

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Edgewood-Colesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Randall Mescher	President	2015
Jeff Lincoln	Vice President	2013
Jason Jones	Board Member	2013
Steve Schwietert	Board Member	2013
Kenneth Faust	Board Member	2015
School Officials		
Ed Klamfoth	Superintendent	2013
Martha Romig	District Secretary/ Business Manager	2013
Marc Casey	Attorney	2013

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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 Edgewood-Colesburg Community School District, Edgewood 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 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 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 not such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Edgewood-Colesburg 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 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, 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.

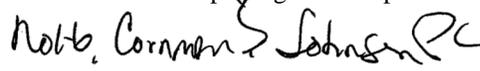
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgewood-Colesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the 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 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2014 on our consideration of Edgewood-Colesburg Community School District's internal control over financial reporting and on 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 Edgewood-Colesburg Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Edgewood-Colesburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$5,587,659 in fiscal 2012 to \$5,454,826 in fiscal 2013, while General Fund expenditures increased from \$5,240,210 in fiscal 2012 to \$5,578,788 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,067,146 in fiscal 2012 to \$943,184 in fiscal 2013, an 11.62% decrease.
- The decrease in General Fund revenues was attributable primarily to decreases in state and federal source revenues received in fiscal 2013. The increase in expenditures was due to increases in both instruction and support services functional expenditures.

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 Edgewood-Colesburg Community School District as a whole and present an overall view of the District's finances.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

