

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

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

YEAR ENDED JUNE 30, 2014

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

Officials

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

(Before September 2013 Election)

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

(After September 2013 Election)

Jon Rowen	President	2017
Erin Halverson	Vice President	2017
Tracy Crail	Board Member	2015
Pat Manues	Board Member	2015
Elaine Schope	Board Member	2015

School Officials

Jess Toliver	Superintendent	2014
Teresa Pohlman	District Secretary/Treasurer and Business Manager	2014
Engel Law	Attorney	2014

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

Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District, Eagle Grove, Iowa, as of and for the year ended June 30, 2014, and the related Notes to 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, the business type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in

accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2015 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Eagle Grove Community School District's internal control over financial reporting and compliance.

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

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

March 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,289,154 in fiscal 2013 to \$9,328,943 in fiscal 2014, while General Fund expenditures decreased from \$9,161,005 in fiscal 2013 to \$8,971,117 in fiscal 2014. The District's General Fund balance increased from \$1,541,559 at the end of fiscal 2013 to \$1,899,385 at the end of fiscal 2014, a 23.2% increase.
- The increase in General Fund revenues was attributable to increases in state source revenue. The decrease in expenditures was due primarily to a decrease in instruction and support service expenses.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

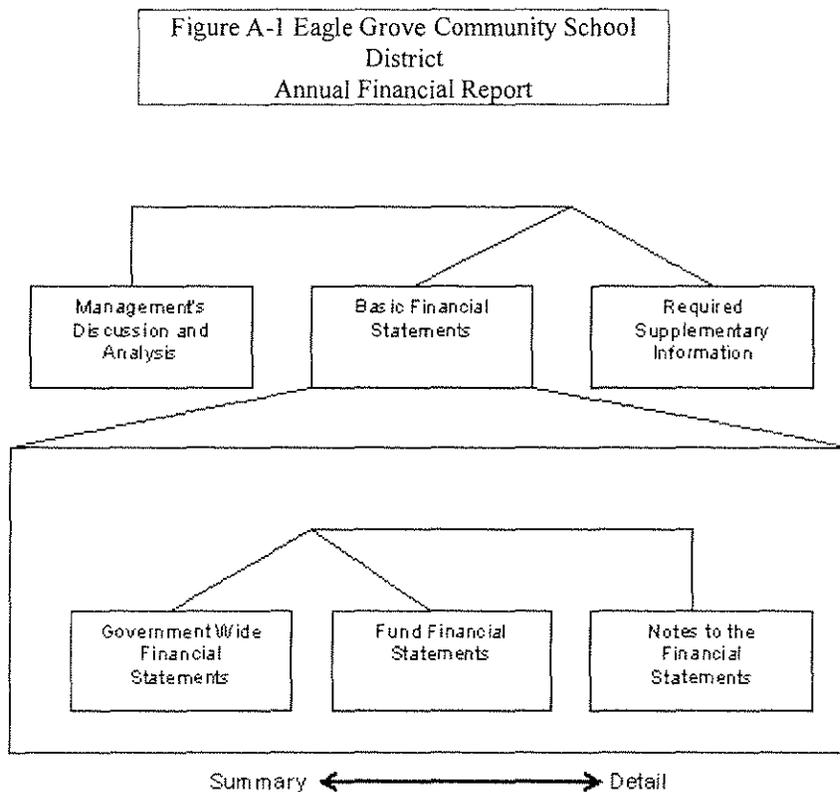


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 7,177	11,143	78	43	7,255	11,186	-35.1%
Capital assets	9,590	8,901	26	28	9,616	8,929	7.7%
Total assets	<u>16,767</u>	<u>20,044</u>	<u>104</u>	<u>71</u>	<u>16,871</u>	<u>20,115</u>	<u>-16.1%</u>
Long-term liabilities	4,428	8,523	20	18	4,448	8,541	-42.2%
Other liabilities	163	195	4	2	167	197	-15.2%
Total liabilities	<u>4,591</u>	<u>8,718</u>	<u>24</u>	<u>20</u>	<u>4,615</u>	<u>8,738</u>	<u>-47.2%</u>
Deferred inflows of resources	<u>3,838</u>	<u>4,004</u>	<u>---</u>	<u>---</u>	<u>3,838</u>	<u>4,004</u>	<u>-4.1%</u>
Net position:							
Net investment in capital assets	5,797	4,891	26	28	5,823	4,919	18.4%
Restricted	1,397	1,482	---	---	1,397	1,482	-5.6%
Unrestricted	<u>1,144</u>	<u>949</u>	<u>54</u>	<u>23</u>	<u>1,198</u>	<u>972</u>	<u>23.0%</u>
Total net position	<u>\$ 8,338</u>	<u>7,322</u>	<u>80</u>	<u>51</u>	<u>8,418</u>	<u>7,373</u>	<u>14.2%</u>

The District's total net position increased 14% or approximately \$1,045,000, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$85,000 or 6%, from the prior year. The decrease was primarily a result of decreased expenditures in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$226,000 or 23%. This increase in unrestricted net position was a result of revenues exceeding expenditures.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4							
Changes in Net Position							
(Expressed in Thousands)							
	Governmental		Business Type		Total School		Total
	Activities		Activities		District		Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 633	687	167	174	800	861	-7.1%
Operating grants, contributions and restricted interest	1,576	1,579	380	360	1,956	1,939	0.9%
Capital grants, contributions and restricted interest	---	25	---	---	---	25	-100.0%
General revenues:							
Property tax	3,994	3,955	---	---	3,994	3,955	1.0%
Statewide sales, services and use tax	732	787	---	---	732	787	-7.0%
Income surtax	256	217	---	---	256	217	18.0%
Unrestricted state grants	4,091	3,993	---	---	4,091	3,993	2.5%
Unrestricted investment earnings	9	3	---	---	9	3	200.0%
Other	75	94	---	---	75	94	-20.2%
Total revenues	<u>11,366</u>	<u>11,340</u>	<u>547</u>	<u>534</u>	<u>11,913</u>	<u>11,874</u>	<u>0.3%</u>
Program expenses:							
Instruction	6,485	6,531	---	---	6,485	6,531	-0.7%
Support services	2,893	2,877	---	---	2,893	2,877	0.6%
Non-instructional programs	2	2	518	547	520	549	-5.3%
Other expenses	930	1,049	---	---	930	1,049	-11.3%
Total expenses	<u>10,310</u>	<u>10,459</u>	<u>518</u>	<u>547</u>	<u>10,828</u>	<u>11,006</u>	<u>-1.6%</u>
Change in net position	1,056	881	29	(13)	1,085	868	25.0%
Net position beginning of year, as restated	<u>7,282</u>	<u>6,441</u>	<u>51</u>	<u>64</u>	<u>7,333</u>	<u>6,505</u>	<u>12.7%</u>
Net position end of year	<u>\$ 8,338</u>	<u>7,322</u>	<u>80</u>	<u>51</u>	<u>8,418</u>	<u>7,373</u>	<u>14.2%</u>

