

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Eddyville-Blakesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Debra Bahr	President	2011
Kevin Lane	Vice President	2011
Ed Glenn	Board Member	2011
David Friedman	Board Member	2013
Gay Murphy	Board Member	2011
Dan Hulbert	Board Member	2013
Jeff Claypool	Board Member	2013
(After September 2011 Election)		
Debra Bahr	President	2015
Kevin Lane	Vice President	2015
Ed Glenn	Board Member	2015
David Friedman	Board Member	2013
Gay Murphy	Board Member	2015
Dan Hulbert	Board Member	2013
Jeff Claypool	Board Member	2013
School Officials		
Dr. Dean Cook	Superintendent	2012
Susan Bayer	District Secretary/ Treasurer	2012
Gruhn Law Firm	Attorney	2012

Eddyville-Blakesburg 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
Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District, Eddyville, Iowa, as of and for the year ended June 30, 2012, 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 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 Eddyville-Blakesburg Community School District at June 30, 2012, 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 7, 2013 on our consideration of Eddyville-Blakesburg 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7

through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eddyville-Blakesburg 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 eight years ended June 30, 2011 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eddyville-Blakesburg 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,356,975 at June 30, 2011 to \$8,538,128 at June 30, 2012, while General Fund expenditures increased from \$7,792,017 at June 30, 2011 to \$7,801,592 at June 30, 2012. This resulted in an increase in the District's General Fund balance from \$1,856,699 at June 30, 2011 to a balance of \$2,593,235 at June 30, 2012, a 39.67% increase over the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state source revenues. The increase in expenditures was due primarily to increase in salaries and benefits for District employees.

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 Eddyville-Blakesburg 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 Eddyville-Blakesburg 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 Eddyville-Blakesburg 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.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

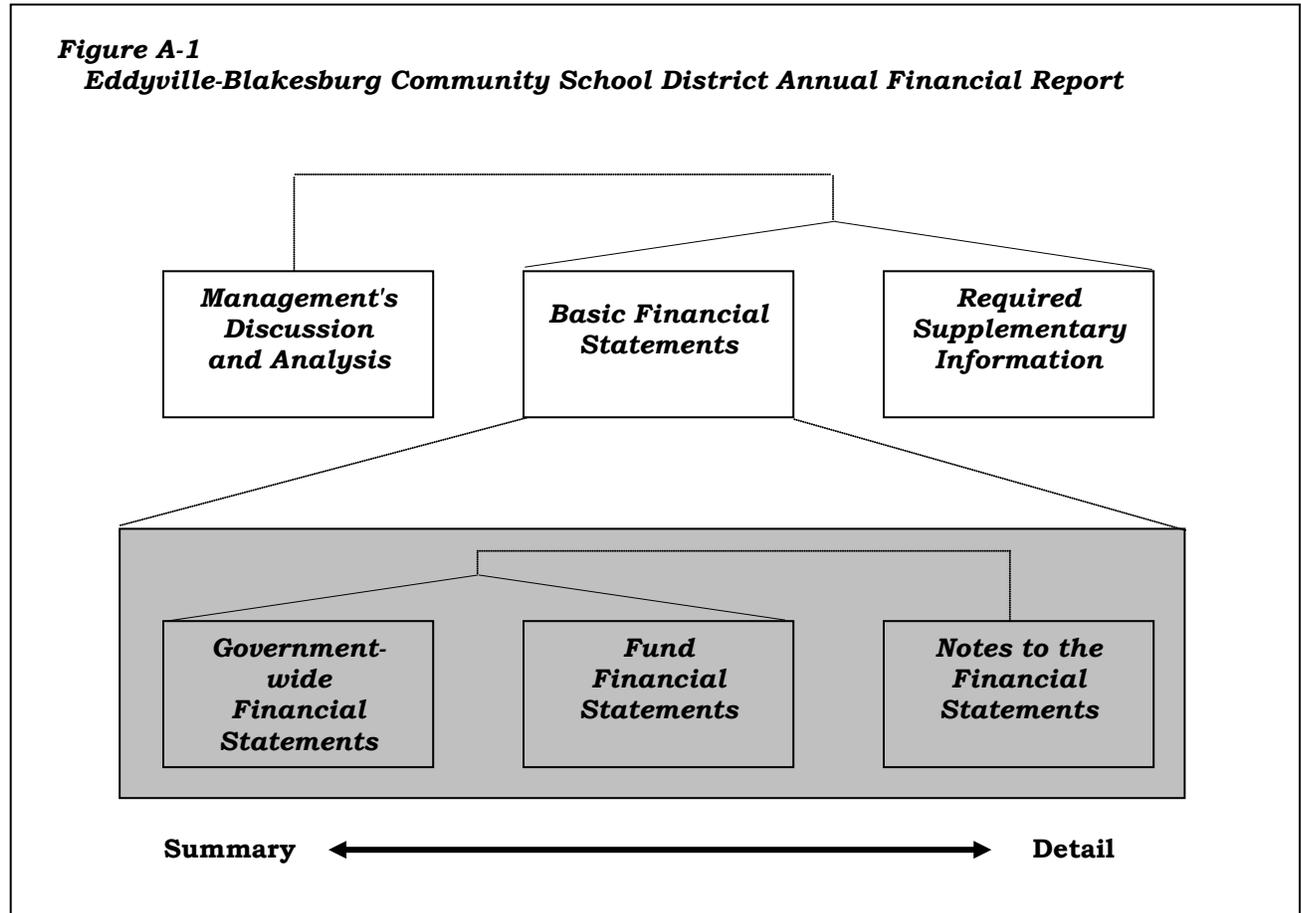


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 fund 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, Debt Service Fund and Capital Projects Fund.

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

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-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, 2012, compared to June 30, 2011.

