

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Edgewood-Colesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Randall Mescher	President	2011
James Lueken	Vice President	2011
Jason Jones	Board Member	2013
Jeff Lincoln	Board Member	2013
Steve Schwietert	Board Member	2013
School Officials		
Ed Klamfoth	Superintendent	2011
Martha Romig	District Secretary/ Business Manager	2011
Marc Casey	Attorney	2011

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Edgewood-Colesburg Community School District:

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 Edgewood-Colesburg Community School District, Edgewood Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Edgewood-Colesburg Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2012 on our consideration of Edgewood-Colesburg 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 and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgewood-Colesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Edgewood-Colesburg 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,855,210 in fiscal 2010 to \$5,584,100 in fiscal 2011, while General Fund expenditures increased from \$5,079,335 in fiscal 2010 to \$5,293,690 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$429,287 in fiscal 2010 to \$719,697 in fiscal 2011, a 67.65% increase.
- The increase in General Fund revenues was attributable primarily to an increase in state revenues received in fiscal 2011. The increase in expenditures was due to an increase in the negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Edgewood-Colesburg Community School District Annual Financial Report

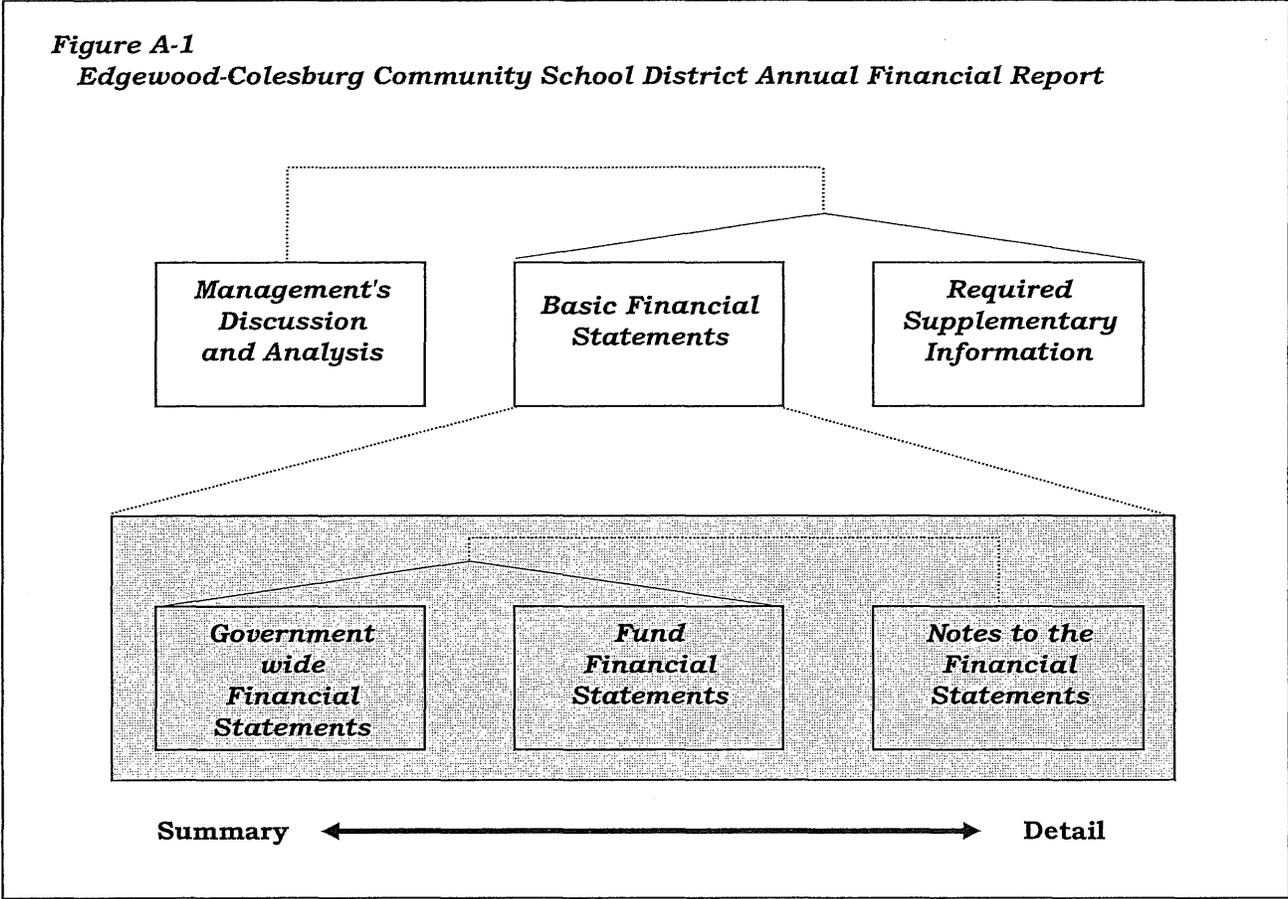


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 assets • 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 Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. 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 assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 3,719,533	3,356,585	107,075	99,264	3,826,608	3,455,849	10.73%
Capital assets	5,126,813	5,081,252	8,951	12,471	5,135,764	5,093,723	0.83%
Total assets	<u>8,846,346</u>	<u>8,437,837</u>	<u>116,026</u>	<u>111,735</u>	<u>8,962,372</u>	<u>8,549,572</u>	<u>4.83%</u>
Long-term obligations	2,267,148	2,411,660	-	-	2,267,148	2,411,660	-5.99%
Other liabilities	2,338,654	2,374,953	3,338	3,482	2,341,992	2,378,435	-1.53%
Total liabilities	<u>4,605,802</u>	<u>4,786,613</u>	<u>3,338</u>	<u>3,482</u>	<u>4,609,140</u>	<u>4,790,095</u>	<u>-3.78%</u>
Net assets:							
Invested in capital assets, net of related debt	3,090,224	2,921,252	8,951	12,471	3,099,175	2,933,723	5.64%
Restricted	571,712	412,596	-	-	571,712	412,596	38.56%
Unrestricted	578,608	317,376	103,737	95,782	682,345	413,158	65.15%
Total net assets	<u>\$ 4,240,544</u>	<u>3,651,224</u>	<u>112,688</u>	<u>108,253</u>	<u>4,353,232</u>	<u>3,759,477</u>	<u>15.79%</u>

The District's combined net assets increased by \$593,755 or 15.79% from the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$159,116 or 38.56% over the prior year.

Unrestricted net assets are the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately \$269,187 or 65.15% from the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2011 compared to June 30, 2010.

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
2011	2010	2011	2010	2011	2010	2010-11	
Revenues:							
Program revenues:							
Charges for services	\$ 1,013,360	1,052,816	142,884	152,878	1,156,244	1,205,694	-4.10%
Operating grants, contributions and restricted interest	1,010,849	945,840	156,748	165,272	1,167,597	1,111,112	5.08%
General revenues:							
Property tax	1,663,362	1,659,086	-	-	1,663,362	1,659,086	0.26%
Income surtax	121,649	134,569	-	-	121,649	134,569	-9.60%
Statewide sales, services and use tax	326,553	281,599	-	-	326,553	281,599	15.96%
Unrestricted state grants	1,898,398	1,643,185	-	-	1,898,398	1,643,185	15.53%
Unrestricted interest	10,695	20,276	272	273	10,967	20,549	-46.63%
Nonspecific program federal funding	211,979	-	-	-	211,979	-	0.00%
