

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Eldora-New Providence Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Jolene Teske	President	2015
Lori Kohart	Vice President	2015
James Ryan	Board Member (Resigned February 18, 2013)	2015
Joan Samp	Board Member	2013
Greg Salvo	Board Member	2013
Nancy Callaway	Board Member	2015
Garth Spieker	Board Member	2013
Maggie Vanderwilt	Board Member (Appointed February 18, 2013)	2013
<u>School Officials</u>		
Jay Mathis	Superintendent	2013
Cindy Bierle	District Secretary/Treasurer	2013
Ahler's & Cooney, P.C.	Attorney	2013

Eldora-New Providence 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 Eldora-New Providence Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to 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, business type activities, each major fund, and the aggregate remaining fund information of the Eldora-New Providence Community School District at 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management’s Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan and the combining statements for the discretely presented component unit on pages 7 through 16 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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 Eldora-New Providence Community School District’s basic financial statements. Another auditor previously audited, in accordance with 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 6, 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2014, on our consideration of the Eldora-New Providence Community School District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Eldora-New Providence Community School District’s internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eldora-New Providence 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 \$8,558,841 in fiscal 2012 to \$8,280,172 in fiscal 2013, while General Fund expenditures increased from \$7,679,910 in fiscal 2012 to \$7,922,575 in fiscal 2013. The District's General Fund balance increased from \$1,272,912 at June 30, 2012 to \$1,630,509 at June 30, 2013.
- The decrease in General Fund revenues was attributable to a decrease in local tax and federal sources as compared to the previous year. The increase in expenditures was due to the increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

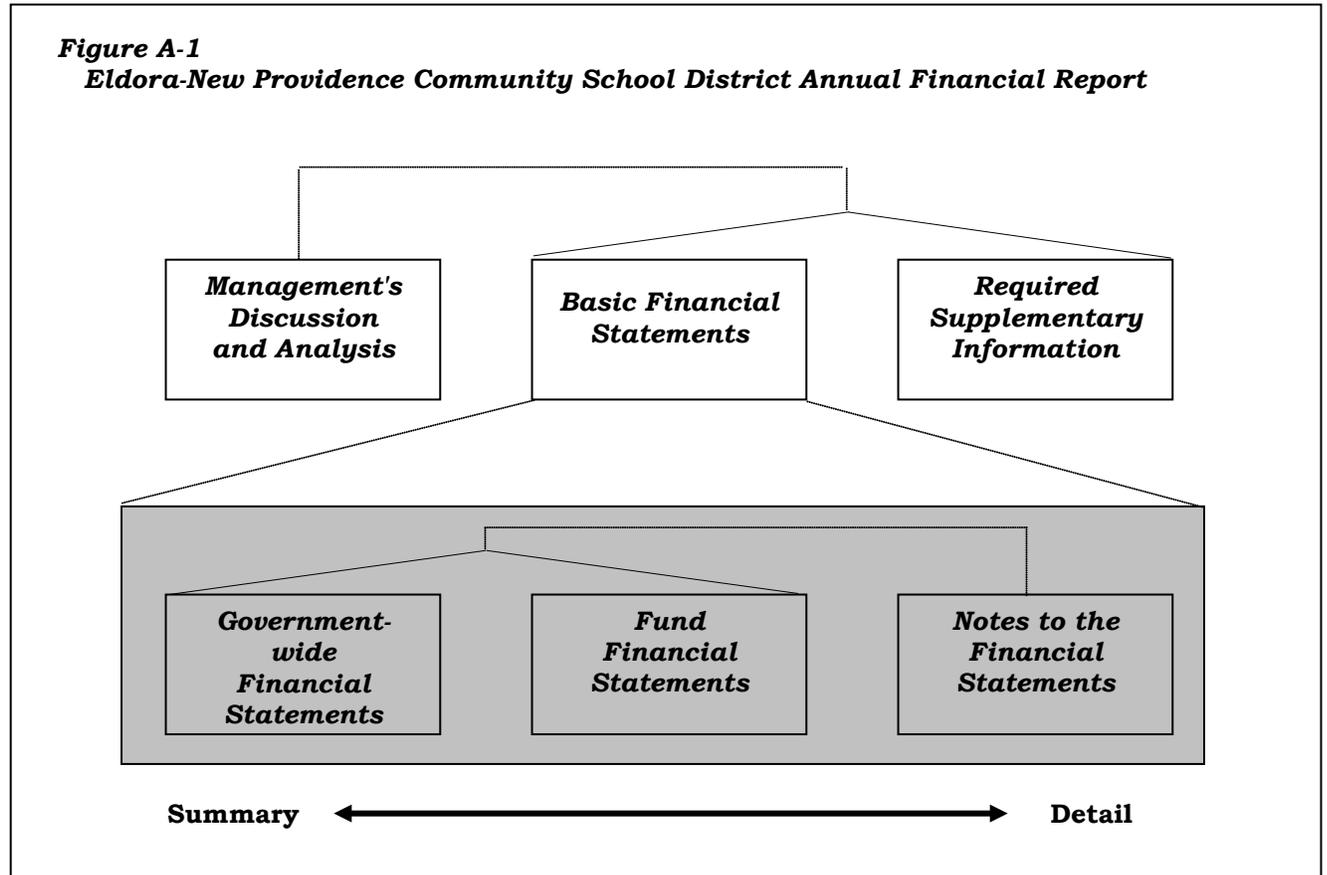


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
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 fund net position • Statement of cash flows
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
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
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

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 is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into three 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 as well as the District's day care fund.
- *Component unit:* The Eldora-New Providence School Foundation was created to financially support the Eldora-New Providence Community School District and post high school scholarship support to graduates of the school.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 7,783,878	7,275,956	30,379	49,071	7,814,257	7,325,027	6.68%
Capital assets	6,718,765	6,932,417	90,578	86,141	6,809,343	7,018,558	-2.98%
Total assets	14,502,643	14,208,373	120,957	135,212	14,623,600	14,343,585	1.95%
Long-term obligations	2,810,881	3,086,671	37,300	6,771	2,848,181	3,093,442	-7.93%
Other liabilities	4,908,249	4,698,290	81,113	75,722	4,989,362	4,774,012	4.51%
Total liabilities	7,719,130	7,784,961	118,413	82,493	7,837,543	7,867,454	-0.38%
Net position:							
Invested in capital assets, net of related debt	4,534,765	4,450,812	90,578	86,141	4,625,343	4,536,953	1.95%
Restricted	1,096,036	1,102,359	-	-	1,096,036	1,102,359	-0.57%
Unrestricted	1,152,712	870,241	(88,034)	(33,422)	1,064,678	836,819	27.23%
Total net position	\$ 6,783,513	6,423,412	2,544	52,719	6,786,057	6,476,131	4.79%

The District's combined net position increased by 4.79%, or \$309,926, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$6,323, or 0.57% from the prior year. This was primarily the result of a decrease in the net position of the Capital Projects: Physical Plant and Equipment Levy Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$227,859 or 27.23%. This increase in unrestricted net position was a result of the District's increase in the General Fund carryover balance.