In fiscal year 2014, property tax and unrestricted state grants account for 71.1% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$11.9 million, of which approximately \$11.4 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.3% increase in revenues and a 1.6% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$11,366,363 and expenses were \$10,309,469 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 6,485	6,531	-0.7%	4,693	4,668	0.5%
Support services	2,893	2,877	0.6%	2,829	2,816	0.5%
Non-instructional programs	2	2	0.0%	2	2	0.0%
Other expenses	930	1,049	-11.3 %	576	682	-15.5%
Total	\$ 10,310	10,459	-1.4%	8,100	8,168	-0.8%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$632,805.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,576,386.
- The net cost of governmental activities was financed with \$4,982,009 in property and other taxes and \$4,090,497 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$546,432, representing a 2.3% increase over the prior year, while expenses totaled \$517,923, a 5.3% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,963,800, well below last year's ending fund balances of \$6,722,991. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2014 is due to the District calling approximately \$3.7 million of general obligation bonds in May 2014 for which the refunding bonds were issued in the prior year of approximately \$3.8 million.

Governmental Fund Highlights

- The General Fund balance increased from \$1,541,559 to \$1,899,385 due to keeping expenditures below available revenues.
- The Debt Service Fund balance decreased from \$3,753,176 at the end of fiscal year 2013 to \$5,148 at the end of fiscal 2014 due to calling the general obligation bonds in May 2014.
- The Capital Projects Fund balance ended fiscal year 2013 with a balance of \$1,079,858. Fiscal year 2014 ended with a balance of \$663,561.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$51,021 at June 30, 2013 to \$79,530 at June 30, 2014, representing an increase of approximately 55% due, in part, to a decrease in expenditures.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$46,877 more than total budgeted revenues, a variance of 0.4%.

Total expenditures were more than budgeted, due primarily to the District's budget in the other expenditures function. 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 other expenditures functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$9.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-6) This represents a net increase of 7.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$525,307.

The original cost of the District's capital assets was approximately \$14.4 million. Governmental funds account for approximately \$14.4 million with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in thousands)

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 131	131	---	---	131	131	0.0%
Construction in progress	241	141	---	---	241	141	70.9%
Buildings	8,301	7,791	---	---	8,301	7,791	6.5%
Improvements other than buildings	98	126	---	---	98	126	-22.2%
Furniture and equipment	<u>819</u>	<u>712</u>	<u>26</u>	<u>28</u>	<u>845</u>	<u>740</u>	<u>14.2%</u>
Total	<u>\$ 9,590</u>	<u>8,901</u>	<u>26</u>	<u>28</u>	<u>9,616</u>	<u>8,929</u>	<u>7.7%</u>

Long-Term Debt

At June 30, 2014, the District had \$3,813,568 long-term debt outstanding. (See Figure A-7) This represents a decrease of approximately 52% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

In May 2014, the District called \$3,710,000 of general obligation bonds. The District had total outstanding bonded indebtedness at June 30, 2014 of \$3,792,760.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in thousands)			
	Total District		Total Change
	June 30,		June 30,
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
General obligation bonds	\$ ---	4,010	-100.0%
General obligation refunding bonds	3,793	3,791	0.0%
Early retirement	<u>21</u>	<u>153</u>	<u>-86.3%</u>
Totals	\$ <u>3,814</u>	<u>7,954</u>	<u>-52.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Health insurance and the Affordable Care Act continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District plans to continue to levy property taxes to pay for principal and interest on long term debt.
- We have had small increases in assessed valuation over the past several years and we are anticipating a decline in future years. This could cause our overall tax rate to increase in the future.
- Our enrollment is staying steady. We saw a growth of 2.3 students even though there are no new housing or industry sites being developed. This being said, there is still potential for decreasing enrollment in the future.
- Uncertainty of an inadequacy of allowable growth continues to prevent expansion of programs. The supplemental growth percentage for 2015-16 is not yet known as of 3-3-15. The District will have to certify their 2015-16 budget without this rate being set by the state legislature.

- We will continue to look at the condition of our transportation fleet. While they pass inspection we have an aging fleet and we will need to update some of our vehicles. We will be purchasing 1-2 busses before the end of 2014-2015.
- The FY2014 year was the second of two year agreements with the EGEA and the EGESA. The District will negotiate new agreements for 2014-15 with both groups. Settlements in excess of “new money”, which is currently unknown, will have an adverse affect on the District’s general fund budget and will more than likely require higher class sizes and/or force staff cuts.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,581,853	56,958	2,638,811
Receivables:			
Property tax:			
Delinquent	48,415	-	48,415
Succeeding year	3,838,031	-	3,838,031
Accounts	-	1,027	1,027
Accrued interest	285	-	285
Due from other governments	708,544	13,568	722,112
Inventories	-	5,836	5,836
Capital assets, net of accumulated depreciation	<u>9,589,760</u>	<u>25,912</u>	<u>9,615,672</u>
Total assets	<u>16,766,888</u>	<u>103,301</u>	<u>16,870,189</u>
Liabilities			
Accounts payable	152,411	-	152,411
Early retirement payable	3,468	-	3,468
Accrued interest payable	6,968	-	6,968
Unearned revenue	-	3,966	3,966
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	365,000	-	365,000
Early retirement	17,340	-	17,340
Portion due after one year:			
General obligation bonds (net of \$17,240 unamortized discount)	3,427,760	-	3,427,760
Early retirement	3,468	-	3,468
Net OPEB liability	<u>613,962</u>	<u>19,805</u>	<u>633,767</u>
Total liabilities	<u>4,590,377</u>	<u>23,771</u>	<u>4,614,148</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>3,838,031</u>	-	<u>3,838,031</u>