Figure A-3

Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 4,412,248	8,226,661	183,476	124,499	4,595,724	8,351,160	-44.97%
Capital assets	5,320,452	6,020,842	201,320	210,687	5,521,772	6,231,529	-11.39%
Total assets	9,732,700	14,247,503	384,796	335,186	10,117,496	14,582,689	-30.62%
Long-term obligations	1,096,536	853,099	13,600	11,044	1,110,136	864,143	28.47%
Other liabilities	910,185	5,037,401	30,557	34,286	940,742	5,071,687	-81.45%
Total liabilities	2,006,721	5,890,500	44,157	45,330	2,050,878	5,935,830	-65.45%
Net assets:							
Invested in capital assets, net of related debt	4,954,152	5,576,025	201,320	210,687	5,155,472	5,786,712	-10.91%
Restricted	344,591	758,630	-	-	344,591	758,630	-54.58%
Unrestricted	2,427,236	2,022,348	139,319	79,169	2,566,555	2,101,517	22.13%
Total net assets	\$ 7,725,979	8,357,003	340,639	289,856	8,066,618	8,646,859	-6.71%

The District's combined net assets decreased by 6.71% or \$580,241, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g. land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the invested in capital assets are 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 decreased by \$414,039, or 54.58% from the prior year. The decrease in restricted net assets is mainly attributable to the decrease in fund balance for the Capital Project Fund balance.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$465,038, or 22.13%. The increase in unrestricted net assets is mainly attributable to the increase in fund balance for the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,648,825	1,416,586	429,545	358,594	2,078,370	1,775,180	17.08%
Operating grants, contributions and restricted interest	585,656	682,001	209,221	191,639	794,877	873,640	-9.02%
General revenues:							
Property tax	4,134,903	4,007,972	-	-	4,134,903	4,007,972	3.17%
Income surtax	232,473	279,297	-	-	232,473	279,297	-16.76%
Statewide sales, service and use tax	586,311	594,885	-	-	586,311	594,885	-1.44%
Unrestricted state grants	2,610,186	2,348,910	-	-	2,610,186	2,348,910	11.12%
Nonspecific program federal grants	2,048	207,265	-	-	2,048	207,265	-99.01%
Unrestricted investment earnings	19,907	27,229	47	30	19,954	27,259	-26.80%
Other general revenue	30,391	52,034	521	93,191	30,912	145,225	-78.71%
Transfers	-	(3,622)	-	3,622	-	-	0.00%
Total revenues and transfers	9,850,700	9,612,557	639,334	647,076	10,490,034	10,259,633	2.25%
Program expenses:							
Governmental activities:							
Instructional	6,193,696	5,611,073	957	12,053	6,194,653	5,623,126	10.16%
Support services	2,949,906	2,992,981	4,743	5,001	2,954,649	2,997,982	-1.45%
Non-instructional programs	1,042	767	582,851	512,667	583,893	513,434	13.72%
Other expenses	1,337,080	503,081	-	-	1,337,080	503,081	165.78%
Total expenses	10,481,724	9,107,902	588,551	529,721	11,070,275	9,637,623	14.87%
Change in net assets	(631,024)	504,655	50,783	117,355	(580,241)	622,010	-193.28%
Net assets beginning of year	8,357,003	7,852,348	289,856	172,501	8,646,859	8,024,849	7.75%
Net assets end of year	\$ 7,725,979	8,357,003	340,639	289,856	8,066,618	8,646,859	-6.71%

In fiscal year 2012, property tax and unrestricted state grants account for 68.47% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.91% of the revenue from business type activities.

The District's total revenues were \$10,490,034 of which \$9,850,700 was for governmental activities and \$639,334 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.25% in revenues and an increase of 14.87% in expenses.

Governmental Activities

Revenues for governmental activities were \$9,850,700 and expenses were \$10,481,724 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 6,193,696	5,611,073	10.38%	4,349,252	3,930,294	10.66%
Support services	2,949,906	2,992,981	-1.44%	2,812,062	2,859,495	-1.66%
Non-instructional	1,042	767	35.85%	1,042	767	35.85%
Other expenses	1,337,080	503,081	165.78%	1,084,887	218,759	395.93%
Totals	<u>\$ 10,481,724</u>	<u>9,107,902</u>	<u>15.08%</u>	<u>8,247,243</u>	<u>7,009,315</u>	<u>17.66%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,648,825.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$585,656.
- The net cost of governmental activities was financed with \$4,367,376 in local tax, \$586,311 in statewide sales, services and use tax, \$2,610,186 in unrestricted state grants, \$2,048 in nonspecific program federal grants, \$19,907 in interest income and \$30,391 in other general revenue.

Business type Activities

Revenues of the District's business type activities were \$639,334 and expenses were \$588,551. The District's business type activities include the School Nutrition Fund, Child Care Fund and Building and Trades 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 Eddyville-Blakesburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,204,882 above last year's ending fund balances of \$2,900,115. The primary reason for the increase in combined fund balances in fiscal 2012 is due to the increase in fund balance of the General Fund.

Governmental Fund Highlights

The District's General Fund balance increased from \$1,856,699 at June 30, 2011 to \$2,593,235 at June 30, 2012, is the product of many factors. General Fund revenues increased from \$8,356,975 in fiscal 2011 to \$8,538,128 in fiscal 2012. The increase in General Fund revenues can be attributed to the increase in local source revenues. General Fund expenditures increased from \$7,792,017 in fiscal 2011 to \$7,801,592 in fiscal 2012. The difference between fiscal 2012 revenues and expenses resulted in a net increase in fund balance of \$736,536. This represents a 39.67% increase from the prior year.

The Capital Projects Fund balance decreased from \$506,203 at June 30, 2011 to \$109,647 at June 30, 2012. The decrease in fund balance was due to capital expenditures and transfers to the Debt Service Fund for payments on the District's various lease obligations in excess of statewide sales, services and use tax and property tax revenues during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit balance of \$3,778 at June 30, 2011 to a positive balance of \$41,234 at June 30, 2012, an increase of \$45,012.

The Child Care Fund net assets increased from \$205,531 at June 30, 2011 to \$212,259 at June 30, 2012, representing an increase of 3.27%.

The Buildings and Trades Fund net assets decreased from \$88,103 at June 30, 2011 to \$87,146 at June 30, 2012, representing a decrease of 1.09%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$163,754 more than budgeted revenues, a variance of 1.59%. The most significant variance resulted from the District receiving less in 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, 2012, the District had invested \$5,521,772, 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) Additional detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,209,503.

The original cost of the District's capital assets was \$12,604,444. Governmental funds account for \$12,144,541 with the remainder of \$459,903 in the Proprietary, School Nutrition Fund and Child Care Fund.