Other	86,284	12,446	1,920	999	88,204	13,445	556.04%
Total revenues	6,343,129	5,749,817	301,824	319,422	6,644,953	6,069,239	9.49%
Program expenses:							
Governmental activities:							
Instructional	3,862,359	3,802,762	-	-	3,862,359	3,802,762	1.57%
Support services	1,454,348	1,647,981	5,873	2,710	1,460,221	1,650,691	-11.54%
Non-instructional programs	-	-	291,516	304,218	291,516	304,218	-4.18%
Other expenses	437,102	457,657	-	-	437,102	457,657	-4.49%
Total expenses	5,753,809	5,908,400	297,389	306,928	6,051,198	6,215,328	-2.64%
Change in net assets	589,320	(158,583)	4,435	12,494	593,755	(146,089)	-506.43%
Net assets beginning of year	3,651,224	3,809,807	108,253	95,759	3,759,477	3,905,566	-3.74%
Net assets end of year	\$ 4,240,544	3,651,224	112,688	108,253	4,353,232	3,759,477	15.79%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 63.23% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.27% of the revenue from business type activities.

The District's total revenues were approximately \$6.64 million, of which approximately \$6.34 million was for governmental activities and approximately \$.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a increase of 9.49% in revenues and a 2.64% decrease in expenses. The decrease in expenses was related to the decrease in support services costs during the year.

Governmental Activities

Revenues for governmental activities were \$6,343,129 and expenses were \$5,753,809 for the year ended June 30, 2011.

The following table presents the total and net cost of the District’s major governmental activities, instruction, support services and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 3,862,359	3,802,762	1.57%	2,057,888	2,000,899	2.85%
Support services	1,454,348	1,647,981	-11.75%	1,431,904	1,647,981	-13.11%
Other expenses	437,102	457,657	-4.49%	239,808	260,864	-8.07%
Totals	<u>\$ 5,753,809</u>	<u>5,908,400</u>	<u>-2.62%</u>	<u>3,729,600</u>	<u>3,909,744</u>	<u>-4.61%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District’s programs was \$1,013,360.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,010,849.
- The net cost of governmental activities was financed with \$1,785,011 in local taxes, \$326,553 of statewide sales, services and use tax, \$1,898,398 in unrestricted state grants, \$10,695 in investment earnings, \$211,979 in nonspecific program federal funding, and \$86,284 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$301,824 and expenses were \$297,389. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Edgewood-Colesburg 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 balance of \$1,262,663, compared to last year’s ending fund balances of \$864,172.

Governmental Fund Highlights

- The District’s improved General Fund financial position is the result of many factors. Increased revenues from all sources helped to offset the increases in expenditures.
- The fund balance in the Special Revenue, Management Levy Fund decreased from \$72,591 at June 30, 2010 to \$67,216 at June 30, 2011.

- Due to reclassification by GASB 54, the Capital Projects Fund now includes the Physical Plant and Equipment Levy Fund as well as the Statewide Sales, Services and Use Tax Fund. The Capital Projects Fund balance increased from \$268,688 in fiscal 2010 to \$394,641 for fiscal 2011. The increase in the fund balance was primarily due to the decreased expenditures for facilities acquisitions.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$108,253 at June 30, 2010 to \$112,688 at June 30, 2011, representing an increase of 4.10%. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

BUDGETARY HIGHLIGHTS

The District's receipts were \$656,466 less than originally expected, a variance of 8.99%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

Total expenditures were less than budgeted, 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$5,135,764, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$343,198.

