

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

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

YEAR ENDED JUNE 30, 2015

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Prairie Valley Community School District
Gowrie, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Shannon Miller	President	2017
Gary Welter	Vice President	2015
Jim Carlson	Board Member	2017
John Field	Board Member	2015
Joe Harrison	Board Member	2017
Brian Holmgaard	Board Member	2015
Heidi McGuire	Board Member	2017
School Officials		
Lois Irwin	Superintendent	2015
Lisa Willardson	District Secretary/ Treasurer Business Manager	2015
Gruhn Law Firm	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District, Gowrie, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Prairie Valley Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 61 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report,

the financial statements for the three years ended June 30, 2014 (which is not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016 on our consideration of Prairie Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Prairie Valley Community School District's internal control over financial reporting and compliance.

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

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

March 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Prairie Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,082,178 in fiscal year 2014 to \$6,989,947 in fiscal year 2015, while General Fund expenditures increased from \$6,648,784 in fiscal year 2014 to \$7,003,761 in fiscal year 2015. The District's General Fund balance decreased from \$2,367,653 at the end of fiscal year 2014 to \$2,353,839 at the end of fiscal year 2015, a 0.6% decrease.
- The fiscal year 2015 General Fund revenue decrease was attributable to decreases in state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Prairie Valley Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

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

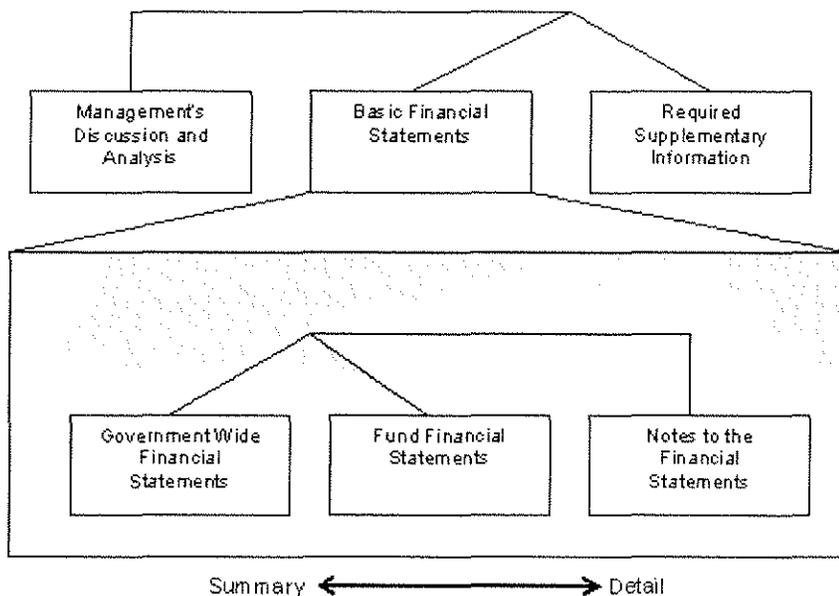


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent, such as the Booster club.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30,
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-2015
Current and other assets	\$ 7,837	7,584	28	63	7,865	7,647	2.9%
Capital assets	7,256	7,127	71	35	7,327	7,162	2.3%
Total assets	15,093	14,711	99	98	15,192	14,809	2.6%
Deferred outflows of resources	457	---	15	---	472	---	100.0%
Long-term liabilities	3,805	1,098	78	---	3,883	1,098	253.6%
Other liabilities	953	747	9	5	962	752	27.9%
Total liabilities	4,758	1,845	87	5	4,845	1,850	161.9%
Deferred inflows of resources	3,871	2,921	33	---	3,904	2,921	33.7%
Net position:							
Net investment in capital assets	6,068	6,391	71	35	6,139	6,426	-4.5%
Restricted	1,424	1,239	---	---	1,424	1,239	14.9%
Unrestricted	(571)	2,315	(77)	58	(648)	2,373	-127.3%
Total net position	\$ 6,921	9,945	(6)	93	6,915	10,038	-31.1%

The District's total net position decreased 31.1%, or approximately \$3,122,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position, increased approximately \$185,000 or 15% from the prior year. The increase was primarily a result of an increase in Management Fund property taxes.

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 approximately \$3,021,000 or 127%. This reduction in unrestricted net position was primarily a result of the District's net position liability and pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,017,649 and \$100,942, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>
	2014		2014		2014		
	<u>2015 (Not restated)</u>	<u>2014-2015</u>					
Revenues:							
Program revenues:							
Charges for service	\$ 1,303	1,060	153	184	1,456	1,244	17.0%
Operating grants, contributions and restricted interest	988	997	157	196	1,145	1,193	-4.0%
Capital grants, contributions and restricted interest	---	---	45	4	45	4	1,025.0%
General revenues:							
Property tax	2,932	2,915	---	---	2,932	2,915	0.6%
Statewide sales, services and use tax	552	530	---	---	552	530	4.2%
Income surtax	311	311	---	---	311	311	0.0%
Unrestricted state grants	1,935	2,043	---	---	1,935	2,043	-5.3%
Unrestricted investment earnings	99	83	---	---	99	83	19.3%
Other	142	127	9	5	151	132	14.4%
Sale of fixed assets	(20)	17	---	(23)	(20)	(6)	-233.3%
Total revenues	<u>8,242</u>	<u>8,083</u>	<u>364</u>	<u>366</u>	<u>8,606</u>	<u>8,449</u>	<u>1.9%</u>
Program expenses:							
Instruction	5,386	4,992	---	---	5,386	4,992	7.9%
Support services	2,196	2,209	5	3	2,201	2,212	-0.5%
Non-instructional programs	1	1	357	376	358	377	-5.0%
Other expenses	665	628	---	---	665	628	5.9%
Total expenses	<u>8,248</u>	<u>7,830</u>	<u>362</u>	<u>379</u>	<u>8,610</u>	<u>8,209</u>	<u>4.9%</u>
Change in net position	(6)	253	2	(13)	(4)	240	-101.6%
Net position beginning of year, as restated	<u>6,927</u>	<u>9,692</u>	<u>(8)</u>	<u>106</u>	<u>6,919</u>	<u>9,798</u>	<u>-29.4%</u>
Net position end of year	<u>\$ 6,921</u>	<u>9,945</u>	<u>(6)</u>	<u>93</u>	<u>6,915</u>	<u>10,038</u>	<u>-31.1%</u>

In fiscal 2015, property tax and unrestricted state grants account for 59.1% of governmental activities revenue while charges for service and operating grants and contributions account for 85.2% of business type activities revenues.