(continued)

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	5,797,000	25,912	5,822,912
Restricted for:			
Categorical funding	272,765	-	272,765
Management levy purposes	314,991	-	314,991
School infrastructure	743,691	-	743,691
Student activities	59,907	-	59,907
Debt service	5,148	-	5,148
Unrestricted	<u>1,144,978</u>	<u>53,618</u>	<u>1,198,596</u>
Total net position	<u>\$ 8,338,480</u>	<u>79,530</u>	<u>8,418,010</u>

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa
Statement of Activities
Year ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,678,973	261,972	592,785	-
Special instruction	1,506,216	109,568	259,268	-
Other instruction	1,300,139	260,665	308,011	-
	<u>6,485,328</u>	<u>632,205</u>	<u>1,160,064</u>	<u>-</u>
Support services:				
Student	220,162	-	23,319	-
Instructional staff	398,543	-	19,795	-
Administration	1,217,710	-	1,467	-
Operation and maintenance of plant	653,489	600	-	-
Transportation	402,563	-	17,456	-
	<u>2,892,467</u>	<u>600</u>	<u>62,037</u>	<u>-</u>
Non-instructional programs	1,366	-	-	-
Other expenditures:				
Facilities acquisition	135,092	-	-	-
Long-term debt interest	194,064	-	-	-
AEA flowthrough	354,285	-	354,285	-
Depreciation (unallocated)*	246,867	-	-	-
	<u>930,308</u>	<u>-</u>	<u>354,285</u>	<u>-</u>
Total governmental activities	<u>10,309,469</u>	<u>632,805</u>	<u>1,576,386</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	517,923	166,888	379,492	-
Total business type activities	<u>517,923</u>	<u>166,888</u>	<u>379,492</u>	<u>-</u>
Total	<u>\$ 10,827,392</u>	<u>799,693</u>	<u>1,955,878</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(2,824,216)	-	(2,824,216)
(1,137,380)	-	(1,137,380)
(731,463)	-	(731,463)
<u>(4,693,059)</u>	<u>-</u>	<u>(4,693,059)</u>
(196,843)	-	(196,843)
(378,748)	-	(378,748)
(1,216,243)	-	(1,216,243)
(652,889)	-	(652,889)
(385,107)	-	(385,107)
<u>(2,829,830)</u>	<u>-</u>	<u>(2,829,830)</u>
(1,366)	-	(1,366)
(135,092)	-	(135,092)
(194,064)	-	(194,064)
-	-	-
<u>(246,867)</u>	<u>-</u>	<u>(246,867)</u>
<u>(576,023)</u>	<u>-</u>	<u>(576,023)</u>
<u>(8,100,278)</u>	<u>-</u>	<u>(8,100,278)</u>
-	28,457	28,457
-	28,457	28,457
<u>(8,100,278)</u>	<u>28,457</u>	<u>(8,071,821)</u>
3,321,644	-	3,321,644
423,413	-	423,413
249,294	-	249,294
255,624	-	255,624
732,034	-	732,034
4,090,497	-	4,090,497
9,226	52	9,278
78,978	-	78,978
(3,538)	-	(3,538)
<u>9,157,172</u>	<u>52</u>	<u>9,157,224</u>
1,056,894	28,509	1,085,403
7,281,586	51,021	7,332,607
<u>\$ 8,338,480</u>	<u>79,530</u>	<u>8,418,010</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 1,742,863	440,859	1	394,945	2,578,668
Receivables:					
Property tax:					
Delinquent	36,009	3,030	5,147	4,229	48,415
Succeeding year	2,886,021	245,200	406,809	300,001	3,838,031
Accrued interest	206	79	-	-	285
Due from other governments	405,784	302,760	-	-	708,544
Total assets	\$ 5,070,883	991,928	411,957	699,175	7,173,943
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 69,244	83,167	-	-	152,411
Early retirement payable	-	-	-	3,468	3,468
Total liabilities	69,244	83,167	-	3,468	155,879
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,886,021	245,200	406,809	300,001	3,838,031
Income surtax	216,233	-	-	-	216,233
Total deferred inflows of resources	3,102,254	245,200	406,809	300,001	4,054,264
Fund balances:					
Restricted for:					
Categorical funding	272,765	-	-	-	272,765
Debt service	-	-	5,148	-	5,148
Management levy purposes	-	-	-	335,799	335,799
Student activities	-	-	-	59,907	59,907
School infrastructure	-	743,691	-	-	743,691
Physical plant and equipment	-	(80,130)	-	-	(80,130)
Unassigned	1,626,620	-	-	-	1,626,620
Total fund balances	1,899,385	663,561	5,148	395,706	2,963,800
Total liabilities, deferred inflows of resources and fund balances	\$ 5,070,883	991,928	411,957	699,175	7,173,943

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit D

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

June 30, 2014

Total fund balances of governmental funds (page 21) \$ 2,963,800

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 9,589,760

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 216,233

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (6,968)

Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (4,427,530)

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 3,185

Net position of governmental activities (page 18) \$ 8,338,480

See notes to financial statements.

Eagle Grove Community School District
 Eagle Grove, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2014

