

**EAGLE GROVE COMMUNITY SCHOOL DISTRICT  
EAGLE GROVE, IOWA**

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

**YEAR ENDED JUNE 30, 2013**

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**Eagle Grove Community School District  
Eagle Grove, Iowa**

**Officials**

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

Jon Rowen	President	2013
Pat Manues	Vice President	2015
Tracy Crail	Board Member	2015
Erin Halverson	Board Member	2013
Elaine Schope	Board Member	2015

**School Officials**

Jess Toliver	Superintendent	2013
Teresa Pohlman	District Secretary/Treasurer and Business Manager	2013
Engel Law	Attorney	2013

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

## Certified Public Accountants

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### Independent Auditor's Report

To the Board of Education of  
Eagle Grove Community School District:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District, Eagle Grove, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary

information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Eagle Grove Community School District's internal control over financial reporting and compliance.

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

March 24, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Eagle Grove 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$9,395,958 in fiscal 2012 to \$9,289,154 in fiscal 2013, while General Fund expenditures increased from \$8,850,571 in fiscal 2012 to \$9,161,005 in fiscal 2013. The District's General Fund balance increased from \$1,413,410 at the end of fiscal 2012 to \$1,541,559 at the end of fiscal 2013, a 9.1% increase.
  
- The decrease in General Fund revenues was attributable to decreases in property tax revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

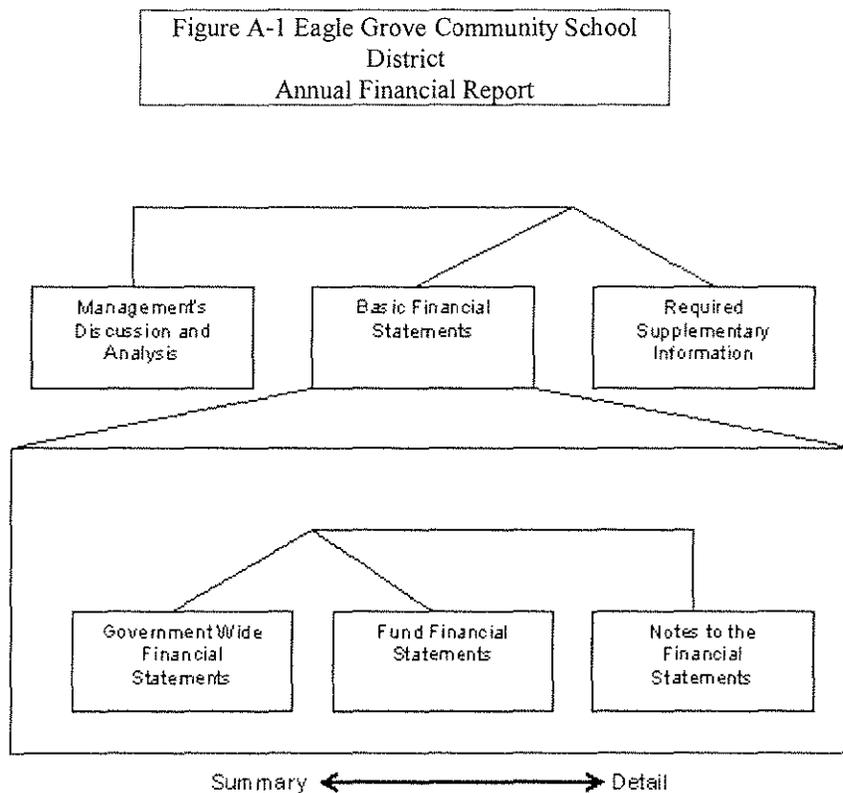


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	2012-2013
Current and other assets	\$ 11,143	6,887	43	46	11,186	6,933	61.3%
Capital assets	<u>8,901</u>	<u>9,495</u>	<u>28</u>	<u>18</u>	<u>8,929</u>	<u>9,513</u>	<u>-6.1%</u>
Total assets	<u>20,044</u>	<u>16,382</u>	<u>71</u>	<u>64</u>	<u>20,115</u>	<u>16,446</u>	<u>22.3%</u>
Long-term liabilities	8,523	5,028	18	---	8,541	4,109	107.9%
Other liabilities	<u>4,199</u>	<u>4,109</u>	<u>2</u>	<u>---</u>	<u>4,201</u>	<u>5,028</u>	<u>-16.4%</u>
Total liabilities	<u>12,722</u>	<u>9,137</u>	<u>20</u>	<u>---</u>	<u>12,742</u>	<u>9,137</u>	<u>39.5%</u>
Net position:							
Net investment in capital assets	4,891	5,205	28	18	4,919	5,223	-5.8%
Restricted	1,482	1,359	---	---	1,482	1,359	9.1%
Unrestricted	<u>949</u>	<u>681</u>	<u>23</u>	<u>46</u>	<u>972</u>	<u>727</u>	<u>33.7%</u>
Total net position	<u>\$ 7,322</u>	<u>7,245</u>	<u>51</u>	<u>64</u>	<u>7,373</u>	<u>7,309</u>	<u>0.9%</u>

The District's combined net assets increased 1% or approximately \$64,000, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$123,000 or 9%, over the prior year. The increase was primarily a result of increased revenues in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$245,000 or 34%. This increase in unrestricted net assets was a result of revenues exceeding expenditures.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 687	298	174	177	861	475	81.2%
Operating grants, contributions and restricted interest	1,579	1,949	360	320	1,939	2,269	-14.5%
Capital grants, contributions and restricted interest	25	---	---	---	25	---	100.0%
General revenues:							
Property tax	3,955	3,854	---	---	3,955	3,854	2.6%
Statewide sales, services and use tax	787	624	---	---	787	624	26.1%
Income surtax	217	173	---	---	217	173	25.4%
Unrestricted state grants	3,993	3,815	---	---	3,993	3,815	4.7%
Unrestricted investment earnings	3	2	---	---	3	2	50.0%
Other	94	291	---	---	94	291	-67.7%
Total revenues	<u>11,340</u>	<u>11,006</u>	<u>534</u>	<u>497</u>	<u>11,874</u>	<u>11,503</u>	<u>3.2%</u>
Program expenses:							
Instruction	6,531	6,575	---	---	6,531	6,575	-0.7%
Support services	2,877	2,498	---	---	2,877	2,498	15.2%
Non-instructional programs	2	21	547	496	549	517	6.2%
Other expenses	<u>1,049</u>	<u>1,063</u>	<u>---</u>	<u>---</u>	<u>1,049</u>	<u>1,063</u>	<u>-1.3%</u>
Total expenses	<u>10,459</u>	<u>10,157</u>	<u>547</u>	<u>496</u>	<u>11,006</u>	<u>10,653</u>	<u>3.3%</u>
Increase (decrease) in net position	881	849	(13)	1	868	850	2.1%
Net position beginning of year, as restated	<u>6,441</u>	<u>6,396</u>	<u>64</u>	<u>63</u>	<u>6,505</u>	<u>6,459</u>	<u>0.7%</u>
Net position end of year	<u>\$ 7,322</u>	<u>7,245</u>	<u>51</u>	<u>64</u>	<u>7,373</u>	<u>7,309</u>	<u>0.9%</u>

