

**EAST GREENE COMMUNITY SCHOOL DISTRICT
GRAND JUNCTION, IOWA**

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

YEAR ENDED JUNE 30, 2012

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East Greene Community School District
Grand Junction, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2011 Election)

Marc Hoffman	President	2013
Richard Gordon	Vice President (Resigned)	June-2012
Timothy Bardole	Board Member	2011
Kevin Fouch	Board Member	2011
John Lint	Board Member	2011

(After September 2011 Election)

Marc Hoffman	President	2013
Richard Gordon	Vice President (Resigned)	June-2012
Timothy Bardole	Board Member	2014
Ashley Johnston	Board Member	2014
David Tipton	Board Member	2014
Susan Burkett	Board Member (Appointed)	2013

School Officials

G. Michael Harter	Superintendent	2013
Shawn Angell	District Secretary (Resigned)	Jan-2013
Tina Kafer	District Treasurer	2013
Rick Engel	Attorney	Indefinite

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

Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
East Greene 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 East Greene Community School District, Grand Junction, 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 East Greene 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 July 12, 2013 on our consideration of East Greene 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, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 46 through 49 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 East Greene Community School District's basic financial statements. Other auditors 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 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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.

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

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

July 12, 2013

Management Discussion and Analysis

The East Greene 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.

Financial Highlights

General Fund revenues for fiscal 2012 were \$3,764,100 while General Fund expenditures were \$3,957,013; this resulted in a decrease in the District's General Fund balance from \$237,875 in fiscal 2011 to \$44,962 in fiscal 2012, or a \$192,913 decrease from the prior year.

The decrease in General Fund balance was attributable to the decrease in certified enrollment, decrease in other income while expenses stayed consistent.

Sales tax revenue bonds of \$2.3 million were issued during fiscal year 2012 and a construction project was started during the year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

The first two statements are government-wide financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.

The statements for *governmental funds* explain how basic services, such as regular and special education were financed in the *short term* as well as what remains for future spending.

The statement for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

Figure A-1

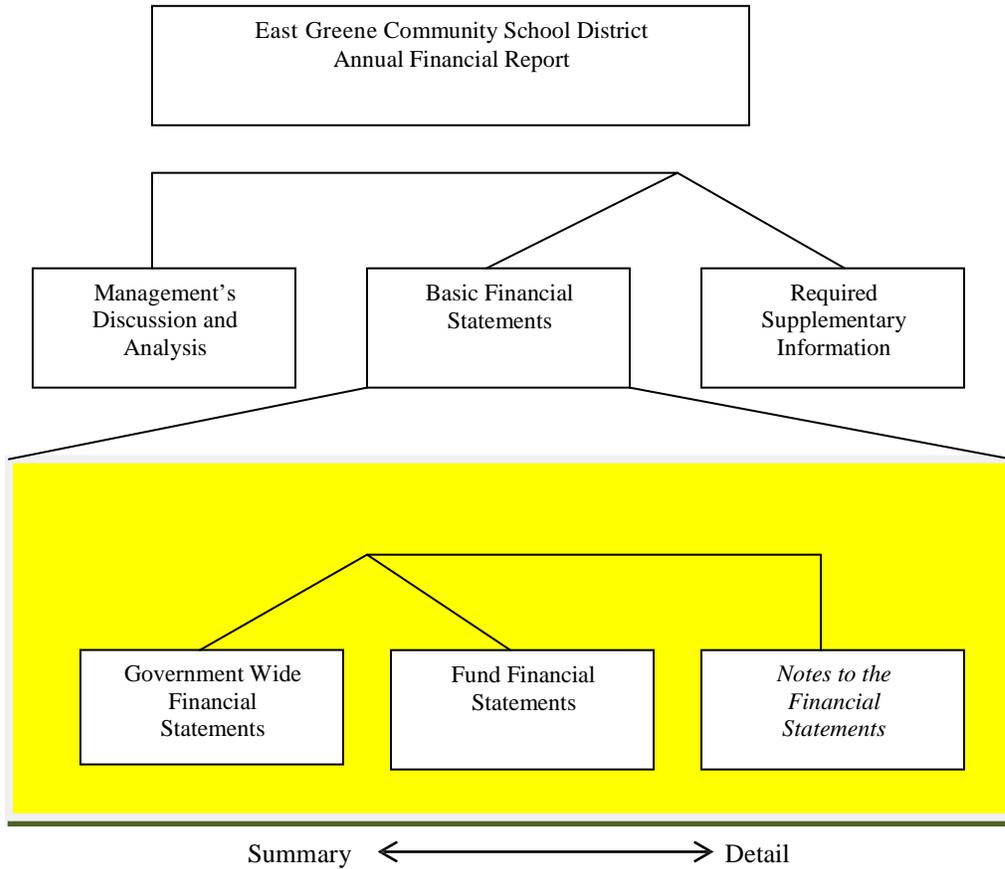


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2: Major Features of the Government Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of cash flows Statement of revenues, expenses and changes in net assets	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 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 and payable	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

Government-wide Financial Statements

The government-wide 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 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 its financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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 taxes and state aid finance most of these activities.

Business type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

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 statements.

- o The District's *enterprise funds* (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Financial Analysis of the District as a Whole

Net assets. - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012, compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets (in millions of dollars) June 30, 2012

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2011	2012	2011	2012	2011	2012
Current and other assets	3,443	5,507	60	58	3,503	5,565
Capital assets	595	1,044	4	-	599	1,044
Total assets	4,038	6,551	64	58	4,102	6,609
Long-term debt outstanding	107	2,426	-		107	2,426
Other liabilities	2,390	2,616	40	85	2,430	2,701
Total liabilities	2,497	5,042	40	85	2,537	5,127
Net assets						
Invested in capital assets,						
net of related debt	554	638	4	-	558	638
Restricted	658	2,733		-	658	2,733
Unrestricted	329	(1,862)	20	(27)	349	(1,889)
Total net assets	1,541	1,509	24	(27)	1,565	1,482

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2012.

Figure A-4
Changes in Net Assets from Operating Results (in millions of dollars)

	Governmental		Business-type		Total	
	Activities		Activities		School District	
	2011	2012	2011	2012	2011	2012
Revenues						
Program revenues						
Charges for services	104	179	49	35	153	214
Operating Grants & Contributions	822	539	115	68	937	607
Capital Grants & Contributions	-	-	-	-	-	-
General revenues						
Property Taxes & Other Local Taxes	2,320	2,358	-	-	2,320	2,358
Unrestricted State Aid	1,481	1,207	-	-	1,481	1,207
Other	488	30	-	5	488	35
Total revenues	5,215	4,313	164	108	5,379	4,421
Expenses						
Instruction	3,148	2,947	-	-	3,148	2,947
Support Services	1,168	1,071	-	-	1,168	1,071
Non-instructional programs	3	-	175	159	178	159
Other	299	327	-	-	299	327
Total expenses	4,618	4,345	175	159	4,793	4,504
Increase (decrease) in net assets	597	(32)	(11)	(51)	586	(83)

Property tax, income surtax, sales taxes and state foundation aid account for 73 percent of the total revenue. The District's expenses primarily relate to instruction and support services that account for 93 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,312,024 and expenses were \$4,344,430. This resulted in a decreased fund balance of \$32,406.