The largest dollar change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$4,079,334 at June 30, 2012, compared to \$5,295,221, reported at June 30, 2011. This decrease is the result of the building improvements being disposed of during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 54,747	54,747	-	-	54,747	54,747	0.00%
Buildings	3,901,564	5,114,459	177,770	180,762	4,079,334	5,295,221	-22.96%
Land improvements	893,423	286,491	-	-	893,423	286,491	211.85%
Machinery and equipment	470,718	499,231	23,550	29,925	494,268	529,156	-6.59%
Construction in progress	-	65,914	-	-	-	65,914	-100.00%
Total	\$ 5,320,452	6,020,842	201,320	210,687	5,521,772	6,231,529	-11.39%

Long-Term Debt

At June 30, 2012, the District had \$1,110,136 in other long-term debt outstanding. This represents an increase of 28.47% from last year. (See Figure A-7) Additional detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- At June 30, 2012 the District had \$366,300 in lease purchase agreements payable from the Capital Project Fund.
- The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$647,448 at June 30, 2012.
- Compensated absences totaled \$55,681 at June 30, 2012. The General Fund is accountable for \$44,794, the School Nutrition Fund is accountable for \$5,945 and the Child Care Fund is accountable for \$4,942, at June 30, 2012.
- The District had total outstanding Net OPEB liability payable from the General, School Nutrition and Child Care Funds of \$40,707 at June 30, 2012.

Figure A-7
Long-term Liabilities

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Kinetic computer lease	\$ 62,695	122,712	-	-	62,695	122,712	-48.91%
Baseball light lease	116,279	123,364	-	-	116,279	123,364	-5.74%
Softball light lease	41,990	44,549	-	-	41,990	44,549	-5.74%
Football light lease	145,336	154,192	-	-	145,336	154,192	-5.74%
Early retirement	647,448	342,460	-	-	647,448	342,460	89.06%
Compensated absences	44,794	42,740	10,887	9,396	55,681	52,136	6.80%
Net OPEB liability	37,994	23,082	2,713	1,648	40,707	24,730	64.61%
Total	\$ 1,096,536	853,099	13,600	11,044	1,110,136	864,143	28.47%

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:

- On September 13, 2011, the Eddyville-Blakesburg Community School District and the Fremont Community School District held a public vote for consolidation of the two districts. Residents of the Eddyville-Blakesburg Community School District passed a resolution to merge with Fremont Community School District on a 79.6% vote. Residents of the Fremont Community School District passed a resolution to merge with Eddyville-Blakesburg Community School District on a 60.3% vote. The two districts will be officially consolidated as of July 1, 2012.

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 Susan Bayer, Board Secretary, Eddyville-Blakesburg-Fremont Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

BASIC FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 3,913,983	178,066	4,092,049
Receivables:			
Property tax:			
Delinquent	38,248	-	38,248
Income surtax	230,822	-	230,822
Accounts	4,183	-	4,183
Due from other governments	225,012	-	225,012
Inventories	-	5,410	5,410
Capital assets not being depreciated:			
Land	54,747	-	54,747
Capital assets, net of accumulated depreciation:			
Buildings	3,901,564	177,770	4,079,334
Land improvements	893,423	-	893,423
Machinery and equipment	470,718	23,550	494,268
Total Assets	9,732,700	384,796	10,117,496
Liabilities			
Accounts payable	280,877	-	280,877
Salaries and benefits payable	613,056	25,957	639,013
Accrued interest payable	16,252	-	16,252
Unearned revenue	-	4,600	4,600
Long-term liabilities:			
Portion due within one year:			
Computer lease	62,695	-	62,695
Sports field lighting leases	19,373	-	19,373
Early retirement payable	212,536	-	212,536
Compensated absences	44,794	10,887	55,681
Portion due after one year:			
Sports field lighting leases	284,232	-	284,232
Early retirement payable	434,912	-	434,912
Net OPEB liability	37,994	2,713	40,707
Total Liabilities	2,006,721	44,157	2,050,878
Net Assets			
Invested in capital assets, net of related debt	4,954,152	201,320	5,155,472
Restricted for:			
Categorical funding	76,308	-	76,308
School infrastructure	6,426	-	6,426
Physical plant and equipment	103,221	-	103,221
Student activities	132,833	-	132,833
Support trust	25,803	-	25,803
Unrestricted	2,427,236	139,319	2,566,555
Total Net Assets	\$ 7,725,979	340,639	8,066,618

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,894,919	1,008,029	35,681	(2,851,209)	-	(2,851,209)
Special	967,996	146,040	56,776	(765,180)	-	(765,180)
Other	1,330,781	368,816	229,102	(732,863)	-	(732,863)
	<u>6,193,696</u>	<u>1,522,885</u>	<u>321,559</u>	<u>(4,349,252)</u>	<u>-</u>	<u>(4,349,252)</u>
Support services:						
Student	173,657	14,645	7,883	(151,129)	-	(151,129)
Instructional	311,557	12,253	-	(299,304)	-	(299,304)
Administration	1,137,573	85,908	-	(1,051,665)	-	(1,051,665)
Operation and maintenance of plant	646,294	-	-	(646,294)	-	(646,294)
Transportation	680,825	13,134	4,021	(663,670)	-	(663,670)
	<u>2,949,906</u>	<u>125,940</u>	<u>11,904</u>	<u>(2,812,062)</u>	<u>-</u>	<u>(2,812,062)</u>
Non-instructional programs:						
Food service operations	1,042	-	-	(1,042)	-	(1,042)
Long-term debt interest	17,211	-	-	(17,211)	-	(17,211)
Other expenses:						
AEA flowthrough	252,193	-	252,193	-	-	-
Depreciation(unallocated)*	1,067,676	-	-	(1,067,676)	-	(1,067,676)
	<u>1,319,869</u>	<u>-</u>	<u>252,193</u>	<u>(1,067,676)</u>	<u>-</u>	<u>(1,067,676)</u>
Total governmental activities	10,481,724	1,648,825	585,656	(8,247,243)	-	(8,247,243)
Business type activities:						
Instruction:						
Other	957	-	-	-	(957)	(957)
Support services:						
Administration	2	-	-	-	(2)	(2)
Operation and maintenance of plant	4,741	-	-	-	(4,741)	(4,741)
	<u>4,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,743)</u>	<u>(4,743)</u>
Non-instructional programs:						
Nutrition services	378,874	214,097	209,221	-	44,444	44,444
Child care services	203,977	215,448	-	-	11,471	11,471
	<u>582,851</u>	<u>429,545</u>	<u>209,221</u>	<u>-</u>	<u>55,915</u>	<u>55,915</u>
Total business type activities	588,551	429,545	209,221	-	50,215	50,215
Total	\$ 11,070,275	2,078,370	794,877	(8,247,243)	50,215	(8,197,028)
General Revenues:						
Local tax levied for:						
General purposes				\$ 4,022,819	-	4,022,819
Capital outlays				112,084	-	112,084
Income surtax				232,473	-	232,473
Statewide sales, services and use tax				586,311	-	586,311
Unrestricted state grants				2,610,186	-	2,610,186
Nonspecific program federal grants				2,048	-	2,048
Unrestricted investment earnings				19,907	47	19,954
Other				30,391	521	30,912
Total general revenues				<u>7,616,219</u>	<u>568</u>	<u>7,616,787</u>
Changes in net assets				(631,024)	50,783	(580,241)
Net assets beginning of year				8,357,003	289,856	8,646,859
Net assets end of year				<u>\$ 7,725,979</u>	<u>340,639</u>	<u>8,066,618</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 3,229,494	102,186	499,692	3,831,372
Receivables:				
Property tax:				
Delinquent	34,905	1,035	2,308	38,248
Income surtax	230,822	-	-	230,822
Accounts	4,183	-	-	4,183
Due from other funds	85,325	-	-	85,325
Due from other governments	133,261	91,751	-	225,012
Total Assets	\$ 3,717,990	194,972	502,000	4,414,962
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ -	85,325	-	85,325
Accounts payable	280,877	-	-	280,877
Salaries and benefits payable	613,056	-	-	613,056
Deferred revenue:				
Income surtax	230,822	-	-	230,822
Total liabilities	1,124,755	85,325	-	1,210,080
Fund balances:				
Restricted for:				
Categorical funding	76,308	-	-	76,308
School infrastructure	-	6,426	-	6,426
Physical plant and equipment	-	103,221	-	103,221
Student activities	-	-	132,833	132,833
Management levy purposes	-	-	343,364	343,364
Support trust	-	-	25,803	25,803
Unassigned	2,516,927	-	-	2,516,927
Total fund balances	2,593,235	109,647	502,000	3,204,882
Total Liabilities and Fund Balances	\$ 3,717,990	194,972	502,000	4,414,962

