,412	556,330	559,421	590,696	585,332
184,449	175,525	127,405	112,758	160,743	155,344
134,429	174,950	102,524	52,301	106,291	107,817
519,988	470,865	530,167	562,666	527,835	458,538
397,110	472,150	435,928	382,882	351,085	476,565
315,515	285,884	378,865	241,569	386,655	216,797
-	-	-	3,089	1,650	24,553
193,657	703,054	310,862	112,810	149,259	64,531
125,927	-	70,320	138,520	133,499	130,185
3,158	-	597	4,196	8,623	12,492
198,761	184,893	181,309	179,715	175,642	175,918
<u>\$ 5,637,971</u>	<u>\$ 5,918,209</u>	<u>\$ 5,425,587</u>	<u>\$ 5,213,604</u>	<u>\$ 5,228,526</u>	<u>\$ 5,001,587</u>

**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**

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
Turkey Valley Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District as of and for the year ended June 30, 2014, and related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 18, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Turkey Valley Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Turkey Valley Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Turkey Valley Community School District's internal control.

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-H-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Turkey Valley Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

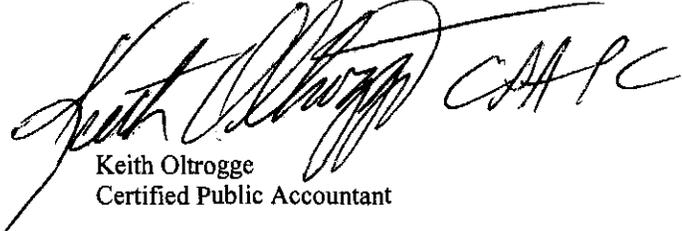
Turkey Valley Community School District's Responses to the Findings

Turkey Valley Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Turkey Valley Community School District's responses and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Turkey Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

March 18, 2015

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

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

Recommendation – With the limited number of personnel involved in accounting for Organization activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the Organization's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-14 Supporting Documentation – I noted 3 general fund and 2 activity fund checks being written to a vendor without an invoice or supporting documentation.

Recommendation – The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response – The District will review its procedures to ensure invoices are provided for all payments.

Conclusion – Response acknowledged.

- I-C-14 Disbursement Approval – For 15 of 25 general fund, 4 of 29 student activity fund, 2 of 7 capital project fund and 3 of 7 nutrition fund disbursements tested, there was no evidence to document the date the Superintendent approved the expenditures.

Recommendation – The District should ensure all expenditures are properly approved. The District should maintain documentation of the Superintendent's approval of claims for payment, such as the Superintendent's initials and date of approval.

Response – We will ensure all expenditures are properly approved and will maintain documentation of the approval.

Conclusion – Response acknowledged.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued)

INTERNAL CONTROL DEFICIENCIES:

I-D-14 Supporting Documentation for Meal Money – I noted during my audit instances of students receiving meal money during District sponsored trips. However, there was no documentation as to who received funds and/or the amount of funds received.

Recommendation – The District should document who receives cash when going on trips. The District should have a list of who received the cash and the amount. The students should sign off upon receiving cash for a trip. The District should review the procedures in place and implement controls to ensure documentation is gathered to support the check written for cash needed for the trip.

Response – The District will document who is receiving cash by having the students sign that they have received the money.

Conclusion – Response acknowledged.

I-E-14 School Nutrition Fund Accounts – I noted the Enterprise, School Nutrition Fund revenue and expenses classifications as required by the Iowa Department of Education were not accurately recorded in the general ledger. The District records student meal deposits as student lunch revenue and then allocates the breakfast, adult and ala carte revenues at year end. The District records food costs in one account and then allocates them at year end.

Recommendation – The District should record meal deposits in an unearned revenue liability account. On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category to ensure more accurate revenue classifications. The District should record expenses for food in the correct accounts as the purchases are made.

Response – We are implementing changes in procedures for fiscal year 2015 which will correct this problem.

Conclusion – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued)

INTERNAL CONTROL DEFICIENCIES:

I-F-14 School Accounting Software Integration – I noted during my audit that the Special Revenue, Student Activity Fund accounts were not integrated with the general ledger accounting system. The District may maintain subsidiary records for student activities, but all official records of the Student Activity Fund shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly. Currently the Student Activity Fund is maintained in a modified computer spreadsheet and does not include safeguards to prevent out of balance entries.

It was also noted that the Student Activity Fund uses manually prepared checks. The integration of the Student Activity Fund with the District's accounting software preparation provides controls in the preparation such as limiting the vendors used and ensuring that the vendor's payments are monitored for tax reporting as well as subsequent bank reconciliation process.