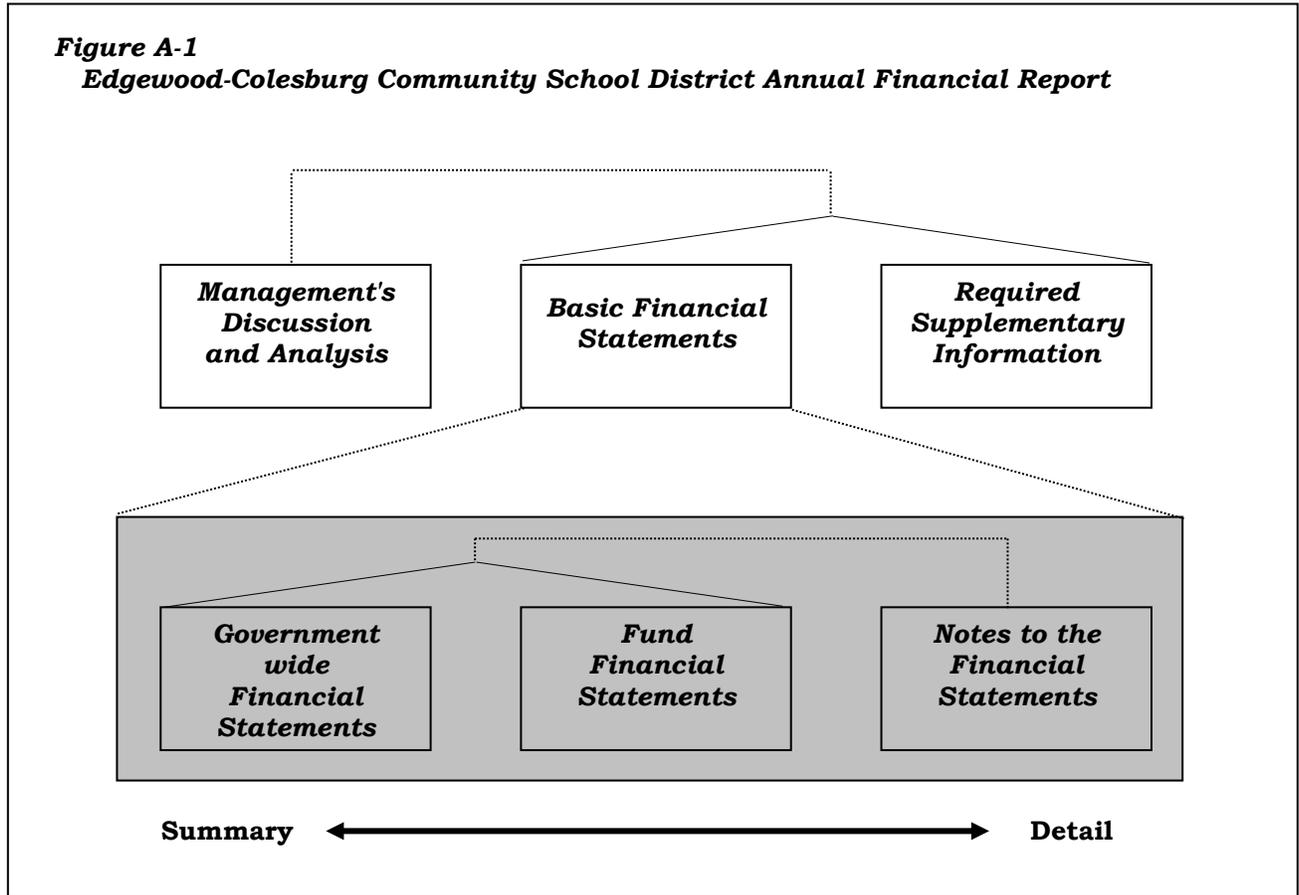


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 4,364,045	4,156,674	135,905	130,422	4,499,950	4,287,096	4.96%
Capital assets	4,989,377	5,119,438	8,152	10,402	4,997,529	5,129,840	-2.58%
Total assets	<u>9,353,422</u>	<u>9,276,112</u>	<u>144,057</u>	<u>140,824</u>	<u>9,497,479</u>	<u>9,416,936</u>	<u>0.86%</u>
Long-term obligations	1,694,808	1,994,797	-	-	1,694,808	1,994,797	-15.04%
Other liabilities	2,412,272	2,359,979	4,874	4,182	2,417,146	2,364,161	2.24%
Total liabilities	<u>4,107,080</u>	<u>4,354,776</u>	<u>4,874</u>	<u>4,182</u>	<u>4,111,954</u>	<u>4,358,958</u>	<u>-5.67%</u>
Net position:							
Investment in capital assets, net of related debt	3,536,562	3,367,890	8,152	10,402	3,544,714	3,378,292	4.93%
Restricted	948,518	683,480	-	-	948,518	683,480	38.78%
Unrestricted	761,262	869,966	131,031	126,240	892,293	996,206	-10.43%
Total net position	<u>\$ 5,246,342</u>	<u>4,921,336</u>	<u>139,183</u>	<u>136,642</u>	<u>5,385,525</u>	<u>5,057,978</u>	<u>6.48%</u>

The District's combined net position increased by \$327,547 or 6.48% from the prior year. The largest portion of the District's net position is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$265,038 or 38.78% over the prior year. The increase in restricted net position is mostly attributable to the increase in fund balance of the Capital Projects: Statewide Sales and Services Tax Fund.

Unrestricted net position – the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased \$103,913 or 10.43% from the prior year. The decrease in unrestricted net position is related to a decrease in fund balance in the General Fund.

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

	Figure A-4							
	Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenues:								
Program revenues:								
Charges for services	\$ 1,262,330	1,180,267	138,765	146,293	1,401,095	1,326,560	5.62%	
Operating grants, contributions and restricted interest	558,149	564,230	154,738	156,471	712,887	720,701	-1.08%	
General revenues:								
Property tax	1,814,665	1,765,091	-	-	1,814,665	1,765,091	2.81%	
Income surtax	159,544	135,392	-	-	159,544	135,392	17.84%	
Statewide sales, services and use tax	388,910	355,483	-	-	388,910	355,483	9.40%	
Unrestricted state grants	2,273,228	2,346,589	-	-	2,273,228	2,346,589	-3.13%	
Nonspecific program federal funding	-	95,337	-	-	-	95,337	-100.00%	
Unrestricted investment earnings	12,653	11,144	230	264	12,883	11,408	12.93%	
Other	22,504	80,376	-	-	22,504	80,376	-72.00%	
Total revenues	<u>6,491,983</u>	<u>6,533,909</u>	<u>293,733</u>	<u>303,028</u>	<u>6,785,716</u>	<u>6,836,937</u>	<u>-0.75%</u>	
Program expenses:								
Governmental activities:								
Instructional	4,000,598	3,885,566	-	-	4,000,598	3,885,566	2.96%	
Support services	1,753,137	1,540,175	2,019	30	1,755,156	1,540,205	13.96%	
Non-instructional programs	-	-	289,173	279,044	289,173	279,044	3.63%	
Other expenses	413,242	427,376	-	-	413,242	427,376	-3.31%	
Total expenses	<u>6,166,977</u>	<u>5,853,117</u>	<u>291,192</u>	<u>279,074</u>	<u>6,458,169</u>	<u>6,132,191</u>	<u>5.32%</u>	
Increase in net position	325,006	680,792	2,541	23,954	327,547	704,746	-53.52%	
Net position beginning of year	<u>4,921,336</u>	<u>4,240,544</u>	<u>136,642</u>	<u>112,688</u>	<u>5,057,978</u>	<u>4,353,232</u>	<u>16.19%</u>	
Net position end of year	<u>\$ 5,246,342</u>	<u>4,921,336</u>	<u>139,183</u>	<u>136,642</u>	<u>5,385,525</u>	<u>5,057,978</u>	<u>6.48%</u>	

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 71.42% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.92% of the revenue from business type activities.

The District's total revenues were approximately \$6.79 million, of which approximately \$6.50 million was for governmental activities and approximately \$0.29 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 0.75% in revenues and a 5.32% increase in expenses. The decrease in revenues was related to a decrease in unrestricted state grant revenue received during the year as compared to the prior year. The increase in expenses was related to increases in regular and special instruction function expenditures.

Governmental Activities

Revenues for governmental activities were \$6,491,983 and expenses were \$6,166,977 for the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,000,598	3,885,566	2.96%	2,397,631	2,353,935	1.86%
Support services	1,753,137	1,540,175	13.83%	1,711,967	1,503,774	13.84%
Other expenses	413,242	427,376	-3.31%	236,900	250,911	-5.58%
Totals	<u>\$ 6,166,977</u>	<u>5,853,117</u>	<u>5.36%</u>	<u>4,346,498</u>	<u>4,108,620</u>	<u>5.79%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,262,330.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$558,149.
- The net cost of governmental activities was financed with \$1,974,209 in local taxes, \$388,910 of statewide sales, services and use tax, \$2,273,228 in unrestricted state grants, \$12,653 in investment earnings, and \$22,504 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$293,733 and expenses were \$291,192. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,817,474, compared to last year's ending fund balances of \$1,681,085. The increase in fund balance is primarily related to an increase in Capital Projects Fund balance.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$1,067,146 in fiscal 2012 to \$943,184 in fiscal 2013. The decrease is attributable to expenditures increasing more than revenues, particularly support services function expenditures.