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds (page 20)	\$ 3,204,882
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.	5,320,452
Accounts receivable income surtax, are not yet available to to finance expenditures of the current period.	230,822
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	82,611
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.	(16,252)
Long-term liabilities, including early retirement payable, leases payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,096,536)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 7,725,979</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,997,879	698,395	249,799	4,946,073
Tuition	1,137,563	-	-	1,137,563
Other	204,919	-	356,641	561,560
State sources	3,011,268	38	85	3,011,391
Federal sources	186,499	-	-	186,499
Total revenues	<u>8,538,128</u>	<u>698,433</u>	<u>606,525</u>	<u>9,843,086</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,309,760	-	111,604	3,421,364
Special	932,740	-	-	932,740
Other	815,648	141,187	334,891	1,291,726
	<u>5,058,148</u>	<u>141,187</u>	<u>446,495</u>	<u>5,645,830</u>
Support services:				
Student	138,690	-	-	138,690
Instructional	215,346	57,700	-	273,046
Administration	945,978	67,108	123,229	1,136,315
Operation and maintenance of plant	588,074	-	43,180	631,254
Transportation	603,163	73,070	16,035	692,268
	<u>2,491,251</u>	<u>197,878</u>	<u>182,444</u>	<u>2,871,573</u>
Non-instructional programs:				
Food service operations	-	-	12,799	12,799
Capital outlay	-	656,698	-	656,698
Long-term debt:				
Principal	-	-	78,517	78,517
Interest and fiscal charges	-	-	20,709	20,709
	<u>-</u>	<u>-</u>	<u>99,226</u>	<u>99,226</u>
Other expenditures:				
AEA flowthrough	252,193	-	-	252,193
TOTAL EXPENDITURES	<u>7,801,592</u>	<u>995,763</u>	<u>740,964</u>	<u>9,538,319</u>
Excess(Deficiency) of revenues over(under) expenditures	736,536	(297,330)	(134,439)	304,767
Other financing sources(uses):				
Transfer in	-	-	99,226	99,226
Transfer out	-	(99,226)	-	(99,226)
Total other financing sources(uses)	<u>-</u>	<u>(99,226)</u>	<u>99,226</u>	<u>-</u>
Net change in fund balances	736,536	(396,556)	(35,213)	304,767
Fund balances beginning of year	1,856,699	506,203	537,213	2,900,115
Fund balances end of year	<u>\$ 2,593,235</u>	<u>109,647</u>	<u>502,000</u>	<u>3,204,882</u>

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG 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, 2012

Net change in fund balances - total governmental funds (page 22) \$ 304,767

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

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

Capital outlays	\$ 988,740	
Depreciation expense	(1,200,136)	
Loss on disposal on capital assets	<u>(488,994)</u>	(700,390)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (3,076)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,614

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. 3,498

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. 78,517

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.

Early retirement	(304,988)	
Compensated absences	(2,054)	
Other postemployment benefits	<u>(14,912)</u>	<u>(321,954)</u>

Changes in net assets of governmental activities (page 19) \$ (631,024)

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business type Activities -				Governmental
	Enterprise Funds				Activities -
	School Nutrition	Child Care	Building and Trades	Total	Internal Service Funds
Assets					
Current assets:					
Cash and pooled investments	\$ 51,741	39,179	87,146	178,066	82,611
Inventories	5,410	-	-	5,410	-
Non-current assets:					
Capital assets, net of accumulated depreciation:					
Buildings	-	177,770	-	177,770	-
Machinery and equipment	22,679	871	-	23,550	-
Total Assets	79,830	217,820	87,146	384,796	82,611
Liabilities					
Current liabilities:					
Salaries and benefits payable	25,664	293	-	25,957	-
Unearned revenues	4,600	-	-	4,600	-
Total current liabilities	30,264	293	-	30,557	-
Long-term liabilities:					
Compensated absences	5,945	4,942	-	10,887	-
Net OPEB liability	2,387	326	-	2,713	-
Total long-term liabilities	8,332	5,268	-	13,600	-
Total Liabilities	38,596	5,561	-	44,157	-
Net Assets					
Invested in capital assets	22,679	178,641	-	201,320	-
Unrestricted	18,555	33,618	87,146	139,319	82,611
Total Net Assets	\$ 41,234	212,259	87,146	340,639	82,611