The District’s total revenues were approximately \$8.6 million, of which approximately \$8.2 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.9% increase in revenues and a 4.9% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$8,241,503 and expenses were \$8,247,930 for the year ended June 30, 2015. 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, 2015 compared to the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 Not Restated	Change 2014-2015	2015	2014 Not Restated	Change 2014-2015
Instruction	\$ 5,386	4,992	7.9%	3,456	3,288	5.1%
Support services	2,196	2,209	-0.6%	2,093	2,112	-0.9%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	665	628	5.9%	406	371	9.4%
Total	\$ 8,248	7,830	5.3%	5,956	5,772	3.2%

For the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$1,303,588.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$988,262.
- The net cost of governmental activities was financed with \$3,795,022 in property and other taxes and \$1,934,698 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$363,866, representing a 0.5% decrease from the prior year, while expenses totaled \$362,105, a 4.5% decrease from the prior year. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,689,337, above last year's ending fund balances of \$3,664,138.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,367,653 to \$2,353,839 due in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Debt Service Fund balance stayed the same as the prior year at \$116,514.
- The Capital Projects Fund balance decreased from \$634,636 in fiscal 2014 to \$630,450 in fiscal 2015, due in part to an increase in expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$4,603 at June 30, 2014 to \$6,364 at June 30, 2015, representing an increase of approximately 38%. The Capital Projects Fund paid for the cost of a new walk in freezer for the nutrition program during the year costing \$44,447.

BUDGETARY HIGHLIGHTS

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

The District's total revenues were \$217,225 more than total budgeted revenues, a variance of 2.6%.

Total expenditures were more 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$7.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.3% 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 \$516,592.

The original cost of the District's capital assets was approximately \$17.9 million. Governmental funds account for approximately \$17.7 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 158	158	---	---	158	158	0.0%
Buildings	6,055	6,136	---	---	6,055	6,136	-1.3%
Improvements other than buildings	245	264	---	---	245	264	-7.2%
Furniture and equipment	798	569	71	35	869	604	43.9%
Total	\$ 7,256	7,127	71	35	7,327	7,162	2.3%

Long-Term Debt

At June 30, 2015, the District had \$1,292,268 in total long-term debt outstanding. This represents an increase of approximately 35% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	Total		Total
	District		Change
	June 30,		June 30,
	2015	2014	2014-2015
Sales tax revenue bonds	\$ 429	536	-20.0%
Note payable	150	---	100.0%
Bus lease purchase obligation	529	200	164.5%
Computer lease purchase obligation	70	---	100.0%
Equipment note	10	45	-77.8%
Compensated absences	53	30	76.7%
Termination benefits	51	146	-65.1%
Total	\$ 1,292	957	35.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

1. The District’s enrollment is projected to continue to decline. The Department of Education enrollment projection for the next 3 years is a decline of 79 students for an estimated revenue loss of \$513,500.
2. The District will receive a new funding stream in FY17. This is categorical funding for Teacher Leadership. According to the Iowa Department of Education, this funding stream does not have a sunset. In consideration of this funding source, approximately \$180,000 per year, it is imperative the staffing provided via this source be carefully monitored to ensure stability in the event of funds being discontinued. Similarly, it is important to evaluate supplemental weighted dollars for whole grade sharing which are designated for one-time expenditures such as uniforms, rather than an ongoing commitment such as salary.
3. Community members in the Prairie Valley School District approved a Voted Physical Plant and Equipment Levy (VPPEL) to provide facility upgrades. In addition, the board approved an Instructional Levy to support instructional expenses. It is anticipated these funding streams will be monitored to insure renewal upon expiration.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Willardson, District Secretary/Treasurer and Business Manager, Prairie Valley Community School District, PO Box 49, Gowrie, Iowa, 50543.

Basic Financial Statements

Prairie Valley Community School District
Gowrie, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 4,089,925	11,262	4,101,187
Receivables:			
Property tax:			
Delinquent	30,309	-	30,309
Succeeding year	2,901,384	-	2,901,384
Accounts	19,229	2,818	22,047
Due from other governments	796,464	-	796,464
Inventories	-	25,121	25,121
Capital assets, net of accumulated depreciation/amortization	7,255,904	70,649	7,326,553
Total assets	<u>15,093,215</u>	<u>109,850</u>	<u>15,203,065</u>
Deferred Outflows of Resources			
Pension related deferred outflows	457,025	15,288	472,313
Liabilities			
Excess of warrants issued over bank balance	-	12,270	12,270
Accounts payable	353,839	2,317	356,156
Salaries and benefits payable	574,599	657	575,256
Early retirement payable	4,315	-	4,315
Accrued interest payable	19,942	-	19,942
Unearned revenue	-	5,361	5,361
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	107,000	-	107,000
Note payable	74,157	-	74,157
Bus lease purchase obligation	82,808	-	82,808
Computer note payable	70,000	-	70,000
Equipment note	9,840	-	9,840
Early retirement	28,430	-	28,430
Compensated absences	18,101	-	18,101
Portion due after one year:			
Revenue bonds payable	322,000	-	322,000
Note payable	75,843	-	75,843
Bus lease purchase obligation	446,211	-	446,211
Early retirement	22,904	-	22,904
Compensated absences	34,974	-	34,974
Net pension liability	2,331,611	77,994	2,409,605
Net OPEB liability	181,572	-	181,572
Total liabilities	<u>4,758,146</u>	<u>98,599</u>	<u>4,856,745</u>

Prairie Valley Community School District
Gowrie, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	2,901,384	-	2,901,384
Pension related deferred inflows	<u>969,943</u>	<u>32,445</u>	<u>1,002,388</u>
Total deferred inflows of resources	<u>3,871,327</u>	<u>32,445</u>	<u>3,903,772</u>
Net Position			
Net investment in capital assets	6,068,045	70,649	6,138,694
Restricted for:			
Categorical funding	145,600	-	145,600
Management levy purposes	530,604	-	530,604
School infrastructure	644,200	-	644,200
Student activities	6,596	-	6,596
Debt service	96,572	-	96,572
Unrestricted	<u>(570,850)</u>	<u>(76,555)</u>	<u>(647,405)</u>
Total net position	<u>\$ 6,920,767</u>	<u>(5,906)</u>	<u>6,914,861</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa
Statement of Activities
Year ended June 30, 2015