- The Capital Projects Accounts balance increased from \$470,026 in fiscal 2012 to \$704,774 for fiscal 2013. The increase in Capital Projects Accounts fund balance is attributable to increases in sales tax and property tax received as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$136,642 at June 30, 2012 to \$139,183 at June 30, 2013, representing an increase of 1.86%. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

BUDGETARY HIGHLIGHTS

The District’s receipts were \$390,788 more than originally expected, a variance of 6.13%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$4,997,529, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$366,327.

The original cost of the District’s capital assets was \$8,938,208. Governmental funds account for \$8,802,767 with the remainder of \$135,441 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District’s land improvements decreased from \$469,870 at June 30, 2012 to \$436,296 at June 30, 2013. The decrease in the land improvements category is due to depreciation expense taken during the year.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 92,022	92,022	-	-	92,022	92,022	0.00%
Buildings	3,903,830	4,028,182	-	-	3,903,830	4,028,182	-3.09%
Land improvements	436,296	469,870	-	-	436,296	469,870	-7.15%
Machinery and equipment	557,229	529,364	8,152	10,402	565,381	539,766	4.75%
Total	\$ 4,989,377	5,119,438	8,152	10,402	4,997,529	5,129,840	-2.58%

Long-Term Debt

At June 30, 2013, the District had \$1,694,808 in general obligation and other long-term debt outstanding. This represents a decrease of 15.04% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District had a total of \$1,395,000 in outstanding general obligation bonds at June 30, 2013.

At June 30, 2013, the District had \$15,000 outstanding on a land contract with the City of Edgewood.

At June 30, 2013, the District had \$42,815 on an Apple computer lease.

The District had an outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$28,000 at June 30, 2013.

The District had net OPEB liability payable of \$213,993 at June 30, 2013.

	Figure A-7		
	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2013	2012	2012-13
General obligation bonds	\$ 1,395,000	1,640,000	-14.94%
Apple lease	42,815	81,548	-47.50%
Land contract	15,000	30,000	-50.00%
Early retirement	28,000	56,000	-50.00%
Net OPEB liability	213,993	187,249	14.28%
Totals	<u>\$ 1,694,808</u>	<u>1,994,797</u>	<u>-15.04%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Martha Romig, District Secretary/Business Manager, Edgewood-Colesburg Community School District, 403 W. Union St., P.O. Box 315, Edgewood, Iowa, 52042.

BASIC FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,058,798	118,320	2,177,118
Receivables:			
Property tax:			
Delinquent	24,351	-	24,351
Succeeding year	1,874,213	-	1,874,213
Income surtax	138,839	-	138,839
Accounts	1,515	-	1,515
Due from other governments	266,329	-	266,329
Inventories	-	17,585	17,585
Capital assets, net of accumulated depreciation	4,989,377	8,152	4,997,529
TOTAL ASSETS	9,353,422	144,057	9,497,479
LIABILITIES			
Accounts payable	57,036	-	57,036
Salaries and benefits payable	476,483	-	476,483
Accrued interest payable	4,540	-	4,540
Deferred revenue:			
Succeeding year property tax	1,874,213	-	1,874,213
Unearned revenue	-	4,874	4,874
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	255,000	-	255,000
Computer lease	42,815	-	42,815
Land contract	15,000	-	15,000
Termination benefits	12,000	-	12,000
Portion due after one year:			
General obligation bonds	1,140,000	-	1,140,000
Termination benefits	16,000	-	16,000
Net OPEB liability	213,993	-	213,993
TOTAL LIABILITIES	4,107,080	4,874	4,111,954
NET POSITION			
Investment in capital assets, net of related debt	3,536,562	8,152	3,544,714
Restricted for:			
Categorical funding	106,591	-	106,591
Debt service	2,944	-	2,944
School infrastructure	660,690	-	660,690
Physical plant and equipment	44,084	-	44,084
Student activities	86,720	-	86,720
Management levy purposes	47,489	-	47,489
Unrestricted	761,262	131,031	892,293
TOTAL NET POSITION	\$ 5,246,342	139,183	5,385,525