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

Figure A-4							
Changes in 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	\$ 1,184,055	1,368,961	141,719	242,248	1,325,774	1,611,209	-17.72%
Operating grants, contributions and restricted interest	858,290	1,322,179	186,658	229,093	1,044,948	1,551,272	-32.64%
Capital grants, contributions and restricted interest	16,500	-	-	-	16,500	-	100.00%
General revenues:							
Property tax	2,917,469	3,109,134	-	-	2,917,469	3,109,134	-6.16%
Income surtax	197,265	246,369	-	-	197,265	246,369	-19.93%
Statewide sales, services and use tax	517,604	458,178	-	-	517,604	458,178	12.97%
Unrestricted state grants	3,554,794	3,187,283	-	-	3,554,794	3,187,283	11.53%
Unrestricted interest income	6,471	6,344	49	-	6,520	6,344	2.77%
Other	138,523	47,684	76	-	138,599	47,684	190.66%
Transfers	(16,724)	(47,087)	16,724	47,087	-	-	0.00%
Total revenues	9,374,247	9,699,045	345,226	518,428	9,719,473	10,217,473	-4.87%
Program expenses:							
Governmental activities:							
Instruction	6,042,118	5,717,653	-	-	6,042,118	5,717,653	5.67%
Support services	2,310,191	2,135,252	3,307	-	2,313,498	2,135,252	8.35%
Non-instructional programs	130,342	125,472	392,094	485,674	522,436	611,146	-14.52%
Other expenses	531,495	535,835	-	-	531,495	535,835	-0.81%
Total expenses	9,014,146	8,514,212	395,401	485,674	9,409,547	8,999,886	4.55%
Change in net position	360,101	1,184,833	(50,175)	32,754	309,926	1,217,587	-74.55%
Net position beginning of year	6,423,412	5,238,579	52,719	19,965	6,476,131	5,258,544	23.15%
Net position end of year	\$ 6,783,513	6,423,412	2,544	52,719	6,786,057	6,476,131	4.79%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 76.67% of the revenue from governmental activities while charges for services and operating grants and contributions and account for 95.12% of the revenue from business type activities.

The District's total revenues were approximately \$9.72 million of which approximately \$9.37 million was for governmental activities and approximately \$0.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.87% decrease in revenues and a 4.55% increase in expenses. The increase in expenses is primarily related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$9,374,247 and expenses were \$9,014,146 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, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 6,042,118	5,717,653	5.67%	4,306,850	3,357,196	28.29%
Support services	2,310,191	2,135,252	8.19%	2,254,011	2,125,064	6.07%
Non-instructional programs	130,342	125,472	3.88%	130,342	80,633	61.65%
Other expenses	531,495	535,835	-0.81%	264,098	260,179	1.51%
Totals	\$ 9,014,146	8,514,212	5.87%	6,955,301	5,823,072	19.44%

- The cost financed by users of the District's programs was \$1,184,055.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$874,790.
- The net cost of governmental activities was financed with \$2,917,469 in property tax, \$197,265 in income surtax, \$517,604 in statewide sales, services and use tax, \$3,554,794 in unrestricted state grants, \$6,471 in interest income, \$138,523 in other general revenues, and capital contributions to the nutrition fund shown as transfers of \$16,724.

Business-Type Activities

Revenues of the District's business type activities were \$345,226 and expenses were \$395,401. The District's business type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income and capital contributions from the governmental funds.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,722,039, which is more than last year's ending fund balances of \$2,316,863. This increase is primarily a result the increase in general carryover balance of the General Fund during the year.

Governmental Fund Highlights

- The General Fund balance increased from \$1,272,912 at June 30, 2012 to \$1,630,509 at June 30, 2013. This increase is due to District revenues exceeding expenditures during the year.
- The Capital Projects Fund balance decreased from \$624,234 at June 30, 2012 to \$622,231 at June 30, 2013. This decrease was due to increased expenditures in capital outlays associated with the District's track resurfacing project started during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$53,580 at June 30, 2012 to \$3,405 at June 30, 2013, representing a decrease of 93.65%. This decrease in net position is primarily due to a decrease in the number of meals served as compared to the prior year.

The Day Care Fund net position remained unchanged from a deficit balance of \$861 at June 30, 2012 and June 30, 2013, representing a change of 0%. The District had no activity in this fund during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$344,985 less than budgeted revenues, a variance of 3.41%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$6.81 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.07% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$388,821

The original cost of the District's capital assets was approximately \$12.94 million. Governmental funds account for approximately \$12.62 million with the remainder of approximately \$0.32 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$92,711 at June 30, 2013, compared to \$0 reported at June 30, 2012. This significant increase resulted from the District beginning work on its track resurfacing project during the year. After the project is completed the District will capitalize it as part of the District's capital asset listing.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 252,655	252,655	-	-	252,655	252,655	0.00%
Construction in progress	92,711	-	-	-	92,711	-	100.00%
Buildings	5,675,460	5,811,091	-	-	5,675,460	5,811,091	-2.39%
Land improvements	118,916	132,517	-	-	118,916	132,517	-11.44%
Machinery and equipment	579,023	736,154	90,578	86,141	669,601	822,295	-22.80%
Total	\$ 6,718,765	6,932,417	90,578	86,141	6,809,343	7,018,558	-3.07%

Long-Term Debt

At June 30, 2013, the District had \$2,848,181 in general obligation and other long-term debt outstanding. This represents a decrease of 7.93% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding revenue bond indebtedness of \$1,470,000 at June 30, 2013, payable from the Capital Projects: Statewide, Sales Services and Use Tax Fund.

The District had total outstanding QZAB revenue bond indebtedness of \$714,000 at June 30, 2013, payable from the Capital Projects: Statewide, Sales Services and Use Tax Fund.

The District had total outstanding termination benefits payable from the Special Revenue - Management Levy Fund of \$228,988 at June 30, 2013.

The District had total outstanding compensated absences payable of \$294,272 at June 30, 2013. Governmental Activities accounted for \$265,468 of this total payable from the General Fund while Business Type Activities accounted for \$28,804 payable from the Enterprise: School Nutrition Fund.

The District had outstanding Net OPEB liability at June 30, 2013 of \$140,921. The Governmental Activities accounted for \$132,425 of this total while Business Type Activities accounted for \$8,496.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenue Bonds	\$ 1,470,000	1,585,000	-	-	1,470,000	1,585,000	-7.26%
QZAB Revenue Bonds	714,000	785,500	-	-	714,000	785,500	-9.10%
Computer Leases	-	111,105	-	-	-	111,105	-100.00%
Termination Benefits	228,988	203,339	-	-	228,988	203,339	12.61%
Compensated Absences	265,468	297,220	28,804	-	294,272	297,220	-0.99%
Net OPEB liability	132,425	104,507	8,496	6,771	140,921	111,278	26.64%
Totals	\$ 2,810,881	3,086,671	37,300	6,771	2,848,181	3,093,442	-7.93%

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:

- School financing is highly dependent upon student enrollment. The District's October 2013 enrollment decreased by fifteen students. This decrease in enrollment will decrease the District's funding for fiscal year 2015.
- While 2013-2014 saw decreased enrollment, the District has experienced a declining enrollment trend for the past decade. The District expects this trend of declining enrollment to continue in the future.
- The district does not foresee any significant growth in jobs or housing in the near future and this will certainly impact future enrollment trends.
- While the state's economic picture is improving, the pace of the improvement is slow and gradual. Therefore, the District cannot expect significant growth in state aid for the immediate future.
- The District began a nine-year whole grade sharing agreement with the Hubbard-Radcliffe Community School District during Fiscal 2008. Fiscal 2013 was the sixth year of this agreement. Because more students from the Eldora-New Providence District are being tuitioned to the combined middle school hosted by the Hubbard-Radcliffe District than are being tuitioned by the Hubbard-Radcliffe District to the combined high school hosted by the Eldora-New Providence District, the District has needed to adjust its staffing levels to account for this difference. Since staff salaries and benefits are the largest expense in the General Fund, the District will need to continue to monitor its staffing levels to align resources in the whole grade sharing agreement with expenditures.