In fiscal year 2013, property tax and unrestricted state grants account for 70.1% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$11.9 million, of which approximately \$11.3 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.2% increase in revenues and a 3.3% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$11,339,348 and expenses were \$10,458,863 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses below available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 6,531	6,575	-0.7%	4,668	4,674	-0.1%
Support services	2,877	2,498	15.2%	2,816	2,471	14.0%
Non-instructional programs	2	21	-90.5%	2	21	-90.5%
Other expenses	<u>1,049</u>	<u>1,063</u>	<u>-1.3 %</u>	<u>682</u>	<u>744</u>	<u>-8.3%</u>
Total	\$ 10,459	10,157	3.0%	8,168	7,910	3.3%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$686,860.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,579,019.
- The net cost of governmental activities was financed with \$4,958,812 in property and other taxes and \$3,992,994 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$533,925, representing a 7.5% increase over the prior year, while expenses totaled \$547,011, a 10.3% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,722,991, well above last year's ending fund balances of \$2,581,450. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2013 is due to approximately \$3.8 million of general obligation refunding bond proceeds received in fiscal year 2013 that are to be used to call the old general obligation bonds in May 2014.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,413,410 to \$1,541,559 due to keeping expenditures below available revenues.
- The Debt Service Fund balance increased from \$2,951 at the end of fiscal year 2012 to \$3,753,176 at the end of fiscal 2013 due to general obligation refunding bonds being issued to call the old general obligation bonds in May 2014.
- The Capital Projects Fund balance ended fiscal year 2012 with a balance of \$973,756. Fiscal year 2013 ended with a balance of \$1,079,858.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$64,107 at June 30, 2012 to \$51,021 at June 30, 2013, representing a decrease of approximately 20% due, in part, to an increase in expenditures.

## **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$645,885 more than total budgeted revenues, a variance of 5.8%. The largest variance was in federal sources where more funds were received than anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional program functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the District had invested approximately \$8.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-6) This represents a net decrease of 6.1% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$416,886.

The original cost of the District's capital assets was approximately \$13.2 million. Governmental funds account for approximately \$13.1 million with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The District had a capital asset inventory taken during the year. This resulted in a decrease in the beginning capital assets, net of accumulated depreciation of approximately \$807,000.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 131	131	---	---	131	131	0.0%
Construction in progress	141	---	---	---	141	---	100.0%
Buildings	7,791	9,011	---	---	7,791	9,011	-13.5%
Improvements other than buildings	126	9	---	---	126	9	1,300.0%
Furniture and equipment	712	344	28	18	740	362	104.4%
Total	\$ 8,901	9,495	28	18	8,929	9,513	-6.1%

### Long-Term Debt

At June 30, 2013, the District had \$7,954,495 long-term debt outstanding. (See Figure A-7) This represents an increase of approximately 77% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In March 2013, the District issued \$3,810,000 of general obligation refunding bonds to call the June 1, 2004 general obligation bonds in May 2014. The District had total outstanding bonded indebtedness at June 30, 2013 of \$7,801,007.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in thousands)</b>			
	Total District		Total Change
	June 30.		June 30.
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
General obligation bonds	\$ 4,010	4,290	-6.5%
General obligation refunding bonds	3,791	---	100.0%
Early retirement	<u>153</u>	<u>201</u>	<u>-23.9%</u>
Totals	<u>\$ 7,954</u>	<u>4,491</u>	<u>77.1%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District began to levy property taxes in fiscal year 2012 to pay for principal and interest on long-term debt.
- The potential for decreasing enrollment exists. Funding for the District is directly related to enrollment levels.
- Inadequate allowable growth prevents expansion of program.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance and the Affordable Care Act continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Pohlman, District Secretary/Treasurer and Business Manager, Eagle Grove Community School District, 325 N. Commercial, Eagle Grove, Iowa 50533.

## **Basic Financial Statements**

Eagle Grove Community School District  
Eagle Grove, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 6,397,620	46,553	6,444,173
Receivables:			
Property tax:			
Delinquent	41,692	-	41,692
Succeeding year	4,004,303	-	4,004,303
Accrued interest	284	-	284
Due from other governments	637,958	11,074	649,032
Due from other funds	20,000	(20,000)	-
Inventories	-	5,742	5,742
Capital assets, net of accumulated depreciation	8,901,172	28,130	8,929,302
Bond issuance costs, net of accumulated amortization	40,494	-	40,494
<b>Total assets</b>	<u>20,043,523</u>	<u>71,499</u>	<u>20,115,022</u>
<b>Liabilities</b>			
Accounts payable	150,066	-	150,066
Early retirement payable	8,786	-	8,786
Accrued interest payable	35,714	-	35,714
Deferred revenue:			
Succeeding year property tax	4,004,303	-	4,004,303
Other	-	2,153	2,153
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	4,010,000	-	4,010,000
Early retirement	126,900	-	126,900
Portion due after one year:			
General obligation bonds (net of \$18,993 unamortized discount)	3,791,007	-	3,791,007
Early retirement	26,588	-	26,588
Net OPEB liability	568,079	18,325	586,404
<b>Total liabilities</b>	<u>12,721,443</u>	<u>20,478</u>	<u>12,741,921</u>

(continued)

Eagle Grove Community School District  
Eagle Grove, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>Net position</b>			
Net investment in capital assets	4,891,172	28,130	4,919,302
Restricted for:			
Health benefits	3,181		3,181
Categorical funding	184,948	-	184,948
Management levy purposes	125,595	-	125,595
School infrastructure	1,099,171	-	1,099,171
Student activities	69,315	-	69,315
Unrestricted	948,698	22,891	971,589
<b>Total net position</b>	<u>\$ 7,322,080</u>	<u>51,021</u>	<u>7,373,101</u>

See notes to financial statements.