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,639,183	787,116	73,185	(1,778,882)	-	(1,778,882)
Special	701,323	194,623	92,651	(414,049)	-	(414,049)
Other	660,092	243,080	212,312	(204,700)	-	(204,700)
	<u>4,000,598</u>	<u>1,224,819</u>	<u>378,148</u>	<u>(2,397,631)</u>	<u>-</u>	<u>(2,397,631)</u>
Support services:						
Student	129,450	-	-	(129,450)	-	(129,450)
Instructional staff	185,862	-	-	(185,862)	-	(185,862)
Administration	546,537	-	-	(546,537)	-	(546,537)
Operation and maintenance of plant	484,123	-	-	(484,123)	-	(484,123)
Transportation	407,165	37,511	3,659	(365,995)	-	(365,995)
	<u>1,753,137</u>	<u>37,511</u>	<u>3,659</u>	<u>(1,711,967)</u>	<u>-</u>	<u>(1,711,967)</u>
Long-term debt interest	69,036	-	-	(69,036)	-	(69,036)
Other expenditures:						
AEA flowthrough	176,342	-	176,342	-	-	-
Depreciation(unallocated)*	167,864	-	-	(167,864)	-	(167,864)
	<u>344,206</u>	<u>-</u>	<u>176,342</u>	<u>(167,864)</u>	<u>-</u>	<u>(167,864)</u>
Total governmental activities	6,166,977	1,262,330	558,149	(4,346,498)	-	(4,346,498)
Business type activities:						
Support services:						
Operation and maintenance of plant	2,019	-	-	-	(2,019)	(2,019)
Non-instructional programs:						
Nutrition services	289,173	138,765	154,738	-	4,330	4,330
Total business type activities	<u>291,192</u>	<u>138,765</u>	<u>154,738</u>	<u>-</u>	<u>2,311</u>	<u>2,311</u>
Total	<u>\$ 6,458,169</u>	<u>1,401,095</u>	<u>712,887</u>	<u>(4,346,498)</u>	<u>2,311</u>	<u>(4,344,187)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,574,473	-	1,574,473
Debt service				196,736	-	196,736
Capital outlay				43,456	-	43,456
Income surtax				159,544	-	159,544
Statewide sales, services and use tax				388,910	-	388,910
Unrestricted state grants				2,273,228	-	2,273,228
Unrestricted investment earnings				12,653	230	12,883
Other				22,504	-	22,504
Total general revenues				<u>4,671,504</u>	<u>230</u>	<u>4,671,734</u>
Change in net position				325,006	2,541	327,547
Net position beginning of year				<u>4,921,336</u>	<u>136,642</u>	<u>5,057,978</u>
Net position end of year				<u>\$ 5,246,342</u>	<u>139,183</u>	<u>5,385,525</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,304,222	589,698	164,878	2,058,798
Receivables:				
Property tax:				
Delinquent	19,152	561	4,638	24,351
Succeeding year	1,464,864	45,544	363,805	1,874,213
Income surtax	138,839	-	-	138,839
Accounts	1,515	-	-	1,515
Due from other governments	151,814	114,515	-	266,329
TOTAL ASSETS	\$ 3,080,406	750,318	533,321	4,364,045
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 57,036		-	57,036
Salaries and benefits payable	476,483		-	476,483
Deferred revenue:				
Succeeding year property tax	1,464,864	45,544	363,805	1,874,213
Income surtax	138,839	-	-	138,839
Total liabilities	2,137,222	45,544	363,805	2,546,571
Fund balances:				
Restricted for:				
Categorical funding	106,591	-	-	106,591
Debt service	-	-	7,484	7,484
Management levy purposes	-	-	75,489	75,489
Student activities	-	-	86,720	86,720
School infrastructure	-	660,690	-	660,690
Physical plant and equipment	-	44,084	-	44,084
Unassigned:				
General	836,593	-	-	836,593
Student activities	-	-	(177)	(177)
Total fund balances	943,184	704,774	169,516	1,817,474
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,080,406	750,318	533,321	4,364,045

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$ 1,817,474
 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.	4,989,377
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.	(4,540)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	138,839
Long-term liabilities, including bonds payable, land contract payable, termination benefits payable, computer lease payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the the governmental funds.	<u>(1,694,808)</u>
Net position of governmental activities(page 18)	<u><u>\$ 5,246,342</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,560,853	432,366	352,098	2,345,317
Tuition	953,530	-	-	953,530
Other	121,589	3,932	239,976	365,497
State sources	2,528,769	-	-	2,528,769
Federal sources	281,068	-	-	281,068
Total revenues	5,445,809	436,298	592,074	6,474,181
Expenditures:				
Current:				
Instruction:				
Regular	2,459,181	-	59,833	2,519,014
Special	720,197	-	-	720,197
Other	416,595	-	236,472	653,067
	3,595,973		296,305	3,892,278
Support services:				
Student	129,450	-	-	129,450
Instructional staff	190,367	-	-	190,367
Administration	551,385	-	2,160	553,545
Operation and maintenance of plant	376,313	-	52,677	428,990
Transportation	511,632	6,076	18,999	536,707
	1,759,147	6,076	73,836	1,839,059
Capital outlay	-	70,474	-	70,474
Long-term debt:				
Principal	-	-	298,733	298,733
Interest and fiscal charges	-	-	69,923	69,923
			368,656	368,656
Other expenditures:				
AEA flowthrough	176,342	-	-	176,342
Total expenditures	5,531,462	76,550	738,797	6,346,809
Excess(Deficiency) of revenues over(under) expenditures	(85,653)	359,748	(146,723)	127,372
Other financing sources(uses):				
Transfer in	-	-	172,326	172,326
Transfer out	(47,326)	(125,000)	-	(172,326)
Insurance proceeds	9,017	-	-	9,017
Total other financing sources(uses)	(38,309)	(125,000)	172,326	9,017
Change in fund balances	(123,962)	234,748	25,603	136,389
Fund balances beginning of year	1,067,146	470,026	143,913	1,681,085
Fund balances end of year	\$ 943,184	704,774	169,516	1,817,474

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ 136,389

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

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

Capital outlays	\$ 237,777	
Depreciation expense	(364,077)	
Loss on capital asset disposal	<u>(3,761)</u>	(130,061)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 298,733

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 887

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 17,802

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	28,000	
Other postemployment benefits	<u>(26,744)</u>	<u>1,256</u>

Change in net position of governmental activities(page 19) \$ 325,006

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2013

	<u>School</u> <u>Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 118,320
Inventories	17,585
Capital assets, net of accumulated depreciation	<u>8,152</u>
TOTAL ASSETS	<u><u>144,057</u></u>
LIABILITIES	
Unearned revenue	<u>4,874</u>
NET POSITION	
Investment in capital assets	8,152
Unrestricted	<u>131,031</u>
TOTAL NET POSITION	<u><u>\$ 139,183</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 138,765
Operating expenses:	
Support services:	
Operation and maintenance of plant	
Supplies	2,019
Non-instructional programs:	
Food service operations:	
Salaries	100,302
Benefits	17,093
Services	1,025
Supplies	166,109
Other	2,394
Depreciation	2,250
	289,173
Total operating expenses	291,192
Operating loss	(152,427)
Non-operating revenues:	
State sources	2,548
Federal sources	152,190
Interest income	230
Total non-operating revenues	154,968
Change in net position	2,541
Net position beginning of year	136,642
Net position end of year	\$ 139,183