Figure A-5 presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the current and the previous fiscal years.

Figure A-5
Net Cost of Governmental Activities (in millions of dollars)

	Total Cost Services <u>2012</u>	Net Cost of of Services <u>2012</u>
Instruction	\$2.947	\$ 2.365
Pupil & Instructional Services	.238	.238
Administrative & Business	.380	.380
Maintenance & operations	.293	.293
Transportation	.159	.159
Other	.327	.191
Total	\$ 4.344	\$ 3.628

The cost of all governmental activities this year was \$4,344,430.

Some of the cost was financed by the users of the District's programs in the amount of \$179,283

The federal and state governments subsidized certain programs with grants and contributions \$538,782.

Most of the District's costs were financed by District and state taxpayers.

This portion of governmental activities was financed with \$2,010,214 million in property taxes, \$100,985 of income surtax, \$246,663 of sales tax \$1,207,094 of unrestricted state aid based on the statewide finance formula, and investment earnings.

Business Type Activities

Revenues from the District's business-type activities included charges for services in the amount of \$34,681 and \$67,567 from operating grants, contributions and restricted interest. Expenses from the District's business type activities amounted to \$1529,300. The Hot Lunch program was the only Business Type Activity for the District during the 2012 school year.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,792,847 which is \$1,857,738 above last year's ending fund balances of \$935,109. The main reason this increased substantially is due to the issuance of bonds.

Governmental Fund Highlights

The General Fund balance decreased from \$237,875 to \$44,962 which was due to decrease in certified enrollment and decrease in miscellaneous income from the prior year.

The Capital Projects fund increased from \$413,231 to \$2,449,749 due to the issuance of sales tax revenue bonds in June of 2012. The majority of the remodeling costs will be expended in fiscal year 2013

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$24,184 at June 30, 2011 to a deficit of \$27,035 June 30, 2012. This is basically due to not requesting reimbursement for four months from the state nutrition program.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is the aggregated functional level, not at the fund or fund type level. The budget did not get amended during the year as due to an oversight of the board secretary. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$336,970 less than budgeted receipts, which is a 7% variance. The District was over budget in three functional categories as well as over the authorized spending authority. See the Schedule of Findings for additional explanation.

Capital Asset and Debt Administration

Capital Assets

By the end of 2012 the District had invested \$1.0 million, in a broad range of assets, including school buildings, school infrastructure, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year exceeded \$113,000.

Figure A-6			
Capital Assets (net of depreciation, (in millions of dollars))			
	Governmental Activities <u>2012</u>	Business Type Activities <u>2012</u>	Total School District <u>2012</u>
Land	29	0	29
Construction in progress	343	0	343
Buildings	300	0	300
Improvements	86	0	86
Equipment & Furniture	286	0	286
	1,044	0	1,044

Long-Term Debt

At year-end, the District had \$2,406,578 in sales tax revenue bonds and other long-term debt outstanding. This amount increased substantially from the previous year due to issuance of bonds during the current fiscal year. See Note 6 to the financial statements for additional explanation.

Factors Bearing on the District's Future

The following factors will have some impact on the district's financial future.

The District has continually worked to cut expenses. Whenever the District can obtain a grant, it does. In June of 2012, the board of directors voted to enter into a whole grade sharing agreement with Jefferson – Scranton Community School District. Under the agreement, each district has their own PreK through 4th grade. East Greene Community School District houses all of the 5th and 6th graders. All 7th through 12th grades are in Jefferson.

On February 5, 2013, East Greene Community School District voted for reorganization with an 87% approval. Jefferson-Scranton Community School District approved the same vote with an 89% approval. The reorganization will become official on July 1, 2014.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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, Marc Hoffman, Board President or Laura Marshall, Board Secretary, East Greene Community School District, 405 12th Street South, Grand Junction, Iowa 50107.

Basic Financial Statements

East Greene Community School District
Grand Junction, Iowa
Statement of Net Assets
June 30, 2012

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,226,746	48,670	3,275,416
Receivables:			
Property tax:			
Delinquent	28,695	-	28,695
Succeeding year	1,918,410	-	1,918,410
Accounts	5,445	2,294	7,739
Due from other funds	83,008	(83,008)	-
Due from other governments	244,796	-	244,796
Inventories	-	6,316	6,316
Capital assets, net of accumulated depreciation	<u>1,044,436</u>	<u>434</u>	<u>1,044,870</u>
Total assets	<u>6,551,536</u>	<u>(25,294)</u>	<u>6,526,242</u>
 Liabilities			
Accounts payable	391,885	1,741	393,626
Salaries and benefits payable	245,152	-	245,152
Accrued interest payable	3,883	-	3,883
Deferred revenue - succeeding year property tax	1,918,410	-	1,918,410
Deferred revenue - other	57,255		57,255
Long-term liabilities:			
Portion due within one year:			
Compensated absences	12,808	-	12,808
Early retirement benefits	14,419	-	14,419
Portion due after one year:			
Unamortized premium on revenue bonds	21,023	-	21,023
Revenue bonds	2,330,000	-	2,330,000
Early retirement benefits	6,804		6,804
Net OPEB Liability	<u>40,857</u>	<u>-</u>	<u>40,857</u>
Total liabilities	<u>5,042,496</u>	<u>1,741</u>	<u>5,044,237</u>

East Greene Community School District
Grand Junction, Iowa
Statement of Net Assets
June 30, 2012

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	636,958	434	637,392
Restricted for:			
Categorical funding	7,500	-	7,500
Management levy	261,706	-	261,706
Physical plant and equipment levy	111,335	-	111,335
School infrastructure	2,163,085	-	2,163,085
Student activities	15,207	-	15,207
Debt service	175,329	-	175,329
Unrestricted	<u>(1,862,080)</u>	<u>(27,469)</u>	<u>(1,889,549)</u>
Total net assets	<u>\$ 1,509,040</u>	<u>(27,035)</u>	<u>1,482,005</u>

See notes to financial statements.