Eagle Grove Community School District  
Eagle Grove, Iowa  
Statement of Activities  
Year ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b><u>Functions/Programs:</u></b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,608,349	267,841	590,782	-
Special instruction	1,580,822	138,758	292,213	-
Other instruction	1,341,681	277,664	295,904	-
	<u>6,530,852</u>	<u>684,263</u>	<u>1,178,899</u>	<u>-</u>
Support services:				
Student	235,161	-	22,141	-
Instructional staff	431,330	-	19,820	-
Administration	1,204,691	-	829	-
Operation and maintenance of plant	563,678	183	-	-
Transportation	442,136	2,414	15,786	-
	<u>2,876,996</u>	<u>2,597</u>	<u>58,576</u>	<u>-</u>
Non-instructional programs	<u>2,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	281,511	-	-	25,000
Long-term debt interest	210,440	-	-	-
AEA flowthrough	341,544	-	341,544	-
Depreciation (unallocated)*	215,043	-	-	-
	<u>1,048,538</u>	<u>-</u>	<u>341,544</u>	<u>25,000</u>
Total governmental activities	<u>10,458,863</u>	<u>686,860</u>	<u>1,579,019</u>	<u>25,000</u>
Business type activities:				
Non-instructional programs:				
Food service operations	547,011	173,665	360,218	-
Total business type activities	<u>547,011</u>	<u>173,665</u>	<u>360,218</u>	<u>-</u>
Total	<u>\$ 11,005,874</u>	<u>860,525</u>	<u>1,939,237</u>	<u>25,000</u>
<b><u>General Revenues:</u></b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(2,749,726)	-	(2,749,726)
(1,149,851)	-	(1,149,851)
(768,113)	-	(768,113)
<u>(4,667,690)</u>	<u>-</u>	<u>(4,667,690)</u>
(213,020)	-	(213,020)
(411,510)	-	(411,510)
(1,203,862)	-	(1,203,862)
(563,495)	-	(563,495)
(423,936)	-	(423,936)
<u>(2,815,823)</u>	<u>-</u>	<u>(2,815,823)</u>
<u>(2,477)</u>	<u>-</u>	<u>(2,477)</u>
(256,511)	-	(256,511)
(210,440)	-	(210,440)
-	-	-
<u>(215,043)</u>	<u>-</u>	<u>(215,043)</u>
<u>(681,994)</u>	<u>-</u>	<u>(681,994)</u>
<u>(8,167,984)</u>	<u>-</u>	<u>(8,167,984)</u>
-	(13,128)	(13,128)
-	(13,128)	(13,128)
<u>(8,167,984)</u>	<u>(13,128)</u>	<u>(8,181,112)</u>
3,399,714	-	3,399,714
318,116	-	318,116
237,390	-	237,390
217,006	-	217,006
786,586	-	786,586
3,992,994	-	3,992,994
3,045	42	3,087
93,618	-	93,618
<u>9,048,469</u>	<u>42</u>	<u>9,048,511</u>
880,485	(13,086)	867,399
6,441,595	64,107	6,505,702
<u>\$ 7,322,080</u>	<u>51,021</u>	<u>7,373,101</u>

Eagle Grove Community School District  
Eagle Grove, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 1,398,950	892,702	3,749,811	352,976	6,394,439
Receivables:					
Property tax:					
Delinquent	31,608	2,511	3,365	4,208	41,692
Succeeding year	2,979,815	249,921	424,567	350,000	4,004,303
Accrued interest	176	108	-	-	284
Due from other funds	20,000	-	-	-	20,000
Due from other governments	431,594	206,364	-	-	637,958
<b>Total assets</b>	<u>\$ 4,862,143</u>	<u>1,351,606</u>	<u>4,177,743</u>	<u>707,184</u>	<u>11,098,676</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 128,239	21,827	-	-	150,066
Early retirement payable	-	-	-	8,786	8,786
Deferred revenue:					
Succeeding year property tax	2,979,815	249,921	424,567	350,000	4,004,303
Income surtax	212,530	-	-	-	212,530
<b>Total liabilities</b>	<u>3,320,584</u>	<u>271,748</u>	<u>424,567</u>	<u>358,786</u>	<u>4,375,685</u>
Fund balances:					
Restricted for:					
Categorical funding	184,948	-	-	-	184,948
Debt service	-	-	3,753,176	-	3,753,176
Management levy purposes	-	-	-	279,083	279,083
Student activities	-	-	-	69,315	69,315
School infrastructure	-	1,099,171	-	-	1,099,171
Assigned	17,779	-	-	-	17,779
Unassigned	1,338,832	(19,313)	-	-	1,319,519
<b>Total fund balances</b>	<u>1,541,559</u>	<u>1,079,858</u>	<u>3,753,176</u>	<u>348,398</u>	<u>6,722,991</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,862,143</u>	<u>1,351,606</u>	<u>4,177,743</u>	<u>707,184</u>	<u>11,098,676</u>

See notes to financial statements.

Eagle Grove Community School District  
Eagle Grove, Iowa

Exhibit D

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

June 30, 2013

**Total fund balances of governmental funds (page 21)** \$ 6,722,991

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 8,901,172

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 212,530

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. (35,714)

Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and therefore, are not reported in the governmental funds. (8,522,574)

Bond issuance costs are not available to pay current period debt and, therefore, are not included in the governmental funds. 40,494

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 3,181

**Net position of governmental activities (page 18)** \$ 7,322,080

See notes to financial statements.

Eagle Grove Community School District  
 Eagle Grove, Iowa  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 Year ended June 30, 2013