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 139,457
Cash payments to employees for services	(117,395)
Cash payments to suppliers for goods or services	(155,605)
Net cash used by operating activities	(133,543)
Cash flows from non-capital financing activities:	
State grants received	2,548
Federal grants received	137,444
Net cash provided by non-capital financing activities	139,992
Cash flows from investing activities:	
Interest on investments	230
Net increase in cash and cash equivalents	6,679
Cash and cash equivalents at beginning of year	111,641
Cash and cash equivalents at end of year	\$ 118,320
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (152,427)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,746
Depreciation	2,250
Decrease in inventories	1,196
Increase in unearned revenue	692
Net cash used by operating activities	\$ (133,543)
Non-cash investing, capital and related financing activities:	
During the year ended June 30, 2013, the District received \$14,746 of federal commodities.	

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2013

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 27,731
LIABILITIES	
	-
NET POSITION	
Restricted for scholarships	\$ 27,731

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,735
Interest income	357
Total additions	3,092
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	4,350
Change in net position	(1,258)
Net position beginning of year	28,989
Net position end of year	\$ 27,731

SEE NOTES TO FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

The Edgewood-Colesburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, special education and pre-school. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Edgewood and Colesburg, Iowa, and the predominate agricultural territory in Delaware and Clayton Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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 three categories:

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

Restricted net position results when constraints placed on net assets 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 two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period

or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

(2) Cash and Pooled Investments

The District's deposits in bank at June 30, 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. For the year ended June 30, 2013, the District had no investments.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 125,000
Debt Service	General Fund	47,326
Total		\$ 172,326

The transfer of \$110,000 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for general obligation bond payments. The remaining transfer of \$15,000 was needed for the land contract payment to the City of Edgewood.

The transfer from the General Fund to Debt Service was needed for principal and interest payments on the District's Apple Computer lease.

(4) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,640,000	-	245,000	1,395,000	255,000
Apple lease	81,548	-	38,733	42,815	42,815
Land contract	30,000	-	15,000	15,000	15,000
Termination benefits	56,000	24,000	52,000	28,000	12,000
Net OPEB liability	187,249	26,744	-	213,993	-
Total	1,994,797	50,744	350,733	1,694,808	324,815

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2003				
	Interest Rates	Principal	Interest	Total	
2014	3.65	% \$ 255,000	52,255	307,255	
2015	3.65	265,000	42,948	307,948	
2016	3.70	280,000	33,275	313,275	
2017	3.80	290,000	22,915	312,915	
2018	3.90	305,000	11,895	316,895	
Total		\$ 1,395,000	163,288	1,558,288	

Apple Computer Lease

Details of the Districts June 30, 2013 computer lease indebtedness are as follows:

Year Ending June 30,	Apple Computer Lease of 2011			
	Interest Rates	Principal	Interest	Total
2014	10.54 %	\$ 42,815	4,511	47,326

Land Contract

During the year ended June 30, 2010, the District entered into a contract with the City of Edgewood to purchase three city lots for \$75,000. The District has the final payment of \$15,000 due in fiscal year 2014.

Termination Benefits (Early Retirement)

The District has offered a termination benefit plan to its certified employees. Eligible employees must have been at least age fifty-five and completed fifteen years of continuous service to the District. Employees had to complete an application which required approval by the Board of Education. One plan includes a health reimbursement arrangement of \$10,000 per year for three years to be deposited into a tax-free account to be used for medical expenses and premiums. A previous plan offered an early retirement incentive for each eligible employee equal to 30 per day of unused sick leave and subject to a maximum of \$4,000 per individual per year. Early retirement benefits paid during the year ended June 30, 2013, totaled \$52,000.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 92,022	-	-	92,022
Total capital assets not being depreciated	92,022	-	-	92,022
Capital assets being depreciated:				
Buildings	6,208,841	9,938	-	6,218,779
Land improvements	671,445	-	-	671,445
Machinery and equipment	1,718,553	227,839	125,871	1,820,521
Total capital assets being depreciated	8,598,839	237,777	125,871	8,710,745
Less accumulated depreciation for:				
Buildings	2,180,659	134,290	-	2,314,949
Land improvements	201,575	33,574	-	235,149
Machinery and equipment	1,189,189	196,213	122,110	1,263,292
Total accumulated depreciation	3,571,423	364,077	122,110	3,813,390
Total capital assets being depreciated, net	5,027,416	(126,300)	3,761	4,897,355
Governmental activities capital assets, net	\$ 5,119,438	(126,300)	3,761	4,989,377

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 135,441	-	-	135,441
Less accumulated depreciation	125,039	2,250	-	127,289
Business type activities capital assets, net	\$ 10,402	(2,250)	-	8,152

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 90,784
Special		609
Other		1,148
Support services		
Instructional staff services		1,126
Administration		12,935
Operation and maintenance of plant		8,175
Transportation		81,436
		196,213
Unallocated depreciation		167,864
		\$ 364,077
Business type activities:		
Food services		\$ 2,250

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 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 contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$292,265, \$259,330, and \$218,740, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical and vision benefits for employees, retirees and their spouses. There are 45 active and 4 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 39,341
Interest on net OPEB obligation	4,681
Adjustment to annual required contribution	(12,236)
Annual OPEB cost	<u>31,786</u>
Contributions made	<u>(5,042)</u>
Increase in net OPEB obligation	26,744
Net OPEB obligation beginning of year	<u>187,249</u>
Net OPEB obligation end of year	<u><u>\$ 213,993</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 \$5,042 to the medical plan. Plan members eligible for benefits contributed \$163,401, or 97.01% 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 as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 75,639	19.49%	122,559
2012	80,444	19.58%	187,249
2013	31,786	15.86%	213,993

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 \$308,360, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$308,360. The covered payroll (annual payroll of active employees covered by the plan) was \$1,868,670 and the ratio of the UAAL to covered payroll was 16.50%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 6.0%.