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type Activities: Enterprise Fund			Total	Governmental Activities: Internal Service Fund
	School Nutrition	Child Care	Building and Trades		
OPERATING REVENUE:					
Local sources:					
Charges for services	\$ 214,097	215,448	-	429,545	-
Miscellaneous	521	-	-	521	1,920
TOTAL OPERATING REVENUES	214,618	215,448	-	430,066	1,920
OPERATING EXPENSES:					
Instruction:					
Other:					
Services	-	-	957	957	-
Support services:					
Administration:					
Benefits	-	-	-	-	5,053
Services	-	2	-	2	-
	-	2	-	2	5,053
Operation and maintenance of plant:					
Services	-	224	-	224	-
Supplies	-	4,517	-	4,517	-
	-	4,741	-	4,741	-
Total support services	-	4,743	-	4,743	5,053
Non-instructional programs:					
Food service operations:					
Salaries	132,022	-	-	132,022	-
Benefits	46,349	-	-	46,349	-
Services	4,705	-	-	4,705	-
Supplies	190,653	-	-	190,653	-
Depreciation	4,753	-	-	4,753	-
Other	392	-	-	392	-
	378,874	-	-	378,874	-
Other enterprise operations:					
Salaries	-	153,408	-	153,408	-
Benefits	-	35,665	-	35,665	-
Services	-	2,397	-	2,397	-
Supplies	-	7,893	-	7,893	-
Depreciation	-	4,614	-	4,614	-
	-	203,977	-	203,977	-
Total non-instructional programs	378,874	203,977	-	582,851	-
TOTAL OPERATING EXPENSES	378,874	208,720	957	588,551	5,053
OPERATING INCOME (LOSS)	(164,256)	6,728	(957)	(158,485)	(3,133)
NON-OPERATING REVENUES:					
State sources					
	3,865	-	-	3,865	-
Federal sources					
	205,356	-	-	205,356	-
Interest income					
	47	-	-	47	57
TOTAL NON-OPERATING REVENUES	209,268	-	-	209,268	57
Change in net assets	45,012	6,728	(957)	50,783	(3,076)
Net assets beginning of year	(3,778)	205,531	88,103	289,856	85,687
Net assets end of year	\$ 41,234	212,259	87,146	340,639	82,611

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 214,872	-	-	214,872	-
Cash received from child care operating activities	-	215,448	-	215,448	-
Cash received from miscellaneous operating activities	521	-	90,470	90,991	1,943
Cash payments to employees for services	(178,196)	(191,018)	-	(369,214)	(5,053)
Cash payments to suppliers for goods or services	(174,455)	(15,033)	(1,135)	(190,623)	-
Net cash provided by(used in) operating activities	(137,258)	9,397	89,335	(38,526)	(3,110)
Cash flows from non-capital financing activities:					
State grants received	3,865	-	-	3,865	-
Federal grants received	188,052	-	-	188,052	-
Net cash provided by non-capital financing activities	191,917	-	-	191,917	-
Cash flows from investing activities:					
Interest income	47	-	-	47	57
Net increase(decrease) in cash and cash equivalents	54,706	9,397	89,335	153,438	(3,053)
Cash and cash equivalents at beginning of year	(2,965)	29,782	(2,189)	24,628	85,664
Cash and cash equivalents at end of year	\$ 51,741	39,179	87,146	178,066	82,611
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (164,256)	6,728	(957)	(158,485)	(3,133)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	18,931	-	-	18,931	-
Depreciation	4,753	4,614	-	9,367	-
Decrease in inventories	2,364	-	-	2,364	-
Decrease in accounts receivable	-	-	90,470	90,470	23
Decrease in accounts payable	-	-	(178)	(178)	-
Increase(Decrease) in salaries and benefits payable	438	(4,764)	-	(4,326)	-
Increase in unearned revenue	775	-	-	775	-
Increase(Decrease) in compensated absences	(1,200)	2,691	-	1,491	-
Increase in other postemployment benefits	937	128	-	1,065	-
Net cash provided by(used in) operating activities	\$ (137,258)	9,397	89,335	(38,526)	(3,110)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$18,931.

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

	Private Purpose Trust	Agency
	Scholarship	
Assets		
Cash and pooled investments	\$ 83,907	1,317
Liabilities		
Due to other groups	-	1,317
Net Assets		
Restricted for scholarships	21,666	-
Unrestricted	62,241	-
Total Net Assets	\$ 83,907	-

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 152
Donations	61,024
Total additions	<u>61,176</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>8,000</u>
Change in net assets	53,176
Net assets beginning of year	<u>30,731</u>
Net assets end of year	<u><u>\$ 83,907</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The Eddyville-Blakesburg 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-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Eddyville and Blakesburg, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis and Mahaska 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, Eddyville-Blakesburg Community School District has included all funds, 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 Eddyville-Blakesburg 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 Wapello, Monroe, Davis and Mahaska 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund, Child Care Fund and Building and Trades Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the

District. The Building and Trades Fund is used to account for the vocational program which builds different projects. The Internal Service Fund is used to account for partially self-funded health insurance premiums 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.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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	\$ -
Buildings	2,000
Land improvements	2,000
Intangibles	35,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net 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 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 at June 30, 2012 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 and the Treasurer of the State of Iowa; 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,757 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects: Statewide Sales, Services and Use Tax	\$ 85,325

The Capital Projects: Statewide Sales and Services Tax Fund is repaying the General Fund for money borrowed for cash flow purposes.

(4) Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 99,226</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the payment of principal and interest on the District's sports field lighting leases and the Kinetic computer lease.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>End</u> <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,747	-	-	54,747
Construction in progress	65,914	52,522	118,436	-
Total capital assets not being depreciated	<u>120,661</u>	<u>52,522</u>	<u>118,436</u>	<u>54,747</u>
Capital assets being depreciated:				
Buildings	9,175,035	259,623	1,555,739	7,878,919
Land improvements	1,347,247	675,690	262,587	1,760,350
Machinery and equipment	2,399,514	119,341	68,330	2,450,525
Total capital assets being depreciated	<u>12,921,796</u>	<u>1,054,654</u>	<u>1,886,656</u>	<u>12,089,794</u>
Less accumulated depreciation for:				
Buildings	4,060,576	998,918	1,082,139	3,977,355
Land improvements	1,060,756	68,758	262,587	866,927
Machinery and equipment	1,900,283	132,460	52,936	1,979,807
Total accumulated depreciation	<u>7,021,615</u>	<u>1,200,136</u>	<u>1,397,662</u>	<u>6,824,089</u>
Total capital assets being depreciated, net	<u>5,900,181</u>	<u>(145,482)</u>	<u>(488,994)</u>	<u>5,265,705</u>
Governmental activities capital assets, net	<u>\$ 6,020,842</u>	<u>(92,960)</u>	<u>(370,558)</u>	<u>5,320,452</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 306,500	-	-	306,500
Machinery and equipment	156,253	-	2,850	153,403
Total capital assets being depreciated	462,753	-	2,850	459,903
Less accumulated depreciation for:				
Buildings	125,738	2,992	-	128,730
Machinery and equipment	126,328	6,375	2,850	129,853
Total accumulated depreciation	252,066	9,367	2,850	258,583
Business type activities capital assets, net	\$ 210,687	(9,367)	-	201,320