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,651,230	743,810	440,441	-
Special instruction	838,655	262,101	107,265	-
Other instruction	896,454	251,106	125,204	-
	<u>5,386,339</u>	<u>1,257,017</u>	<u>672,910</u>	<u>-</u>
Support services:				
Student	159,211	-	17,372	-
Instructional staff	165,873	20,953	3,080	-
Administration	539,881	11,266	597	-
Operation and maintenance of plant	556,744	-	-	-
Transportation	774,472	14,352	35,375	-
	<u>2,196,181</u>	<u>46,571</u>	<u>56,424</u>	<u>-</u>
Non-instructional programs	<u>535</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	95,197	-	4,540	-
Long-term debt interest	33,777	-	-	-
AEA flowthrough	254,388	-	254,388	-
Depreciation/amortization (unallocated)*	281,515	-	-	-
	<u>664,877</u>	<u>-</u>	<u>258,928</u>	<u>-</u>
Total governmental activities	<u>8,247,932</u>	<u>1,303,588</u>	<u>988,262</u>	<u>-</u>
Business type activities:				
Support services:				
Administration	21	-	-	-
Operation and maintenance of plant	4,859	-	-	-
Non-instructional programs:				
Food service operations	<u>357,225</u>	<u>153,043</u>	<u>157,310</u>	<u>44,447</u>
Total business type activities	<u>362,105</u>	<u>153,043</u>	<u>157,310</u>	<u>44,447</u>
Total	<u>\$ 8,610,037</u>	<u>1,456,631</u>	<u>1,145,572</u>	<u>44,447</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(2,466,979)	-	(2,466,979)
(469,289)	-	(469,289)
<u>(520,144)</u>	<u>-</u>	<u>(520,144)</u>
<u>(3,456,412)</u>	<u>-</u>	<u>(3,456,412)</u>
(141,839)	-	(141,839)
(141,840)	-	(141,840)
(528,018)	-	(528,018)
(556,744)	-	(556,744)
<u>(724,745)</u>	<u>-</u>	<u>(724,745)</u>
<u>(2,093,186)</u>	<u>-</u>	<u>(2,093,186)</u>
<u>(535)</u>	<u>-</u>	<u>(535)</u>
(90,657)	-	(90,657)
(33,777)	-	(33,777)
-	-	-
<u>(281,515)</u>	<u>-</u>	<u>(281,515)</u>
<u>(405,949)</u>	<u>-</u>	<u>(405,949)</u>
<u>(5,956,082)</u>	<u>-</u>	<u>(5,956,082)</u>
-	(21)	(21)
-	(4,859)	(4,859)
-	(2,425)	(2,425)
-	(7,305)	(7,305)
<u>(5,956,082)</u>	<u>(7,305)</u>	<u>(5,963,387)</u>
2,821,771	-	2,821,771
110,040	-	110,040
310,836	-	310,836
552,375	-	552,375
1,934,698	-	1,934,698
99,201	-	99,201
141,586	9,066	150,652
<u>(20,854)</u>	<u>-</u>	<u>(20,854)</u>
<u>5,949,653</u>	<u>9,066</u>	<u>5,958,719</u>
(6,429)	1,761	(4,668)
<u>6,927,194</u>	<u>(7,667)</u>	<u>6,919,527</u>
<u>\$ 6,920,765</u>	<u>(5,906)</u>	<u>6,914,859</u>

Prairie Valley Community School District
Gowrie, Iowa

Exhibit C

Balance Sheet
Government Funds

June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 2,772,245	603,850	116,514	579,872	4,072,481
Receivables:					
Property tax:					
Delinquent	26,337	1,080	-	2,892	30,309
Succeeding year	2,800,982	100,402	-	-	2,901,384
Accounts	9,144	-	-	10,085	19,229
Due from other governments	710,943	85,521	-	-	796,464
Total assets	<u>\$ 6,319,651</u>	<u>790,853</u>	<u>116,514</u>	<u>592,849</u>	<u>7,819,867</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 293,838	60,001	-	-	353,839
Salaries and benefits payable	574,599	-	-	-	574,599
Early retirement payable	-	-	-	4,315	4,315
Total liabilities	<u>868,437</u>	<u>60,001</u>	<u>-</u>	<u>4,315</u>	<u>932,753</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,800,982	100,402	-	-	2,901,384
Income surtax	296,393	-	-	-	296,393
Total deferred inflows of resources	<u>3,097,375</u>	<u>100,402</u>	<u>-</u>	<u>-</u>	<u>3,197,777</u>
Fund balances:					
Restricted for:					
Categorical funding	145,600	-	-	-	145,600
Debt service	-	-	116,514	-	116,514
Management levy purposes	-	-	-	581,938	581,938
Student activities	-	-	-	6,596	6,596
School infrastructure	-	644,200	-	-	644,200
Physical plant and equipment	-	(13,750)	-	-	(13,750)
Unassigned	2,208,239	-	-	-	2,208,239
Total fund balances	<u>2,353,839</u>	<u>630,450</u>	<u>116,514</u>	<u>588,534</u>	<u>3,689,337</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,319,651</u>	<u>790,853</u>	<u>116,514</u>	<u>592,849</u>	<u>7,819,867</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit D

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

June 30, 2015

Total fund balances of governmental funds (page 20) \$ 3,689,337

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,255,904

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 296,393

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (19,942)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$457,025	
Deferred inflows of resources	<u>(969,943)</u>	(512,918)

Long-term liabilities, including bonds and notes payable, compensated absences payable, termination benefits, lease obligations, other postemployment benefits payable and net pension liability, are not due and payable in the current year and therefore, are not reported in the governmental funds. (3,805,451)

Prairie Valley Community School District
Gowrie, Iowa

Exhibit D

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

June 30, 2015

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

17,444

Net position of governmental activities (page 17)

\$ 6,920,767

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit E

Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 2,804,629	110,040	-	279,019	3,193,688
Tuition	904,626	-	-	-	904,626
Other	365,102	37,826	-	236,783	639,711
State sources	2,771,421	557,879	-	1,907	3,331,207
Federal sources	144,169	-	-	-	144,169
Total revenues	<u>6,989,947</u>	<u>705,745</u>	<u>-</u>	<u>517,709</u>	<u>8,213,401</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,465,723	285,940	-	176,939	3,928,602
Special	851,133	-	-	-	851,133
Other	639,344	-	-	265,824	905,168
	<u>4,956,200</u>	<u>285,940</u>	<u>-</u>	<u>442,763</u>	<u>5,684,903</u>
Support services:					
Student	162,283	-	-	-	162,283
Instructional staff	132,662	9,900	-	-	142,562
Administration	542,295	-	-	4,235	546,530
Operation and maintenance of plant	524,228	-	-	20,777	545,005
Transportation	431,170	626,876	-	6,735	1,064,781
	<u>1,792,638</u>	<u>636,776</u>	<u>-</u>	<u>31,747</u>	<u>2,461,161</u>
Non-instructional programs	<u>535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535</u>
Other expenditures:					
Facilities acquisition	-	334,936	-	-	334,936
Long-term debt:					
Principal	-	-	172,392	-	172,392
Interest and fiscal charges	-	-	28,906	-	28,906
AEA flowthrough	254,388	-	-	-	254,388
	<u>254,388</u>	<u>334,936</u>	<u>201,298</u>	<u>-</u>	<u>790,622</u>
Total expenditures	<u>7,003,761</u>	<u>1,257,652</u>	<u>201,298</u>	<u>474,510</u>	<u>8,937,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,814)</u>	<u>(551,907)</u>	<u>(201,298)</u>	<u>43,199</u>	<u>(723,820)</u>
Other financing sources (uses):					
Lease purchase obligation issued	-	749,019	-	-	749,019
Operating transfers in	-	-	201,298	-	201,298
Operating transfers out	-	(201,298)	-	-	(201,298)
Total other financing sources (uses)	<u>-</u>	<u>547,721</u>	<u>201,298</u>	<u>-</u>	<u>749,019</u>
Change in fund balances	(13,814)	(4,186)	-	43,199	25,199
Fund balances beginning of year	2,367,653	634,636	116,514	545,335	3,664,138
Fund balances end of year	<u>\$ 2,353,839</u>	<u>630,450</u>	<u>116,514</u>	<u>588,534</u>	<u>3,689,337</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2015

Change in fund balances - total governmental funds (page 23) \$ 25,199

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

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

Expenditures for capital assets	\$ 826,691	
Depreciation/amortization expense	(507,453)	
Loss on sale of fixed assets	<u>(20,854)</u>	298,384