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

Projected claim costs of the medical plan are \$426 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$176,342 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.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2013 are as follows:

Program	Amount
Statewide Voluntary Preschool Program Grants	\$ 98,412
Professional Development for Model Core Curriculum	6,517
Professional Development	1,258
Market Factor Incentives	70
Teacher Salary Supplement	<u>334</u>
Total	<u>\$ 106,591</u>

(11) Deficit Balance

The District ended the year with a deficit unassigned fund balance in the Activity Fund of \$177.

REQUIRED SUPPLEMENTARY INFORMATION

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPEDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 3,664,344	138,995	3,803,339	3,477,172	3,477,172	326,167
State sources	2,528,769	2,548	2,531,317	2,549,954	2,549,954	(18,637)
Federal sources	281,068	152,190	433,258	350,000	350,000	83,258
Total revenues	6,474,181	293,733	6,767,914	6,377,126	6,377,126	390,788
Expenditures/Expenses:						
Instruction	3,892,278	-	3,892,278	4,140,000	4,140,000	247,722
Support services	1,839,059	2,019	1,841,078	1,982,250	1,982,250	141,172
Non-instructional programs	-	289,173	289,173	315,000	315,000	25,827
Other expenditures	615,472	-	615,472	956,918	956,918	341,446
Total expenditures/expenses	6,346,809	291,192	6,638,001	7,394,168	7,394,168	756,167
Excess(Deficiency) of revenues over(under) expenditures/expenses	127,372	2,541	129,913	(1,017,042)	(1,017,042)	1,146,955
Other financing sources, net	9,017	-	9,017	-	-	9,017
Excess(Deficiency) of revenues over(under) expenditures and other financing uses	136,389	2,541	138,930	(1,017,042)	(1,017,042)	1,155,972
Balances beginning of year	1,681,085	136,642	1,817,727	1,271,294	1,271,294	546,433
Balances end of year	\$ 1,817,474	139,183	1,956,657	254,252	254,252	1,702,405

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	749,893	749,893	0.00 %	2,287,001	32.79 %
2011	July 1, 2009	-	719,555	719,555	0.00	1,927,998	37.32
2012	July 1, 2009	-	675,005	675,005	0.00	2,062,172	32.73
2013	July 1, 2012	-	308,360	308,360	0.00	1,868,670	16.50

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

SUPPLEMENTARY INFORMATION

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 73,392	86,543	159,935	4,943	164,878
Receivables:					
Property tax:					
Delinquent	2,097	-	2,097	2,541	4,638
Succeeding year	166,000	-	166,000	197,805	363,805
TOTAL ASSETS	\$ 241,489	86,543	328,032	205,289	533,321
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 166,000	-	166,000	197,805	363,805
Fund balances:					
Restricted for:					
Management levy purposes	75,489	-	75,489	-	75,489
Student activity	-	86,720	86,720	-	86,720
Debt service	-	-	-	7,484	7,484
Unassigned	-	(177)	(177)	-	(177)
Total fund balances	75,489	86,543	162,032	7,484	169,516
TOTAL LIABILITIES AND FUND BALANCES	\$ 241,489	86,543	328,032	205,289	533,321

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 155,362	-	155,362	196,736	352,098
Other	5,579	234,313	239,892	84	239,976
Total revenues	160,941	234,313	395,254	196,820	592,074
Expenditures:					
Current:					
Instruction:					
Regular	59,833	-	59,833	-	59,833
Other	-	236,472	236,472	-	236,472
Support services:					
Administration	2,160	-	2,160	-	2,160
Operation and maintenance of plant	52,677	-	52,677	-	52,677
Transportation	18,999	-	18,999	-	18,999
Long-term debt:					
Principal	-	-	-	298,733	298,733
Interest and fiscal charges	-	-	-	69,923	69,923
Total expenditures	133,669	236,472	370,141	368,656	738,797
Excess(Deficiency) of revenues over(under) expenditures	27,272	(2,159)	25,113	(171,836)	(146,723)
Other financing sources:					
Transfer in	-	-	-	172,326	172,326
Change in fund balances	27,272	(2,159)	25,113	490	25,603
Fund balances beginning of year	48,217	88,702	136,919	6,994	143,913
Fund balances end of year	\$ 75,489	86,543	162,032	7,484	169,516

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 546,175	43,523	589,698
Receivables:			
Property tax:			
Delinquent	-	561	561
Succeeding year	-	45,544	45,544
Due from other governments	114,515	-	114,515
TOTAL ASSETS	\$ 660,690	89,628	750,318
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	45,544	45,544
Fund balances:			
Restricted for:			
School infrastructure	660,690	-	660,690
Physical plant and equipment	-	44,084	44,084
Total fund balances	660,690	44,084	704,774
TOTAL LIABILITIES AND FUND BALANCES	\$ 660,690	89,628	750,318