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 3,216,607	1,023,976	318,115	399,453	4,958,151
Tuition	382,486	-	-	-	382,486
Other	165,987	24,827	-	257,735	448,549
State sources	5,012,969	106	142	179	5,013,396
Federal sources	511,105	25,000	-	-	536,105
Total revenues	<u>9,289,154</u>	<u>1,073,909</u>	<u>318,257</u>	<u>657,367</u>	<u>11,338,687</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,436,536	77,545	-	88,592	3,602,673
Special	1,607,888	-	-	-	1,607,888
Other	1,073,776	-	-	264,421	1,338,197
	<u>6,118,200</u>	<u>77,545</u>	<u>-</u>	<u>353,013</u>	<u>6,548,758</u>
Support services:					
Student	234,503	-	-	-	234,503
Instructional staff	494,846	-	-	-	494,846
Administration	1,049,773	-	-	97,916	1,147,689
Operation and maintenance of plant	524,322	-	-	32,997	557,319
Transportation	395,340	229,465	-	16,376	641,181
	<u>2,698,784</u>	<u>229,465</u>	<u>-</u>	<u>147,289</u>	<u>3,075,538</u>
Non-instructional programs	2,477	-	-	-	2,477
Other expenditures:					
Facilities acquisition	-	508,902	-	-	508,902
Long-term debt:					
Principal	-	-	280,000	-	280,000
Interest and fiscal charges	-	-	230,496	-	230,496
AEA flowthrough	341,544	-	-	-	341,544
	<u>341,544</u>	<u>508,902</u>	<u>510,496</u>	<u>-</u>	<u>1,360,942</u>
Total expenditures	<u>9,161,005</u>	<u>815,912</u>	<u>510,496</u>	<u>500,302</u>	<u>10,987,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,149</u>	<u>257,997</u>	<u>(192,239)</u>	<u>157,065</u>	<u>350,972</u>
Other financing sources (uses):					
Refunding bonds issued	-	-	3,810,000	-	3,810,000
Discount on refunding bonds issued	-	-	(19,431)	-	(19,431)
Operating transfers in	-	-	151,895	-	151,895
Operating transfers out	-	(151,895)	-	-	(151,895)
Total other financing sources (uses)	<u>-</u>	<u>(151,895)</u>	<u>3,942,464</u>	<u>-</u>	<u>3,790,569</u>
Change in fund balances	128,149	106,102	3,750,225	157,065	4,141,541
Fund balances beginning of year	<u>1,413,410</u>	<u>973,756</u>	<u>2,951</u>	<u>191,333</u>	<u>2,581,450</u>
Fund balances end of year	<u>\$ 1,541,559</u>	<u>1,079,858</u>	<u>3,753,176</u>	<u>348,398</u>	<u>6,722,991</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, 2013

Change in fund balances - total governmental funds (page 23) \$ 4,141,541

*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	\$ 627,335	
Depreciation	<u>(414,985)</u>	212,350

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. 661

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

Issued	(3,810,000)	
Discount on bonds issued	18,993	
Bond issuance cost	40,494	
Repaid	<u>280,000</u>	(3,470,513)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (20,000)

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

Early retirement	47,138	
Other postemployment benefits	<u>(30,695)</u>	16,443

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 3

Change in net position of governmental activities (page 20) \$ 880,485

Eagle Grove Community School District  
Eagle Grove, Iowa

Exhibit G

Statement of Net Position  
Proprietary Fund

June 30, 2013

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 46,553	3,181
Due from other governments	11,074	-
Inventories	5,742	-
Total current assets	<u>63,369</u>	<u>3,181</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>28,130</u>	-
Total noncurrent assets	<u>28,130</u>	-
<b>Total assets</b>	<u>91,499</u>	<u>3,181</u>
<b>Liabilities</b>		
Current liabilities:		
Deferred revenue	2,153	-
Due to other funds	20,000	-
Total current liabilities	<u>22,153</u>	-
Noncurrent liabilities:		
Net OPEB liability	<u>18,325</u>	-
Total noncurrent liabilities	<u>18,325</u>	-
<b>Total liabilities</b>	<u>40,478</u>	-
<b>Net Position</b>		
Investment in capital assets	28,130	-
Unrestricted	<u>22,891</u>	<u>3,181</u>
<b>Total net position</b>	<u>\$ 51,021</u>	<u>3,181</u>

See notes to financial statements.

Eagle Grove Community School District  
Eagle Grove, Iowa

Exhibit H

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

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 173,664	41,903
Total operating revenues	<u>173,664</u>	<u>41,903</u>
Operating expenses:		
Non-instructional programs:		
Salaries	132,414	-
Benefits	64,555	41,903
Supplies	348,141	-
Depreciation	1,901	-
	<u>547,011</u>	<u>41,903</u>
Total operating expenses	<u>547,011</u>	<u>41,903</u>
Operating loss	<u>(373,347)</u>	<u>-</u>
Non-operating revenues:		
State sources	3,975	-
Federal sources	356,244	-
Interest income	42	3
Total non-operating revenues	<u>360,261</u>	<u>3</u>
Increase (decrease) in net position	(13,086)	3
Net position beginning of year	<u>64,107</u>	<u>3,178</u>
Net position end of year	<u>\$ 51,021</u>	<u>3,181</u>
See notes to financial statements.		

Eagle Grove Community School District  
Eagle Grove, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 164,743	-
Cash received from other services	-	41,903
Cash paid to employees for services	(178,644)	(41,903)
Cash paid to suppliers for goods or services	<u>(301,119)</u>	<u>-</u>
Net cash used by operating activities	<u>(315,020)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
State grants received	3,975	-
Federal grants received	<u>334,838</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>338,813</u>	<u>-</u>
Cash flows used by capital and related financing activities:		
Acquisition of capital assets	<u>(11,739)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>42</u>	<u>3</u>
Net increase (decrease) in cash and cash equivalents	12,096	3
Cash and cash equivalents beginning of year	<u>34,457</u>	<u>3,178</u>
Cash and cash equivalents end of year	<u>\$ 46,553</u>	<u>3,181</u>

(continued)

Eagle Grove Community School District  
Eagle Grove, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (373,347)	-
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	21,406	-
Depreciation	1,901	-
(Increase) in accounts receivable	(11,074)	-
Decrease in inventories	5,616	-
Increase in due to other fund	20,000	-
Increase in other postemployment benefits	18,325	-
Increase in deferred revenue	2,153	-
Net cash used by operating activities	<u>\$ (315,020)</u>	<u>-</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2013, the District received \$21,406 of federal commodities.

See notes to financial statements.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

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

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

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

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

B. Basis of Presentation

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

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

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

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments– The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ ---
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
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 years
Furniture and equipment	5-15 years

Eagle Grove Community School District  
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Notes to Financial Statements

June 30, 2013

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 Position 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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

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

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

Assigned – Amounts the District intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the non-instructional programs function.