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 48,958

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

Issued	(749,019)	
Repaid	<u>172,392</u>	(576,627)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (4,871)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 328,786

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2015

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

Termination benefits	94,683	
Compensated absences	(22,767)	
Pension expense	(155,666)	
Other postemployment benefits	<u>(39,742)</u>	(123,492)

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

(2,764)

Change in net position of governmental activities (page 19)

\$ (6,427)

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash, cash equivalents and pooled investments	\$ 11,262	17,444
Accounts receivable	2,818	-
Inventories	25,121	-
Total current assets	<u>39,201</u>	<u>17,444</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>70,649</u>	-
Total noncurrent assets	<u>70,649</u>	-
Total assets	<u>109,850</u>	<u>17,444</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>15,288</u>	-
Liabilities		
Current liabilities:		
Excess of warrants issued over bank balance	12,270	
Accounts payable	2,317	-
Salaries and benefits payable	657	-
Unearned revenue	5,361	-
Total current liabilities	<u>20,605</u>	-
Noncurrent liabilities:		
Net pension liability	<u>77,994</u>	-
Total liabilities	<u>98,599</u>	-

Prairie Valley Community School District
Gowrie, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Deferred Inflows of Resources		
Pension related deferred inflows	32,445	-
Net Position		
Net investment in capital assets	70,649	-
Unrestricted	(76,555)	17,444
Total net position	<u>\$ (5,906)</u>	<u>17,444</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit H

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

Year ended June 30, 2015

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 153,042	18,925
Miscellaneous	<u>9,066</u>	<u>-</u>
Total operating revenues	<u>162,108</u>	<u>18,925</u>
Operating expenses:		
Support services:		
Administration	21	-
Operation and maintenance of plant	<u>4,859</u>	<u>-</u>
	<u>4,880</u>	<u>-</u>
Non-instructional programs:		
Salaries	126,414	-
Benefits	20,406	21,689
Supplies	201,266	-
Depreciation	<u>9,139</u>	<u>-</u>
	<u>357,225</u>	<u>21,689</u>
Total operating expenses	<u>362,105</u>	<u>21,689</u>
Operating loss	<u>(199,997)</u>	<u>(2,764)</u>
Non-operating revenues:		
State sources	2,561	-
Federal sources	<u>154,750</u>	<u>-</u>
Total non-operating revenues	<u>157,311</u>	<u>-</u>
Loss before capital asset contributions	(42,686)	(2,764)
Capital asset contributions	<u>44,447</u>	<u>-</u>
Increase (decrease) in net position	1,761	(2,764)
Net position beginning of year, as restated	<u>(7,667)</u>	<u>20,208</u>
Net position end of year	<u>(5,906)</u>	<u>17,444</u>
See notes to financial statements.		

Prairie Valley Community School District
Gowrie, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 152,303	18,925
Cash received from other services	9,066	-
Cash paid to employees for services	(151,954)	(21,689)
Cash paid to suppliers for goods or services	<u>(178,121)</u>	<u>-</u>
Net cash used by operating activities	<u>(168,706)</u>	<u>(2,764)</u>
Cash flows from non-capital financing activities:		
State grants received	2,561	-
Federal grants received	<u>127,302</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>129,863</u>	<u>-</u>
Net decrease in cash and cash equivalents	(38,843)	(2,764)
Cash and cash equivalents beginning of year	<u>50,105</u>	<u>20,208</u>
Cash and cash equivalents end of year	<u>\$ 11,262</u>	<u>17,444</u>
See notes to financial statements.		(continued)

Prairie Valley Community School District
Gowrie, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Nonmajor Enterprise <u>Funds</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (199,997)	(2,764)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	27,448	-
Depreciation	9,139	-
(Increase) in accounts receivable	(1,392)	-
(Increase) in inventories	(1,574)	-
Increase in accounts payable	2,151	-
Increase in salaries and benefits payable	657	-
Increase in unearned revenue	653	-
(Decrease) in net pension liability	(34,440)	-
(Increase) in deferred outflows of resources	(3,796)	-
Increase in deferred inflows of resources	32,445	-
Net cash used by operating activities	<u>\$ (168,706)</u>	<u>(2,764)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$27,448 of federal commodities.

During the year ended June 30, 2015, the District received \$44,447 in capital asset contributions from the Capital Projects Fund.

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 511,515	<u>18,845</u>
Total assets	<u>511,515</u>	<u>18,845</u>
Liabilities		
Accounts payable	250	-
Other payables	<u>-</u>	<u>18,845</u>
Total liabilities	<u>250</u>	<u>18,845</u>
Net Position		
Reserved for scholarships	<u>\$ 511,265</u>	<u>-</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,519
Interest income	<u>4,816</u>
Total additions	<u>8,335</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>7,020</u>
Total deductions	<u>7,020</u>
Change in net position	1,315
Net position beginning of year	<u>509,950</u>
Net position end of year	<u>\$ 511,265</u>

See notes to financial statements.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

Prairie Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the cities of Gowrie, Somers, Farnhamville, Callender and Rinard, Iowa, and the predominately agricultural territory in Calhoun, Greene and Webster counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

B. Basis of Presentation

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

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

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

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

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

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.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

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.

Unearned Revenues – Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either reimbursed or served lunches. The lunch account balances are reflected in the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. District employees accumulate a limited amount of earned but unused sick leave benefits. Employees are eligible to be paid out for unused sick leave benefits if they meet certain requirements. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period (s) and will not be recognized as an inflow of resources (revenue) until that time. 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 consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and support services functions.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$658 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>201,298</u>

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

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 158,054	---	---	158,054
Capital assets being depreciated:				
Buildings	11,831,684	172,080	---	12,003,764
Improvements other than buildings	720,566	---	---	720,566
Furniture and equipment	4,389,720	654,611	(265,908)	4,778,423
Total capital assets being depreciated	16,941,970	826,691	(265,908)	17,502,753
Less accumulated depreciation for:				
Buildings	5,695,967	253,393	---	5,949,360
Improvements other than buildings	456,261	19,101	---	475,362
Furniture and equipment	3,821,196	234,959	(75,974)	3,980,181
Total accumulated depreciation	9,973,424	507,453	(75,974)	10,404,903
Total capital assets being depreciated, net	6,968,546	319,238	(189,934)	7,097,850
Governmental activities capital assets, net	\$ 7,126,600	319,238	(189,934)	7,255,904
Business type activities:				
Furniture and equipment	\$ 161,243	44,447	(7,644)	198,046
Less accumulated depreciation	125,902	9,139	(7,644)	127,397
Business type activities capital assets, net	\$ 35,341	35,308	---	70,649

Prairie Valley Community School District
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Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 97,212
Other	7,813

Support services:

Instructional staff	25,011
Operation and maintenance of plant	14,824
Transportation	<u>81,078</u>

225,938

Unallocated

281,515

Total depreciation expense – governmental activities \$ 507,453

Business type activities:

Food service operations	\$ <u>9,139</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Sales tax revenue bonds	\$ 536,000	---	107,000	429,000	107,000
Note payable	---	150,000	---	150,000	74,157
Bus lease purchase obligation 2013	199,707	---	199,707	---	---
Bus lease purchase obligation 2014	---	300,698	---	300,698	42,730
Bus lease purchase obligation 2015	---	228,321	---	228,321	40,078
Computer note payable	---	70,000	---	70,000	70,000
Equipment note	44,605	---	34,765	9,840	9,840
Compensated absences	30,308	28,594	5,827	53,075	18,101
Termination benefits	146,017	---	94,683	51,334	28,430
Net pension liability	3,361,191	---	1,029,580	2,331,611	---
Net OPEB liability	<u>141,830</u>	<u>39,742</u>	<u>---</u>	<u>181,572</u>	<u>---</u>
Total	<u>\$ 4,459,658</u>	<u>817,355</u>	<u>1,471,562</u>	<u>3,805,451</u>	<u>390,336</u>

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ <u>112,434</u>	<u>---</u>	<u>34,440</u>	<u>77,994</u>	<u>---</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending <u>June 30,</u>	<u>Bond Issue of July 15, 2011</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	3.55%	\$ 107,000	13,330	120,330
2017	3.55	107,000	9,532	116,532
2018	3.55	107,000	5,733	112,733
2019	3.55	<u>108,000</u>	<u>1,917</u>	<u>109,917</u>
Total		\$ <u>429,000</u>	<u>30,512</u>	<u>459,512</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$750,000 of bonds issued in July 2011. The bonds were issued for the purpose of financing the construction of a weight/wrestling room. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 22% of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the notes is \$459,512. For the current year, \$125,292 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$552,374.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Note Payable

During the year ended June 30, 2015, the District borrowed funds to finance gym floor improvements and bleachers. The note bears interest at 2.25% per annum and is payable from the Capital Projects, Statewide Sales, Services and Use Tax revenues. Details of the District's indebtedness under the agreement in effect at June 30, 2015 is as follows:

Year	Issued July 1, 2014		
Ending	Interest		
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>
2016	2.25%	\$ 74,157	3,422
2017	2.25	75,843	1,735
Total		\$ 150,000	5,157

During the year ended June 30, 2015, no principal or interest was paid on the note.

Capital Lease Purchase Obligations

In July 2012, the District entered into a capital lease-purchase agreement with De Lage Landen Public Finance LLC to finance the purchase of three buses totaling \$265,908. The lease is financed for three years at an interest rate of 2.91%. There are no future lease payments.

Payments under the agreement totaled \$199,707 for the year ended June 30, 2015.

In August 2014, the District entered into a capital lease-purchase agreement with De Lage Landen Public Finance LLC to finance the purchase of four buses totaling \$300,698. The lease is financed for three years at an interest rate of 2.78%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2015:

Prairie Valley Community School District
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June 30, 2015

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 51,090
2017	51,090
2018	<u>220,000</u>
Total minimum lease payments	322,180
Less amount representing interest	<u>(21,482)</u>
Net present value of minimum lease payments	\$ <u>300,698</u>

Payments under the agreement totaled \$0 for the year ended June 30, 2015.

In June 2015, the District entered into a capital lease-purchase agreement with De Lage Landen Public Finance LLC to finance the purchase of three buses totaling \$228,321. The lease is financed for three years at an interest rate of 2.91%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 46,767
2017	46,767
2018	<u>151,298</u>
Total minimum lease payments	244,832
Less amount representing interest	<u>(16,511)</u>
Net present value of minimum lease payments	\$ <u>228,321</u>

Payments under the agreement totaled \$0 for the year ended June 30, 2015.

In July 2011, the District entered into a capital lease-purchase agreement with Security Savings Bank to finance a portion of the purchase of computers for the one to one computer program totaling \$70,000. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 71,242
Less amount representing interest	<u>(1,242)</u>
Net present value of minimum lease payments	\$ <u>70,000</u>

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

Payments under the agreement totaled \$0 for the year ended June 30, 2015.

In October 2012, the District entered into a lease agreement with BB Community Leasing Services, Inc. to finance HVAC improvements. The lease is financed for three years at an interest rate of 5.79%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 9,892
Less amount representing interest	<u>(52)</u>
Net present value of minimum lease payments	\$ <u>9,840</u>

Payments under the agreement totaled \$36,270 for the year ended June 30, 2015.

Termination Benefits

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

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

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

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At June 30, 2015 the District has obligations to four participants with a total liability of \$51,334. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$94,683.

(6) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the

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June 30, 2015

member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$339,784.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$2,409,605 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District’s collective proportion was 0.060758 percent, which was an increase of 0.000260 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$160,873. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,188	\$ -
Changes of assumptions	106,341	-
Net difference between projected and actual earnings on pension plan investments	-	918,954
Changes in proportion and differences between District contributions and proportionate share of contributions	-	83,434
District contributions subsequent to the measurement date	339,784	-
Total	\$ 472,313	\$ 1,002,388

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

\$339,784 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (218,268)
2017	(218,268)
2018	(218,268)
2019	(218,268)
2020	3,212
Total	<u>\$ (869,860)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in The Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 4,552,881	\$ 2,409,605	\$ 600,458

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan.

(7) Other Postemployment Benefits (OPEB)

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

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

Annual required contribution	\$ 51,283
Interest on net OPEB obligation	3,546
Adjustment to annual required contribution	<u>(8,117)</u>
Annual OPEB cost	46,712
Contributions made	<u>(6,970)</u>
Increase in net OPEB obligation	39,742
Net OPEB obligation beginning of year	<u>141,830</u>
Net OPEB obligation end of year	<u>\$ 181,572</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$6,970 to the medical plan. Plan members eligible for benefits contributed \$30,039, or 81% of the premium costs.

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

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2013	\$ 42,571	13.9%	\$ 104,992
2014	44,030	16.3%	141,830
2015	46,712	14.9%	181,572

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$353,605, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$353,605. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,123,000 and the ratio of the UAAL to covered payroll was 11.3%. As of June 30, 2015, there were no trust fund assets.

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

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

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

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

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

Projected claim costs of the medical plan are \$641 per month for retirees less than age 65. The UAAL is being amortized as a level dollar funding over 30 years.

Prairie Valley Community School District
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Notes to Financial Statements

June 30, 2015

(8) Risk Management

The Prairie 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.

Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP has approximately 19 members as of July 1, 2014. IPSIP is governed by a six-member board of directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in fiscal year 2015. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2015 was \$103,432.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

(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 \$254,388 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with IKON Office Solutions, Inc. for the rental of copiers on May 29, 2012 for a period of 48 months. The amount paid for the fiscal year ended June 30, 2015 was \$30,180. The fixed future rentals are as follows:

Year Ending <u>June 30,</u> 2016	\$ 30,180 =====
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(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English proficient	\$ 2,591
Home school assistance program	6,626
Preschool	36,755
Successful progression for Early Readers	16,650
Professional development – core curriculum	25,860
Professional development	52,539
Teacher leadership	<u>4,579</u>
Total	<u>\$ 145,600</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

(12) Deficit Fund Balance

The Capital Projects, Physical Plant and Equipment Levy Fund and the Enterprise, Day Care Fund had deficit fund balances of \$13,750 and \$12,270, respectively, at June 30, 2015. The deficit in the Physical Plant and Equipment Levy Fund will be eliminated upon receipt of property tax revenues. The District has discontinued the day care program and is reviewing options to eliminate the deficit balance in the Day Care Fund. The deficit in the Enterprise, Day Care Fund was due to expenditures being incurred before the receipts were available to pay for them.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 9,944,843	93,275
Net pension liability at June 30, 2014	(3,361,191)	(112,434)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>343,542</u>	<u>11,492</u>
Net position July 1, 2014, as restated	<u>\$ 6,927,194</u>	<u>(7,667)</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Financial Statements

June 30, 2015

(13) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Management has not yet determined the effect this GASB Statement will have on the District's financial statements.