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 388,910	43,456	432,366
Other	3,608	324	3,932
Total revenues	392,518	43,780	436,298
Expenditures:			
Current:			
Support services:			
Transportation	-	6,076	6,076
Capital outlay	70,474	-	70,474
Total expenditures	70,474	6,076	76,550
Excess of revenues over expenditures	322,044	37,704	359,748
Other financing uses:			
Transfer out	(125,000)	-	(125,000)
Change in fund balances	197,044	37,704	234,748
Fund balances beginning of year	463,646	6,380	470,026
Fund balances end of year	\$ 660,690	44,084	704,774

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Supplies	\$ 1	-	-	1
Band Student Purchase	(251)	105	31	(177)
Band Resale	264	358	480	142
Band Fundraising	676	-	-	676
Cheerleading	249	1,185	1,434	-
Cheerleading Fundraising	-	172	-	172
Track	-	14,419	14,419	-
Cross Country	-	750	750	-
Golf	-	1,364	1,364	-
Dance Team Fund Balance	648	7,592	7,678	562
Boys Basketball	-	4,926	4,803	123
Boys Basketball Fundraising	1,347	3,393	3,851	889
Football	-	9,106	9,098	8
Baseball	-	5,192	5,192	-
Wrestling	-	1,574	1,574	-
Wrestling Fundraiser	10	-	-	10
Girls Basketball	-	11,817	11,787	30
Volleyball Fundraiser	49	14,947	13,971	1,025
Volleyball	-	6,353	6,353	-
Softball	-	6,266	5,434	832
Softball Fundraising	1,976	300	-	2,276
Athletics General	1	5,396	1,121	4,276
Coach of the Year	1,000	-	375	625
Friends of the Arts	6,348	2,855	2,487	6,716
ED-CO Partners	4,801	176	3,070	1,907
Drama	-	3,447	3,447	-
Post Prom	1,923	18,688	18,202	2,409
Enviroment First Grant/FFA	1,649	-	-	1,649
FFA	1,006	34,832	34,820	1,018
Spanish Club	1,457	-	-	1,457
FFA CD	2,603	12	-	2,615
HS Student Council	3,891	1,069	987	3,973
Class of 2014	1,860	-	833	1,027
Class of 2015	1,735	-	-	1,735
Class of 2016	1,379	-	-	1,379
Class of 2017	2,849	3,670	2,984	3,535
Class of 2018	-	3,957	1,535	2,422
Class of 2019	2,172	-	2,172	-
JH Student Council	289	535	338	486
Yearbook	24,641	13,051	14,546	23,146
F.B.L.A.	10,891	9,779	15,218	5,452
N.H.S. Fund Balance	246	64	262	48
HS Supplies	1,018	13	34	997
Elementary Activities	4,123	10,112	9,754	4,481
Concessions	752	2,021	1,517	1,256
Perrinjaquet Assistance	4,379	-	-	4,379
Elementary Fundraising	-	33,897	33,897	-
HS Art Club	853	920	654	1,119
Elementary Perrinjaquet Asst.	1,867	-	-	1,867
Total	\$ 88,702	234,313	236,472	86,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund							Total
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon	James L.	Nadermann Scholarship		
				Memorial Scholarship	Kinyon Scholarship			
ASSETS								
Cash and pooled investments	\$ 3,687	2,099	6,066	1,031	8,440	6,408		27,731
LIABILITIES	-	-	-	-	-	-		-
NET POSITION								
Restricted for scholarships	\$ 3,687	2,099	6,066	1,031	8,440	6,408		27,731

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship Fund						
	Carl Lewis High School		Gull	Fannon	James L.	Nadermann	
	Scholarship	Scholarship	Memorial	Scholarship	Scholarship	Scholarship	Total
Additions:							
Local sources:							
Gifts and contributions	\$ -	1,450	-	-	-	1,285	2,735
Interest income	23	43	-	31	158	102	357
Total additions	23	1,493	-	31	158	1,387	3,092
Deductions:							
Instruction:							
Regular:							
Scholarships awarded	\$ 500	1,650	-	200	1,000	1,000	4,350
Change in net position	(477)	(157)	-	(169)	(842)	387	(1,258)
Net position beginning of year	4,164	2,256	6,066	1,200	9,282	6,021	28,989
Net position end of year	\$ 3,687	2,099	6,066	1,031	8,440	6,408	27,731