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

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: School Nutrition	\$ <u>20,000</u>

The Enterprise, School Nutrition Fund is repaying the General Fund for cash loaned to it to alleviate a temporary cash shortage due to an unexpected rise in operating costs during the year. The balance is to be repaid by October 1, 2013.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 151,895</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 131,192	---	---	131,192
Construction in progress	---	140,970	---	140,970
Total capital assets not being depreciated	<u>131,192</u>	<u>140,970</u>	<u>---</u>	<u>272,162</u>
Capital assets being depreciated:				
Buildings	10,764,174	35,099	---	10,799,273
Improvements other than buildings	590,540	---	---	590,540
Furniture and equipment	1,052,873	451,266	---	1,504,139
Total capital assets being depreciated	<u>12,407,587</u>	<u>486,365</u>	<u>---</u>	<u>12,893,952</u>
Less accumulated depreciation for:				
Buildings	2,822,662	185,580	---	3,008,242
Improvements other than buildings	435,357	29,463	---	464,820
Furniture and equipment	591,938	199,942	---	791,880
Total accumulated depreciation	<u>3,849,957</u>	<u>414,985</u>	<u>---</u>	<u>4,264,942</u>
Total capital assets being depreciated, net	<u>8,557,630</u>	<u>71,380</u>	<u>---</u>	<u>8,629,010</u>
Governmental activities capital assets, net	<u>\$ 8,688,822</u>	<u>212,350</u>	<u>---</u>	<u>8,901,172</u>

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 77,016	11,739	---	88,755
Less accumulated depreciation	<u>58,724</u>	<u>1,901</u>	---	<u>60,625</u>
Business type activities capital assets, net	<u>\$ 18,292</u>	<u>9,838</u>	---	<u>28,130</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 123,198

Support services:

Administration 53,461

Operation and maintenance of plant 4,394

Transportation 18,889

199,942

Unallocated

215,043

Total depreciation expense – governmental activities \$ 414,985

=====

Business type activities:

Food service operations \$ 1,901

=====

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,290,000	---	280,000	4,010,000	4,010,000
General obligation refunding bonds	---	3,791,007	---	3,791,007 (1)	---
Early retirement	200,626	98,000	145,138	153,488	126,900
Net OPEB liability	<u>537,384</u>	<u>30,695</u>	---	<u>568,079</u>	---
Total	<u>\$ 5,028,010</u>	<u>3,919,702</u>	<u>425,138</u>	<u>8,522,574</u>	<u>4,136,900</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2013 totaled \$18,993.

Eagle Grove Community School District  
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Notes to Financial Statements

June 30, 2013

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ <u>---</u>	<u>18,325</u>	<u>---</u>	<u>18,325</u>	<u>---</u>

General Obligation Refunding Bonds

On March 25, 2013, the District issued \$3,810,000 of general obligation refunding bonds, with interest rates ranging from 0.40% to 1.75%, for a crossover refunding of a portion of the general obligation bonds issued June 1, 2004. The District entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$4,010,000 principal on the refunded general obligation bonds when they become callable on May 1, 2014 and the interest from March 25, 2013 to and including May 1, 2014 on the refunding bonds. After principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

The District refunded the bonds to reduce its total debt service payments by approximately \$574,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$530,000. Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Eagle Grove Community School District  
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Notes to Financial Statements

June 30, 2013

<u>Bond Issue of March 25, 2013</u>				
Year Ending June 30	Interest Rates	Principal	Interest	Total
2014	---	\$ ---	45,991	45,991
2015	0.40%	365,000	41,810	406,810
2016	0.50	370,000	40,350	410,350
2017	0.65	375,000	38,500	413,500
2018	0.85	375,000	36,063	411,063
2019-2023	1.00-1.65	1,925,000	119,450	2,044,450
2024	1.75	400,000	7,000	407,000
Total		\$3,810,000	329,164	4,139,164

Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed at least sixteen consecutive years of service to the District. The application for early retirement is subject to approval by the Board of Education. The Board must approve implementation of the policy each school year.

The early retirement benefit for those retiring during the year ended June 30, 2013 is a one-time cash payment of \$16,000 to teachers and \$9,000 to support staff. The early retirement benefit for those retiring in a prior year were equal to \$10,000 plus a portion of their health insurance for up to three years.

At June 30, 2013, the District has obligations to 15 participants. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$145,138.

**(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.

Eagle Grove Community School District  
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Notes to Financial Statements

June 30, 2013

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$469,300, \$417,912 and \$324,529, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 96 active and ten retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

Annual required contribution	\$ 165,963
Interest on net OPEB obligation	13,435
Adjustment to annual required contribution	<u>(54,089)</u>
Annual OPEB cost	125,309
Contributions made	<u>(76,289)</u>
Increase in net OPEB obligation	49,020
Net OPEB obligation beginning of year	<u>537,384</u>
 Net OPEB obligation end of year	 \$ 586,404 <u>=====</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, 2013.

For the year ended June 30, 2013, the District contributed \$76,289 to the medical plan. Plan members eligible for benefits contributed \$55,489 or 84% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 184,306	5.2%	\$ 349,223
2012	199,708	5.8%	537,384
2013	125,309	60.9%	586,404

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,090,023, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,090,023. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,336,000 and the ratio of the UAAL to covered payroll was 25.1%. As of June 30, 2013, there were no trust fund assets.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

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

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

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

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

Projected claim costs of the medical plan are \$1,019 per month for retirees less than age 65 and \$666 per month for retirees who have attained age 65. 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.

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

**(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 \$341,544 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Operating Leases**

The District entered into an operating lease with IKON Office Solutions for the rental of six copiers on May 4, 2011 for a period of 48 months. The amount paid for the fiscal year ended June 30, 2013 was \$23,727. Future rentals are as follows:

Year Ending <u>June 30,</u>	
2014	\$ 23,727
2015	<u>21,750</u>
Total	\$ <u>45,477</u>

The District entered into a lease with Eagle's Wing Childcare and Pre-School Center to rent space for the preschool program. The lease is for 36 months commencing July 1, 2012 and terminating June 30, 2015. The lease is \$9,000 annually with one payment due in July. The rent paid on this lease for the year ended June 30, 2013 was \$9,000.

Future rentals are as follows:

Year Ending <u>June 30,</u>	
2014	\$ 9,000
2015	<u>9,000</u>
Total	\$ <u>18,000</u>

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2013

**(12) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
English Language Learning	\$ 74,365
Home School Assistance	27,445
Teacher salary supplement	32,554
Professional development	<u>50,584</u>
Total	<u>\$ 184,948</u>

**(13) Construction Commitment**

The District has entered into two contracts totaling \$263,950 for roofing projects. As of June 30, 2013, costs of 140,970 had been incurred against the contracts. The balance of \$122,980 remaining at June 30, 2013 will be paid as work on the project progresses.

**(14) Deficit Fund Balance**

The Capital Projects, Physical Plant and Equipment Levy account had a deficit fund balance of \$19,313 at June 30, 2013. The deficit will be eliminated by revenues received in the following year. The deficit in the Capital Projects, Physical Plant and Equipment Levy account was due to expenditures being incurred before receipts were available to pay for them.