Exhibit E

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	Nonmajor	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 3,224,380	249,294	423,413	349,186	4,246,273
Tuition	340,808	-	-	-	340,808
Other	128,282	9,687	6,222	266,976	411,167
State sources	5,192,564	732,141	184	152	5,925,041
Federal sources	442,909	-	-	-	442,909
Total revenues	<u>9,328,943</u>	<u>991,122</u>	<u>429,819</u>	<u>616,314</u>	<u>11,366,198</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,476,814	31,177	-	142,890	3,650,881
Special	1,513,299	-	-	-	1,513,299
Other	1,031,873	-	-	270,073	1,301,946
	<u>6,021,986</u>	<u>31,177</u>	<u>-</u>	<u>412,963</u>	<u>6,466,126</u>
Support services:					
Student	219,008	-	-	-	219,008
Instructional staff	393,115	3,585	-	-	396,700
Administration	1,045,095	17,795	-	91,850	1,154,740
Operation and maintenance of plant	596,175	-	-	48,812	644,987
Transportation	340,087	44,707	-	15,381	400,175
	<u>2,593,480</u>	<u>66,087</u>	<u>-</u>	<u>156,043</u>	<u>2,815,610</u>
Non-instructional programs	1,366	-	-	-	1,366
Other expenditures:					
Facilities acquisition	-	1,256,945	-	-	1,256,945
Long-term debt:					
Principal	-	-	300,000	-	300,000
Interest and fiscal charges	-	-	221,057	-	221,057
AEA flowthrough	354,285	-	-	-	354,285
	<u>354,285</u>	<u>1,256,945</u>	<u>521,057</u>	<u>-</u>	<u>2,132,287</u>
Total expenditures	<u>8,971,117</u>	<u>1,354,209</u>	<u>521,057</u>	<u>569,006</u>	<u>11,415,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>357,826</u>	<u>(363,087)</u>	<u>(91,238)</u>	<u>47,308</u>	<u>(49,191)</u>
Other financing sources (uses):					
Payment to refunding escrow agent	-	-	(3,710,000)	-	(3,710,000)
Operating transfers in	-	1,035,327	53,210	-	1,088,537
Operating transfers out	-	(1,088,537)	-	-	(1,088,537)
Total other financing sources (uses)	<u>-</u>	<u>(53,210)</u>	<u>(3,656,790)</u>	<u>-</u>	<u>(3,710,000)</u>
Change in fund balances	357,826	(416,297)	(3,748,028)	47,308	(3,759,191)
Fund balances beginning of year	<u>1,541,559</u>	<u>1,079,858</u>	<u>3,753,176</u>	<u>348,398</u>	<u>6,722,991</u>
Fund balances end of year	<u>\$ 1,899,385</u>	<u>663,561</u>	<u>5,148</u>	<u>395,706</u>	<u>2,963,800</u>

See notes to financial statements.

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

Year ended June 30, 2014

Change in fund balances - total governmental funds (page 23) \$ (3,759,191)

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

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

Expenditures for capital assets	\$ 1,213,816	
Depreciation	(521,690)	
Loss on sale of fixed assets	<u>(3,538)</u>	688,588

Income surtax not collected for several months after year end is recognized as deferred inflows of resources in the governmental funds. 3,703

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments and discount amortization are as follows:

Discount on bonds issued	(1,753)	
Repaid	<u>4,010,000</u>	4,008,247

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 28,746

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

Early retirement	132,680	
Other postemployment benefits	<u>(45,883)</u>	86,797

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. 4

Change in net position of governmental activities (page 20) \$ 1,056,894

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 56,958	3,185
Accounts receivable	1,027	-
Due from other governments	13,568	-
Inventories	5,836	-
Total current assets	<u>77,389</u>	<u>3,185</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>25,912</u>	-
Total noncurrent assets	<u>25,912</u>	-
Total assets	<u>103,301</u>	<u>3,185</u>
Liabilities		
Current liabilities:		
Unearned revenue	<u>3,966</u>	-
Total current liabilities	<u>3,966</u>	-
Noncurrent liabilities:		
Net OPEB liability	<u>19,805</u>	-
Total noncurrent liabilities	<u>19,805</u>	-
Total liabilities	<u>23,771</u>	-
Net Position		
Net investment in capital assets	25,912	-
Unrestricted	<u>53,618</u>	<u>3,185</u>
Total net position	<u>\$ 79,530</u>	<u>3,185</u>

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit H

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

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 166,888	69,542
Total operating revenues	<u>166,888</u>	<u>69,542</u>
Operating expenses:		
Non-instructional programs:		
Salaries	133,765	-
Benefits	49,080	69,542
Purchased services	449	-
Supplies	331,012	-
Depreciation	3,617	-
Total operating expenses	<u>517,923</u>	<u>69,542</u>
Operating loss	<u>(351,035)</u>	<u>-</u>
Non-operating revenues:		
State sources	4,166	-
Federal sources	375,326	-
Interest income	52	4
Total non-operating revenues	<u>379,544</u>	<u>4</u>
Increase in net position	28,509	4
Net position beginning of year	<u>51,021</u>	<u>3,181</u>
Net position end of year	<u>\$ 79,530</u>	<u>3,185</u>
See notes to financial statements.		

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	<u>School Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 167,674	-
Cash received from other services	-	69,542
Cash paid to employees for services	(181,365)	(69,542)
Cash paid to suppliers for goods or services	<u>(322,226)</u>	<u>-</u>
Net cash used by operating activities	<u>(335,917)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
State grants received	4,166	-
Federal grants received	<u>343,503</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>347,669</u>	<u>-</u>
Cash flows used by capital and related financing activities:		
Acquisition of capital assets	<u>(1,399)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>52</u>	<u>4</u>
Net increase in cash and cash equivalents	10,405	4
Cash and cash equivalents beginning of year	<u>46,553</u>	<u>3,181</u>
Cash and cash equivalents end of year	<u>\$ 56,958</u>	<u>3,185</u>

(continued)

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (351,035)	-
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	29,329	-
Depreciation	3,617	-
(Increase) in accounts receivable	(1,027)	-
(Increase) in inventories	(94)	-
(Decrease) in due to other fund	(20,000)	-
Increase in other postemployment benefits	1,480	-
Increase in deferred revenue	1,813	-
Net cash used by operating activities	<u>\$ (335,917)</u>	<u>-</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$29,329 of federal commodities.

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Eagle Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Eagle Grove, Iowa, and the predominate agricultural territory in Humboldt, Webster and Wright counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

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

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

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, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Land	\$ ---
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

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

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

Unassigned – All amounts not included in the preceding classifications.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the other expenditures function.