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 R. Jay Mathis, Superintendent, or Cindy Bierle, District Secretary/Treasurer and Business Manager, Eldora-New Providence Community School District, 1010 Edgington Ave., Eldora, Iowa, 50627.

Basic Financial Statements

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Eldora- New Providence School Foundation
ASSETS				
Cash and pooled investments	\$ 3,417,602	5,868	3,423,470	379,171
Receivables:				
Property tax:				
Delinquent	42,964	-	42,964	-
Succeeding year	3,029,458	-	3,029,458	-
Income surtax	183,265	-	183,265	-
Accounts	15,179	-	15,179	-
Due from other funds	53,212	-	53,212	-
Due from other governments	1,036,451	20,080	1,056,531	-
Inventories	5,747	4,431	10,178	-
Capital assets, net of accumulated depreciation	6,718,765	90,578	6,809,343	-
TOTAL ASSETS	14,502,643	120,957	14,623,600	379,171
LIABILITIES				
Due to other funds	-	53,212	53,212	-
Accounts payable	1,175,103	1,821	1,176,924	-
Salaries and benefits payable	674,013	22,133	696,146	-
Accrued interest payable	29,675	-	29,675	-
Deferred revenue:				
Succeeding year property tax	3,029,458	-	3,029,458	-
Unearned revenue	-	3,947	3,947	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds payable	120,000	-	120,000	-
QZAB revenue bonds payable	71,500	-	71,500	-
Termination benefits	68,953	-	68,953	-
Compensated absences	265,468	28,804	294,272	-
Portion due after one year:				
Revenue bonds payable	1,350,000	-	1,350,000	-
QZAB revenue bonds payable	642,500	-	642,500	-
Termination benefits	160,035	-	160,035	-
Net OPEB liability	132,425	8,496	140,921	-
TOTAL LIABILITIES	7,719,130	118,413	7,837,543	-
NET POSITION				
Invested in capital assets, net of related debt	4,534,765	90,578	4,625,343	-
Restricted for:				
Categorical funding	263,169	-	263,169	-
School infrastructure	334,718	-	334,718	-
Physical plant and equipment	113,763	-	113,763	-
Management levy purposes	144,980	-	144,980	-
Student activities	95,331	-	95,331	-
Debt service	144,075	-	144,075	-
Unrestricted	1,152,712	(88,034)	1,064,678	379,171
TOTAL NET POSITION	\$ 6,783,513	2,544	6,786,057	379,171

SEE NOTES TO FINANCIAL STATEMENTS.

**ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Eldora- New Providence School Foundation
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government		Total	
					Governmental Activities	Business Type Activities		
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular	\$ 3,099,326	829,025	66,632	-	(2,203,669)	-	(2,203,669)	-
Special	1,691,774	98,420	237,580	-	(1,355,774)	-	(1,355,774)	-
Other	1,251,018	221,174	282,437	-	(747,407)	-	(747,407)	-
	6,042,118	1,148,619	586,649	-	(4,306,850)	-	(4,306,850)	-
Support services:								
Student	177,726	19,933	-	-	(157,793)	-	(157,793)	-
Instructional staff	408,487	-	-	-	(408,487)	-	(408,487)	-
Administration	679,145	3,141	-	-	(676,004)	-	(676,004)	-
Operation and maintenance of plant	686,733	-	-	16,500	(670,233)	-	(670,233)	-
Transportation	358,100	12,362	4,244	-	(341,494)	-	(341,494)	-
	2,310,191	35,436	4,244	16,500	(2,254,011)	-	(2,254,011)	-
Non-instructional:								
Food service operations	3,984	-	-	-	(3,984)	-	(3,984)	-
Community service operations	126,358	-	-	-	(126,358)	-	(126,358)	-
	130,342	-	-	-	(130,342)	-	(130,342)	-
Long-term debt interest	64,037	-	-	-	(64,037)	-	(64,037)	-
Other expenditures:								
AEA flowthrough	267,397	-	267,397	-	-	-	-	-
Depreciation(unallocated)*	200,061	-	-	-	(200,061)	-	(200,061)	-
	467,458	-	267,397	-	(200,061)	-	(200,061)	-
Total governmental activities	9,014,146	1,184,055	858,290	16,500	(6,955,301)	-	(6,955,301)	-
Business Type activities:								
Support services:								
Operation and maintenance of plant	3,307	-	-	-	-	(3,307)	(3,307)	-
Non-instructional programs:								
Nutrition services	392,094	141,719	186,658	-	-	(63,717)	(63,717)	-
Total business type activities	395,401	141,719	186,658	-	-	(67,024)	(67,024)	-
Total primary government	\$ 9,409,547	1,325,774	1,044,948	16,500	(6,955,301)	(67,024)	(7,022,325)	-
Total component unit	\$ 18,600	-	14,760	-	-	-	-	(3,840)
General revenues and transfers								
Property tax levied for:								
General purposes					\$ 2,860,647	-	2,860,647	-
Capital outlay					56,822	-	56,822	-
Income surtax					197,265	-	197,265	-
Statewide sales, service and use tax					517,604	-	517,604	-
Unrestricted state grants					3,554,794	-	3,554,794	-
Unrestricted investment earnings					6,471	49	6,520	412
Unrealized gain on investments					-	-	-	34,778
Other general revenues					138,523	76	138,599	-
Transfers					(16,724)	16,724	-	-
Total general revenues and transfers					7,315,402	16,849	7,332,251	35,190
Change in net position					360,101	(50,175)	309,926	31,350
Net position beginning of year					6,423,412	52,719	6,476,131	347,821
Net position end of year					\$ 6,783,513	2,544	6,786,057	379,171

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

SEE NOTES TO FINANCIAL STATEMENTS.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 2,469,527	475,158	472,917	3,417,602
Receivables:				
Property tax				
Delinquent	37,342	869	4,753	42,964
Succeeding year	2,430,239	299,220	299,999	3,029,458
Income surtax	183,265	-	-	183,265
Accounts	12,462	-	2,717	15,179
Due from other funds	53,212	-	-	53,212
Due from other governments	890,247	146,204	-	1,036,451
Inventories	5,747	-	-	5,747
TOTAL ASSETS	\$ 6,082,041	921,451	780,386	7,783,878
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,172,818	-	2,285	1,175,103
Salaries and benefits payable	665,210	-	8,803	674,013
Deferred revenue:				
Succeeding year property tax	2,430,239	299,220	299,999	3,029,458
Income surtax	183,265	-	-	183,265
Total liabilities	4,451,532	299,220	311,087	5,061,839
Fund balances:				
Nonspendable	5,747	-	-	5,747
Restricted for:				
Categorical funding	263,169	-	-	263,169
School infrastructure	-	334,718	-	334,718
Physical plant and equipment	-	113,763	-	113,763
Management levy purposes	-	-	373,968	373,968
Student activities	-	-	95,331	95,331
Debt service	-	173,750	-	173,750
Unassigned	1,361,593	-	-	1,361,593
Total fund balances	1,630,509	622,231	469,299	2,722,039
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,082,041	921,451	780,386	7,783,878

SEE NOTES TO FINANCIAL STATEMENTS.