East Greene Community School District
Grand Junction, Iowa
Statement of Activities
Year ended June 30, 2012

		Program Revenues		
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,974,179	131,690	253,731	-
Special instruction	517,182	-	48,220	-
Other instruction	455,226	47,593	100,521	-
	2,946,587	179,283	402,472	-
Support services:				
Student services	173,216	-	-	-
Instructional staff services	65,483	-	-	-
Administration services	380,549	-	-	-
Operation and maintenance of plant	292,517	-	-	-
Transportation services	158,958	-	-	-
	1,070,723	-	-	-
Other expenditures:				
Facilities acquisition	36,115	-	-	-
Long-term debt interest & issuance costs	41,261	-	-	-
AEA flowthrough	136,310	-	136,310	-
Depreciation (unallocated)	113,434	-	-	-
	327,120	-	136,310	-
Total governmental activities	4,344,430	179,283	538,782	-
Business type activities:				
Non-instructional programs:				
Food service operations	159,300	34,681	67,567	-
Total	\$ 4,503,730	213,964	606,349	-
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales, service and use tax				
Income surtaxes				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gain on sale of capital assets				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(1,588,758)	-	(1,588,758)
(468,962)	-	(468,962)
(307,112)	-	(307,112)
<u>(2,364,832)</u>	<u>-</u>	<u>(2,364,832)</u>
(173,216)	-	(173,216)
(65,483)	-	(65,483)
(380,549)	-	(380,549)
(292,517)	-	(292,517)
(158,958)	-	(158,958)
<u>(1,070,723)</u>	<u>-</u>	<u>(1,070,723)</u>
(36,115)	-	(36,115)
(41,261)	-	(41,261)
-	-	-
(113,434)	-	(113,434)
<u>(190,810)</u>	<u>-</u>	<u>(190,810)</u>
(3,626,365)	-	(3,626,365)
<u>-</u>	<u>(57,052)</u>	<u>(57,052)</u>
<u>(3,626,365)</u>	<u>(57,052)</u>	<u>(3,683,417)</u>
\$ 1,891,676	-	1,891,676
118,538	-	118,538
246,663	-	246,663
100,985	-	100,985
1,207,094	-	1,207,094
1,397	3	1,400
17,332	5,830	23,162
10,274	-	10,274
<u>3,593,959</u>	<u>5,833</u>	<u>3,599,792</u>
(32,406)	(51,219)	(83,625)
<u>1,541,446</u>	<u>24,184</u>	<u>1,565,630</u>
<u>\$ 1,509,040</u>	<u>(27,035)</u>	<u>1,482,005</u>

East Greene Community School District
Grand Junction, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 267,346	2,628,056	331,344	3,226,746
Receivables:				
Property tax:				
Delinquent	25,112	1,692	1,891	28,695
Succeeding year	1,538,048	230,362	150,000	1,918,410
Accounts	5,445	-		5,445
Due from other funds	144,696	6,090	-	150,786
Due from other governments	180,758	64,038	-	244,796
Total assets	<u>\$ 2,161,405</u>	<u>2,930,238</u>	<u>483,235</u>	<u>5,574,878</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 174,437	216,473	975	391,885
Salaries and benefits payable	245,152	-	-	245,152
Due to other funds	-	33,654	34,124	67,778
Deferred revenue:				
Succeeding year property tax	1,538,048	230,362	150,000	1,918,410
Income surtax	101,551	-	-	101,551
Other	57,255	-	-	57,255
Total liabilities	<u>2,116,443</u>	<u>480,489</u>	<u>185,099</u>	<u>2,782,031</u>
Fund balances:				
Restricted for:				
Categorical funding	7,500	-	-	7,500
Debt service	-	175,329	-	175,329
School infrastructure	-	2,163,085	-	2,163,085
Physical plant and equipment	-	111,335	-	111,335
Student activities	-	-	15,207	15,207
Management levy purposes	-	-	282,929	282,929
Unassigned	37,462	-	-	37,462
Total fund balances	<u>44,962</u>	<u>2,449,749</u>	<u>298,136</u>	<u>2,792,847</u>
Total liabilities and fund balances	<u>\$ 2,161,405</u>	<u>2,930,238</u>	<u>483,235</u>	<u>5,574,878</u>

See notes to financial statements.

East Greene Community School District
Grand Junction, Iowa

Exhibit D

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

June 30, 2012

Total fund balances of governmental funds (page 18) \$ 2,792,847

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 reported as assets in the governmental funds. 1,044,436

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 101,551

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. (3,883)

Long-term liabilities, including bonds and notes payable, compensated absences and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (2,425,911)

Net assets of governmental activities (page 15) \$ 1,509,040

See notes to financial statements.

East GreeneCommunity School District
Grand Junction, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 1,875,810	365,200	132,496	2,373,506
Tuition	76,479	-	-	76,479
Other	30,935	17,739	46,269	94,943
State sources	1,607,818	-	-	1,607,818
Federal sources	<u>138,058</u>	<u>-</u>	<u>-</u>	<u>138,058</u>
Total revenues	<u>3,729,100</u>	<u>382,939</u>	<u>178,765</u>	<u>4,290,804</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,917,176	-	62,064	1,979,240
Special	515,278	-	-	515,278
Other	<u>405,844</u>	<u>-</u>	<u>65,457</u>	<u>471,301</u>
	<u>2,838,298</u>	<u>-</u>	<u>127,521</u>	<u>2,965,819</u>
Support services:				
Student	171,918	-	-	171,918
Instructional staff	36,686	144,858	-	181,544
Administration	367,067	-	2,836	369,903
Operation and maintenance of plant	255,812	31,340	27,018	314,170
Transportation	<u>150,922</u>	<u>137,927</u>	<u>7,257</u>	<u>296,106</u>
	<u>982,405</u>	<u>314,125</u>	<u>37,111</u>	<u>1,333,641</u>
Other expenditures:				
Facilities acquisition	-	322,659	-	322,659
Long-term debt:				
Principal	-	-	23,282	23,282
Interest	-	-	987	987
AEA flowthrough	<u>136,310</u>	<u>-</u>	<u>-</u>	<u>136,310</u>
	<u>136,310</u>	<u>322,659</u>	<u>24,269</u>	<u>483,238</u>
Total expenditures	<u>3,957,013</u>	<u>636,784</u>	<u>188,901</u>	<u>4,782,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(227,913)</u>	<u>(253,845)</u>	<u>(10,136)</u>	<u>(491,894)</u>
Other financing sources (uses):				
Proceeds from the disposal of property	35,000	-	-	35,000
Revenue bonds issued	-	2,314,632	-	2,314,632
Operating transfers in	-	-	24,269	24,269
Operating transfers out	<u>-</u>	<u>(24,269)</u>	<u>-</u>	<u>(24,269)</u>
Total other financing sources (uses)	<u>35,000</u>	<u>2,290,363</u>	<u>24,269</u>	<u>2,349,632</u>
Net change in fund balances	(192,913)	2,036,518	14,133	1,857,738
Fund balances beginning of year	<u>237,875</u>	<u>413,231</u>	<u>284,003</u>	<u>935,109</u>
Fund balances end of year	<u>\$ 44,962</u>	<u>2,449,749</u>	<u>298,136</u>	<u>2,792,847</u>

See notes to financial statements.