(2) **Cash and Cash Equivalents**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District may also accept gifts of other types of investments. At June 30, 2014 the District had no investments.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$ 53,210</u>

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 131,192	---	---	131,192
Construction in progress	<u>140,970</u>	<u>374,519</u>	<u>(274,820)</u>	<u>240,669</u>
Total capital assets not being depreciated	<u>272,162</u>	<u>374,519</u>	<u>(274,820)</u>	<u>371,861</u>
Capital assets being depreciated:				
Buildings	10,799,273	719,112	---	11,518,385
Improvements other than buildings	590,540	1,450	---	591,990
Furniture and equipment	<u>1,504,139</u>	<u>393,555</u>	<u>(30,465)</u>	<u>1,867,229</u>
Total capital assets being depreciated	<u>12,893,952</u>	<u>1,114,117</u>	<u>(30,465)</u>	<u>13,977,604</u>
Less accumulated depreciation for:				
Buildings	3,008,242	209,408	---	3,217,650
Improvements other than buildings	464,820	29,500	---	494,320
Furniture and equipment	<u>791,880</u>	<u>282,782</u>	<u>(26,927)</u>	<u>1,047,735</u>
Total accumulated depreciation	<u>4,264,942</u>	<u>521,690</u>	<u>(26,927)</u>	<u>4,759,705</u>
Total capital assets being depreciated, net	<u>8,629,010</u>	<u>592,427</u>	<u>(3,538)</u>	<u>9,217,899</u>
Governmental activities capital assets, net	<u>\$ 8,901,172</u>	<u>966,946</u>	<u>(278,358)</u>	<u>9,589,760</u>
Business type activities:				
Furniture and equipment	\$ 88,755	1,399	---	90,154
Less accumulated depreciation	<u>60,625</u>	<u>3,617</u>	<u>---</u>	<u>64,242</u>
Business type activities capital assets, net	<u>\$ 28,130</u>	<u>(2,218)</u>	<u>---</u>	<u>25,912</u>

Eagle Grove Community School District
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Notes to Financial Statements

June 30, 2014

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 169,538
Special	3,730
Other	1,733

Support services:

Administration	57,484
Operation and maintenance of plant	5,408
Transportation	<u>36,930</u>

274,823

Unallocated

246,867

Total depreciation expense – governmental activities

\$ 521,690

Business type activities:

Food service operations	\$ 3,617
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,010,000	---	4,010,000	---	---
General obligation refunding bonds	3,791,007	1,753	---	3,792,760 (1)	365,000
Early retirement	153,488	---	132,680	20,808	17,340
Net OPEB liability	<u>568,079</u>	<u>45,883</u>	<u>---</u>	<u>613,962</u>	<u>---</u>
Total	<u>\$ 8,522,574</u>	<u>47,636</u>	<u>4,142,680</u>	<u>4,427,530</u>	<u>382,340</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2014 totaled \$17,240.

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ <u>18,325</u>	<u>1,480</u>	<u>---</u>	<u>19,805</u>	<u>---</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

General Obligation Refunding Bonds

On March 25, 2013, the District issued \$3,810,000 of general obligation refunding bonds, with interest rates ranging from 0.40% to 1.75%, for a crossover refunding of a portion of the general obligation bonds issued June 1, 2004. The District entered in to an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. securities. These securities along with additional cash were placed in an escrow account for the express purpose of paying the \$3,710,000 principal on the refunded general obligation bonds when they became callable on May 1, 2014, and the interest from March 25, 2013 to and including May 1, 2014 on the refunding bonds. After principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

Details of the District's June 30, 2014 general obligation indebtedness are as follows:

Year Ending June 30	Bond Issue of March 25, 2013			
	Interest Rates	Principal	Interest	Total
2015	0.40%	\$ 365,000	41,810	406,810
2016	0.50	370,000	40,350	410,350
2017	0.65	375,000	38,500	413,500
2018	0.85	375,000	36,063	411,063
2019	1.00	375,000	32,875	407,875
2020-2024	1.00-1.75	<u>1,950,000</u>	<u>93,575</u>	<u>2,043,575</u>
Total		<u>\$3,810,000</u>	<u>283,173</u>	<u>4,093,173</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

Termination Benefits

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

The early retirement benefit for those retiring during the year ended June 30, 2013 was a one-time cash payment of \$16,000 to teachers and \$9,000 to support staff. The early retirement benefit for those retiring in 2012 was equal to \$10,000 plus a portion of their health insurance for up to three years.

At June 30, 2014, the District has obligations to 3 participants of \$20,808. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$119,848.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$492,107, \$469,300 and \$417,912, respectively, equal to the required contributions for each year.

(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. There are 96 active and ten retired members in the plan. Participants must be age 55 or older at retirement.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 159,568
Interest on net OPEB obligation	14,660
Adjustment to annual required contribution	<u>(61,281)</u>
Annual OPEB cost	112,947
Contributions made	<u>(65,584)</u>
Increase in net OPEB obligation	47,363
Net OPEB obligation beginning of year	<u>586,404</u>
Net OPEB obligation end of year	<u><u>\$ 633,767</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, 2014.

For the year ended June 30, 2014, the District contributed \$65,584 to the medical plan. Plan members eligible for benefits contributed \$90,367 or 58% of the premium costs.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2012	\$ 199,708	5.8%	\$ 537,384
2013	125,309	60.9%	586,404
2014	112,947	58.1%	633,767

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,008,694, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,008,694. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,531,000 and the ratio of the UAAL to covered payroll was 22.3%. As of June 30, 2014, there were no trust fund assets.

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

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

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%.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

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

Projected claim costs of the medical plan are \$763 per month for retirees less than age 65 and \$661 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$354,285 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with IKON Office Solutions for the rental of six copiers on May 4, 2011 for a period of 48 months. The amount paid for the fiscal year ended June 30, 2014 was \$23,727. Future rentals are as follows:

Year	
Ending	
<u>June 30,</u>	
2015	\$ <u>21,750</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

The District entered into a lease with Eagle's Wing Childcare and Pre-School Center to rent space for the preschool program. The lease is for 36 months commencing July 1, 2012 and terminating June 30, 2015. The lease is \$9,000 annually with one payment due in July. The rent paid on this lease for the year ended June 30, 2014 was \$9,000.

Future rentals are as follows:

Year Ending <u>June 30,</u> 2015	\$ <u>9,000</u>
-------------------------------------------	-----------------

The District entered into a lease with Wright County District Junior Fair to rent a building. The lease is for 10 years commencing July 1, 2008 and terminating June 30, 2018. The lease calls for one payment due in July each year. The rent paid on this lease for the year ended June 30, 2014 was \$11,500.