ELDORA-NEW PROVIDENCE 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)	\$	2,722,039
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,718,765
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.		(29,675)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		183,265
Long-term liabilities, including bonds payable, leases payable, termination benefits payable, compensated absences payable, and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,810,881)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,783,513</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,799,308	574,426	323,018	3,696,752
Tuition	882,663	-	-	882,663
Other	217,140	37,212	224,057	478,409
State sources	3,963,894	-	-	3,963,894
Federal sources	417,167	16,500	-	433,667
TOTAL REVENUES	8,280,172	628,138	547,075	9,455,385
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,914,659	-	213,750	3,128,409
Special	1,684,758	-	-	1,684,758
Other	1,019,815	1,100	226,411	1,247,326
	5,619,232	1,100	440,161	6,060,493
Support services:				
Student	176,869	-	-	176,869
Instructional staff	254,589	15,223	-	269,812
Administration	644,695	1,650	-	646,345
Operation and maintenance of plant	507,515	111,670	41,710	660,895
Transportation	325,920	-	11,638	337,558
	1,909,588	128,543	53,348	2,091,479
Non-instructional programs:				
Food service operations	-	-	3,984	3,984
Community service operations	126,358	-	-	126,358
	126,358	-	3,984	130,342
Capital outlay	-	137,106	-	137,106
Long-term debt:				
Principal	-	-	297,605	297,605
Interest and fiscal charges	-	-	65,787	65,787
	-	-	363,392	363,392
Other expenditures:				
AEA flowthrough	267,397	-	-	267,397
TOTAL EXPENDITURES	7,922,575	266,749	860,885	9,050,209
Excess(Deficiency) of revenues over(under) expenditures	357,597	361,389	(313,810)	405,176
Other financing sources(uses):				
Transfer in	-	-	363,392	363,392
Transfer out	-	(363,392)	-	(363,392)
Total other financing sources(uses)	-	(363,392)	363,392	-
Change in fund balances	357,597	(2,003)	49,582	405,176
Fund balances beginning of year	1,272,912	624,234	419,717	2,316,863
Fund balances end of year	\$ 1,630,509	622,231	469,299	2,722,039

SEE NOTES TO FINANCIAL STATEMENTS.

ELDORA-NEW PROVIDENCE 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)	\$	405,176
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 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. Depreciation expense exceeded capital outlays in the current year as follows:		
Capital outlays	\$ 162,882	
Depreciation expense	<u>(376,534)</u>	(213,652)
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds		 (64,414)
 Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.		 297,605
 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.		 1,750
 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.		
Termination benefits	(25,649)	
Compensated absences	31,752	
Other postemployment benefits	<u>(27,918)</u>	(21,815)
 Bond issue costs are reported as an expense in the governmental fund financial statements when incurred, but are capitalized and amortized over the life of the bonds in the government-wide financial statements.		 <u>(44,549)</u>
 Change in net position of governmental activities(page 19)	 \$	 <u><u>360,101</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business Type Activites Enterprise Funds		
	School Nutrition	Daycare	Total
<u>ASSETS</u>			
Current assets:			
Cash and pooled investments	\$ 5,868	-	5,868
Due from other governments	2,650	17,430	20,080
Inventories	4,431	-	4,431
Total current assets	12,949	17,430	30,379
Non-current assets:			
Capital assets:			
Machinery and equipment, net of accumulated depreciation	90,578	-	90,578
TOTAL ASSETS	103,527	17,430	120,957
<u>LIABILITIES</u>			
Current liabilities:			
Due to other funds	34,921	18,291	53,212
Accounts payable	1,821	-	1,821
Salaries and benefits payable	22,133	-	22,133
Unearned revenue	3,947	-	3,947
Total current liabilities	62,822	18,291	81,113
Long-term liabilities:			
Compensated absences	28,804	-	28,804
Net OPEB liability	8,496	-	8,496
Total long-term liabilities	37,300	-	37,300
TOTAL LIABILITIES	100,122	18,291	118,413
<u>NET POSITION</u>			
Invested in capital assets	90,578	-	90,578
Unrestricted	(87,173)	(861)	(88,034)
TOTAL NET POSITION	\$ 3,405	(861)	2,544

SEE NOTES TO FINANCIAL STATEMENTS.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Daycare	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 121,081	-	121,081
Shared contracts	20,638	-	20,638
Miscellaneous	76	-	76
TOTAL OPERATING REVENUES	141,795	-	141,795
OPERATING EXPENSES:			
Support services:			
Operation and maintenance of plant:			
Services	3,307	-	3,307
Non-instructional programs:			
Salaries	129,698	-	129,698
Benefits	91,156	-	91,156
Services	2,584	-	2,584
Supplies	156,369	-	156,369
Depreciation	12,287	-	12,287
Total non-instructional programs	392,094	-	392,094
TOTAL OPERATING EXPENSES	395,401	-	395,401
OPERATING LOSS	(253,606)	-	(253,606)
NON-OPERATING REVENUES:			
State sources	2,603	-	2,603
Federal sources	184,055	-	184,055
Interest on investments	49	-	49
TOTAL NON-OPERATING REVENUES	186,707	-	186,707
Change in net position before capital contributions	(66,899)	-	(66,899)
Capital contributions	16,724	-	16,724
Change in net position	(50,175)	-	(50,175)
Net position beginning of year	53,580	(861)	52,719
Net position end of year	\$ 3,405	(861)	2,544

SEE NOTES TO FINANCIAL STATEMENTS.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	Business Type Activities		
	Enterprise Funds		
	School Nutrition	Daycare	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 121,306	-	121,306
Cash received from miscellaneous	20,714	-	20,714
Cash payments to employees for services	(190,017)	-	(190,017)
Cash payments to suppliers for goods or services	(147,134)	-	(147,134)
Net cash used in operating activities	(195,131)	-	(195,131)
Cash flows from non-capital financing activities:			
Repayment from Capital Projects Fund	-	17,429	17,429
Borrowings(Repayments) from(to) General Fund	3,143	(17,429)	(14,286)
State grants received	2,603	-	2,603
Federal grants received	186,652	-	186,652
Net cash provided by non-capital financing activities	192,398	-	192,398
Cash flows from investing activities:			
Interest on investments	49	-	49
Net decrease in cash and cash equivalents	(2,684)	-	(2,684)
Cash and cash equivalents at beginning of year	8,552	-	8,552
Cash and cash equivalents at end of year	\$ 5,868	-	5,868
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (253,606)	-	(253,606)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	13,193	-	13,193
Depreciation	12,287	-	12,287
Decrease in inventories	112	-	112
Decrease in accounts receivable	106	-	106
Increase in accounts payable	1,821	-	1,821
Increase in salary and benefits payable	308	-	308
Increase in compensated absences	28,804	-	28,804
Increase in other postemployment benefits	1,725	-	1,725
Increase in unearned revenue	119	-	119
Net cash used in operating activities	\$ (195,131)	-	(195,131)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$13,193.