(14) Subsequent Events

Subsequent events have been evaluated through March 29, 2016 which is the date the financial statements were available to be issued.

In March 2016, the Board approved the lease of four buses with a total cost of \$367,556 less a trade-in value on four old buses of \$12,500.

Required Supplementary Information

Prairie Valley Community School District
Gowrie, Iowa

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

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,738,025	162,108
State sources	3,331,207	2,561
Federal sources	<u>144,169</u>	<u>154,750</u>
Total revenues	<u>8,213,401</u>	<u>319,419</u>
Expenditures/Expenses:		
Instruction	5,684,903	-
Support services	2,461,161	4,880
Non-instructional programs	535	357,225
Other expenditures	<u>790,622</u>	<u>-</u>
Total expenditures/expenses	<u>8,937,221</u>	<u>362,105</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(723,820)	(42,686)
Other financing sources, net	<u>749,019</u>	<u>44,447</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	25,199	1,761
Balances beginning of year	<u>3,664,138</u>	<u>(7,667)</u>
Balances end of year	<u>\$ 3,689,337</u>	<u>(5,906)</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
4,900,133	5,063,933	5,063,933	(163,800)
3,333,768	2,929,162	2,929,162	404,606
<u>298,919</u>	<u>322,500</u>	<u>322,500</u>	<u>(23,581)</u>
<u>8,532,820</u>	<u>8,315,595</u>	<u>8,315,595</u>	<u>217,225</u>
5,684,903	4,553,000	4,553,000	(1,131,903)
2,466,041	2,305,015	2,305,015	(161,026)
357,760	385,000	385,000	27,240
<u>790,622</u>	<u>864,061</u>	<u>864,061</u>	<u>73,439</u>
<u>9,299,326</u>	<u>8,107,076</u>	<u>8,107,076</u>	<u>(1,192,250)</u>
(766,506)	208,519	208,519	(975,025)
<u>793,466</u>	<u>17,000</u>	<u>17,000</u>	<u>776,466</u>
26,960	225,519	225,519	(198,559)
<u>3,656,471</u>	<u>3,008,685</u>	<u>3,008,685</u>	<u>647,786</u>
<u>3,683,431</u>	<u>3,234,204</u>	<u>3,234,204</u>	<u>449,227</u>

Prairie Valley Community School District
Gowrie, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures in the instruction and support services functions exceeded the amounts budgeted.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.060498%
District's proportionate share of the net pension liability	\$ 2,410
District's covered-employee payroll	\$ 4,011
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.08%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	2015	2014	2013
Statutorily required contribution	\$ 340	355	344
Contributions in relation to the statutorily required contribution	(340)	(355)	(344)
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	\$ 3,737	4,011	3,972
Contributions as a percentage of covered-employee payroll	9.10%	8.85%	8.66%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
321	287	293	278	239	232	211
<u>(321)</u>	<u>(287)</u>	<u>(293)</u>	<u>(278)</u>	<u>(239)</u>	<u>(232)</u>	<u>(211)</u>
-	-	-	-	-	-	-
4,025	4,121	4,367	4,305	4,249	3,928	3,588
7.98%	6.96%	6.71%	6.46%	5.62%	5.91%	5.88%

Prairie Valley Community School District
Gowrie, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriff's and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.

Prairie Valley Community School District
Gowrie, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Prairie Valley Community School District

Gowrie, Iowa

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 521	521	0.0%	\$4,506,000	11.6%
2011	Jul 1, 2009	-	521	521	0.0%	4,195,000	12.4%
2012	Jul 1, 2009	-	521	521	0.0%	3,189,000	16.3%
2013	Jul 1, 2012	-	367	367	0.0%	3,275,000	11.2%
2014	Jul 1, 2012	-	362	362	0.0%	3,150,000	11.5%
2015	Jul 1, 2012	-	354	354	0.0%	3,123,000	11.3%

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

See accompanying independent auditor's report.

Supplementary Information

Prairie Valley Community School District
Gowrie, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	<u>Special Revenue</u>		
	<u>Student</u>		
Assets	<u>Activities</u>	<u>Management</u>	<u>Total</u>
Cash, cash equivalents and pooled investments	6,596	573,276	579,872
Receivables:			
Property tax:			
Delinquent	-	2,892	2,892
Accounts	-	10,085	10,085
Total assets	<u>6,596</u>	<u>586,253</u>	<u>592,849</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Early retirement payable	-	4,315	4,315
Total liabilities	<u>-</u>	<u>4,315</u>	<u>4,315</u>
Fund balances:			
Restricted for:			
Management levy purposes	-	581,938	581,938
Student activities	6,596	-	6,596
Total fund balances	<u>6,596</u>	<u>581,938</u>	<u>588,534</u>
Total liabilities, deferred inflows of resources and fund balances	<u>6,596</u>	<u>586,253</u>	<u>592,849</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue		
	Student Activities	Management	Total
Revenues:			
Local sources:			
Local tax	-	279,019	279,019
Other	221,963	14,820	236,783
State sources	-	1,907	1,907
Total revenues	221,963	295,746	517,709
Expenditures:			
Current:			
Instruction:			
Regular	-	176,939	176,939
Other	265,824	-	265,824
Support services:			
Administration	-	4,235	4,235
Operation and maintenance of plant	-	20,777	20,777
Transportation	-	6,735	6,735
Total expenditures	265,824	208,686	474,510
Change in fund balances	(43,861)	87,060	43,199
Fund balances beginning of year	50,457	494,878	545,335
Fund balances end of year	6,596	581,938	588,534