Future rentals are as follows:

Year Ending <u>June 30,</u>	
2015	\$ 13,000
2016	13,000
2017	13,000
2018	<u>13,000</u>
Total	\$ <u>52,000</u>

The District entered into a lease with Eagle's Wing Childcare and Pre-School Center to rent space for the Head Start program. The lease is for 12 months commencing July 1, 2013 and terminating June 30, 2014. The lease is \$9,200 annually with one payment due in July. The rent paid on this lease for the year ended June 30, 2014 was \$9,200. There are no future rentals.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
English Language Learning	\$ 109,312
Home School Assistance	32,908
Teacher salary supplement	53,746
Successful Progression for Early Readers	16,767
Professional development	52,430
Teacher Leadership	<u>7,602</u>
Total	<u>\$ 272,765</u>

(12) Construction Commitment

The District has entered into a contract totaling \$258,700 for a roofing project. As of June 30, 2014, costs of \$235,784 had been incurred against the contracts. The balance of \$22,916 remaining at June 30, 2014 will be paid as work on the project progresses.

(13) Deficit Fund Balance

The Capital Projects, Physical Plant and Equipment Levy account had a deficit fund balance of \$80,130 at June 30, 2014. The deficit will be eliminated by revenues received in the following year. The deficit in the Capital Projects, Physical Plant and Equipment Levy account was due to expenditures being incurred before revenues were available to cover them.

(14) Prior Period Adjustment – Accounting Change

During the year ended June 30, 2014, the District implemented Governmental Accounting Standards Board Statement No. 65 and the District has restated the beginning net position in the Statement of Activities. In previous years, bond issuance costs were deferred and amortized over the term of the bonds. GASB 65 now requires these costs to be recognized in the period the loan originated. This results in decreasing the July 1, 2013 beginning net position by \$40,494.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2014

Government-Wide Financial Statements

	<u>Statement of Activities</u>
Beginning Net Position, as previously reported	\$ 7,322,080
Accounting Change – Bond Costs	<u>(40,494)</u>
Beginning Net Position, as restated	\$ <u>7,281,586</u>

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(16) Subsequent Events

Subsequent events have been evaluated through March 5, 2015 which is the date the financial statements were available to be issued.

Required Supplementary Information

Eagle Grove Community School District
Eagle Grove, Iowa

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

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 4,998,248	166,940
State sources	5,925,041	4,166
Federal sources	442,909	375,326
Total revenues	<u>11,366,198</u>	<u>546,432</u>
Expenditures/Expenses:		
Instruction	6,466,126	-
Support services	2,815,610	-
Non-instructional programs	1,366	517,923
Other expenditures	2,132,287	-
Total expenditures/expenses	<u>11,415,389</u>	<u>517,923</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(49,191)	28,509
Other financing sources, net	<u>(3,710,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(3,759,191)	28,509
Balances beginning of year	<u>6,722,991</u>	<u>51,021</u>
Balances end of year	<u>\$ 2,963,800</u>	<u>79,530</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
5,165,188	6,116,856	6,116,856	(951,668)
5,929,207	5,020,397	5,020,397	908,810
818,235	728,500	728,500	89,735
<u>11,912,630</u>	<u>11,865,753</u>	<u>11,865,753</u>	<u>46,877</u>
6,466,126	7,833,915	7,833,915	1,367,789
2,815,610	3,617,667	3,617,667	802,057
519,289	638,384	638,384	119,095
<u>2,132,287</u>	<u>1,355,283</u>	<u>1,355,283</u>	<u>(777,004)</u>
<u>11,933,312</u>	<u>13,445,249</u>	<u>13,445,249</u>	<u>1,511,937</u>
(20,682)	(1,579,496)	(1,579,496)	1,558,814
<u>(3,710,000)</u>	<u>-</u>	<u>-</u>	<u>(3,710,000)</u>
(3,730,682)	(1,579,496)	(1,579,496)	(2,151,186)
<u>6,774,012</u>	<u>3,602,453</u>	<u>3,602,453</u>	<u>3,171,559</u>
<u>3,043,330</u>	<u>2,022,957</u>	<u>2,022,957</u>	<u>1,020,373</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

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

During the year ended June 30, 2014, expenditures in the other expenditures function exceeded the amount budgeted.

Eagle Grove Community School District

Eagle Grove, Iowa

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 1,599	1,599	0.0%	4,960	32.2%
2011	Jul 1, 2009	-	1,599	1,599	0.0%	5,057	31.6%
2012	Jul 1, 2009	-	1,522	1,522	0.0%	5,311	28.7%
2013	Jul 1, 2012	-	1,090	1,090	0.0%	4,336	25.1%
2014	Jul 1, 2012	-	1,009	1,009	0.0%	4,531	22.3%

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

See accompanying independent auditor's report.

Supplementary Information

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Assets			
Cash and cash equivalents	\$ 59,907	335,038	394,945
Receivables:			
Property tax:			
Delinquent	-	4,229	4,229
Succeeding year	-	<u>300,001</u>	<u>300,001</u>
Total assets	<u>\$ 59,907</u>	<u>639,268</u>	<u>699,175</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Early retirement	-	<u>3,468</u>	<u>3,468</u>
Total liabilities	-	<u>3,468</u>	<u>3,468</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	<u>300,001</u>	<u>300,001</u>
Total deferred inflows of resources	-	<u>300,001</u>	<u>300,001</u>
Fund balances:			
Restricted for:			
Management levy purposes	-	335,799	335,799
Student activities	<u>59,907</u>	-	<u>59,907</u>
Total fund balances	<u>59,907</u>	<u>335,799</u>	<u>395,706</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 59,907</u>	<u>639,268</u>	<u>699,175</u>

See accompanying independent auditor's report.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 2

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

Year ended June 30, 2014

	Special Revenue		
	Student Activity	Manage- ment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	349,186	349,186
Other	260,665	6,311	266,976
State sources	-	152	152
Total revenues	<u>260,665</u>	<u>355,649</u>	<u>616,314</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	142,890	142,890
Other	270,073	-	270,073
Support services:			
Administration	-	91,850	91,850
Operation and maintenance of plant	-	48,812	48,812
Transportation	-	15,381	15,381
Total expenditures	<u>270,073</u>	<u>298,933</u>	<u>569,006</u>
Excess (deficiency) of revenues over (under) expenditures	(9,408)	56,716	47,308
Fund balances beginning of year	69,315	279,083	348,398
Fund balances end of year	<u>\$ 59,907</u>	<u>335,799</u>	<u>395,706</u>