The original cost of the District's capital assets was \$8,582,778. Governmental funds account for \$8,447,261 with the remainder of \$135,517 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment increased from \$312,865 at June 30, 2010 to \$517,478 at June 30, 2011.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	2010-11
Land	\$ 92,022	92,022	-	-	92,022	92,022	0.00%
Buildings	4,162,820	4,298,818	-	-	4,162,820	4,298,818	-3.16%
Land improvements	363,444	390,018	-	-	363,444	390,018	-6.81%
Machinery and equipment	508,527	300,394	8,951	12,471	517,478	312,865	65.40%
Total	\$ 5,126,813	5,081,252	8,951	12,471	5,135,764	5,093,723	0.83%

Long-Term Debt

At June 30, 2011, the District had \$2,267,148 in general obligation and other long-term debt outstanding. This represents a decrease of 5.99% 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.

The District had a total of \$1,875,000 in outstanding general obligation bonds at June 30, 2011.

At June 30, 2011, the District had \$45,000 outstanding on a land contract with the City of Edgewood.

At June 30, 2011, the District had \$116,589 on an Apple lease.

The District's had an outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$108,000 at June 30, 2011.

The District had net OPEB liability payable of \$122,559 at June 30, 2011.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 1,875,000	2,100,000	-10.71%
Apple lease	116,589	-	100.00%
Land contract	45,000	60,000	-25.00%
Early retirement	108,000	190,000	-43.16%
Net OPEB liability	122,559	61,660	98.77%
Totals	<u>\$ 2,267,148</u>	<u>2,411,660</u>	<u>-5.99%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The budget guarantee, (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases are negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Martha Romig, District Secretary/Business Manager, Edgewood-Colesburg Community School District, 403 W. Union St., P.O. Box 315, Edgewood, Iowa, 52042.

BASIC FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,543,986	89,601	1,633,587
Receivables:			
Property tax:			
Delinquent	27,803	-	27,803
Succeeding year	1,762,808	-	1,762,808
Income surtax	124,483	-	124,483
Accounts	7,376	-	7,376
Due from other governments	253,077	-	253,077
Inventories	-	17,474	17,474
Capital assets, net of accumulated depreciation	5,126,813	8,951	5,135,764
Total assets	8,846,346	116,026	8,962,372
Liabilities			
Accounts payable	24,136	-	24,136
Salaries and benefits payable	451,497	-	451,497
Accrued interest payable	6,267	-	6,267
Deferred revenue:			
Succeeding year property tax	1,762,808	-	1,762,808
Other	93,946	-	93,946
Unearned revenue	-	3,338	3,338
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	235,000	-	235,000
Computer lease	35,041	-	35,041
Land contract	15,000	-	15,000
Early Retirement	52,000	-	52,000
Portion due after one year:			
General obligation bonds	1,640,000	-	1,640,000
Computer lease	81,548	-	81,548
Land contract	30,000	-	30,000
Early Retirement	56,000	-	56,000
Net OPEB liability	122,559	-	122,559
Total liabilities	4,605,802	3,338	4,609,140
Net Assets			
Invested in capital assets, net of related debt	3,090,224	8,951	3,099,175
Restricted for:			
Categorical funding	95,731	-	95,731
Debt service	6,583	-	6,583
School infrastructure	352,848	-	352,848
Physical plant and equipment	41,793	-	41,793
Student activities	74,757	-	74,757
Unrestricted	578,608	103,737	682,345
Total net assets	\$ 4,240,544	112,688	4,353,232

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Contributions		Governmental Activities	Business Type Activities	Total
		Charges for Services	and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,555,014	704,955	332,699	(1,517,360)	-	(1,517,360)
Special	788,935	105,258	101,522	(582,155)	-	(582,155)
Other	518,410	203,147	356,890	41,627	-	41,627
	<u>3,862,359</u>	<u>1,013,360</u>	<u>791,111</u>	<u>(2,057,888)</u>	<u>-</u>	<u>(2,057,888)</u>
Support services:						
Student	43,010	-	14,568	(28,442)	-	(28,442)
Instructional staff	92,865	-	7,529	(85,336)	-	(85,336)
Administration	523,974	-	286	(523,688)	-	(523,688)
Operation and maintenance of plant	408,722	-	-	(408,722)	-	(408,722)
Transportation	385,777	-	61	(385,716)	-	(385,716)
	<u>1,454,348</u>	<u>-</u>	<u>22,444</u>	<u>(1,431,904)</u>	<u>-</u>	<u>(1,431,904)</u>
Other expenditures:						
Long-term debt interest	77,236	-	-	(77,236)	-	(77,236)
AEA flowthrough	197,294	-	197,294	-	-	-
Depreciation(unallocated)*	162,572	-	-	(162,572)	-	(162,572)
	<u>437,102</u>	<u>-</u>	<u>197,294</u>	<u>(239,808)</u>	<u>-</u>	<u>(239,808)</u>
Total governmental activities	5,753,809	1,013,360	1,010,849	(3,729,600)	-	(3,729,600)
Business Type activities:						
Support services:						
Operation and maintenance of plant	5,873	-	-	-	(5,873)	(5,873)
Non-instructional programs:						
Nutrition services	291,516	142,884	156,748	-	8,116	8,116
Total business type activities	<u>297,389</u>	<u>142,884</u>	<u>156,748</u>	<u>-</u>	<u>2,243</u>	<u>2,243</u>
Total	\$ <u>6,051,198</u>	<u>1,156,244</u>	<u>1,167,597</u>	<u>(3,729,600)</u>	<u>2,243</u>	<u>(3,727,357)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,480,360	-	1,480,360
Debt service				143,062	-	143,062
Capital outlay				39,940	-	39,940
Income Surtax				121,649	-	121,649
Statewide sales, services and use tax				326,553	-	326,553
Unrestricted state grants				1,898,398	-	1,898,398
Non specific program federal funding				211,979	-	211,979
Unrestricted investment earnings				10,695	272	10,967
Other				86,284	1,920	88,204
Total general revenues				<u>4,318,920</u>	<u>2,192</u>	<u>4,321,112</u>
Changes in net assets				589,320	4,435	593,755
Net assets beginning of year				<u>3,651,224</u>	<u>108,253</u>	<u>3,759,477</u>
Net assets end of year				\$ <u>4,240,544</u>	<u>112,688</u>	<u>4,353,232</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments	\$ 1,091,817	452,169	1,543,986
Receivables:			
Property tax:			
Delinquent	22,614	5,189	27,803
Succeeding year	1,426,326	336,482	1,762,808
Income surtax	124,483	-	124,483
Accounts	7,376	-	7,376
Due from other governments	167,469	85,608	253,077
Total assets	\$ 2,840,085	879,448	3,719,533
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 24,136	-	24,136
Salaries and benefits payable	451,497	-	451,497
Deferred revenue:			
Succeeding year property tax	1,426,326	336,482	1,762,808
Income surtax	124,483	-	124,483
Other	93,946	-	93,946
Total liabilities	2,120,388	336,482	2,456,870
Fund balances:			
Restricted for:			
Categorical funding	95,731	-	95,731
Management levy purposes	-	67,216	67,216
Student activities	-	74,757	74,757
Debt service	-	6,583	6,583
School infrastructure	-	352,848	352,848
Physical plant and equipment	-	41,793	41,793
Unassigned:			
General	623,966	-	623,966
Student activities	-	(231)	(231)
Total fund balances	719,697	542,966	1,262,663
Total liabilities and fund balances	\$ 2,840,085	879,448	3,719,533