During the year ended June 30, 2013, the Nutrition Fund received capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$16,724.

SEE NOTES TO FINANCIAL STATEMENTS.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Eldora-New Providence Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Eldora and New Providence, Iowa, and the predominately agricultural territory of Grundy, Hardin and Marshall 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Eldora-New Providence 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 financial statements present Eldora-New Providence Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit – The Eldora-New Providence School Foundation was created to financially support the Eldora-New Providence School system and post high school scholarship support to graduates of the school. The Foundation is a separate legal entity with its own accounting records and board of trustees. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The foundation is accounted for as a component unit in these financial statements with the year ending December 31, 2012.

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 Gundy, Hardin and Marshall County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District also reports the following non-major proprietary funds.

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

The Enterprise, Day Care Fund and is used to account for all the day care activities offered by the District.

C. Measurement Focus and Basis of Accounting

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

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 measureable 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 - assigned and then unassigned fund balances.

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

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 balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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 the 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 governmental 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, 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	\$ -
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	3-20 years
Machinery and equipment	7-30 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund and Enterprise, School Nutrition Fund.

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

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

Nonspendable - Amounts which cannot be spent because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned - All amounts not included in preceding 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.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers

acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$197 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

Note 3. Due from and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise: School Nutrition	\$ 34,921
General Fund	Enterprise: Day Care	18,291
Total		<u>\$ 53,212</u>

The Enterprise: School Nutrition Fund is repaying the General Fund for salaries and benefits paid during the year.

The Enterprise: Day Care Fund is repaying the General Fund for salaries and benefits paid by the General Fund in prior years.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 180,502
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	71,500
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	111,390
Total		<u>\$ 363,392</u>

The transfer of \$180,502 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District revenue bonded indebtedness.

The transfer of \$71,500 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the District's annual QZAB revenue bond payment.

The transfer of \$111,390 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's computer lease indebtedness.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 252,655	-	-	252,655
Construction in progress	-	92,711	-	92,711
Total capital assets not being depreciated	<u>252,655</u>	<u>92,711</u>	<u>-</u>	<u>345,366</u>
Capital assets being depreciated:				
Buildings	9,258,378	50,829	-	9,309,207
Land improvements	271,993	-	-	271,993
Machinery and equipment	2,672,291	19,342	-	2,691,633
Total capital assets being depreciated	<u>12,202,662</u>	<u>70,171</u>	<u>-</u>	<u>12,272,833</u>
Less accumulated depreciation for:				
Buildings	3,447,287	186,460	-	3,633,747
Land improvements	139,476	13,601	-	153,077
Machinery and equipment	1,936,137	176,473	-	2,112,610
Total accumulated depreciation	<u>5,522,900</u>	<u>376,534</u>	<u>-</u>	<u>5,899,434</u>
Total capital assets being depreciated, net	<u>6,679,762</u>	<u>(306,363)</u>	<u>-</u>	<u>6,373,399</u>
Governmental activities capital assets, net	<u>\$ 6,932,417</u>	<u>(213,652)</u>	<u>-</u>	<u>6,718,765</u>
Business type activities:				
Machinery and equipment	\$ 299,842	16,724	-	316,566
Less accumulated depreciation	213,701	12,287	-	225,988
Business type activities capital assets, net	<u>\$ 86,141</u>	<u>4,437</u>	<u>-</u>	<u>90,578</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 9,994
Other	8,800
Support services:	
Instructional staff	137,409
Administration	155
Transportation	<u>20,115</u>
	176,473
Unallocated depreciation	<u>200,061</u>
Total governmental activities depreciation expense	<u>\$ 376,534</u>
Business type activities:	
Food services	<u>\$ 12,287</u>

Note 6. Long-Term Debt

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
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 1,585,000	-	115,000	1,470,000	120,000
QZAB Revenue Bonds	785,500	-	71,500	714,000	71,500
Compuer Lease	111,105	-	111,105	-	-
Termination Benefits	203,339	103,886	78,237	228,988	68,953
Compensated Absences	297,220	265,468	297,220	265,468	265,468
Net OPEB Liability	104,507	27,918	-	132,425	-
Total	<u>\$ 3,086,671</u>	<u>397,272</u>	<u>673,062</u>	<u>2,810,881</u>	<u>525,921</u>
<u>Business Type Activities:</u>					
Compensated Absences	\$ -	28,804	-	28,804	28,804
Net OPEB Liability	6,771	1,725	-	8,496	-
Total	<u>\$ 6,771</u>	<u>30,529</u>	<u>-</u>	<u>37,300</u>	<u>28,804</u>

Qualified Zone Academy Revenue Bonds

The District issued \$1,000,000 of qualified zone academy revenue bonds on July 15, 2008. The bonds were issued to financing the remodeling of existing school facilities that have been designated qualified zone academy projects. The bonds are interest free. The District makes annual payments to a local bank of \$71,500 paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	QZAB Bond Issue of July 15, 2008		
	Rate	Principal	Interest
2014	- %	\$ 71,500	-
2015	-	71,500	-
2016	-	71,500	-
2017	-	71,500	-
2018	-	71,500	-
2019-2023	-	356,500	-
Total		<u>\$ 714,000</u>	<u>-</u>

Revenue Bonds Payable

Details of the Districts June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 15, 2008			Total
	Rate	Principal	Interest	Total
2014	4.29 %	\$ 120,000	60,490	180,490
2015	4.29	125,000	55,234	180,234
2016	4.29	130,000	49,764	179,764
2017	4.29	135,000	44,080	179,080
2018	4.29	145,000	38,074	183,074
2019-2023	4.29	815,000	90,198	905,198
Total		<u>\$ 1,470,000</u>	<u>337,840</u>	<u>1,807,840</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,900,000 of revenue bond issued on July 15, 2008. The bond was issued for the purpose of financing a school addition and remodeling. The bond is payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2023. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. Annual principal and interest payments on the bonds are expected to require nearly 35% of the statewide sales, services and use tax revenues. The total principal and interest paid remaining to be paid is \$1,807,840. For the current year \$115,000 in principal and \$65,530 in interest was paid on the bonds and total statewide sales and services tax revenues were \$517,604.

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

- a) \$173,750 of the proceeds from the issuance of the revenue bonds shall be deposited to the reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects: Statewide Sales, Services and Use Tax Fund.
- b) Monthly transfers from the District's Statewide Sales, Services and Use Tax Fund shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal years 2012 and 2013. Employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences.

The early retirement benefit for each eligible employee is equal to the number of days of his or her accumulated sick leave, up to a maximum of 105 days, times the current year's rate for substitute teacher pays. Upon retirement the licensed employee is eligible to continue participation in the school district's group insurance plan at the school district's expense for a period of up to five years.

At June 30, 2013, the District has obligations to twenty participants with a total liability of \$228,988. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$78,237. The cost of early retirement payments expected to be paid are recorded as a long-term liability of the Governmental Activities in the Government-wide financial statements.