**(15) Restatement**

The beginning net position was restated due to a capital asset inventory being completed by the District during the year. The net position change is as follows:

**Government-wide Financial Statements:**  
(Governmental activities)

Net position, June 30, 2012	\$ 7,248,200
Restatement adjustment for capital asset inventory	<u>(806,605)</u>
Net position, July 1, 2012	<u>\$ 6,441,595</u>

Eagle Grove Community School District  
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Notes to Financial Statements

June 30, 2013

**(16) Subsequent Events**

Subsequent events have been evaluated through March 24, 2014 which is the date the financial statements were available to be issued.

**Required Supplementary Information**

Eagle Grove Community School District  
Eagle Grove, 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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 5,789,186	173,706
State sources	5,013,396	3,975
Federal sources	<u>536,105</u>	<u>356,244</u>
Total revenues	<u>11,338,687</u>	<u>533,925</u>
Expenditures/Expenses:		
Instruction	6,548,758	-
Support services	3,075,538	-
Non-instructional programs	2,477	547,011
Other expenditures	<u>1,360,942</u>	<u>-</u>
Total expenditures/expenses	<u>10,987,715</u>	<u>547,011</u>
Excess (deficiency ) of revenues over (under) expenditures/expenses	350,972	(13,086)
Other financing sources, net	<u>3,790,569</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	4,141,541	(13,086)
Balances beginning of year	<u>2,581,450</u>	<u>64,107</u>
Balances end of year	<u>\$ 6,722,991</u>	<u>51,021</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
5,962,892	5,708,214	5,708,214	254,678
5,017,371	5,058,513	5,058,513	(41,142)
892,349	460,000	460,000	432,349
<u>11,872,612</u>	<u>11,226,727</u>	<u>11,226,727</u>	<u>645,885</u>
6,548,758	7,187,131	7,187,131	638,373
3,075,538	3,779,991	3,779,991	704,453
549,488	509,537	509,537	(39,951)
1,360,942	1,382,043	1,382,043	21,101
<u>11,534,726</u>	<u>12,858,702</u>	<u>12,858,702</u>	<u>1,323,976</u>
337,886	(1,631,975)	(1,631,975)	1,969,861
<u>3,790,569</u>	<u>150,000</u>	<u>150,000</u>	<u>3,640,569</u>
4,128,455	(1,481,975)	(1,481,975)	5,610,430
<u>2,645,557</u>	<u>1,662,941</u>	<u>1,662,941</u>	<u>982,616</u>
<u>6,774,012</u>	<u>180,966</u>	<u>180,966</u>	<u>6,593,046</u>

Eagle Grove Community School District  
Eagle Grove, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function 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, 2013, expenditures in the non-instructional programs function exceeded the amount budgeted.

Eagle Grove Community School District

Eagle Grove, Iowa

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 1,599	1,599	0.0%	4,960	32.2%
2011	Jul 1, 2009	-	1,599	1,599	0.0%	5,057	31.6%
2012	Jul 1, 2009	-	1,522	1,522	0.0%	5,311	28.7%
2013	Jul 1, 2012	-	1,090	1,090	0.0%	4,336	25.1%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue		
	Manage- ment <u>Levy</u>	Student <u>Activity</u>	<u>Total</u>
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 283,661	69,315	352,976
Receivables:			
Property tax:			
Delinquent	4,208	-	4,208
Succeeding year	350,000	-	350,000
<b>Total assets</b>	<b>\$ 637,869</b>	<b>69,315</b>	<b>707,184</b>
 <b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 350,000	-	350,000
Early retirement	8,786	-	8,786
<b>Total liabilities</b>	<b>358,786</b>	<b>-</b>	<b>358,786</b>
Fund balances:			
Restricted for:			
Management levy purposes	279,083	-	279,083
Student activities	-	69,315	69,315
<b>Total fund balances</b>	<b>279,083</b>	<b>69,315</b>	<b>348,398</b>
<b>Total liabilities and fund balances</b>	<b>\$ 637,869</b>	<b>69,315</b>	<b>707,184</b>

See accompanying independent auditor's report.

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule 2

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

Year ended June 30, 2013

	<u>Special Revenue</u>		
	<u>Manage- ment Levy</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 399,453	-	399,453
Other	3,625	254,110	257,735
State sources	179	-	179
Total revenues	<u>403,257</u>	<u>254,110</u>	<u>657,367</u>
Expenditures:			
Current:			
Instruction:			
Regular	88,592	-	88,592
Other	460	263,961	264,421
Support services:			
Administration	97,916	-	97,916
Operation and maintenance of plant	32,997	-	32,997
Transportation	16,376	-	16,376
Total expenditures	<u>236,341</u>	<u>263,961</u>	<u>500,302</u>
Excess (deficiency) of revenues over (under) expenditures	166,916	(9,851)	157,065
Fund balances beginning of year	<u>112,167</u>	<u>79,166</u>	<u>191,333</u>
Fund balances end of year	<u>\$ 279,083</u>	<u>69,315</u>	<u>348,398</u>

See accompanying independent auditor's report.

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
HS Musical	\$ 2,496	4,008	4,337	-	2,167
HS Speech/Drama	174	-	214	-	(40)
Trip Fund/Music Department	2,924	11,353	6,342	-	7,935
Music Concession Account	-	20,923	20,923	-	-
HS Vocal Music	9,850	6,080	3,281	-	12,649
HS Band	2,259	3,580	2,845	-	2,994
HS-MS Music	1,469	712	16	-	2,165
MS Music	(127)	-	-	127	-
General Athletic Account	(11,036)	5,839	9,110	(2,860)	(17,167)
Concessions	625	1,150	1,150	-	625
Weighlifting	700	160	208	(739)	(87)
Athletic Uniforms	585	-	-	-	585
HS Boys Basketball	693	7,353	4,549	(693)	2,804
MS Boys Basketball	(390)	-	951	390	(951)
Boys Basketball Camp	(264)	411	-	-	147
HS Football	(1,893)	14,208	9,881	1,893	4,327
MS Football	(1,447)	-	1,350	1,447	(1,350)
Football Camp	3,367	8,882	8,164	-	4,085
Baseball	(6,037)	901	7,705	6,037	(6,804)
Baseball Camp	907	1,197	1,064	-	1,040
HS Cross Country	(142)	541	887	142	(346)
HS Cross Country Extracurricular	944	119	233	-	830
HS Boys Track	(638)	257	4,846	638	(4,589)
HS Boys Track Camp	141	1,058	825	-	374
MS Boys Track	(48)	158	431	48	(273)
HS Boys Golf	(86)	7	205	86	(198)
HS Boys Golf Camp	484	210	186	-	508
HS Wrestling	1,529	6,775	7,934	(1,529)	(1,159)
HS Wrestling Camp	827	700	1,649	-	(122)
MS Wrestling	(140)	-	140	140	(140)
HS Girls Basketball	3,267	7,337	4,629	(3,267)	2,708
Girls Basketball Camp	310	6,324	5,033	(247)	1,354
MS Girls Basketball	(325)	-	580	325	(580)
Volleyball Camp	964	-	200	-	764
HS Volleyball	967	9,536	7,314	(967)	2,222
MS Volleyball	(148)	-	70	148	(70)
Softball	(3,362)	1,458	8,291	3,362	(6,833)