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular	\$ 63,166	
Other	11,413	
Support services:		
Instructional staff	3,009	
Administration	12,808	
Operation and maintenance of plant	7,026	
Transportation	35,038	
	132,460	
Unallocated depreciation	1,067,676	
Total governmental activities depreciation expense	\$ 1,200,136	
Business type activities:		
Food service	\$ 4,753	
Day Care	4,614	
Total business type activities depreciation expense	\$ 9,367	

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Kinetic computer lease	\$ 122,712	-	60,017	62,695	62,695
Baseball lights lease	123,364	-	7,085	116,279	7,420
Softball lights lease	44,549	-	2,559	41,990	2,679
Football lights lease	154,192	-	8,856	145,336	9,274
Early retirement	342,460	416,524	111,536	647,448	212,536
Compensated absences	42,740	44,794	42,740	44,794	44,794
Net OPEB liability	23,082	14,912	-	37,994	-
Total	\$ 853,099	476,230	232,793	1,096,536	339,398

Business type activities:					
Compensated absences	\$ 9,396	10,887	9,396	10,887	10,887
Net OPEB liability	1,648	1,065	-	2,713	-
Total	\$ 11,044	11,952	9,396	13,600	10,887

Kinetic Computer Lease

During the year ended June 30, 2009, the District obtained financing for 70 computers and computer switches. Payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	Computer Lease Dated July 1, 2008			
	Interest Rates	Principal	Interest	Total
2013	4.461 %	\$ 62,695	2,796	65,491

Sports Field Lighting Leases

During the year ended June 30, 2009, the District obtained financing for lighting of the football, softball, and baseball fields. Payments will be made from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	Baseball Light Lease Dated August 7, 2008				Softball Light Lease Dated September 2, 2008			
	Interest Rate	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2013	4.69 %	\$ 7,420	5,500	12,920	4.63 %	2,679	1,987	4,666
2014	4.69	7,771	5,149	12,920	4.63	2,806	1,860	4,666
2015	4.69	8,139	4,781	12,920	4.63	2,939	1,727	4,666
2016	4.69	8,524	4,396	12,920	4.63	3,078	1,588	4,666
2017	4.69	8,927	3,993	12,920	4.63	3,224	1,442	4,666
2018-2022	4.69	51,382	13,218	64,600	4.63	18,555	4,775	23,330
2023-2024	4.69	24,116	1,724	25,840	4.63	8,709	623	9,332
Total		\$ 116,279	38,761	155,040		\$ 41,990	14,002	55,992

Year Ending June 30,	Football Light Lease Dated July 23, 2008				Total Light Leases		
	Interest Rate	Principal	Interest	Total	Principal	Interest	Total
2013	4.75 % \$	9,274	6,875	16,149	\$ 19,373	14,362	33,735
2014	4.75	9,713	6,436	16,149	20,290	13,445	33,735
2015	4.75	10,173	5,976	16,149	21,251	12,484	33,735
2016	4.75	10,654	5,495	16,149	22,256	11,479	33,735
2017	4.75	11,158	4,991	16,149	23,309	10,426	33,735
2018-2022	4.75	64,221	16,524	80,745	134,158	34,517	168,675
2023-2024	4.75	30,143	2,155	32,298	62,968	4,502	67,470
Total		\$ 145,336	48,452	193,788	\$ 303,605	86,853	390,458

Early Retirement

The District offers a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten 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 cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2012, totaled \$111,536. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$389,365, \$318,532, and \$320,592, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 80 active and 17 retired members in the plan. Employees must be age 59 or older at retirement and have fifteen or more years of continuous service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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 June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 41,432
Interest on net OPEB obligation	618
Adjustment to annual required contribution	<u>(3,755)</u>
Annual OPEB cost	38,295
Contributions made	<u>(22,318)</u>
Increase in net OPEB obligation	15,977
Net OPEB obligation - beginning of year	<u>24,730</u>
Net OPEB obligation - end of year	<u><u>\$ 40,707</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2012.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 37,080	59.63%	\$ 14,970
2011	36,435	73.21%	24,730
2012	38,295	58.28%	40,707

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$310,264, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$310,264. The covered payroll (annual payroll of active employees covered by

the plan) was \$3,439,291, and the ratio of the UAAL to the covered payroll was 9.02%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present 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 that are 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 July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement assumptions were developed from the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

Eddyville-Blakesburg 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.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$252,193 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Beginning Administrator Mentoring	\$ 1,500
Market Factor	1,055
Professional Development for Model Core Curriculum	42,273
Professional Development	31,480
Total	<u>\$ 76,308</u>

(12) District Consolidation

On September 13, 2011, the Eddyville-Blakesburg Community School District and the Fremont Community School District held a public vote for consolidation of the two districts. Residents of the Eddyville-Blakesburg Community School District passed a resolution to merge with Fremont Community School District on a 79.6% vote. Residents of the Fremont Community School District passed a resolution to merge with Eddyville-Blakesburg Community School District on a 60.3% vote. The two districts will be officially consolidated as of July 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,645,196	430,113	7,075,309	6,790,541	6,790,541	284,768
State sources	3,011,391	3,865	3,015,256	3,031,024	3,031,024	(15,768)
Federal sources	186,499	205,356	391,855	497,101	497,101	(105,246)
Total revenues	9,843,086	639,334	10,482,420	10,318,666	10,318,666	163,754
Expenditures/expenses:						
Instruction	5,645,830	957	5,646,787	5,805,000	5,805,000	158,213
Support services	2,871,573	4,743	2,876,316	3,297,700	3,297,700	421,384
Non-instructional programs	12,799	582,851	595,650	675,000	675,000	79,350
Other expenditures	1,008,117	-	1,008,117	1,419,081	1,419,081	410,964
Total expenditures/expenses	9,538,319	588,551	10,126,870	11,196,781	11,196,781	1,069,911
Excess(Deficiency) of revenues over(under) expenditures/expenses	304,767	50,783	355,550	(878,115)	(878,115)	1,233,665
Other financing sources, net	-	-	-	(30,000)	(30,000)	30,000
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	304,767	50,783	355,550	(908,115)	(908,115)	1,263,665
Balance beginning of year	2,900,115	289,856	3,189,971	2,666,759	2,666,759	523,212
Balance end of year	\$ 3,204,882	340,639	3,545,521	1,758,644	1,758,644	1,786,877