Note 7. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Eldora-New Providence Community School District has 80 active and 11 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for 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	\$ 62,604
Interest on net OPEB obligation	2,782
Adjustment to annual required contribution	(10,928)
Annual OPEB cost	<u>54,458</u>
Contributions made	<u>(24,815)</u>
Increase in net OPEB obligation	29,643
Net OPEB obligation beginning of year	<u>111,278</u>
Net OPEB obligation end of year	<u><u>\$ 140,921</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 \$24,815 to the medical plan.

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 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 47,647	31.00 %	\$ 66,459
2012	51,766	13.00	111,278
2013	54,458	45.57	140,921

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 \$346,785 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$346,785. The covered payroll (annual payroll of active employees covered by the plan) was \$3,762,300 and the ratio of the UAAL to covered payroll was 9.22%. 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. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

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

Note 8. 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 salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$349,626, \$321,446 and \$273,311 respectively, equal to the required contributions for each year.

Note 9. Risk Management

The District is a member in the Iowa Star Schools Employees Benefits Health Plan, an Iowa Code Chapter 28E organization. Iowa Star Schools is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. Iowa Star Schools was set up for the purpose of managing and funding employee benefits. Iowa Star Schools provides coverage and protection in the following categories: medical. District contributions to Iowa Star for the year ended June 30, 2013 were \$789,778.

Eldora-New Providence 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$267,397 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.

Note 11. Deficit Net Position

The District had a deficit unrestricted net position of \$861 in the Enterprise, Day Care Fund and \$87,173 in the Enterprise, School Nutrition Fund, resulting in a deficit unrestricted net position in the business type activities of \$88,034 at June 30, 2013.

Note 12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited english proficiency weighting	\$ 3,086
Home school assistance program	164,407
Gifted and talented	39,459
Teacher salary supplement	13,046
Four-year old preschool state aid	36,758
Professional development for model core curriculum	184
Professional development	6,229
Total	<u>\$ 263,169</u>

Note 13. Operating Lease Commitments

Copy Machines

The District entered into a four-year contract to lease copy machines during fiscal 2011. The remaining payments the District will make over the next year are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2014	<u>\$ 32,280</u>

Note 14. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is a detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	<u>Invested in Capital Assets</u>	<u>Management Levy</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	373,968	173,750	1,361,593
Invested in capital assets, net of accumulated depreciation	6,718,765	-	-	-
QZAB revenue bond capitalized indebtedness	(714,000)	-	-	-
Revenue bond capitalized indebtedness	(1,470,000)	-	-	-
Termination benefits	-	(228,988)	-	-
Accrued interest payable	-	-	(29,675)	-
Income surtax receivable	-	-	-	183,265
Compensated absences	-	-	-	(265,468)
Net OPEB liability	-	-	-	(132,425)
Nonspendable fund balance	-	-	-	5,747
Net position (Exhibit A)	<u>\$ 4,534,765</u>	<u>144,980</u>	<u>144,075</u>	<u>1,152,712</u>

Note 15. Construction Commitment

The District has entered into a construction contract totaling \$96,711 for a track resurfacing project. As of June 30, 2013, costs of \$92,711 had been incurred against the contract. The balance of \$4,000 will be paid out as work on the project progresses. The total cost of the project will be added to the District's capital asset listing upon completion.

Note 16. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the certified budget.

Eldora-New Providence Community School District

Required Supplementary Information

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

	Governmental		Proprietary		Final to	
	Funds	Funds	Total	Budgeted Amounts		Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 5,057,824	141,844	5,199,668	5,470,442	5,470,442	(270,774)
State sources	3,963,894	2,603	3,966,497	4,048,430	4,048,430	(81,933)
Federal sources	433,667	184,055	617,722	610,000	610,000	7,722
Total revenues	9,455,385	328,502	9,783,887	10,128,872	10,128,872	(344,985)
Expenditures/Expenses:						
Instruction	6,060,493	-	6,060,493	6,100,000	6,100,000	39,507
Support services	2,091,479	3,307	2,094,786	2,365,000	2,365,000	270,214
Non-instructional programs	130,342	392,094	522,436	520,000	520,000	(2,436)
Other expenditures	767,895	-	767,895	799,774	799,774	31,879
Total expenditures/expenses	9,050,209	395,401	9,445,610	9,784,774	9,784,774	339,164
Excess(Deficiency) of revenues over(under) expenditures/expenses	405,176	(66,899)	338,277	344,098	344,098	(5,821)
Other financing sources, net	-	16,724	16,724	20,389	20,389	(3,665)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	405,176	(50,175)	355,001	364,487	364,487	(9,486)
Balance beginning of year	2,316,863	52,719	2,369,582	2,093,250	2,093,250	276,332
Balance end of year	\$ 2,722,039	2,544	2,724,583	2,457,737	2,457,737	266,846

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

ELDORA-NEW PROVIDENCE 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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 343,251	\$ 343,251	0.0 %	3,090,000	11.11%
2011	July 1, 2009	-	343,251	343,251	0.0	3,390,000	10.13%
2012	July 1, 2009	-	314,793	314,793	0.0	3,490,000	9.02%
2013	July 1, 2012	-	346,785	346,785	0.0	3,762,300	9.22%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF ASSETS, LIABILITIES AND NET POSITION - CASH BASIS
 COMPONENT UNIT
 DECEMBER 31, 2012

	Eldora- New Providence School Foundation
ASSETS	
Cash and pooled investments	\$ 379,171
LIABILITIES	
	-
NET POSITION	
Unrestricted	\$ 379,171

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2012

	Eldora- New Providence School Foundation
Revenue:	
Contributions, gifts, grants	\$ 14,760
Interest	412
Unrealized gains on investments	34,778
Total revenue	49,950
Expenses:	
Scholarships	18,600
Excess of revenue over expenses	31,350
Net position beginning of year	347,821
Net position end of year	\$ 379,171

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 378,018	94,899	472,917
Receivables:			
Property tax:			
Delinquent	4,753	-	4,753
Succeeding year	299,999	-	299,999
Accounts	-	2,717	2,717
TOTAL ASSETS	\$ 682,770	97,616	780,386
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	2,285	2,285
Salaries and benefits payable	8,803	-	8,803
Deferred revenue:			
Succeeding year property tax	299,999	-	299,999
Total liabilities	308,802	2,285	311,087
Fund balances:			
Restricted for:			
Management levy purposes	373,968	-	373,968
Student activities	-	95,331	95,331
Total fund balances	373,968	95,331	469,299
TOTAL LIABILITIES AND FUND BALANCES	\$ 682,770	97,616	780,386

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT 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	\$ 323,018	-	323,018	-	323,018
Other	3,983	220,074	224,057	-	224,057
TOTAL REVENUES	327,001	220,074	547,075	-	547,075
EXPENDITURES:					
Current:					
Instruction:					
Regular	213,750	-	213,750	-	213,750
Other	-	226,411	226,411	-	226,411
Support services:					
Operation and maintenance of plant	41,710	-	41,710	-	41,710
Transportation	11,638	-	11,638	-	11,638
Non-instructional programs:					
Food service operations	3,984	-	3,984	-	3,984
Long-term Debt:					
Principal	-	-	-	297,605	297,605
Interest and fiscal charges	-	-	-	65,787	65,787
TOTAL EXPENDITURES	271,082	226,411	497,493	363,392	860,885
Excess(Deficiency) of revenues over(under) expenditures	55,919	(6,337)	49,582	(363,392)	(313,810)
OTHER FINANCING SOURCES:					
Transfer in	-	-	-	363,392	363,392
Change in fund balances	55,919	(6,337)	49,582	-	49,582
Fund balances beginning of year	318,049	101,668	419,717	-	419,717
Fund balances end of year	\$ 373,968	95,331	469,299	-	469,299