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds (page 20)	\$ 1,262,663
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,126,813
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.	(6,267)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	124,483
Long-term liabilities, including bonds payable, land contract payable, early retirement payable, computer lease payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the the governmental funds.	<u>(2,267,148)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 4,240,544</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 1,466,295	644,657	2,110,952
Tuition	785,911	-	785,911
Other	124,287	230,349	354,636
State sources	2,538,342	-	2,538,342
Federal sources	552,676	-	552,676
Total revenues	5,467,511	875,006	6,342,517
Expenditures:			
Current:			
Instruction:			
Regular	2,747,774	78,505	2,826,279
Special	781,925	10,000	791,925
Other	283,034	232,834	515,868
	3,812,733	321,339	4,134,072
Support services:			
Student	43,010	-	43,010
Instructional staff	92,325	-	92,325
Administration	516,394	1,716	518,110
Operation and maintenance of plant	329,482	59,998	389,480
Transportation	302,452	23,497	325,949
	1,283,663	85,211	1,368,874
Other expenditures:			
Facilities acquisitions	-	42,995	42,995
Long-term debt:			
Principal	-	240,000	240,000
Interest	-	77,380	77,380
AEA flowthrough	197,294	-	197,294
	197,294	360,375	557,669
Total expenditures	5,293,690	766,925	6,060,615
Excess of revenues over expenditures	173,821	108,081	281,902
Other financing sources(uses):			
Transfers in	-	175,000	175,000
Transfers out	-	(175,000)	(175,000)
Proceeds from computer lease	116,589	-	116,589
Total other financing sources	116,589	-	116,589
Net change in fund balances	290,410	108,081	398,491
Fund balances beginning of year, as restated	429,287	434,885	864,172
Fund balances end of year	\$ 719,697	542,966	1,262,663

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds (page 22) \$ 398,491

*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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 385,239	
Depreciation expense	<u>(339,678)</u>	45,561

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 Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Issued	(116,589)	
Repaid	<u>240,000</u>	123,411

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

144

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

612

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:

Early Retirement	82,000	
Other postemployment benefits	<u>(60,899)</u>	<u>21,101</u>

Changes in net assets of governmental activities (page 19) \$ 589,320

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 89,601
Inventories	17,474
Capital assets, net of accumulated depreciation	<u>8,951</u>
Total assets	<u>116,026</u>
Liabilities	
Unearned revenue	<u>3,338</u>
Net Assets	
Invested in capital assets	8,951
Unrestricted	<u>103,737</u>
Total net assets	<u>\$ 112,688</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 142,884
Miscellaneous	1,920
Total operating revenue	144,804
Operating expenses:	
Support services:	
Operation and maintenance of plant	
Services	1,088
Supplies	4,785
	5,873
Non-instructional programs:	
Food service operations:	
Salaries	103,362
Benefits	15,491
Services	642
Supplies	168,284
Other	217
Depreciation	3,520
	291,516
Total operating expenses	297,389
Operating loss	(152,585)
Non-operating revenues:	
State sources	2,700
Federal sources	154,048
Interest income	272
Total non-operating revenues	157,020
Change in net assets	4,435
Net assets beginning of year	108,253
Net assets end of year	\$ 112,688

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 142,740
Cash received from miscellaneous operating activities	1,920
Cash payments to employees for services	(118,853)
Cash payments to suppliers for goods or services	(155,886)
Net cash used by operating activities	(130,079)
Cash flows from non-capital financing activities:	
State grants received	2,700
Federal grants received	132,842
Net cash provided by non-capital financing activities	135,542
Cash flows from investing activities:	
Interest on investments	272
Net increase in cash and cash equivalents	5,735
Cash and cash equivalents at beginning of year	83,866
Cash and cash equivalents at end of year	\$ 89,601
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (152,585)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	21,206
Depreciation	3,520
Increase in inventories	(2,076)
Decrease in unearned revenue	(144)
Net cash used by operating activities	\$ (130,079)
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2011, the District received Federal commodities valued at \$21,206.	