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

Year ended June 30, 2012

Net change in fund balances - total governmental funds (page 20) \$ 1,857,738

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

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

Expenditures for capital assets	\$ 587,173	
Depreciation expense	(113,434)	
Record basis of asset sold	<u>(24,726)</u>	449,013

Income surtaxes and other receivables not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (15,646)

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

Issued	(2,330,000)	
Premium on revenue bonds issued	(21,023)	
Repaid	<u>23,282</u>	(2,327,741)

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. (3,883)

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

Termination benefits	38,231	
Compensated absences	(12,808)	
Other postemployment benefits	<u>(17,310)</u>	<u>8,113</u>

Change in net assets of governmental activities (page 17) \$ (32,406)

East Greene Community School District
Grand Junction, Iowa

Exhibit G

Statement of Net Assets
Proprietary Funds

June 30, 2012

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 48,670
Accounts receivable	2,294
Inventories	6,316
Capital assets, net of accumulated depreciation	434
Total assets	<u>57,714</u>
Liabilities	
Accounts payable	1,741
Due to other funds	83,008
Total liabilities	<u>84,749</u>
Net Assets	
Invested in capital assets	434
Unrestricted	<u>(27,469)</u>
Total net assets	<u>\$ (27,035)</u>

See notes to financial statements.

East Greene Community School District
Grand Junction, Iowa

Exhibit H

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

Year ended June 30, 2012

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ <u>40,511</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	76,920
Repairs and maintenance	7,594
Supplies	70,844
Depreciation	<u>3,942</u>
Total operating expenses	<u>159,300</u>
Operating income/(loss)	<u>(118,789)</u>
Non-operating revenues:	
State sources	1,441
Federal sources	66,126
Interest income	<u>3</u>
Total non-operating revenues	<u>67,570</u>
Increase (decrease) in net assets	(51,219)
Net assets beginning of year	<u>24,184</u>
Net assets end of year	<u>(27,035)</u>

See notes to financial statements.

East Greene Community School District
Grand Junction, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 41,909
Cash paid to employees for services	(34,124)
Cash paid to suppliers for goods or services	<u>(69,150)</u>
Net cash used by operating activities	<u>(61,365)</u>
Cash flows from non-capital financing activities:	
State grants received	1,441
Federal grants received	<u>56,898</u>
Net cash provided by non-capital financing activities	<u>58,339</u>
Cash flows from investing activities:	
Interest on investments	<u>3</u>
Net (increase) in cash and cash equivalents	(3,023)
Cash and cash equivalents beginning of year	<u>51,693</u>
Cash and cash equivalents end of year	<u><u>48,670</u></u>

East Greene Community School District
Grand Junction, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	School <u>Nutrition</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (118,789)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	9,228
Depreciation	3,942
Decrease in other receivables	1,398
Increase in inventories	(1,681)
Increase in accounts payable	1,741
Increase in interfund payable	<u>42,796</u>
Net cash used by operating activities	<u>\$ (61,365)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$9,228 of federal commodities.

See notes to financial statements.

Grand Junction, Iowa

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose <u>Trusts</u> <u>Scholarships</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 54,421	26,056
Total assets	<u>54,421</u>	<u>26,056</u>
Liabilities		
Accounts payable	-	26,056
Total liabilities	<u>-</u>	<u>26,056</u>
Net Assets		
Reserved for scholarships	54,421	-
Total net assets	<u>\$ 54,421</u>	<u>-</u>

See notes to financial statements.

East Greene Community School District
Grand Junction, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2012

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Miscellaneous income	\$ 100
Interest income	<u>436</u>
Total additions	<u>536</u>
Deductions:	
Support services:	
Scholarships	<u>800</u>
Total deductions	<u>800</u>
Change in net assets	(264)
Net assets beginning of year	<u>54,685</u>
Net assets end of year	<u>\$ 54,421</u>

See notes to financial statements.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

East Greene 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. The geographic area served includes the Cities of Grand Junction and Rippey, Iowa, and the agricultural area in Greene, and Boone 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, East Greene Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. East Greene 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene and Boone County Assessor's Conference boards.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

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 the interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net 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 attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

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

The District maintained 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 Equity

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

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

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

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

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

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

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

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

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 year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in 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 and unspent grant proceeds.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick pay 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 fund financial statements only for employees who have resigned or retired. 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 place 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 the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, the District exceeded the amounts budgeted in the instruction, support services and other expenditures functions and exceeded its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks 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.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$216,353 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nutrition	\$ 76,918
General	Special Revenue, Management Levy Account	34,124
General	Capital Projects	33,654
Capital Projects	Nutrition	6,090

The Nutrition Fund is repaying the General Fund for salaries and benefits and the Capital Projects fund for nutrition software purchased. The Special Revenue Fund, Management Levy Account is repaying the General Fund for early retirement benefits paid. The Capital Projects Fund is repaying the General Fund for equipment purchased. All of the above disbursements were incorrectly paid from the wrong funds. The District anticipates repaying the balances by June 30, 2013.

(4) Iowa School Anticipation Program (ISCAP)

The District participates in the Iowa Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each amount equal to 25% of the warrant amount. The Series 2011-2012A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2011-2012A and taxable series 2011-2012B warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	6/30/11	6/30/2012	\$ -	234,401	234,401	-

During the year ended June 30, 2012, the District paid \$ 640 of interest on the ISCAP warrants.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 29,000	-	-	29,000
Construction in progress	-	342,839	-	342,839
Total capital assets not being depreciated	<u>29,000</u>	<u>342,839</u>	<u>-</u>	<u>371,839</u>
Capital assets being depreciated:				
Buildings	1,149,857	10,988	-	1,160,845
Improvements other than buildings	352,808	28,497	-	381,305
Furniture and equipment	<u>1,404,990</u>	<u>204,849</u>	<u>(65,936)</u>	<u>1,543,903</u>
Total capital assets being depreciated	<u>2,907,655</u>	<u>244,334</u>	<u>(65,936)</u>	<u>3,086,053</u>

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

Less accumulated depreciation for:

Buildings	834,894	26,086	-	860,980
Improvements other than buildings	290,247	4,418	-	294,665
Furniture and equipment	<u>1,216,091</u>	<u>82,930</u>	<u>(41,210)</u>	<u>1,257,811</u>
Total accumulated depreciation	<u>2,341,232</u>	<u>113,434</u>	<u>(41,210)</u>	<u>2,413,456</u>
Total capital assets being depreciated	<u>566,423</u>	<u>130,900</u>	<u>(24,726)</u>	<u>672,597</u>
Governmental activities capital assets, net	<u>\$ 595,423</u>	<u>473,739</u>	<u>(24,726)</u>	<u>1,044,436</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Business type activities:</u>				
Furniture and equipment	\$ 64,552	-	-	64,552
Less accumulated depreciation	<u>60,176</u>	<u>3,942</u>	-	<u>64,118</u>
Business type activities capital assets, net	<u>\$ 4,376</u>	<u>(3,942)</u>	-	<u>434</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