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

EDDYVILLE-BLAKESBURG 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)	UAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	364,276	364,276	0.0%	2,826,179	12.89%
2011	July 1, 2009	-	342,327	342,327	0.0%	3,076,391	11.13%
2012	July 1, 2009		310,264	310,264	0.0%	3,439,291	9.02%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue			
	Student Activity	Manage- ment Levy	Support Trust	Total
Assets				
Cash and pooled investments	\$ 132,833	341,056	25,803	499,692
Receivables:				
Property tax:				
Delinquent	-	2,308	-	2,308
Total Assets	\$ 132,833	343,364	25,803	502,000
Liabilities and Fund Balances				
Liabilities:	\$ -	-	-	-
Fund balances:				
Restricted for:				
Student activities	132,833	-	-	132,833
Management levy purposes	-	343,364	-	343,364
Support trust	-	-	25,803	25,803
Total fund balances	132,833	343,364	25,803	502,000
Total Liabilities and Fund Balances	\$ 132,833	343,364	25,803	502,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue			Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Total
	Student Activity	Manage- ment Levy	Support Trust			
REVENUES:						
Local sources:						
Local tax	\$ -	249,799	-	249,799	-	249,799
Other	344,105	12,305	231	356,641	-	356,641
State sources	-	85	-	85	-	85
TOTAL REVENUES	344,105	262,189	231	606,525	-	606,525
EXPENDITURES:						
Current:						
Instruction:						
Regular	-	111,604	-	111,604	-	111,604
Other	334,891	-	-	334,891	-	334,891
Support services:						
Administration	-	123,229	-	123,229	-	123,229
Operation and maintenance of plant	-	43,180	-	43,180	-	43,180
Transportation	-	16,035	-	16,035	-	16,035
Non-instructional programs:						
Food service operations	-	12,799	-	12,799	-	12,799
Other expenditures:						
Long-term debt:						
Principal	-	-	-	-	78,517	78,517
Interest and fiscal charges	-	-	-	-	20,709	20,709
TOTAL EXPENDITURES	334,891	306,847	-	641,738	99,226	740,964
Excess(Deficiency) of revenues over(under) expenditures	9,214	(44,658)	231	(35,213)	(99,226)	(134,439)
Other financing sources:						
Transfer in	-	-	-	-	99,226	99,226
Net change in fund balances	9,214	(44,658)	231	(35,213)	-	(35,213)
Fund balances beginning of year	123,619	388,022	25,572	537,213	-	537,213
Fund balances end of year	\$ 132,833	343,364	25,803	502,000	-	502,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ -	102,186	102,186
Receivables:			
Property tax:			
Delinquent	-	1,035	1,035
Due from other governments	91,751	-	91,751
Total Assets	\$ 91,751	103,221	194,972
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 85,325	-	85,325
Fund balances:			
Restricted for:			
School infrastructure	6,426	-	6,426
Physical plant and equipment	-	103,221	103,221
Total fund balances	6,426	103,221	109,647
Total Liabilities and Fund Balances	\$ 91,751	103,221	194,972

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 586,311	112,084	698,395
State sources	-	38	38
TOTAL REVENUES	586,311	112,122	698,433
EXPENDITURES:			
Current:			
Instruction:			
Other	141,187	-	141,187
Support services:			
Instructional staff	57,700	-	57,700
Administration	-	67,108	67,108
Transportation	24,570	48,500	73,070
Capital outlay	626,066	30,632	656,698
TOTAL EXPENDITURES	849,523	146,240	995,763
Deficiency of revenues under expenditures	(263,212)	(34,118)	(297,330)
Other financing uses:			
Transfer out	(99,226)	-	(99,226)
Net change in fund balances	(362,438)	(34,118)	(396,556)
Fund balances beginning of year	368,864	137,339	506,203
Fund balances end of year	\$ 6,426	103,221	109,647

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity Management	\$ 49,361	99,858	104,799	44,420
Cross Country	625	524	514	635
Drill/Dance Team	-	4,690	2,954	1,736
Uniform	(1,473)	12,855	11,382	-
Boys Basketball	1,900	7,829	9,729	-
Football	3,164	14,063	10,835	6,392
Baseball	(1,436)	7,882	6,373	73
JH Baseball	1,918	2,049	2,105	1,862
Boys Track	299	1,382	1,566	115
Golf	382	2,519	2,901	-
Wrestling	6,269	23,466	22,792	6,943
Girls Basketball	(793)	10,224	5,725	3,706
Volleyball	4,136	9,564	8,047	5,653
Softball	3,610	10,072	5,605	8,077
Girls Track	(11)	92	30	51
JH Softball	265	259	250	274
Cheerleading Basketball	1,388	9,577	9,699	1,266
Interest	-	205	205	-
Class of 2012	2,497	118	829	1,786
Class of 2013	1,263	4,546	4,304	1,505
National Honor Society	375	175	111	439
HS Student Council	1,590	397	1,587	400
EEAC Student Council	817	1,183	1,446	554
E-B-F ELI	-	25	-	25
HS Speech	(414)	1,960	1,458	88
E-B Jr High Student Council	5,114	-	52	5,062
BAC 7/8 Activity	8,324	553	579	8,298
BAC Elementary	4,875	4,000	3,777	5,098
FFA	6,220	44,278	46,328	4,170
Archery Club	-	3,741	1,676	2,065
Thespian Club	-	100	62	38
Jr Red Cross	55	-	-	55
Tri M Society	211	314	41	484
Drama/Play	1,977	2,410	2,924	1,463
FFA CD	4,164	-	-	4,164
Vocal	-	1,924	1,281	643
Yearbook	13,833	6,117	7,585	12,365
Concessions	1,065	41,725	42,182	608
Family Career	1,523	3,133	2,742	1,914
FCA	-	220	218	2
Band	11	9,866	9,853	24
MS Drama	110	-	-	110
Future Business Leaders	405	210	345	270
Total	<u>\$ 123,619</u>	<u>344,105</u>	<u>334,891</u>	<u>132,833</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund									
	Schroeder Scholarship	Sheffler Scholarship	EAC	FFA	Thelma	Carroll D	Harry	Christina	Eddyville	Total
			FFA Scholarship	Memorial Scholarship	Hohl Scholarship	Mc Mullin Scholarship	Carr Memorial CD	McKenna Scholarship	Clinic Scholarship	
Assets										
Cash and pooled investments	\$ 1,030	4,500	6,103	6,740	1,311	52,750	500	10,473	500	83,907
Liabilities	-	-	-	-	-	-	-	-	-	-
Net Assets										
Restricted for scholarships	-	-	6,000	6,593	-	-	-	9,073	-	21,666
Unrestricted	1,030	4,500	103	147	1,311	52,750	500	1,400	500	62,241
Total Net Assets	\$ 1,030	4,500	6,103	6,740	1,311	52,750	500	10,473	500	83,907