Recommendation – The District should contact Harris Software support and integrate the accounting for individual student activity accounts. Since the certified annual report upload requires the entire accounting software to be uploaded together, the District should maintain all accounting records for the District on one accounting system.

Response – The District is switching the accounting software provider from Harris Software (Data Team) to Software Unlimited by July 2015. All funds will be accounted for on Software Unlimited.

Conclusion – Response accepted.

I-G-14 Dual Signatures – Checks written from the Activity Fund only had one signature.

The checks are signed by the same person who writes them.

Recommendation – Checks should be signed by two people. The protection that comes from having two individuals responsible for signing checks is worth the extra effort involved.

Response – We will authorize several staff members to sign checks.

Conclusions – Response acknowledged.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part I – Findings Related to the Financial Statements (continued)

INTERNAL CONTROL DEFICIENCIES:

I-H-14 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District’s financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

Part II - Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the certified budget.

II-B-14 Questionable Expenditures – Certain disbursements were noted I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Vendor	Description	Amount
Bank Iowa	Board supplies	\$50.00
Blue Iris	Concert corsage	7.50
Bank Iowa	Board supplies	50.00
The Flower Pot	Staff leaving flowers	96.00
Employee	Pins and coach gift – Trap team	302.25
Turkey Valley Trap	Start-up dollars	5,000.00
Jackson Htg & Golf Course	Staff Party	1,293.11
Big Rock Country Club	6 coaches meals	120.00

Recommendation – The District should review Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1) for the allowability of expenditures from the Student Activity Fund. When the District purchases items such as food for teacher appreciation, these purchases would be more appropriate from the General Fund as long as public purpose is documented and the items are de minimis according to Internal Revenue Service Publication 15-B. Additionally, the Board of Directors should approve the purchase of such items prior to the expenditure and document the public purpose derived.

Gift cards are not appropriate district purchases since Iowa Code Section 279.29 requires districts to “audit and allow” all bills and the gift card does not provide the Board with the ability to perform the required function of approval of the final purchase. Also, some of the gift cards are for restaurants or establishments which may have items which are not an allowable purchase with public funds. Without knowing the ultimate purchase, I do not believe that the District can comply with Chapter 279.29.

Response – Beginning in fiscal 2015, the Student Activity Fund will not make any purchases for teacher appreciation supplies or other items that are not appropriate, and will have supporting documentation for all purchases.

Conclusion – Response acknowledged.

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 the coverage is adequate for current operations.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-F-14 Board Minutes – Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure minutes are published as required.

Conclusion – Response accepted.

II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

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

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

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

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

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

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

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

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2014, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	585,467
Revenues/transfers in:			
Sales tax revenues	\$		275,606
Other local revenues			2,916
School infrastructure supplemental amount			54,800
			333,322
			918,789
Expenditures/transfer out:			
School infrastructure			266,736
			266,736
Ending balance		\$	652,053

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation		Property Tax Dollars
Debt service levy	\$ -	\$	330,406
Physical plant and equipment levy	-		118,499
Public educational and recreational levy	-		-

II-M-14 Financial Condition – I noted during my audit that the Enterprise, Preschool Fund had a deficit balance of \$28,105.

Recommendation – The District should continue to monitor this fund and investigate alternatives to eliminate the deficit fund balance.

Response – The District will continue to monitor and investigate alternatives to return the fund to a sound financial position.

Conclusion – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2014

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

II-N-14 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required for all funds.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go on line at any time and see/print the back side of any check.

Conclusion – Response accepted.

II-O-14 Enterprise Fund, School Nutrition – I noted in my testing of revenues for the Enterprise Fund, School Nutrition that the District records all meal sales and related revenues into one general ledger account for sale of student lunches. The matching expenses were also just recorded in one food purchase account.

Recommendation – The Iowa Department of Education requires any school district operating as a school authority to utilize the uniform chart of accounts in Iowa to record and track meal revenues and expenses. The District should record all meal account deposits to an unearned revenue account, then periodically allocate the earned portion of meal deposits to the proper accounts, including student lunches, student breakfasts, ala carte and adult lunches and breakfasts. Matching expenses also need to be recorded. This would allow the District to better track meal revenues and expenses and protect the underlying assets. It would also bring the District into compliance with Iowa Department of Education guidelines.

Response – We will properly adjust our revenue and expense recognition and coding in the School Nutrition Fund to comply with the Iowa Department of Education requirements.

Conclusion – Response accepted.