Regular \$ 113,434

Business type activities:

Food service operations \$ 3,942

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital bus lease	\$ 23,282	-	23,282	-	-
Sales tax revenue bonds	-	2,330,000	-	2,330,000	-
Compensated absences	-	12,808	-	12,808	12,808
Early retirement payable	38,599	-	17,376	21,223	14,419
Net OPEB liability	23,547	17,310	-	40,857	-
Total	<u>\$ 85,428</u>	<u>2,360,118</u>	<u>40,658</u>	<u>2,404,888</u>	<u>27,227</u>

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2012			
	Interest Rates	Principal	Interest	Total
2013	2.00%	\$ -	33,247	33,247
2014	2.00	115,000	56,995	171,995
2015	2.00	120,000	54,695	174,695
2016	2.00	120,000	52,295	172,295
2017	2.00	120,000	49,895	169,895
2018-2022	2.00-2.30	645,000	211,980	856,980
2023-2027	2.30-2.85	730,000	134,785	864,785
2028-2030	3.00-3.20	480,000	30,410	510,410
Total		<u>\$ 2,330,000</u>	<u>624,302</u>	<u>2,954,302</u>

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,230,000 of bonds issued in June 2012. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the notes is \$2,954,302. For the current year, no principal or interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$246,663.

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

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) \$174,695 of the proceeds from the bond issue were placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds insufficient money is available in the sinking account. The reserve account is part of the Capital Projects Fund and is reserved for debt service.
- c) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. The required monthly payment to the sinking account shall equal 1/6 of the installment of interest coming due on the next interest payment date and 1/12 of the installment of principal coming due on the next principal payment date. Money in the sinking account shall be used to pay the interest and principal on the bonds. The sinking fund is part of the Capital Projects Fund, Statewide Sales, Services and Use Tax and is reserved for debt service.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-nine and completed a minimum of 12 years of continuous service to the District. The application for early retirement is subject to approval by the Board of Education.

If approved, the early retirement incentive for each eligible certified employee is equal to 100% of the difference between the salary schedule base and the employee's placement on the salary schedule. Supplemental pay, extended contract and phase monies are not included. The early retirement incentive for each eligible non-certified employee is equal to no more than 40% of that employee's salary in the last year of employment depending on years with the District.

Eligible employees have the option to have their early retirement stipend be paid in one lump sum payment, two equal installments, or leave in escrow to utilize for health insurance premiums until age 65.

(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 payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$151,572, \$135,715, and \$115,169, respectively, equal to the required contributions for each year.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 40 active and 1 retired members in the plan. Participants must be age 55 or older at retirement

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan changes in the District’s net OPEB obligation:

Annual required contribution	\$ 18,135
Interest on net OPEB obligation	589
Adjustments to annual required contribution	<u>1,414</u>
Annual OPEB cost	17,310
Contributions made	<u>0</u>
Increase in net OPEB obligation	17,310
Net OPEB obligation beginning of year	<u>23,547</u>
Net OPEB obligation end of year	\$ <u>40,857</u>

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

Plan members eligible for benefits contributed nothing, or 0% of the premium costs.

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation(Asset)</u>
June 30, 2010	\$ 9,683	17.8%	\$ 7,958
June 30, 2011	15,713	.8%	23,547
June 30, 2012	17,310	0.0%	40,857

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$124,851, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$124,851. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1.9 million and the ratio of the UAAL to covered payroll was 6.6%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

As of the July 1, 2009 actuarial valuation date, the frozen entry actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

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

(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 \$136,310 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:

<u>Program</u>	<u>Amount</u>
Four Year Preschool	\$ 4,393
Teacher Mentoring and Development	<u>3,107</u>
	<u>\$ 7,500</u>

East Greene Community School District
Grand Junction, Iowa

Notes to Financial Statements

June 30, 2012

(12) Related Party Transactions

The District engaged in business transactions with board members totaling \$ 17,653 for the year ended June 30, 2012. See the Schedule of Findings for further explanation.

(13) Interfund Transfers

The detail of interfund 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	\$ 24,269

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

(14) Construction Commitment

The District has entered into a contract for approximately \$2 million for remodeling the Grand Junction building. As of June 30, 2012 costs of \$342,800 had been incurred against the project. The balance of approximately \$1.6 million will be paid as work progresses on the project.

(15) Subsequent Events

Subsequent events have been evaluated through July 12, 2013, which is the date the financial statements were available to be issued. In February 2013, the voters in East Greene Community School District and Jefferson Scranton Community School District approved a merger of the two districts effective July 1, 2015.

Required Supplementary Information

East Greene Community School District
Grand Junction, Iowa

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,544,928	40,514
State sources	1,607,818	1,441
Federal sources	<u>138,058</u>	<u>66,126</u>
Total revenues	<u>4,290,804</u>	<u>108,081</u>
Expenditures/Expenses:		
Instruction	2,965,819	-
Support services	1,333,641	-
Non-instructional programs	-	159,300
Other expenditures	<u>483,238</u>	<u>-</u>
Total expenditures/expenses	<u>4,782,698</u>	<u>159,300</u>
Excess (deficiency) of revenues over (under) expenditures	(491,894)	(51,219)
Other financing sources, net	<u>2,349,632</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,857,738	(51,219)
Balances beginning of year	<u>935,109</u>	<u>24,184</u>
Balances end of year	<u>\$ 2,792,847</u>	<u>(27,035)</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts Original & Final</u>	<u>Final to Actual Variance</u>
2,585,442	2,584,843	599
1,609,259	1,930,012	(320,753)
<u>204,184</u>	<u>221,000</u>	<u>(16,816)</u>
<u>4,398,885</u>	<u>4,735,855</u>	<u>(336,970)</u>
2,965,819	2,892,405	(73,414)
1,333,641	1,253,000	(80,641)
159,300	190,000	30,700
<u>483,238</u>	<u>201,575</u>	<u>(281,663)</u>
<u>4,941,998</u>	<u>4,536,980</u>	<u>(405,018)</u>
(543,113)	198,875	(741,988)
<u>2,349,632</u>	<u>26,198</u>	<u>2,323,434</u>
1,806,519	225,073	1,581,446
<u>959,293</u>	<u>378,001</u>	<u>581,292</u>
<u>2,765,812</u>	<u>603,074</u>	<u>2,162,738</u>

East Greene Community School District
Grand Junction, Iowa

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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2012 the District exceeded its General Fund unspent authorized budget.