See accompanying independent auditor's report.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
HS Musical	\$ 2,167	6,316	2,980	-	5,503
HS Speech/Drama	(40)	470	438	-	(8)
Trip Fund/Music Department	7,935	39,252	45,547	-	1,640
Music Concession Account	-	20,607	12,474	-	8,133
HS Vocal Music	12,649	1,845	4,707	-	9,787
HS Band	2,994	2,882	5,908	-	(32)
HS-MS Music	2,165	774	4	-	2,935
MS Music	-	132	45	-	87
General Athletic Account	(17,167)	4,268	10,886	-	(23,785)
Concessions	625	-	-	-	625
Weighlifting	(87)	-	-	-	(87)
Athletic Uniforms	585	-	-	-	585
HS Boys Basketball	2,804	6,369	7,875	-	1,298
MS Boys Basketball	(951)	-	650	-	(1,601)
Boys Basketball Camp	147	-	-	-	147
HS Football	4,327	13,371	16,210	-	1,488
MS Football	(1,350)	-	2,034	-	(3,384)
Football Camp	4,085	8,236	11,987	-	334
Baseball	(6,804)	80	4,884	-	(11,608)
Baseball Camp	1,040	906	1,946	-	-
HS Cross Country	(346)	931	918	-	(333)
HS Cross Country Extracurricular	830	445	231	-	1,044
HS Boys Track	(4,589)	3,544	3,515	-	(4,560)
HS Boys Track Camp	374	4,243	3,220	-	1,397
MS Boys Track	(273)	190	406	-	(489)
HS Boys Golf	(198)	19	228	-	(407)
HS Boys Golf Camp	508	-	40	-	468
HS Wrestling	(1,159)	7,779	5,408	-	1,212
HS Wrestling Camp	(122)	-	-	-	(122)
MS Wrestling	(140)	-	235	-	(375)
HS Girls Basketball	2,708	6,128	3,667	-	5,169
Girls Basketball Camp	1,354	7,287	5,074	-	3,567
MS Girls Basketball	(580)	-	226	-	(806)
Volleyball Camp	764	1,095	-	-	1,859
HS Volleyball	2,222	5,002	4,059	-	3,165
MS Volleyball	(70)	-	-	-	(70)
Softball	(6,833)	1,343	7,334	-	(12,824)
Softball Camp	1,933	325	-	-	2,258

(continued)

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
HS Girls Cross Country	(333)	609	635	-	(359)
HS Girls Cross Country Extracurricular	(78)	433	352	-	3
HS Girls Track	(5,298)	628	2,836	-	(7,506)
MS Girls Track	(273)	190	427	-	(510)
HS Girls Track Camp	(143)	520	486	-	(109)
HS Girls Golf	(283)	270	169	-	(182)
HS Girls Golf Camp	779	-	-	-	779
MS Cheerleading	566	84	46	-	604
HS Annual	(13,079)	5,505	2,344	-	(9,918)
Book Fair	333	4,569	4,698	-	204
Student Extracurricular	789	-	-	-	789
HS Student Fundraising	6,437	6,963	7,530	-	5,870
Physics Project	1,200	-	1,200	-	-
MS Greenhouse	2,636	-	2,636	-	-
Student Activity Tickets	4,011	4,260	-	-	8,271
Adult Activity Tickets	975	675	-	-	1,650
Special Olympics	999	1,399	1,046	-	1,352
MS Student Senate	20,901	20,327	23,645	-	17,583
MS Student Fundraising	2,996	132	340	-	2,788
Elementary Student Fundraising	13,054	4,552	2,087	-	15,519
Destination Imagination	540	-	-	-	540
Cheerleaders	(234)	-	2,944	-	(3,178)
HS Cheerleading Camp	-	2,945	1,842	-	1,103
Drill Team	(5,036)	13,049	9,512	-	(1,499)
FFA	6,554	-	-	-	6,554
Spanish Club	4,915	2,079	2,035	-	4,959
National Honor Society	1,245	4,134	3,225	-	2,154
FBLA	1,600	26,137	25,198	-	2,539
FCCLA	494	704	654	-	544
HS Student Senate	859	2,025	2,006	-	878
FCS Business	5,430	1,241	503	-	6,168
Robert Blue School Yearbook	4,038	879	574	-	4,343
Class of 2013	(147)	-	25	-	(172)
Class of 2014	479	212	566	-	125
Class of 2015	310	6,945	7,179	-	76
Class of 2016	47	175	158	-	64
Class of 2017	-	25	39	-	(14)
HS Park Project	-	5,160	-	-	5,160
General Activity	525	-	-	-	525
Total	<u>\$ 69,315</u>	<u>260,665</u>	<u>270,073</u>	<u>-</u>	<u>59,907</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 440,859	-	440,859
Receivables:			
Property tax:			
Delinquent	-	3,030	3,030
Succeeding year	-	245,200	245,200
Accrued interest	72	7	79
Due from other governments	<u>302,760</u>	<u>-</u>	<u>302,760</u>
Total assets	<u><u>\$ 743,691</u></u>	<u><u>248,237</u></u>	<u><u>991,928</u></u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	<u>\$ -</u>	<u>83,167</u>	<u>83,167</u>
Total liabilities	<u>-</u>	<u>83,167</u>	<u>83,167</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>245,200</u>	<u>245,200</u>
Total deferred inflows of resources	<u>-</u>	<u>245,200</u>	<u>245,200</u>
Fund balances:			
Restricted for:			
School infrastructure	743,691	-	743,691
Physical plant and equipment	<u>-</u>	<u>(80,130)</u>	<u>(80,130)</u>
Total fund balances	<u>743,691</u>	<u>(80,130)</u>	<u>663,561</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 743,691</u></u>	<u><u>248,237</u></u>	<u><u>991,928</u></u>

See accompanying independent auditor's report.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 5

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

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	249,294	249,294
Other	1,024	8,663	9,687
State sources	732,033	108	732,141
Total revenues	<u>733,057</u>	<u>258,065</u>	<u>991,122</u>
Expenditures:			
Instruction:			
Regular	-	31,177	31,177
Support services:			
Instructional staff	-	3,585	3,585
Administration	-	17,795	17,795
Transportation	-	44,707	44,707
Other expenditures:			
Facilities acquisition	-	1,256,945	1,256,945
Total expenditures	<u>-</u>	<u>1,354,209</u>	<u>1,354,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>733,057</u>	<u>(1,096,144)</u>	<u>(363,087)</u>
Other financing sources (uses):			
Operating transfers in	-	1,035,327	1,035,327
Operating transfers out	<u>(1,088,537)</u>	<u>-</u>	<u>(1,088,537)</u>
Total other financing sources (uses)	<u>(1,088,537)</u>	<u>1,035,327</u>	<u>(53,210)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(355,480)	(60,817)	(416,297)
Fund balances beginning of year	<u>1,099,171</u>	<u>(19,313)</u>	<u>1,079,858</u>
Fund balances end of year	<u>\$ 743,691</u>	<u>(80,130)</u>	<u>663,561</u>

See accompanying independent auditor's report.