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELDORA-NEW PROVIDENCE 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	\$ 362,264	112,894	475,158
Receivables:			
Property tax:			
Delinquent	-	869	869
Succeeding year	-	299,220	299,220
Due from other governments	146,204	-	146,204
TOTAL ASSETS	\$ 508,468	412,983	921,451
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	299,220	299,220
Fund balances:			
Restricted for:			
Debt service	173,750	-	173,750
School infrastructure	334,718	-	334,718
Physical plant and equipment	-	113,763	113,763
Total fund balances	508,468	113,763	622,231
TOTAL LIABILITIES AND FUND BALANCES	\$ 508,468	412,983	921,451

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELDORA-NEW PROVIDENCE 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, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 517,604	56,822	574,426
Other	36,254	958	37,212
Federal sources	16,500	-	16,500
TOTAL REVENUES	570,358	57,780	628,138
EXPENDITURES:			
Current:			
Instruction:			
Other	1,100	-	1,100
Support services:			
Instructional staff	15,223	-	15,223
Administration	1,650	-	1,650
Operation and maintenance of plant	82,949	28,721	111,670
Capital outlay	102,458	34,648	137,106
TOTAL EXPENDITURES	203,380	63,369	266,749
Excesss(Deficiency) of revenues over(under) expenditures	366,978	(5,589)	361,389
Other financing uses:			
Transfer out	(363,392)	-	(363,392)
Change in fund balances	3,586	(5,589)	(2,003)
Fund balances beginning of year	504,882	119,352	624,234
Fund balances end of year	\$ 508,468	113,763	622,231

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
ELEMENTARY CHALLENGE	\$ 3,084	20,454	17,711	-	5,827
DRAMA CLUB	59	401	1,823	1,588	225
HS VOCAL MUSIC	4,994	5,552	4,958	(80)	5,508
HS INSTRUMENTAL MUSIC	3,578	2,353	1,945	(50)	3,936
MUSIC RESALE	172	219	408	50	33
PERFORMANCE TEAM	-	803	1,300	500	3
HS ATHLETICS GENERAL	6,776	5,740	4,555	5,575	13,536
SOUTH HARDIN UNIFORM FUND	532	4,172	-	-	4,704
HS BASKETBALL	-	21,639	17,866	(3,350)	423
HS ATHLETICS MEDICAL	-	-	1,258	1,300	42
HS BASEBALL/SOFTBALL	-	18,499	12,675	(4,480)	1,344
HS TRACK	-	8,763	7,226	-	1,537
HS TRACK RESURFACING	28,737	10,542	34,810	-	4,469
HS CROSS COUNTRY	-	2,678	3,514	950	114
HS TENNIS	-	1,486	1,449	-	37
HS GOLF	-	1,165	2,526	1,370	9
CHEERLEADERS	-	5,582	1,985	(3,590)	7
HS FOOTBALL	-	7,226	16,934	9,720	12
FOOTBALL FUND RAISERS	2	10,304	7,834	(2,421)	51
SOUTH HARDIN PRESS BOX FUND RAISER	-	2,500	-	-	2,500
HS WRESTLING	6,777	2,661	2,089	-	7,349
HS VOLLEYBALL	-	15,326	13,452	(1,350)	524
HS STUDENT COUNCIL	4,122	5,422	4,643	(868)	4,033
NATIONAL HONOR SOCIETY	2,816	-	425	-	2,391
ACADEMIC DECATHLON	-	735	455	-	280
FFA	3,129	24,090	24,536	-	2,683
CLASS OF 2011	1,508	-	-	(1,508)	-
CLASS OF 2012	1,063	197	56	-	1,204
CLASS OF 2013	3,122	3,880	2,383	45	4,664
CLASS OF 2014	13,244	2,996	13,325	20	2,935
CLASS OF 2015	1,125	19,140	8,350	23	11,938
CLASS OF 2016	-	900	62	-	838
HS CONCESSIONS, DONATIONS	1,576	7,016	1,877	(3,644)	3,071
CONCESSIONS, EQUIPMENT	2,077	48	67	200	2,258
HS ANNUAL - 2009	2,069	-	-	-	2,069
HS ANNUAL - 2010	881	-	-	-	881
HS ANNUAL - 2011	2,590	-	7,251	6,003	1,342
HS ANNUAL - 2012	7,635	475	-	(6,003)	2,107
HS ANNUAL - 2013	-	7,110	6,663	-	447
TOTALS	<u>\$ 101,668</u>	<u>220,074</u>	<u>226,411</u>	<u>-</u>	<u>95,331</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ELDORA-NEW PROVIDENCE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
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	\$ 3,696,752	3,750,539	3,723,937	3,562,847	3,307,914	3,065,083	2,807,471	2,435,057	2,218,849	2,146,596
Tuition	882,663	922,315	947,757	922,038	1,053,973	1,089,985	476,037	432,390	450,521	539,036
Other	478,409	493,429	561,246	391,658	467,313	506,318	595,340	353,876	287,871	371,978
Intermediate sources	-	-	-	1,500	-	-	-	-	-	-
State sources	3,963,894	4,022,863	3,715,803	3,261,923	3,663,084	3,681,270	3,144,613	3,037,791	2,916,933	2,808,713
Federal sources	433,667	466,103	631,972	733,755	426,830	243,776	256,781	241,466	239,826	245,777
Total	\$ 9,455,385	9,655,249	9,580,715	8,873,721	8,919,114	8,586,432	7,280,242	6,500,580	6,114,000	6,112,100
Expenditures:										
Instruction:										
Regular	\$ 3,128,409	3,102,649	3,121,727	3,387,765	3,424,959	3,446,073	2,546,190	2,379,427	2,443,073	2,424,608
Special	1,684,758	1,531,126	1,625,705	1,407,354	1,362,417	1,441,756	1,012,515	911,520	1,033,569	1,076,093
Other	1,247,326	1,191,285	1,045,910	880,199	847,229	825,586	742,927	687,808	523,538	531,043
Support services:										
Student	176,869	155,470	136,790	140,742	152,229	167,077	152,211	292,966	266,640	262,857
Instructional staff	269,812	297,547	636,367	415,881	359,938	296,240	333,836	313,084	125,522	120,932
Administration	646,345	611,256	593,664	604,816	678,591	652,480	665,812	562,549	574,249	572,346
Operation and maintenance										
of plant	660,895	498,345	759,802	931,895	490,575	584,854	503,120	507,324	396,198	415,384
Transportation	337,558	389,984	359,628	334,137	296,163	298,044	269,662	158,180	143,738	162,906
Non-instructional programs	130,342	125,472	124,965	132,632	146,914	140,569	176,273	-	2,782	2,528
Capital outlay	137,106	28,709	102,862	129,818	2,427,660	478,000	34,003	32,923	135,720	38,687
Long-term debt:										
Principal	297,605	317,328	420,900	576,500	390,000	440,000	420,000	395,000	435,246	616,823
Interest and fiscal charges	65,787	70,866	84,605	105,876	83,350	61,662	79,400	96,062	114,037	141,831
AEA flow-through	267,397	275,656	292,146	288,369	245,434	240,201	213,293	197,357	191,554	195,946
Total	\$ 9,050,209	8,595,693	9,305,071	9,335,984	10,905,459	9,072,542	7,149,242	6,534,200	6,385,866	6,561,984

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 the
Eldora-New Providence Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eldora-New Providence Community School District 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, and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eldora-New Providence 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 Eldora-New Providence Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Eldora-New Providence 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 a certain deficiencies in internal control over financial reporting that we consider to be a material weakness 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 on a timely basis. We consider the deficiency 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 combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 to I-D-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eldora-New Providence 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.