East Greene Community School District

Grand Junction, Iowa

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 125	125	0.0%	2,060	6.1%
2011	Jul 1, 2009	-	125	125	0.0%	2,026	6.2%
2012	Jul 1, 2009	-	125	125	0.0%	1,906	6.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description,

See accompanying independent auditor's report.

Supplementary Information

East Greene Community School District
Grand Junction, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue			
Assets	Student <u>Activity</u>	<u>Management</u>	Debt <u>Service</u>	<u>Total</u>
Cash and pooled investments	\$ 15,207	316,137	-	331,344
Receivables:				
Property tax:				
Delinquent	-	1,891	-	1,891
Succeeding year	-	150,000	-	150,000
Total assets	\$ 15,207	468,028	-	483,235
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	975	-	975
Due to other funds	-	34,124	-	34,124
Deferred revenue:				
Succeeding year property tax	-	150,000	-	150,000
Total liabilities	-	185,099	-	185,099
Fund balances:				
Restricted for:				
Student activities	15,207	-	-	15,207
Management levy purposes	-	282,929	-	282,929
Total fund balances	15,207	282,929	-	298,136
Total liabilities and fund balances	\$ 15,207	468,028	-	483,235

See accompanying independent auditor's report.

East Greene Community School District
Grand Junction, Iowa

Schedule 2

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

Year ended June 30, 2012

	Special Revenue			
	Student Activity	Management	Debt Service	Total
Revenues:				
Local sources:				
Local tax	\$ -	132,496	-	132,496
Other	46,268	1	-	46,269
Total revenues	46,268	132,497	-	178,765
 Expenditures:				
Current:				
Instruction:				
Regular	-	62,064	-	62,064
Other	65,457	-	-	65,457
	65,457	62,064	-	127,521
Support services:				
Administration	-	2,836	-	2,836
Operation and maintenance of plant	-	27,018	-	27,018
Transportation	-	7,257	-	7,257
	-	37,111	-	37,111
Other expenditures:				
Long-term debt:				
Principal	-	-	23,282	23,282
Interest	-	-	987	987
	-	-	24,269	24,269
Total expenditures	65,457	99,175	24,269	188,901
Excess (deficiency) of revenues over expenditures	(19,189)	33,322	(24,269)	(10,136)
 Other financing sources:				
Operating transfers in	-	-	24,269	24,269
Net change in fund balances	(19,189)	33,322	-	14,133
Fund balances beginning of year	34,396	249,607	-	284,003
Fund balances end of year	\$ 15,207	282,929	-	298,136

See accompanying independent auditor's report.

East Greene Community School District
Grand Junction, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Advisory Committee	\$ 1,032	-	-		1,032
High School Student Council	765	1,581	1,944		402
Junior High Student Council	106	-	-		106
Drama	(177)	12	1,453	1,117	(501)
Science 7-12	23	-	-	(17)	6
Instrumental Music	1,253	-	(655)		1,908
Library	7	-	-		7
SADD	100	-	-	(30)	70
Home Ec	1,062	-	-		1,062
Class of 2002	-	41	-	(76)	(35)
Class of 2003	-	-	684	684	-
Class of 2005	18	-	-		18
Class of 2006	1,243	-	-		1,243
Class of 2007	265	-	-		265
Class of 2008	271	-	-		271
Class of 2009	2,067	-	(98)		2,165
Class of 2010	486	-	-		486
Class of 2011	489	-	-		489
Class of 2012	3,470	1,633	4,989	(1,000)	(886)
Class of 2013	1,863	10,397	7,798		4,462
Assembly	2,419	-	-		2,419
Lockers	1,917	30	-	(2,094)	(147)
Photography	10	-	-		10
National Honor Society	374	60	300		134
Athletic Fund Balance	(493)	5,200	1,053	(6,295)	(2,641)
Athletic Special	11,444	3,176	6,083	(1,822)	6,715
Basketball	(1,523)	5,428	5,458	30	(1,523)
Girls Basketball Fundraiser	455	-	-		455
Football	(3,619)	3,540	7,488	6,226	(1,341)
Baseball	(2,612)	1,690	4,545	2,948	(2,519)
Volleyball	2,203	816	1,034	(1,941)	44
Volleyball Fundraiser	39	-	-		39
Softball	(3,604)	52	-	2,242	(3,487)

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Track	(2,191)	1502	3374	1872	(2,191)
Cross Country	(232)	-	-		(232)
Golf	(671)	-	70	130	(611)
Magazine Sales	1,572	1,546	1,279	(1,839)	-
Weight Room	8,579	4,183	5,666	(1,012)	6,084
Football Cheerleaders	613	1,469	1,608		474
Basketball Cheerleaders	185	-	97		88
Elementary Student Council	1,446	3,363	2,521	(494)	1,794
Elementary Yearbook	2,025	-	-	(2,025)	-
Art 1-6	5	-	-		5
Band - Elementary Resale	(180)	-	-		(180)
Annual	(438)	325	4,623	3,279	(1,457)
Art 7-12	1,346	30	689	36	723
Band - High School Resale	764	246	985	(43)	(18)
Art Club	220	-	227	7	-
Total	<u>\$ 34,396</u>	<u>46,268</u>	<u>65,457</u>	<u>-</u>	<u>15,207</u>

See accompanying independent auditor's report.

East Greene Community School District
Grand Junction, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 2,515,409	112,647	2,628,056
Receivables:			
Property tax:			
Delinquent	-	1,692	1,692
Succeeding year	-	230,362	230,362
Due from other funds	6,090	-	6,090
Due from other governments	<u>64,038</u>	<u>-</u>	<u>64,038</u>
Total assets	<u>\$ 2,585,537</u>	<u>344,701</u>	<u>2,930,238</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 215,873	600	216,473
Due to other funds	31,250	2,404	33,654
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>230,362</u>	<u>230,362</u>
Total liabilities	<u>247,123</u>	<u>233,366</u>	<u>480,489</u>
Fund balances:			
Restricted for:			
Debt service	175,329	-	175,329
School infrastructure	2,163,085	-	2,163,085
Physical plant and equipment	<u>-</u>	<u>111,335</u>	<u>111,335</u>
Total fund balances	<u>2,338,414</u>	<u>111,335</u>	<u>2,449,749</u>
Total liabilities and fund balances	<u>\$ 2,585,537</u>	<u>344,701</u>	<u>2,930,238</u>