(continued)

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Softball Camp	933	1,500	500	-	1,933
HS Girls Cross Country	(265)	736	1,069	265	(333)
HS Girls Cross Country Extracurricular	(2)	676	752	-	(78)
HS Girls Track	(588)	3,543	8,841	588	(5,298)
MS Girls Track	(138)	-	273	138	(273)
HS Girls Track Camp	(246)	390	534	247	(143)
HS Girls Golf	53	-	283	(53)	(283)
HS Girls Golf Camp	554	225	-	-	779
MS Cheerleading	566	-	-	-	566
HS Annual	(11,584)	4,579	6,074	-	(13,079)
Book Fair	494	4,799	4,960	-	333
Student Extracurricular	789	-	-	-	789
HS Student Fundraising	5,690	4,582	3,835	-	6,437
Physics Project	(100)	1,699	399	-	1,200
MS Greenhouse	550	5,250	3,164	-	2,636
Student Activity Tickets	4,380	4,011	-	(4,380)	4,011
Adult Activity Tickets	975	975	-	(975)	975
Special Olympics	907	150	58	-	999
MS Student Senate	17,647	25,280	21,899	(127)	20,901
MS Student Fundraising	3,140	160	304	-	2,996
Elementary Student Fundraising	11,686	4,486	3,118	-	13,054
Destination Imagination	540	-	-	-	540
Cheerleaders	184	2,240	2,474	(184)	(234)
Drill Team	1,576	7,654	14,266	-	(5,036)
FFA	6,717	134	297	-	6,554
Spanish Club	5,974	11,661	12,720	-	4,915
National Honor Society	2,240	6,460	7,455	-	1,245
FBLA	5,181	28,781	32,362	-	1,600
FCCLA	1,068	526	1,100	-	494
HS Student Senate	1,315	2,350	2,806	-	859
FCS Business	4,714	2,291	1,575	-	5,430
Robert Blue School Yearbook	3,543	1,005	510	-	4,038
Class of 2012	64	-	-	(64)	-
Class of 2013	(236)	25	-	64	(147)
Class of 2014	843	6,207	6,571	-	479
Class of 2015	78	407	175	-	310
Class of 2016	-	91	44	-	47
General Activity	525	-	-	-	525
<b>Total</b>	<b>\$ 79,166</b>	<b>254,110</b>	<b>263,961</b>	<b>-</b>	<b>69,315</b>

See accompanying independent auditor's report.

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule 4

Combining Balance Sheet  
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 892,702	-	892,702
Receivables:			
Property tax:			
Delinquent	-	2,511	2,511
Succeeding year	-	249,921	249,921
Accrued interest	105	3	108
Due from other governments	206,364	-	206,364
<b>Total assets</b>	<u>\$ 1,099,171</u>	<u>252,435</u>	<u>1,351,606</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	21,827	21,827
Deferred revenue:			
Succeeding year property tax	-	249,921	249,921
<b>Total liabilities</b>	<u>-</u>	<u>271,748</u>	<u>271,748</u>
Fund balances:			
Restricted for:			
School infrastructure	1,099,171	-	1,099,171
Physical plant and equipment	-	(19,313)	(19,313)
<b>Total fund balances</b>	<u>1,099,171</u>	<u>(19,313)</u>	<u>1,079,858</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,099,171</u>	<u>252,435</u>	<u>1,351,606</u>

See accompanying independent auditor's report.

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule 5

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 786,586	237,390	1,023,976
Other	1,217	23,610	24,827
State sources	-	106	106
Federal sources	-	25,000	25,000
Total revenues	<u>787,803</u>	<u>286,106</u>	<u>1,073,909</u>
Expenditures:			
Instruction:			
Regular	-	77,545	77,545
Support services:			
Transportation	-	229,465	229,465
Other expenditures:			
Facilities acquisition	-	508,902	508,902
Total expenditures	<u>-</u>	<u>815,912</u>	<u>815,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>787,803</u>	<u>(529,806)</u>	<u>257,997</u>
Other financing sources (uses):			
Operating transfers in	-	507,535	507,535
Operating transfers out	<u>(659,430)</u>	<u>-</u>	<u>(659,430)</u>
Total other financing sources (uses)	<u>(659,430)</u>	<u>507,535</u>	<u>(151,895)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	128,373	(22,271)	106,102
Fund balances beginning of year	<u>970,798</u>	<u>2,958</u>	<u>973,756</u>
Fund balances end of year	<u>\$ 1,099,171</u>	<u>(19,313)</u>	<u>1,079,858</u>

See accompanying independent auditor's report.