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 24,319</u>
Liabilities	<u>-</u>
Net Assets	
Restricted for scholarships	<u>\$ 24,319</u>

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and Contributions	\$ 500
Interest Income	418
Total additions	<u>918</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,731</u>
Change in net assets	(813)
Net assets beginning of year	<u>25,132</u>
Net assets end of year	<u>\$ 24,319</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) **Summary of Significant Accounting Policies**

The Edgewood-Colesburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-school. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Edgewood and Colesburg, Iowa, and the predominate agricultural territory in Delaware and Clayton 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, Edgewood-Colesburg 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 Edgewood-Colesburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets 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 support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements

issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 Assets.

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$1,234 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ <u>175,000</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund transferred funds to the Debt Service Fund for the payment of General Obligation Bonds and Revenue Bonds.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,022	-	-	92,022
Total capital assets not being depreciated	92,022	-	-	92,022
Capital assets being depreciated:				
Buildings	6,207,142	-	-	6,207,142
Land improvements	531,445	-	-	531,445
Machinery and equipment	1,235,662	385,239	4,249	1,616,652
Total capital assets being depreciated	7,974,249	385,239	4,249	8,355,239
Less accumulated depreciation for:				
Buildings	1,908,324	135,998	-	2,044,322
Land improvements	141,427	26,574	-	168,001
Machinery and equipment	935,268	177,106	4,249	1,108,125
Total accumulated depreciation	2,985,019	339,678	4,249	3,320,448
Total capital assets being depreciated, net	4,989,230	45,561	-	5,034,791
Governmental activities capital assets, net	\$ 5,081,252	45,561	-	5,126,813

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 135,517	-	-	135,517
Less accumulated depreciation	123,046	3,520	-	126,566
Business type activities capital assets, net	\$ 12,471	(3,520)	-	8,951

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 99,975
Special	1,389
Other	2,542

Support services:

Instructional staff	540
Administration	3,750
Operation and maintenance of plant	10,207
Transportation	58,703
	<u>177,106</u>

Unallocated depreciation	<u>162,572</u>
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Total governmental activities depreciation expense	<u>\$ 339,678</u>
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Business type activities:

Food services	<u>\$ 3,520</u>
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,100,000	-	225,000	1,875,000	235,000
Apple lease	-	116,589	-	116,589	35,041
Land contract	60,000	-	15,000	45,000	15,000
Early retirement	190,000	-	82,000	108,000	52,000
Net OPEB liability	61,660	60,899	-	122,559	-
Total	<u>\$ 2,411,660</u>	<u>177,488</u>	<u>322,000</u>	<u>2,267,148</u>	<u>337,041</u>

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2003			
	Interest Rates	Principal	Interest	Total
2012	3.50	% \$ 235,000	69,055	304,055
2013	3.50	245,000	60,830	305,830
2014	3.65	255,000	52,255	307,255
2015	3.65	265,000	42,948	307,948
2016	3.70	280,000	33,275	313,275
2017	3.80	290,000	22,915	312,915
2018	3.90	305,000	11,895	316,895
Total		\$ 1,875,000	293,173	2,168,173

Apple Computer Lease

During the year ended June 30, 2010, the District entered into an Apple computer lease for computer hardware. The total purchase agreement amounts to \$291,977. Details of the contracted payments are as follows:

Year Ending June 30,	Apple Computer Lease of 2011			
	Interest Rates	Principal	Interest	Total
2012	10.54	% \$ 35,041	12,285	47,326
2013	10.54	38,733	8,592	47,325
2014	10.54	42,815	4,511	47,326
Total		\$ 116,589	25,388	141,977

Land Contract

During the year ended June 30, 2010, the District entered into a contract with the City of Edgewood to purchase three city lots for \$75,000. Details of the contracted payments are as follows:

Year Ending June 30,	Land Contract of 2010	
		Principal
2012	\$	15,000
2013		15,000
2014		15,000
Total	\$	45,000

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a \$30 per day of unused sick leave and subject to a maximum of \$4,000 per individual per year. Early retirement benefits paid during the year ended June 30, 2011, totaled \$82,000.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$218,740, \$218,636, and \$195,573, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and vision benefits for retirees and their spouses. There are 51 active and 3 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 79,456
Interest on net OPEB obligation	1,542
Adjustment to annual required contribution	(5,359)
Annual OPEB cost	<u>75,639</u>
Contributions made	<u>(14,740)</u>
Increase in net OPEB obligation	60,899
Net OPEB obligation beginning of year	<u>61,660</u>
Net OPEB obligation end of year	<u>\$ 122,559</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$14,740 to the medical plan. Plan members eligible for benefits contributed \$179,347, or 92.83% of the premium costs.