East Greene Community School District
Grand Junction, Iowa

Schedule 5

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

Year ended June 30, 2012

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 246,663	118,537	365,200
Other	<u>17,587</u>	<u>152</u>	<u>17,739</u>
Total revenues	<u>264,250</u>	<u>118,689</u>	<u>382,939</u>
Expenditures:			
Support services:			
Instructional staff	94,961	49,897	144,858
Operation and maintenance of plant	31,340	-	31,340
Transportation	<u>137,927</u>	<u>-</u>	<u>137,927</u>
	<u>264,228</u>	<u>49,897</u>	<u>314,125</u>
Other expenditures:			
Facilities acquisition	<u>301,788</u>	<u>20,871</u>	<u>322,659</u>
Total expenditures	<u>566,016</u>	<u>70,768</u>	<u>636,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(301,766)</u>	<u>47,921</u>	<u>(253,845)</u>
Other financing sources (uses):			
Revenue bonds issued	2,314,632	-	2,314,632
Operating transfers out	<u>(24,269)</u>	<u>-</u>	<u>(24,269)</u>
Total other financing sources (uses)	<u>2,290,363</u>	<u>-</u>	<u>2,290,363</u>
Net change in fund balances	1,988,597	47,921	2,036,518
Fund balances beginning of year	<u>349,817</u>	<u>63,414</u>	<u>413,231</u>
Fund balances end of year	<u>\$ 2,338,414</u>	<u>111,335</u>	<u>2,449,749</u>

See accompanying independent auditor's report.

East Greene Community School District
Grand Junction, Iowa

Schedule 6

Combining Schedule of Changes in Fund Balances
Fiduciary Funds -
Private Purpose Trust

Year ended June 30, 2012

	<u>Morse- Kennedy</u>	<u>Vivian & Howard Cox</u>	<u>Junction Masonic</u>
Revenues:			
Local sources:			
Miscellaneous income	\$ -	-	100
Interest on investments	<u>18</u>	<u>184</u>	<u>14</u>
Total Revenues	<u>18</u>	<u>184</u>	<u>114</u>
Expenditures:			
Instruction:			
Regular instruction:			
Other	<u>-</u>	<u>800</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	18	(616)	114
Balance beginning of year	<u>868</u>	<u>20,427</u>	<u>1,288</u>
Balance end of year	<u>\$ 886</u>	<u>19,811</u>	<u>1,402</u>

See accompanying independent auditor's report.

<u>Claus</u> <u>Loof</u>	<u>Beaty</u>	<u>Kay</u> <u>Sweet</u>	<u>Totals</u>
-	-	-	100
<u>159</u>	<u>60</u>	<u>1</u>	<u>436</u>
<u>159</u>	<u>60</u>	<u>1</u>	<u>536</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>
159	60	1	(264)
<u>21,339</u>	<u>10,507</u>	<u>256</u>	<u>54,685</u>
<u>21,498</u>	<u>10,567</u>	<u>257</u>	<u>54,421</u>

East Greene Community School District
Grand Junction, Iowa

Schedule 7

Schedule of Changes in Fiduciary Net Assets
Agency Fund

Year ended June 30, 2012

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Teachers lounge	\$ 3,148	-	-	3,148
Board clearing	396	-	-	396
Café flex plan	2,454	2,400	5,719	(865)
Foundation	23,377	-	-	23,377
	<u>\$ 29,375</u>	<u>2,400</u>	<u>5,719</u>	<u>26,056</u>

See accompanying independent auditor's report.

East Greene Community School District
Grand Junction, Iowa

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

For the Last Nine Years

	Modified Accrual Basis		
	2012	2011	2010
Revenues:			
Local sources:			
Local tax	\$ 2,373,506	2,300,971	2,133,128
Tuition	76,479	103,744	125,349
Other	94,943	578,512	245,427
State sources	1,607,818	1,885,496	1,665,127
Federal sources	138,058	326,218	272,861
Total	\$ 4,290,804	5,194,941	4,441,892
Expenditures:			
Instruction:	\$ 2,965,819	3,146,580	3,023,307
Support services:			
Student	171,918	107,417	79,875
Instructional staff	181,544	155,274	130,673
Administration	369,903	365,450	379,212
Operation and maintenance of plant	314,170	369,237	411,410
Transportation	296,106	181,950	190,843
Non-instructional programs	-	3,236	9,441
Other expenditures:			
Facilities acquisition	322,659	41,274	14,221
Long-term debt:			
Principal	23,282	22,338	13,004
Interest and other charges	987	1,930	554
AEA flowthrough	136,310	155,570	154,176
Total	\$ 4,782,698	4,550,256	4,406,716

See accompanying independent auditor's report.

Schedule 8

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1,938,796	1,571,133	1,721,705	1,553,476	1,613,843	1,478,049
128,414	119,869	107,569	140,894	136,591	102,867
166,071	140,039	170,364	142,012	186,911	124,871
2,030,162	2,023,730	1,837,205	1,978,788	1,817,284	1,715,511
<u>174,956</u>	<u>145,180</u>	<u>133,005</u>	<u>208,623</u>	<u>229,570</u>	<u>113,355</u>
<u>4,438,399</u>	<u>3,999,951</u>	<u>3,969,848</u>	<u>4,023,793</u>	<u>3,984,199</u>	<u>3,534,653</u>
2,821,205	2,710,819	2,752,070	2,711,882	2,642,669	2,576,108
79,424	90,915	57,064	72,501	68,904	76,606
67,970	85,594	175,289	157,334	164,938	140,744
377,240	373,880	441,507	360,621	415,716	415,123
296,535	306,152	269,480	400,412	243,296	236,822
142,997	215,354	242,850	146,018	184,796	150,474
1,696	2,645	3,754	3,041	3,224	4,282
82,656	126,926	211,487	33,928	136,975	87,630
24,132	11,200	11,200	11,200	11,200	11,200
626	-	-	-	-	-
<u>142,731</u>	<u>138,756</u>	<u>135,014</u>	<u>133,479</u>	<u>128,599</u>	<u>130,621</u>
<u>4,037,212</u>	<u>4,062,241</u>	<u>4,299,715</u>	<u>4,030,416</u>	<u>4,000,317</u>	<u>3,829,610</u>

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

To the Board of Education of
East Greene 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 East Greene 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 July 12, 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 East Greene Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered East Greene 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 East Greene Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Greene 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 material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12, I-B-12, I-C-12, and I-D-12 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-E-12, I-F-12 and I-G-12 to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Greene 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.

East Greene Community School District's responses to the 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 East Greene 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 East Greene Community School District and other parties to whom East Greene 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 East Greene Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

July 12, 2013

East Greene Community School District
Grand Junction, Iowa

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Significant Deficiencies:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Almost all financial duties are performed by one individual.

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

Response - We have hired a new board secretary, who is being trained by someone outside our district. This should help mitigate the lack of segregation of duties.

Conclusion - Response accepted.

I-B-12 Financial Reporting - During the audit, we identified material amounts of receivables, payables, capital asset additions and long term debt that was not recorded in the District's financial statements. We also noted certain accounts that were not adjusted to reconcile to the prior year audit report.