Eagle Grove Community School District  
Eagle Grove, Iowa

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

For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 4,958,151	4,690,684	4,545,168	4,016,623
Tuition	382,486	292,750	222,348	202,561
Other	448,549	657,389	654,632	528,738
State sources	5,013,396	4,897,718	4,555,222	4,256,625
Federal sources	536,105	501,069	509,072	954,696
Total	<u>\$ 11,338,687</u>	<u>11,039,610</u>	<u>10,486,442</u>	<u>9,959,243</u>
Expenditures:				
Instruction	\$ 6,548,758	6,453,639	6,041,008	5,927,846
Support services:				
Student	234,503	210,143	226,454	192,508
Instructional staff	494,846	407,766	574,544	389,257
Administration	1,147,689	947,496	887,432	903,747
Operation and maintenance of plant	557,319	617,845	651,489	601,659
Transportation	641,181	419,228	384,484	265,094
Non-instructional programs	2,477	21,219	20,907	18,427
Other expenditures:				
Facilities acquisition	508,902	196,557	291,633	463,118
Long-term debt:				
Principal	280,000	270,000	260,000	255,000
Interest and other charges	230,496	199,866	213,916	215,966
AEA flowthrough	341,544	317,305	353,121	352,900
Total	<u>\$ 10,987,715</u>	<u>10,061,064</u>	<u>9,904,988</u>	<u>9,585,522</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
3,864,910	3,714,402	3,415,934	3,021,844	2,742,246	2,674,602
200,552	153,399	155,590	138,627	125,970	75,470
531,107	931,412	601,514	474,317	789,654	536,334
4,716,189	4,578,364	4,373,571	4,129,322	4,498,530	4,007,474
<u>301,262</u>	<u>446,280</u>	<u>503,406</u>	<u>650,792</u>	<u>303,023</u>	<u>304,138</u>
<u>9,614,020</u>	<u>9,823,857</u>	<u>9,050,015</u>	<u>8,414,902</u>	<u>8,459,423</u>	<u>7,598,018</u>
5,824,414	5,640,039	5,498,933	5,165,387	4,705,343	4,521,003
185,593	183,056	201,185	186,211	252,973	274,259
420,163	394,818	372,808	326,432	420,245	393,046
790,151	1,369,699	996,747	915,737	880,991	976,983
593,304	679,055	797,636	718,919	679,021	581,850
408,963	363,824	289,766	365,263	254,764	280,667
20,096	175,824	244,747	238,275	289,015	252,935
420,054	266,149	1,682,711	4,722,310	1,526,687	93,694
250,000	235,000	225,000	231,000	257,000	22,000
223,316	230,366	237,316	244,045	231,385	2,826
<u>311,957</u>	<u>301,638</u>	<u>293,439</u>	<u>277,832</u>	<u>277,089</u>	<u>278,690</u>
<u>9,448,011</u>	<u>9,839,468</u>	<u>10,840,288</u>	<u>13,391,411</u>	<u>9,774,513</u>	<u>7,677,953</u>

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule 7

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY13	\$ 50,405
National School Lunch Program	10.555	FY13	249,367 *
Summer Food Service Program for Children	10.559	FY13	<u>33,558</u>
			<u>333,330</u>
Fresh Fruit and Vegetable Program	10-582	FY13	<u>22,913</u>
U.S. Department of Justice:			
Iowa Department of Human Services:			
Juvenile Justice and Delinquency Prevention			
Allocation to States	16.540	FY13	<u>7,725</u>
U.S. Department of Labor:			
Iowa Workforce Development:			
Trade Adjustment Assistance	17.245	FY13	<u>7,501</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	<u>229,089</u>
Career and Technical Education - Basic Grants to States	84.048	FY13	<u>7,755</u>
Fund for the Improvement of Education	84.215	FY13	<u>25,000</u>
English Language Acquisition State Grants	84.365	FY13	<u>2,917</u>
Improving Teacher Quality State Grants	84.367	FY13	<u>33,220</u>

(continued)

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule 7

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Grants for State Assessments	84.369	FY13	<u>5.304</u>
Prairie Lakes Area Education Agency: Special Education - Grants to States	84.027	FY13	<u>44,764</u>
Total			<u>\$ 719,518</u>

\* - Includes \$21,406 of non-cash awards.

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

See accompanying independent auditor's report.

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

## Certified Public Accountants

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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  
Eagle Grove Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2014.

### Internal Control Over Financial Reporting

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

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

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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 to be material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

### Eagle Grove Community School District's Responses to Findings

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

### Purpose of this Report

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

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

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

March 24, 2014

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

**Certified Public Accountants**

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Independent Auditor's Report on Compliance  
for Each Major Federal Program, on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133

To the Board of Education of  
Eagle Grove Community School District:

Report on Compliance for Each Major Federal Program

We have audited Eagle Grove Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Eagle Grove Community School District's major federal programs for the year ended June 30, 2013. Eagle Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Eagle Grove Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Grove Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Eagle Grove Community School District's compliance.

#### Opinion on Each Major Federal Program

In our opinion, Eagle Grove Community School District complied, in all material respects, with types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

#### Report on Internal Control Over Compliance

The management of Eagle Grove Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Eagle Grove Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eagle Grove Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Eagle Grove Community School District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Eagle Grove Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Eagle Grove Community School District as of and for the year ended June 30, 2013, and have issued our report dated March 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis by OMB Circular A-133 and is not 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 the audit of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

March 24, 2014

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.027 – Special Education - Grants to States
  - Child Nutrition Cluster:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eagle Grove Community School District did not qualify as a low-risk auditee.

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes.

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

II-B-13 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Eagle Grove Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 84.027: Special Education - Grants to States  
Federal Award Year: 2013  
U.S. Department of Education  
Passed through the Iowa Department of Education**

**CFDA Number 10.553: School Breakfast Program  
CFDA Number 10.555: National School Lunch Program and  
CFDA Number 10.559: Summer Food Service Program for Children  
Federal Award Year: 2013  
U.S. Department of Education  
Passed through the Iowa Department of Education**

III-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response – We are doing everything we can within our situation and make improvements as the situation changes.

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

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget - Expenditures for the year ended June 30, 2013, exceeded the certified budget amounts in the non-instructional programs function.

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

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

Conclusion - Response accepted.

IV-B-13 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 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>
Jon Rowen, Board President Owner of J & J Sports	Supplies	\$5,890

The transactions with the Board President appear to violate Chapter 301.28 of the Code of Iowa, which prohibits a director from acting as an agent for school supplies and also appears to violate Chapter 279.7A of the Code of Iowa, which prohibits a director from contracting with the District for goods and services which exceed \$2,500 in a fiscal year.

Recommendation – The District should contact legal counsel regarding these expenditures to ensure compliance with the Code of Iowa.

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Response – We will review these on an annual basis and consult with our attorney when needed.

Conclusion – Response accepted.

- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Eagle Grove Community School District  
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Beginning balance		\$ 970,798
Revenues/transfers in:		
Sales tax revenues	\$ 786,586	
Other local revenues	<u>1,217</u>	<u>787,803</u>
		1,758,601
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund	151,895	
Other transfers	<u>507,535</u>	<u>659,430</u>
Ending balance		\$ <u>1,099,171</u>

For the year ended June 30, 2013, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable <u>Valuation</u>	Property Tax Dollars <u>Reduced</u>
Debt service levy	\$ 0.63055	\$ 150,000

IV-M-13 Deficit Balances - The Capital Project, Physical Plant and Equipment Levy account and some student activity accounts had deficit balances at June 30, 2013.

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

Response - The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion - Response accepted.