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$75,511	18.34%	\$61,660
2011	75,639	19.49%	122,559

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$719,555, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$719,555. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,927,998 and the ratio of the UAAL to covered payroll was 37.32%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The

actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen 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 health care cost trend rate is 6.0% for the year ended June 30, 2010.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$492 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$197,294 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted fund balances for categorical funding at June 30, 2011, is comprised of the following programs:

Program	Amount
Statewide Voluntary Preschool	\$ 72,198
Professional Development for Model Core Curriculum	20,605
Professional Development	105
Market Factor Incentives	70
Educator Quality, Basic Salary	2,753
Total	\$ 95,731

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 262,242	6,446
Change in fund type classificatoin per implementation of GASB Statement No. 54	6,446	(6,446)
Balances July 1, 2010, as restated	<u>\$ 268,688</u>	<u>-</u>

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPEDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,251,499	145,076	3,396,575	3,377,318	3,377,318	19,257
State sources	2,538,342	2,700	2,541,042	2,889,974	2,889,974	(348,932)
Federal sources	552,676	154,048	706,724	1,033,515	1,033,515	(326,791)
Total revenues	6,342,517	301,824	6,644,341	7,300,807	7,300,807	(656,466)
Expenditures/Expenses:						
Instruction	4,134,072	-	4,134,072	4,578,999	4,578,999	444,927
Support services	1,368,874	5,873	1,374,747	2,029,249	2,029,249	654,502
Non-instructional programs	-	291,516	291,516	300,000	300,000	8,484
Other expenditures	557,669	-	557,669	703,204	703,204	145,535
Total expenditures/expenses	6,060,615	297,389	6,358,004	7,611,452	7,611,452	1,253,448
Excess(deficiency) of revenues over(under) expenditures/expenses	281,902	4,435	286,337	(310,645)	(310,645)	596,982
Other financing sources	116,589	-	116,589	-	-	116,589
Excess(deficiency) of revenues over(under) expenditures and other financing uses	398,491	4,435	402,926	(310,645)	(310,645)	713,571
Balances beginning of year	864,172	108,253	972,425	662,655	662,655	309,770
Balances end of year	\$ 1,262,663	112,688	1,375,351	352,010	352,010	1,023,341

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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 the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
2010	July 1, 2009	-	\$ 719,555	719,555	0.00%	\$ 2,287,001	31.46%
2011	July 1, 2010	-	\$ 719,555	719,555	0.00%	\$ 1,927,998	37.32%

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.

OTHER SUPPLEMENTARY INFORMATION

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue					Total
	Management Levy	Student Activity	Total	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 64,945	74,526	139,471	4,302	308,396	452,169
Receivables:						
Property tax:						
Delinquent	2,271	-	2,271	2,281	637	5,189
Succeeding year	100,000	-	100,000	194,555	41,927	336,482
Due from other governments	-	-	-	-	85,608	85,608
Total assets	\$ 167,216	74,526	241,742	201,138	436,568	879,448
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 100,000	-	100,000	194,555	41,927	336,482
Fund balances:						
Restricted for:						
Management levy purposes	67,216	-	67,216	-	-	67,216
Student activity	-	74,757	74,757	-	-	74,757
Debt service	-	-	-	6,583	-	6,583
School infrastructure	-	-	-	-	352,848	352,848
Physical plant and equipment	-	-	-	-	41,793	41,793
Unassigned	-	(231)	(231)	-	-	(231)
Total fund balances	67,216	74,526	141,742	6,583	394,641	542,966
Total liabilities and fund balances	\$ 167,216	74,526	241,742	201,138	436,568	879,448

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue					Total
	Management Levy	Student Activity	Total	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
Revenues:						
Local sources:						
Local tax	\$ 135,102	-	135,102	143,062	366,493	644,657
Other	8,766	219,535	228,301	120	1,928	230,349
Total revenues	143,868	219,535	363,403	143,182	368,421	875,006
Expenditures:						
Current:						
Instruction:						
Regular	78,505	-	78,505	-	-	78,505
Special	10,000	-	10,000	-	-	10,000
Other	-	232,834	232,834	-	-	232,834
Support services:						
Administration	1,716	-	1,716	-	-	1,716
Operation and maintenance of plant	43,203	-	43,203	-	16,795	59,998
Transportation	15,819	-	15,819	-	7,678	23,497
Other expenditures:						
Facilities acquisitions	-	-	-	-	42,995	42,995
Long-term debt:						
Principal	-	-	-	240,000	-	240,000
Interest	-	-	-	77,380	-	77,380
Total expenditures	149,243	232,834	382,077	317,380	67,468	766,925
Excess(deficiency) of revenues over(under) expenditures	(5,375)	(13,299)	(18,674)	(174,198)	300,953	108,081
Other financing sources(uses):						
Transfers in	-	-	-	175,000	-	175,000
Transfers out	-	-	-	-	(175,000)	(175,000)
Total other financing sources(uses)	-	-	-	175,000	(175,000)	-
Net change in fund balances	(5,375)	(13,299)	(18,674)	802	125,953	108,081
Fund balances beginning of year, as restated	72,591	87,825	160,416	5,781	268,688	434,885
Fund balances end of year	\$ 67,216	74,526	141,742	6,583	394,641	542,966

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Capital Projects	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 267,240	41,156	308,396
Receivables:			
Property tax:			
Delinquent	-	637	637
Succeeding year	-	41,927	41,927
Due from other governments	85,608	-	85,608
Total assets	\$ 352,848	83,720	436,568
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	41,927	41,927
Fund balances:			
Restricted for:			
School infrastructure	352,848	-	352,848
Physical plant and equipment	-	41,793	41,793
Total fund balances	352,848	41,793	394,641
Total liabilities and fund balances	\$ 352,848	83,720	436,568