Recommendation - The District should implement procedures to ensure all receivables, payables, capital asset additions, long term debt are recorded in the financial statements and that the accounts reconcile to the audit report.

East Greene Community School District
Grand Junction, Iowa

Schedule of Findings

Year ended June 30, 2012

Response – This was due to the transition of the Board Secretary position as well as change in independent auditors. We do not anticipate this problem in the future.

Conclusion – Response accepted.

- I-C-12 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). East Greene Community School District does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

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

Response – Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

East Greene Community School District
Grand Junction, Iowa

Schedule of Findings

Year ended June 30, 2012

- I-D-12 Bank Reconciliations - It was noted during the course of our audit that there was several items on the bank reconciliations that were from prior years and should have been cleared off of the reconciliation.

Recommendation – The bank reconciliations should be reviewed monthly to see if there are any items that should be cleared off the reconciliation. If any items are noted, District personnel should investigate the item to determine the proper disposition.

Response – We have a new board secretary hired and the bank reconciliations will be reviewed monthly going forward.

Conclusion – Response accepted.

- I-E-12 Disbursement Approval – For 2 of 21 disbursements tested, there was no evidence of Board approval. Also, it was noted that the invoices were not marked paid or had any other evidence of cancellation. Further, it was noted that some of the claim were not paid timely and there was some finance charges paid by the district. Additionally, it was noted health insurance premiums were paid on personnel who had left the District's employ.

Recommendation – The district should review its procedures to ensure that all of the paid claims are listed on the monthly report approved by the board. Further, the District should indicate in some manner that invoices have been paid and paid timely. Additionally, the District should insure an employee is taken off the group insurance.

Response – We will review our procedures to insure all claims are listed on the monthly board reports and paid timely. We have already commenced indicating paid invoices with the next fiscal year. We have contacted our insurance company and received a partial refund for insurance benefits paid in error.

Conclusion – Response accepted.

East Greene Community School District
Grand Junction, Iowa

Schedule of Findings

Year ended June 30, 2012

I-F-12 Nutrition Reimbursement Claims – During the course of our audit, we noted that four months of claims due from the Federal Nutrition program were not filed with the State of Iowa.

Recommendation – The District should review its procedures to insure that all claims for reimbursement are filed and filed timely.

Response – We have reviewed our procedures and our claims will be submitted timely in the future.

Conclusion – Response accepted.

I-G-12 Private Purpose Scholarship Restrictions – Several of the scholarship funds that were donated to the District in past years include a restriction that only the interest on the gifts could be expended for scholarships. It was noted during the course of our audit that the principle amounts were being expended for scholarships.

Recommendation – The District should consult legal council to determine the disposition of this matter.

Response – We will do this.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the instruction, support services and other expenditures functions. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2012.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget over expenditure.

East Greene Community School District
Grand Junction, Iowa

Schedule of Findings

Year ended June 30, 2012

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We have already contacted the School Budget Review Committee to help resolve this issue. Also, with the pending reorganization, District officials feel that the future finances should be more stable.

Conclusion – Response accepted.

II-B-12 Questionable Expenditures - No expenditures that 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 - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Marc Hoffman, Board President, Partial Owner of Hoffman Bros	Vehicle, per bid	\$16,000
Ashley Johnston, Board Member, Spouse owns Johnston’s Corner	Repairs	1,653

The transaction with the board president does not appear to represent a conflict of interest as bids were taken. The transaction with the board member’s spouse does not appear to represent a conflict of interest as total transactions were less than \$2,500 during the fiscal year.

East Greene Community School District
Grand Junction, Iowa

Schedule of Findings

Year ended June 30, 2012

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

II-F-12 Board Minutes – As previously noted, two disbursements requiring Board approval had not been approved by the Board as required by Chapter 279 of the Code of Iowa. Also, we noted six month’s minutes were not published within two weeks as required by Chapter 279 of the Code of Iowa.

Recommendation – The District should review its procedures and insure that the disbursement listing provided to the Board is complete and make sure that the minutes are published within two weeks as required by the Code of Iowa.

Response – Our previous Board Secretary mistakenly thought that if the District’s minutes were published on the District’s web site, they did not have to be published in the paper. We will review our procedures and make sure they comply with the Code of Iowa.

Conclusion - Response accepted.

II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-12 Deposits and Investments – We noted that the District’s cash exceeded the dollar amount listed in its depository resolution.

Recommendation – The District should have amended its depository resolution in accordance with Chapter 12 of the Code of Iowa before the cash deposited exceeded the amount authorized.

Response – This was an oversight this year, as bonds were issued in June 2012. We review this amount annually to insure that our resolution is sufficient.

Conclusion – Response accepted.

East Greene Community School District
Grand Junction, Iowa

Schedule of Findings

Year ended June 30, 2012

- II-J-12 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely.

- II-K-12 Categorical Funding – No instances were noted of categorical funding being 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 349,817
Revenues:		
Sales tax revenues	\$ 246,663	
Other local revenues	17,587	
Issuance of revenue bonds	<u>2,314,632</u>	2,578,882
Expenditures/transfers out:		
School infrastructure construction	301,788	
Equipment	264,228	
Transfers to other funds:		
Debt service	<u>24,269</u>	<u>590,285</u>
Ending balance		\$ <u><u>2,338,414</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the Code of Iowa.

- II-M-12 Deficit Balances – A few student activity accounts had deficit balances at June 30, 2012. Also, the Nutrition Fund had a deficit balance of \$27,035 at June 30, 2012.

Recommendation – The District should investigate alternatives to eliminate these deficits and return these activity accounts and the Nutrition Fund to a sound financial condition.

East Greene Community School District
Grand Junction, Iowa

Schedule of Findings

Year ended June 30, 2012

Response – The fact that four months of claims were not submitted to the State of Iowa for the school lunch program contributed to the deficit balance. We will review these activity accounts and Nutrition Fund to return them to a sound financial condition.

Conclusion – Respond accepted.

- II-N-12 Signature of Board President – It was noted during the course of our audit that the board president did not sign the warrants for the Capital Project Fund, LOST account or the Special Revenue Fund, Student Activity account as required by Chapter 291 of the Code of Iowa.

Recommendation – The District should review its procedures and have the board president sign all warrants as required by the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

- II-O-12 Legally Separate Organizations – Based on a review of the Iowa Secretary of State's website for Iowa Corporations, it appeared that the East Greene Booster Club does not appear to be incorporated under the provisions of the Iowa Nonprofit Corporation Act. If an entity is not a separate legal entity, all transactions should be recorded and processed through the District's financial system and all transactions approved by the board of directors.

Recommendation – Even though this entity is immaterial to the District's financial statements, the District should determine the legal status of these funds to see if they should be included in the District's financial statements.

Response – We will do this.

Conclusion – Response accepted.