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund									Total
	BAC	FFA	Thelma	Carroll D	Harry	Christina	Eddyville			
	Schroeder	Sheffler	FFA	Memorial	Hohl	Mc Mullin	Carr			
Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Scholarship	Memorial CD	Scholarship	Scholarship		
Additions:										
Local sources:										
Interest income	\$ -	-	38	45	-	-	1	68	-	152
Donations	-	4,500	-	-	5,024	50,000	-	1,000	500	61,024
	-	4,500	38	45	5,024	50,000	1	1,068	500	61,176
Deductions:										
Instruction:										
Other:										
Scholarships awarded	-	-	-	5,000	2,000	500	500	-	-	8,000
Changes in net assets	-	4,500	38	45	24	48,000	(499)	568	500	52,676
Net assets beginning of year	1,030	-	6,065	6,695	1,287	4,750	999	9,905	-	30,731
Net assets end of year	\$ 1,030	4,500	6,103	6,740	1,311	52,750	500	10,473	500	83,907

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Beginning Balance	Increases	Decreases	Ending Balance
BAC Faculty				
Assets:				
Cash and other investments	\$ 954	70	353	671
Liabilities:				
Due to other groups	\$ 954	70	353	671
E-B HS Faculty				
Assets:				
Cash and other investments	\$ 758	-	198	560
Liabilities:				
Due to other groups	\$ 758	-	198	560
Band Boosters				
Assets:				
Cash and other investments	\$ 86	-	-	86
Liabilities:				
Due to other groups	\$ 86	-	-	86
Total				
Assets:				
Cash and other investments	\$ 1,798	70	551	1,317
Liabilities:				
Due to other groups	\$ 1,798	70	551	1,317

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 4,946,073	4,930,530	4,687,870	4,660,450	4,450,003	4,400,083	4,160,233	3,816,851	3,164,785
Tuition	1,137,563	968,384	740,186	713,615	880,055	883,897	1,091,012	585,509	638,838
Other	561,560	527,484	427,171	432,679	445,519	380,575	300,615	567,934	404,322
State sources	3,011,391	2,839,249	2,562,467	3,153,573	3,138,946	3,232,823	2,900,185	2,856,947	2,691,921
Federal sources	186,499	398,908	702,975	303,509	201,630	219,238	266,667	280,788	312,395
Total	\$ 9,843,086	9,664,555	9,120,669	9,263,826	9,116,153	9,116,616	8,718,712	8,108,029	7,212,261
Expenditures:									
Current:									
Instruction:									
Regular	\$ 3,421,364	3,355,255	3,245,492	3,246,975	3,251,271	3,379,829	3,325,982	3,510,809	3,074,981
Special	932,740	1,080,041	1,112,057	1,121,044	1,026,208	980,574	945,318	955,630	871,201
Other	1,291,726	1,015,693	849,846	793,132	692,614	563,514	661,387	489,972	555,274
Support services:									
Student	138,690	130,314	262,860	197,075	169,086	150,896	37,448	67,230	165,055
Instructional	273,046	407,982	353,921	214,407	327,919	559,431	173,734	122,397	219,814
Administration	1,136,315	1,045,207	913,824	945,084	916,786	946,784	886,521	778,248	780,750
Operation and maintenance of plant	631,254	676,377	689,966	672,260	705,781	666,231	668,700	647,461	671,715
Transportation	692,268	635,221	590,380	577,200	714,185	737,271	584,158	551,283	476,909
Non-instructional programs	12,799	14,983	17,875	15,248	23,003	24,498	9,449	25,860	24,508
Other expenditures:									
Facilities acquisitions	656,698	1,244,895	538,824	1,396,362	527,724	409,954	101,263	364,123	295,160
Long-term debt:									
Principal	78,517	75,118	271,688	143,950	85,299	73,347	-	-	-
Interest and fiscal charges	20,709	24,108	41,380	13,727	14,225	2,247	-	-	-
AEA flow-through	252,193	284,322	284,229	253,336	246,674	246,125	226,534	215,713	218,241
Total	\$ 9,538,319	9,989,516	9,172,342	9,589,800	8,700,775	8,740,701	7,620,494	7,728,726	7,353,608

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of the
Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2013. 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

The management of Eddyville-Blakesburg Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Eddyville-Blakesburg 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, 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 misstatement 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 I of the accompanying Schedule of Findings as item I-A-12 to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eddyville-Blakesburg 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 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.

Eddyville-Blakesburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Eddyville-Blakesburg 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 Eddyville-Blakesburg Community School District and other parties to whom Eddyville-Blakesburg Community School District may report, including federal awarding agencies and pass-through entities. This report 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 Eddyville-Blakesburg 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 7, 2013

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person. Also vouchers are processed, disbursements are recorded and checks are prepared by the same person. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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

Response - The District will continue to review the internal control structure and work to segregate duties when feasible.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, did not exceed the amount budgeted.

II-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - No business transactions between the District and District officials were noted.

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-12 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning Balance		\$ 368,864
Revenues/transfers in:		
Sales tax revenues		586,311
		<u>955,175</u>
Expenditures/transfers out:		
School infrastructure	626,066	
Equipment	223,457	
Transfers to other funds:		
Debt service fund	<u>99,226</u>	<u>948,749</u>
Ending Balance		<u><u>\$ 6,426</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-12 Scholarship awards: It appears that the District awards scholarships to students from proceeds generated from activities recorded in the HS Student Council account.

Recommendation - Scholarship awards to students are most appropriately handled through the Private Purpose Trust Fund. The District should determine the amount of scholarships to be awarded to students and receipt the proceeds and record subsequent expenditures in the Private Purpose Trust Fund.

Response - The District will receipt the proceeds and record subsequent expenditures for student scholarship awards in the Private Purpose Trust Fund.

Conclusion - Response accepted.