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 326,553	39,940	366,493
Other	1,521	407	1,928
Total revenues	328,074	40,347	368,421
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	16,795	-	16,795
Transportation	2,678	5,000	7,678
Other expenditures:			
Facilities acquisitions	42,995	-	42,995
Total expenditures	62,468	5,000	67,468
Excess of revenues over expenditures	265,606	35,347	300,953
Other financing uses:			
Transfers out	(175,000)	-	(175,000)
Net change in fund balances	90,606	35,347	125,953
Fund balances beginning of year, as restated	262,242	6,446	268,688
Fund balances end of year	\$ 352,848	41,793	394,641

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra Fund Transfers	Balance End of Year
Athletic Supplies	\$ 1	-	-	-	1
Band student purchase	(206)	371	396	-	(231)
Band Resale	(25)	392	313	-	54
Band Fundraising	676	-	-	-	676
Cheerleading	-	1,068	819	-	249
Track	1	14,202	14,203	-	-
Cross Country	45	1,434	1,479	-	-
Golf	-	1,466	1,466	-	-
Dance Team Fund Balance	-	45	45	-	-
Boys Basketball	867	4,562	4,961	-	468
Boys Basketball Fundraising	198	2,198	2,298	-	98
Football	889	8,678	9,444	-	123
Baseball	1	4,713	4,713	-	1
Wrestling	-	3,237	3,237	-	-
Wrestling fundraiser	10	-	-	-	10
Girls Basketball	538	5,081	5,214	-	405
Girls Basketball Fundraising	11	3,020	3,031	-	-
Volleyball Fundraiser	1,871	11,455	12,451	-	875
Volleyball	1	3,704	3,705	-	-
Softball	1,440	3,177	4,617	-	-
Softball Fundraising	1,576	200	-	-	1,776
Athletics General	-	2,515	2,248	-	267
Friends of the Arts	4,359	2,751	1,017	-	6,093
ED-CO Partners	2,274	3,367	4,175	(420)	1,046
Drama	-	3,490	3,490	-	-
Post Prom	3,085	14,853	15,877	-	2,061
Envir. First Grant/FFA	1,649	-	-	-	1,649
FFA	1,572	24,993	26,047	-	518
Spanish Club	1,457	-	-	-	1,457
FFA CD	2,573	15	-	-	2,588
HS Student Council	3,466	1,918	1,654	-	3,730
Class of 2011	3,167	489	3,656	-	-
Class of 2012	3,238	275	1,167	-	2,346
Class of 2013	3,109	-	33	-	3,076
Class of 2014	1,893	-	33	-	1,860
Class of 2015	2,986	5,709	6,960	-	1,735
Class of 2016	-	5,464	2,824	-	2,640
JH Student Council	245	75	58	-	262
Yearbook	24,603	14,204	15,133	-	23,674
F.B.L.A.	3,967	26,808	28,759	-	2,016
HS Supplies	1,004	150	133	-	1,021
Elem. Activities	4,822	8,717	11,849	420	2,110
Concessions	3,778	3,164	3,466	-	3,476
Perrinjaquet Assistance	4,379	-	-	-	4,379
Elem. Fundraising	-	30,399	30,399	-	-
HS Art Club	534	1,176	1,464	-	246
Elem. Perrinjaquet Asst.	1,771	-	-	-	1,771
Total	\$ 87,825	219,535	232,834	-	74,526

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund					
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon Memorial Scholarship	James L. Kinyon Scholarship	Total
Assets						
Cash and pooled investments	\$ 4,626	2,458	6,066	1,169	10,000	24,319
Liabilities	-	-	-	-	-	-
Net Assets						
Reserved for scholarships	\$ 4,626	2,458	6,066	1,169	10,000	24,319

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund					
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon Memorial Scholarship	James L. Kinyon Scholarship	Total
Additions:						
Local sources:						
Gifts and contributions	\$ -	500	-	-	-	500
Interest income	53	52	-	32	281	418
	53	552	-	32	281	918
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	\$ 500	750	-	200	281	1,731
Change in net assets	(447)	(198)	-	(168)	-	(813)
Net assets beginning of year	5,073	2,656	6,066	1,337	10,000	25,132
Net assets end of year	\$ 4,626	2,458	6,066	1,169	10,000	24,319

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 2,110,952	2,065,168	2,004,761	1,958,360	1,938,919	1,813,901	1,913,747	1,783,513
Tuition	785,911	741,616	736,362	706,711	728,093	586,667	502,505	478,385
Other	354,636	369,237	370,042	388,463	367,519	381,038	308,499	319,185
State sources	2,538,342	2,181,574	2,494,999	2,494,805	2,363,543	2,237,613	2,096,722	2,133,576
Federal sources	552,676	382,136	235,091	269,833	229,470	293,486	300,814	222,504
Total	\$ 6,342,517	5,739,731	5,841,255	5,818,172	5,627,544	5,312,705	5,122,287	4,937,163
Expenditures:								
Current:								
Instruction:								
Regular	\$ 2,826,279	2,183,411	2,332,188	2,100,200	2,149,016	1,995,453	1,847,168	1,727,156
Special	791,925	551,282	507,870	517,226	629,351	624,870	615,222	589,104
Other	515,868	928,084	733,670	654,481	528,264	494,560	500,319	414,213
Support services:								
Student	43,010	62,119	114,773	124,370	121,225	126,475	142,973	110,208
Instructional staff	92,325	120,151	112,518	136,115	116,857	176,521	93,179	131,528
Administration	518,110	569,045	545,348	613,033	572,646	557,427	525,863	676,436
Operation and maintenance of plant	389,480	435,090	465,641	600,653	550,263	458,005	341,650	433,954
Transportation	325,949	397,046	375,406	351,366	356,250	316,373	241,271	273,619
Non-instructional programs		-	-	-	-	-	1,000	2,942
Other expenditures:								
Facilities acquisitions	42,995	119,202	128,428	87,882	77,862	92,269	162,094	2,116,448
Long-term debt:								
Principal	240,000	221,284	296,286	290,892	269,538	236,285	235,000	215,000
Interest	77,380	85,615	97,796	110,358	121,721	127,265	137,171	152,210
AEA flow-through	197,294	196,793	176,747	172,996	168,497	162,305	161,081	164,446
Total	\$ 6,060,615	5,869,122	5,886,671	5,759,572	5,661,490	5,367,808	5,003,991	7,007,264