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,345,317	2,259,412	2,110,952	2,065,168	2,004,761	1,958,360	1,938,919	1,813,901	1,913,747	1,783,513
Tuition	953,530	872,127	785,911	741,616	736,362	706,711	728,093	586,667	502,505	478,385
Other	365,497	438,451	354,636	369,237	370,042	388,463	367,519	381,038	308,499	319,185
State sources	2,528,769	2,606,959	2,538,342	2,181,574	2,494,999	2,494,805	2,363,543	2,237,613	2,096,722	2,133,576
Federal sources	281,068	360,406	552,676	382,136	235,091	269,833	229,470	293,486	300,814	222,504
Total	\$ 6,474,181	6,537,355	6,342,517	5,739,731	5,841,255	5,818,172	5,627,544	5,312,705	5,122,287	4,937,163
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,519,014	2,455,637	2,826,279	2,183,411	2,332,188	2,100,200	2,149,016	1,995,453	1,847,168	1,727,156
Special	720,197	621,394	791,925	551,282	507,870	517,226	629,351	624,870	615,222	589,104
Other	653,067	760,251	515,868	928,084	733,670	654,481	528,264	494,560	500,319	414,213
Support services:										
Student	129,450	108,226	43,010	62,119	114,773	124,370	121,225	126,475	142,973	110,208
Instructional staff	190,367	166,340	92,325	120,151	112,518	136,115	116,857	176,521	93,179	131,528
Administration	553,545	529,479	518,110	569,045	545,348	613,033	572,646	557,427	525,863	676,436
Operation and maintenance of plant	428,990	399,779	389,480	435,090	465,641	600,653	550,263	458,005	341,650	433,954
Transportation	536,707	427,260	325,949	397,046	375,406	351,366	356,250	316,373	241,271	273,619
Non-instructional programs		-	-	-	-	-	-	-	1,000	2,942
Capital outlay	70,474	107,221	42,995	119,202	128,428	87,882	77,862	92,269	162,094	2,116,448
Long-term debt:										
Principal	298,733	285,041	240,000	221,284	296,286	290,892	269,538	236,285	235,000	215,000
Interest	69,923	81,840	77,380	85,615	97,796	110,358	121,721	127,265	137,171	152,210
Other expenditures:										
AEA flow-through	176,342	176,465	197,294	196,793	176,747	172,996	168,497	162,305	161,081	164,446
Total	\$ 6,346,809	6,118,933	6,060,615	5,869,122	5,886,671	5,759,572	5,661,490	5,367,808	5,003,991	7,007,264

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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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 Edgewood-Colesburg Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Governmental 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 Edgewood-Colesburg 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 February 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edgewood-Colesburg 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 Edgewood-Colesburg Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Edgewood-Colesburg Community School District's internal control.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 and I-C-13 to be significant deficiencies.

Compliance and Other Matters

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

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

Edgewood-Colesburg Community School District's Responses to Findings

Edgewood-Colesburg Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Edgewood-Colesburg 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 Edgewood-Colesburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 10, 2014

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Capital assets - purchasing, recording and reconciling.
- 6) Wire transfers - processing and approving.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Transfers - preparing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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

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

Conclusion - Response acknowledged.

I-B-13 Gate Admissions - We noted during our audit that the District does not utilize pre-numbered tickets for all events that require admission.

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

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

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

Conclusion - Response accepted.

I-C-13 Scholarship Awards - We noted that the District purchased a money order to award to a student for the Ed-Co High School Scholarship. A scholarship is exempt from state and federal taxes if the student uses the scholarship award to pay for tuition expenses.

Recommendation - The District should issue scholarship checks in the names of the student and the college/university the student is attending once proof of attendance has been provided to the District. This way the District can ensure that scholarships are properly reported on the student's federal 1098T, where the amount will not be subject to

federal tax withholdings. If the District continues to award money orders in the name of the student only for scholarships, the District should issue a W-2, in compliance with IRS requirements.

Response – The District will receipt and pay scholarship money from the Trust Fund. A check will be written to the college and student. The student will be notified that the check has been mailed to the college.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II -A-13 Certified Budget - District disbursements for the year ended June 30, 2013, did not exceed the amount budgeted.
- II -B-13 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-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.
- II -D-13 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randall Mescher, Board President Part-owner of Edgewood Building Center	Supplies	\$2,249
Eileen Bergan, Teacher Husband owns Edgewood Farm & Home Supply	Supplies	\$4,725

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

In accordance with the Attorney General’s opinion dated November 9, 1976, the above transaction with the spouse of the teacher does not appear to represent a conflict of interest.

- II -E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II -F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the District did not approve the official depositories in the board minutes as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - Bank depositories should be approved annually by the Board and noted in the Board minutes to be in compliance with Chapter 12C.2 of the Code of Iowa.

Response - At our annual meeting we will include approval of bank depositories on our agenda.

Conclusion - Response accepted.

- II -G-13 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II -H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II -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.
- II -J-13 Certified Annual Report - The Certified Annual Report was filed timely with the Department of Education.
- II -K-13 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II -L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	463,646
Revenues:			
Sales tax revenues	\$	388,910	
Other local revenues		3,608	392,518
			856,164
Expenditures/transfer out:			
School infrastructures construction	\$	67,976	
Equipment		2,498	
Transfer to other funds:			
Debt service fund		125,000	195,474
Ending Balance		\$	660,690

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

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.83705	\$ 110,000

- II-M-13 Financial Condition - We noted during our audit that the District had one account in the Student Activity Fund with deficit unassigned balance of \$177.

Recommendation - The District should monitor the Student Activity Fund more closely and investigate alternatives to eliminate deficit accounts

Response - The deficit \$177 account is for band resale supply inventory. Effective March 1, 2014 this resale account will be moved to the General Fund. The General Fund will reimburse the activity account for inventory on hand as of February 28, 2014.

Conclusion - Response accepted.

II-N-13 Payroll Procedures - We noted during our audit the District does not have written authorization to mail employees' payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - When issuing contracts this spring, we will include on their contract a section which they can initial to authorize the district to mail employees their payroll checks.

Conclusion - Response accepted.

II-O-13 Band Resale Account - We noted during our audit that the District has an elementary band student purchases account in the Student Activity Fund that is used to track revenues and expenditures for band resale inventory. According to Chapter 301.1 of the Code of Iowa, sales of school supplies (commonly called resale) shall be accounted for in the General Fund.

Recommendation - Any remaining balance in the elementary band student purchases account in the Student Activity Fund should be moved to the General Fund to be in compliance with 301.1 of the Code of Iowa.

Response - The activity band resale account will be closed.

Conclusion - Response accepted.