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning <u>of Year</u>	Revenues and Interfund <u>Transfers</u>	<u>Expenditures</u>	Intra- Fund <u>Transfers</u>	Balance End of <u>Year</u>
Athletics	\$ 31,286	119,348	158,209	(5,737)	(13,312)
Cheerleaders	8,180	15,439	26,812	1,000	(2,193)
Class of 2013	-	225	209	-	16
Class of 2014	457	2,245	-	(2,705)	(3)
Class of 2015	1,300	24	2,605	-	(1,281)
Class of 2016	-	10,155	9,629	2,311	2,837
Drill Team	2,563	9,250	7,023	-	4,790
Dramatics	1,316	1,323	419	(341)	1,879
FFA	(586)	24,174	25,630	341	(1,701)
FCCLA	3,114	8,432	9,260	-	2,286
Instrumental	92	9,591	2,730	-	6,953
HS Student Council	2,462	7,990	11,873	-	(1,421)
Prom	-	191	-	-	191
Tri M	815	205	342	-	678
Vocal Music	-	2,771	1,860	-	911
Yearbook	(551)	10,440	9,223	5,300	5,966
MS Student Council	9	160	-	(169)	-
Total	<u>\$ 50,457</u>	<u>221,963</u>	<u>265,824</u>	<u>-</u>	<u>6,596</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 603,750	100	603,850
Receivables:			
Property tax:			
Delinquent	-	1,080	1,080
Succeeding year	-	100,402	100,402
Due from other governments	<u>85,521</u>	<u>-</u>	<u>85,521</u>
Total assets	<u>\$ 689,271</u>	<u>101,582</u>	<u>790,853</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	<u>\$ 45,071</u>	<u>14,930</u>	<u>60,001</u>
Total liabilities	<u>45,071</u>	<u>14,930</u>	<u>60,001</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>100,402</u>	<u>100,402</u>
Total deferred inflows of resources	<u>-</u>	<u>100,402</u>	<u>100,402</u>
Fund balances:			
Restricted for:			
School infrastructure	644,200	-	644,200
Physical plant and equipment	<u>-</u>	<u>(13,750)</u>	<u>(13,750)</u>
Total fund balances	<u>644,200</u>	<u>(13,750)</u>	<u>630,450</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 689,271</u>	<u>101,582</u>	<u>790,853</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 5

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

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	110,040	110,040
Other	36,799	1,027	37,826
State sources	556,914	965	557,879
Total revenues	<u>593,713</u>	<u>112,032</u>	<u>705,745</u>
Expenditures:			
Instruction:			
Regular	285,940	-	285,940
Support services:			
Instructional staff	-	9,900	9,900
Transportation	-	626,876	626,876
Other expenditures:			
Facilities acquisition	306,409	28,527	334,936
Total expenditures	<u>592,349</u>	<u>665,303</u>	<u>1,257,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,364</u>	<u>(553,271)</u>	<u>(551,907)</u>
Other financing sources (uses):			
Lease purchase obligations issued	220,000	529,019	749,019
Operating transfers out	(201,298)	-	(201,298)
Total other financing sources (uses)	<u>18,702</u>	<u>529,019</u>	<u>547,721</u>
Change in fund balances	20,066	(24,252)	(4,186)
Fund balances beginning of year	<u>624,134</u>	<u>10,502</u>	<u>634,636</u>
Fund balances end of year	<u>\$ 644,200</u>	<u>(13,750)</u>	<u>630,450</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 6

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2015

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Assets			
Current assets:			
Cash, cash equivalents and pooled investments	\$ 11,262	-	11,262
Accounts receivable	2,818	-	2,818
Inventories	<u>25,121</u>	<u>-</u>	<u>25,121</u>
Total current assets	<u>39,201</u>	<u>-</u>	<u>39,201</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>70,649</u>	<u>-</u>	<u>70,649</u>
Total noncurrent assets	<u>70,649</u>	<u>-</u>	<u>70,649</u>
Total assets	<u>109,850</u>	<u>-</u>	<u>109,850</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>15,288</u>	<u>-</u>	<u>15,288</u>
Liabilities			
Current liabilities:			
Excess of warrants issued over bank balance	-	12,270	12,270
Accounts payable	2,317	-	2,317
Salaries and benefits payable	657	-	657
Unearned revenue	<u>5,361</u>	<u>-</u>	<u>5,361</u>
Total current liabilities	<u>8,335</u>	<u>12,270</u>	<u>20,605</u>
Noncurrent liabilities:			
Net pension liability	<u>77,994</u>	<u>-</u>	<u>77,994</u>
Total liabilities	<u>86,329</u>	<u>12,270</u>	<u>98,599</u>

Prairie Valley Community School District
Gowrie, Iowa

Schedule 6

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2015

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>32,445</u>	<u>-</u>	<u>32,445</u>
Net Position			
Net investment in capital assets	70,649	-	70,649
Unrestricted	<u>(64,285)</u>	<u>(12,270)</u>	<u>(76,555)</u>
Total net position	<u>\$ 6,364</u>	<u>(12,270)</u>	<u>(5,906)</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 7

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

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 153,042	-	153,042
Miscellaneous	<u>9,066</u>	<u>-</u>	<u>9,066</u>
Total operating revenues	<u>162,108</u>	<u>-</u>	<u>162,108</u>
 Operating expenses:			
Support services:			
Administration	21	-	21
Operation and maintenance of plant	<u>4,859</u>	<u>-</u>	<u>4,859</u>
	<u>4,880</u>	<u>-</u>	<u>4,880</u>
Non-instructional programs:			
Salaries	126,414	-	126,414
Benefits	20,406	-	20,406
Supplies	201,266	-	201,266
Depreciation	<u>9,139</u>	<u>-</u>	<u>9,139</u>
	<u>357,225</u>	<u>-</u>	<u>357,225</u>
Total operating expenses	<u>362,105</u>	<u>-</u>	<u>362,105</u>
 Operating loss	<u>(199,997)</u>	<u>-</u>	<u>(199,997)</u>

(continued)

Prairie Valley Community School District
Gowrie, Iowa

Schedule 7

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

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Non-operating revenues:			
State sources	2,561	-	2,561
Federal sources	<u>154,750</u>	<u>-</u>	<u>154,750</u>
Total non-operating revenues	<u>157,311</u>	<u>-</u>	<u>157,311</u>
 Loss before capital asset contributions	 (42,686)	 -	 (42,686)
Capital asset contributions:			
Capital asset contributions	<u>44,447</u>	<u>-</u>	<u>44,447</u>
 Increase in net position	 1,761	 -	 1,761
 Net position beginning of year, as restated	 <u>4,603</u>	 <u>(12,270)</u>	 <u>(7,667)</u>
Net position end of year	<u>\$ 6,364</u>	<u>(12,270)</u>	<u>(5,906)</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 152,303	-	152,303
Cash received from other services	9,066	-	9,066
Cash paid to employees for services	(151,954)	-	(151,954)
Cash paid to suppliers for goods or services	<u>(178,121)</u>	<u>-</u>	<u>(178,121)</u>
Net cash used by operating activities	<u>(168,706)</u>	<u>-</u>	<u>(168,706)</u>
Cash flows from non-capital financing activities:			
State grants received	2,561	-	2,561
Federal grants received	<u>127,302</u>	<u>-</u>	<u>127,302</u>
Net cash provided by non-capital financing activities	<u>129,863</u>	<u>-</u>	<u>129,863</u>
Net decrease in cash and cash equivalents	(38,843)	-	(38,843)
Cash and cash equivalents beginning of year	<u>50,105</u>	<u>-</u>	<u>50,105</u>
Cash and cash equivalents end of year	<u>\$ 11,262</u>	<u>-</u>	<u>11,262</u>
See accompanying independent auditor's report.			(continued)

Prairie Valley Community School District
Gowrie, Iowa

Schedule 8

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2015

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (199,997)	-	(199,997)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities used	27,448	-	27,448
Depreciation	9,139	-	9,139
(Increase) in accounts receivable	(1,392)	-	(1,392)
(Increase) in inventories	(1,574)	-	(1,574)
Increase in accounts payable	2,151	-	2,151
Increase in salaries and benefits payable	657	-	657
Increase in unearned revenue	653	-	653
(Decrease) in net pension liability	(34,440)	-	(34,440)
(Increase) in deferred outflows of resources	(3,796)	-	(3,796)
Increase in deferred inflows of resources	32,445	-	32,445
Net cash used by operating activities	<u>\$ (168,706)</u>	<u>-</u>	<u>(168,706)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$27,448 of federal commodities.