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Rural Education Achievement Program	84.358	FY 11	\$ 28,099
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	22,052
National School Lunch Program	10.555	FY 11	131,996 *
			<u>154,048</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY 11	118,353
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	79,167
			<u>197,520</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>1,648</u>
Safe and Drug-Free Schools and Communities - State Grants	84.184	FY 11	<u>404</u>
Tech-Prep Education	84.243	FY 11	<u>1,000</u>
Reading First State Grants	84.357	FY 11	<u>228</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>30,242</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>3,705</u>
Fiscal Stabilization Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 10	167,352
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY 11	24,724
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY 11	22,053
			<u>214,129</u>
Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY 11	26,423
ARRA - Special Education Grants to States, Recovery Act	84.391	FY 10	33,105
			<u>59,528</u>
U.S. Department of Health and Human Services:			
Iowa Department of Health and Human Services:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	97.036	FY11	<u>800</u>
Total			<u>\$ 691,351</u>

* -Includes \$21,206 in non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Edgewood-Colesburg Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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Certified Public Accountants
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117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of
Edgewood-Colesburg Community School District:

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 Edgewood-Colesburg Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Edgewood-Colesburg Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Edgewood-Colesburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Edgewood-Colesburg Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edgewood-Colesburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with

certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.

Edgewood-Colesburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Edgewood-Colesburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Edgewood-Colesburg Community School District and other parties to whom Edgewood-Colesburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2012

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Board of Education of
Edgewood-Colesburg Community School District:

Compliance

We have audited Edgewood-Colesburg Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Edgewood-Colesburg Community School District's major federal programs for the year ended June 30, 2011. Edgewood-Colesburg Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Edgewood-Colesburg Community School District's management. Our responsibility is to express an opinion on Edgewood-Colesburg Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Edgewood-Colesburg Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Edgewood-Colesburg Community School District's compliance with those requirements.

In our opinion, Edgewood-Colesburg Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Edgewood-Colesburg Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Edgewood-Colesburg Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Edgewood-Colesburg Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Edgewood-Colesburg Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Edgewood-Colesburg Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Edgewood-Colesburg Community School District and other parties to whom Edgewood-Colesburg Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2012

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major Programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
 - CFDA Number 84.397 - ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Edgewood-Colesburg Community School District did not qualify as a low-risk auditee.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We are continuing to work on maximizing internal control and will implement changes where feasible.

Conclusion - Response accepted.

II-B-11 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all events that require admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" of the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault

or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.

- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - A written policy has been established and will be used for all individuals involved in collecting gate receipts.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants Recovery Act
CFDA Number 84.397: ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We are continuing to work on maximizing internal control and will implement changes where feasible.

Conclusion - Response accepted.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted during our audit that gift cards are being purchased from the post prom activity fund account and given to the students as prizes at the post prom. Gift cards/gift certificates should not be purchased by the District and given to the students as prizes as described in Chapter 9 of the LEA manual.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply

Response - The gift card policy has been reviewed with the current post prom committee. No gift cards will be purchased in the future. The only gift cards given to students are those obtained as a free promotion from vendors.

Conclusion - Response accepted.

IV-C-11 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.

IV-D-11 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randy Mescher, Board President Part-owner of Edgewood Building Center	Supplies	\$754

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member does not appear to represent a conflict of interest.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. However, we did note that the District was not receiving the

proper interest rate, set by the Interest Rate Setting Committee on their Certificate of Deposit for the Gull Memorial Fund (#12597 at Farmer's Savings Bank). The CD is receiving 2.78% but should be receiving a rate between 3.35% and 3.4%.

Recommendation - The District should contact the bank and rectify the situation.

Response - Farmers Savings was contacted and confirmed the interest rate for Certificate of Deposit #12597 is 3.96% effective December 21, 2007 to December 21, 2011.

Conclusion - Response accepted.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed timely with the Department of Education.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 262,242
Revenues/transfers in:		
Sales tax revenues	\$ 326,553	
Other local revenues	1,521	328,074
		<u>590,316</u>
Expenditures/transfers out:		
School infrastructures construction	\$ 40,670	
Land purchased	2,325	
Equipment	19,473	
Transfer to other funds:		
Debt service fund	175,000	<u>237,468</u>
Ending Balance		<u>\$ 352,848</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	<u>\$ 1.37739</u>	<u>\$ 175,000</u>

IV-M-11 Apple Lease - We noted during our audit that the Apple lease was not signed by the board president. According to Chapter 291.1, the Code of Iowa requires that all contracts entered into by the District be signed by the Board President.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - In the future the District will have the Board President to sign all contracts.

Conclusion - Response accepted.