Eldora-New Providence Community School District's Responses to Findings

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 20, 2014
Newton, Iowa

ELDORA-NEW PROVIDENCE 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 DEFICIENCY:

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) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) School lunch program - 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 - The District will continue to try to segregate duties to the best of its ability but with our budgetary status will not be able to increase personnel.

Conclusion - Response accepted.

I-B-13 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an 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 the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- 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 the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at 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 - The District has started using pre-numbered tickets at District events.

Conclusion - Response accepted.

I-C-13 Student Activity Fund - The District’s Student Activity Fund is maintaining the Class of 2012 account with balance of \$1,204 at June 30, 2013.

Recommendation - Upon graduation of a class, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as startup funds for the next incoming class or distributed to another student activity fund account with board approval.

Response - The District will redistribute old class account funds to the general athletics fund in the activity fund with approval of the board.

Conclusion - Response accepted.

I-D-13 Scholarship Awards - We noted during our audit that scholarship checks were being written from the FFA account in the Student Activity Fund.

Recommendation - If this student activity group intends on awarding scholarships each year, the District needs to make this group aware that they need to fundraise specifically for the purpose of awarding a scholarship. Revenues and subsequent expenditures for scholarships from the activity fund group would be more appropriately handled in a Private Purpose Trust Fund.

Response - If we continue to offer the scholarship, it will be given by the Eldora Community School Foundation and not the District.

Conclusion - Response acknowledged. In order to give money to the Eldora Community School Foundation the club within the activity fund must fundraise specifically for that purpose. Money cannot be arbitrarily given to outside organizations.

OTHER MATTERS:

I-E-13 Commodity Pricing - We noted during our audit of the School Nutrition Fund that the District did not price the commodity inventory using the correct values provided by the Iowa Department of Education.

Recommendation - The District should review procedures in place for the calculation of commodity inventory at year end.

Response - The District will review procedures to ensure commodity inventory is priced using the correct values.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the amount budgeted in the non-instructional programs functional area.

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

Response - The District will continue to monitor the certified budget closely and amend the budget before expenditures exceed the amounts certified.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements – We noted during our audit the District pays its cook and custodian employees a stipend for uniform cleaning. The District paid these stipends through its accounts payable systems. IRS publications indicate nonaccountable plans for clothing should be reported as additional compensation on the employee's W-2's.

Recommendation - The District should report the amount of the stipends paid to employees for uniform cleaning as additional compensation on employee's W-2's. The District should review IRS publication 15B with regard to taxable benefits.

Response - The District will either obtain receipts showing employees reimbursed the District for the uniforms, or the stipend will be paid as part of payroll.

Conclusion - Response accepted.

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 noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Greg Salvo, Board Member Coach	Purchased Services	\$2,500

In accordance with the Chapter 279.7A of the Code of Iowa, the above transaction with the Board Member 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.

II-G-13 Certified Enrollment - We noted variances in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was understated by 0.60 students.

Recommendation - The Iowa Department of Education and the Iowa Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

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 with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.

II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-13 Financial Condition - At June 30, 2013, the District had deficit unrestricted net position in the Enterprise: School Nutrition Fund, and the Enterprise: Day Care Fund, of \$87,173, and \$861, respectively for a total deficit unrestricted net position of \$88,034.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits accounts.

Response - The District continues to increase prices as much as possible and use attrition as staff retire in the School Nutrition Fund to try and decrease the deficit. The District is currently working on closing the Day Care Fund with the Department of Education
Conclusion - Response accepted.

II-M-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	504,882
Revenues:			
Sales tax revenues	\$	517,604	
Other local revenues		36,254	
Federal revenues		16,500	570,358
Total revenues			<u>1,075,240</u>
Expenditures:			
School infrastructure construction		102,458	
Equipment		56,381	
Other		44,541	
Transfers to other funds:			
Debt service fund		363,392	566,772
Ending balance			<u>\$ 508,468</u>

For the year ended June 30, 2013 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-N-13 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Accounts - We noted a High School Track Resurfacing, and a South Hardin Football Pressbox Fundraiser accounts in the Student Activity Fund. These accounts appear to be for construction related items, which is not an allowable expense from the Student Activity Fund and therefore, would be more appropriately handled in the Capital Projects Funds.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The revenues and expenditures in the High School Track Resurfacing and South Hardin Football Pressbox Fundraiser accounts appear to construction related and would be more appropriate in the Capital Projects: Physical, Plant and Equipment Levy Fund.

Response - The District will move these funds for the High School Track Resurfacing and Pressbox accounts to the Capital Projects: Physical, Plant and Equipment Levy Fund.

Conclusion - Response accepted.

Commissions: We also noted during our audit that Lifetouch Picture commissions were being received to the Elementary Challenge activity account in the Student Activity Fund.

Recommendation - According to Chapter 298A.2 of the Code of Iowa, all money received by a District must be accounted for in the General Fund except for money required by law to be accounted for in another fund. Commissions are not specifically identified as allowable revenue for the Student Activity Fund; therefore, Lifetouch commissions would be more appropriately received into the General Fund.

Response - Lifetouch commissions will be received into the General Fund.

Conclusion - Response accepted.

Target Donations: We noted the District recorded Target Donations in the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. Target Donations are undesignated, therefore more appropriately received in the General Fund for use as determined by the Board of Directors. This designation should be done annually and noted in the District's board minutes.

Response - Target donations will be designated and received to the General Fund.

Conclusion - Response accepted.

II-O-13 Payroll Authorization - We noted during our audit, the District does not maintain the 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 maintain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District has started maintaining written authorization from each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.

II-P-13 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District has started maintaining documentation of hours worked by coaches and non-certified staff and will calculate the wage per hour to ensure compliance with minimum wage and overtime requirements.

Conclusion - Response accepted.

- II-Q-13 Interfund Loans - We noted during our audit that the District has interfund loans between the General Fund and the Enterprise: School Nutrition Fund of \$34,921 and between the General Fund and the Enterprise: Day Care Fund of \$18,291 which were on the balance sheets in the prior year and still on the current year balance sheets.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2010, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must issue anticipatory warrants to repay the interfund loans according to Iowa Code Chapter 74.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - The District will seek external borrowing to comply with the declaratory order to repay the interfund loans.

Conclusion - Response accepted.