During the year ended June 30, 2015, the District received \$44,447 in capital asset contributions from the Capital Projects Fund.

See accompanying independent auditor's report.

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

Schedule 9

Year ended June 30, 2015

	Balance Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Balance End of Year
Belle Erickson Scholarship	\$ 3,217	9	125	3,101
William Johnson Scholarship	4,931	10	150	4,791
George Larson Scholarship	1,338	738	700	1,376
Administration Scholarship	(206)	-	270	(476)
Nels Lindquist Scholarship	55	-	-	55
Cone Scholarship	97,174	365	1,000	96,539
Franzeen Memorial	399,608	3,685	2,125	401,168
Lucile Swenson Scholarship	3,697	8	200	3,505
Board Scholarship	28	1,520	450	1,098
TAG scholarship	108	-	-	108
Murphy Family Scholarship	-	2,000	2,000	-
Total	<u>\$ 509,950</u>	<u>8,335</u>	<u>7,020</u>	<u>511,265</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

Schedule 10

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash, cash equivalents and pooled investments	\$ 30,388	36,579	48,122	18,845
Total assets	<u>\$ 30,388</u>	<u>36,579</u>	<u>48,122</u>	<u>18,845</u>
Liabilities				
Other payables	\$ 30,388	36,579	48,122	18,845
Total liabilities	<u>\$ 30,388</u>	<u>36,579</u>	<u>48,122</u>	<u>18,845</u>

See accompanying independent auditor's report.

Prairie Valley Community School District
Gowrie, Iowa

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

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 3,193,688	3,211,834	3,977,158	4,853,128
Tuition	904,626	698,907	435,476	560,302
Other	639,711	580,425	448,366	556,572
State sources	3,331,207	3,424,536	2,957,001	2,930,962
Federal sources	144,169	135,399	139,964	148,328
Total	<u>\$ 8,213,401</u>	<u>8,051,101</u>	<u>7,957,965</u>	<u>9,049,292</u>
Expenditures:				
Instruction	\$ 5,684,903	4,785,797	4,923,637	5,355,161
Support services:				
Student	162,283	205,934	150,525	197,439
Instructional staff	142,562	167,811	238,559	235,856
Administration	546,530	626,978	538,374	622,612
Operation and maintenance of plant	545,005	593,204	530,253	649,091
Transportation	1,064,781	490,600	736,638	842,584
Non-instructional programs	535	575	624	573
Other expenditures:				
Facilities acquisition	334,936	146,830	397,485	1,300,401
Long-term debt:				
Principal	172,392	276,763	238,977	-
Interest and other charges	28,906	41,940	45,560	12,277
AEA flowthrough	254,388	256,895	251,097	247,033
Total	<u>\$ 8,937,221</u>	<u>7,593,327</u>	<u>8,051,729</u>	<u>9,463,027</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
4,754,141	4,092,143	4,338,860	3,665,659	3,719,267	3,650,440
1,014,680	568,302	316,708	401,462	271,497	325,919
402,198	435,100	431,858	415,926	448,045	465,189
2,890,816	2,530,608	3,237,474	3,312,581	2,933,000	3,033,541
<u>433,798</u>	<u>613,586</u>	<u>270,516</u>	<u>167,650</u>	<u>174,707</u>	<u>175,394</u>
<u>9,495,633</u>	<u>8,239,739</u>	<u>8,595,416</u>	<u>7,963,278</u>	<u>7,546,516</u>	<u>7,650,483</u>
5,724,148	5,433,797	5,057,567	5,260,502	4,414,486	4,355,134
96,624	163,912	285,127	215,322	295,054	257,714
182,451	172,777	171,519	169,072	267,356	276,775
619,551	688,136	644,515	610,271	534,203	551,462
607,598	787,420	727,139	698,257	728,467	756,911
487,178	442,947	408,261	405,809	508,023	483,942
1,003	501	171	470	-	-
416,448	445,298	603,013	308,616	244,556	47,524
-	-	300,000	385,000	375,000	360,000
-	-	7,900	21,945	34,830	46,658
<u>278,373</u>	<u>277,363</u>	<u>255,106</u>	<u>250,637</u>	<u>241,023</u>	<u>231,059</u>
<u>8,413,374</u>	<u>8,412,151</u>	<u>8,460,318</u>	<u>8,325,901</u>	<u>7,642,998</u>	<u>7,367,179</u>

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Prairie Valley Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-15 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Prairie Valley Community School District's Responses to Findings

Prairie Valley Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Prairie Valley Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

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

March 29, 2016

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response - We are continuing to review our procedures and implement additional controls where possible.

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

I-B-15 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Prairie Valley Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

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

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

Conclusion – Response accepted.

I-C-15 Disbursement Approval – For four disbursements tested, there was no evidence of Board approval.

Recommendation – The District should ensure all expenditures are properly approved.

Response – We will ensure all expenditures are properly approved.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, exceeded the certified budget amounts in the instruction and support services functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-15 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-15 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-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-15 Board Minutes - As previously noted, four disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

For one month the list of bills was not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board. The Board Secretary should furnish a list of bills to be published monthly.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

Response – All disbursements will be approved by the Board. Procedures have been revised to ensure a list of bills are published as required.

Conclusion – Response accepted.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-15 Supplementary Weighting – The number of students reported to the Iowa Department of Education for supplementary weighting was overstated.

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

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

Conclusion – Response accepted.

II-I-15 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-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-15 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Prairie Valley Community School District
Gowrie, Iowa

Schedule of Findings

Year ended June 30, 2015

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$ 624,134	
Revenues/transfer in:			
Sales tax revenues	\$ 552,374		
Other state revenues	4,540		
Sale of long-term debt	220,000		
Other local revenues	<u>36,799</u>	<u>813,713</u>	
			1,437,847
Expenditures/transfers out:			
School infrastructure construction	306,409		
Equipment	285,940		
Transfers to other funds:			
Debt service fund	<u>201,298</u>	<u>793,647</u>	
Ending balance			\$ <u>644,200</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-15 Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

II-N-15 Deficit Balances – The Physical Plant and Equipment Levy Fund and Day Care Fund and six student activity accounts had deficit balances at June 30, 2015.

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

Prairie Valley Community School District
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Schedule of Findings

Year ended June 30, 2015

Response – The District is continuing to investigate alternatives to eliminate the deficits in the student activity accounts at the end of the fiscal year. The District is no longer operating the day care program and is reviewing options to remove this deficit. The deficit in the Physical Plant and Equipment Levy Fund will be eliminated upon receipt of property tax revenue.

Conclusion – Response accepted.