Eagle Grove Community School District
Eagle Grove, Iowa

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

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Modified 2011</u>
Revenues:				
Local sources:				
Local tax	\$ 4,246,273	4,958,151	4,690,684	4,545,168
Tuition	340,808	382,486	292,750	222,348
Other	411,167	448,549	657,389	654,632
State sources	5,925,041	5,013,396	4,897,718	4,555,222
Federal sources	442,909	536,105	501,069	509,072
Total	<u>\$ 11,366,198</u>	<u>11,338,687</u>	<u>11,039,610</u>	<u>10,486,442</u>
Expenditures:				
Instruction	\$ 6,466,126	6,548,758	6,453,639	6,041,008
Support services:				
Student	219,008	234,503	210,143	226,454
Instructional staff	396,700	494,846	407,766	574,544
Administration	1,154,740	1,147,689	947,496	887,432
Operation and maintenance of plant	644,987	557,319	617,845	651,489
Transportation	400,175	641,181	419,228	384,484
Non-instructional programs	1,366	2,477	21,219	20,907
Other expenditures:				
Facilities acquisition	1,256,945	508,902	196,557	291,633
Long-term debt:				
Principal	300,000	280,000	270,000	260,000
Interest and other charges	221,057	230,496	199,866	213,916
AEA flowthrough	354,285	341,544	317,305	353,121
Total	<u>\$ 11,415,389</u>	<u>10,987,715</u>	<u>10,061,064</u>	<u>9,904,988</u>

See accompanying independent auditor's report.

Accrual Basis

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
4,016,623	3,864,910	3,714,402	3,415,934	3,021,844	2,742,246
202,561	200,552	153,399	155,590	138,627	125,970
528,738	531,107	931,412	601,514	474,317	789,654
4,256,625	4,716,189	4,578,364	4,373,571	4,129,322	4,498,530
<u>954,696</u>	<u>301,262</u>	<u>446,280</u>	<u>503,406</u>	<u>650,792</u>	<u>303,023</u>
<u>9,959,243</u>	<u>9,614,020</u>	<u>9,823,857</u>	<u>9,050,015</u>	<u>8,414,902</u>	<u>8,459,423</u>
5,927,846	5,824,414	5,640,039	5,498,933	5,165,387	4,705,343
192,508	185,593	183,056	201,185	186,211	252,973
389,257	420,163	394,818	372,808	326,432	420,245
903,747	790,151	1,369,699	996,747	915,737	880,991
601,659	593,304	679,055	797,636	718,919	679,021
265,094	408,963	363,824	289,766	365,263	254,764
18,427	20,096	175,824	244,747	238,275	289,015
463,118	420,054	266,149	1,682,711	4,722,310	1,526,687
255,000	250,000	235,000	225,000	231,000	257,000
215,966	223,316	230,366	237,316	244,045	231,385
<u>352,900</u>	<u>311,957</u>	<u>301,638</u>	<u>293,439</u>	<u>277,832</u>	<u>277,089</u>
<u>9,585,522</u>	<u>9,448,011</u>	<u>9,839,468</u>	<u>10,840,288</u>	<u>13,391,411</u>	<u>9,774,513</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 7

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY14	\$ 54,615
National School Lunch Program	10.555	FY14	271,212 *
Summer Food Service Program for Children	10.559	FY14	<u>27,684</u>
			<u>353,511</u>
Nutrition Education and Training Program	10.564	FY14	<u>50</u>
Fresh Fruit and Vegetable Program	10.582	FY14	<u>21,764</u>
U.S. Department of Justice:			
Iowa Department of Human Services:			
Juvenile Justice and Delinquency Prevention			
Allocation to States	16.540	FY14	<u>7,900</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	<u>203,327</u>
Career and Technical Education - Basic Grants			
to States	84.048	FY14	<u>8,619</u>
English Language Acquisition State Grants	84.365	FY14	<u>2,343</u>
Improving Teacher Quality State Grants	84.367	FY14	<u>31,360</u>
Grants for State Assessments	84.369	FY14	<u>4,516</u>

(continued)

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 7

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Prairie Lakes Area Education Agency:			
Special Education - Grants to States	84.027	FY14	<u>42,798</u>
U.S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreement to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY14	<u>170</u>
Total			<u>\$ 676,358</u>

* - Includes \$29,329 of non-cash awards.

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

See accompanying independent auditor's report.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 and II-B-14 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eagle Grove Community School District's Responses to the Findings

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

Purpose of this Report

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

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

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

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

March 5, 2015

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

Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Eagle Grove Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Eagle Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Eagle Grove Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-14 to be a material weakness.

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

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

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

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

March 5, 2015

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eagle Grove Community School District did not qualify as a low-risk auditee.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

II-B-14 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Eagle Grove Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

**CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Service Program for Children
Federal Award Year: 2014
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-14 Segregation of Duties – One important aspect of internal control is the segregation of (2014-001) duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

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

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the other expenditures function.

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

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

Conclusion - Response accepted.

IV-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jon Rowen, Board President Owner of J & J Sports	Supplies	\$6,012

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

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

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

Conclusion – Response accepted.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-14 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2013 was overstated. The District included one full time student that should not have been counted.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

IV-H-14 Supplementary Weighting –Teacher sharing with another District was not reported to the Iowa Department of Education resulting in an understatement in supplementary weighting.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Response – We will contract the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- IV-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

- IV-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,099,171
Revenues/transfers in:		
Sales tax revenues	\$ 732,033	
Other local revenues	<u>1,024</u>	<u>733,057</u>
		1,832,228
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund	53,210	
Other transfers	<u>1,035,327</u>	<u>1,088,537</u>
Ending balance		\$ <u>743,691</u>

For the year ended June 30, 2014, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

	Rate of Levy Reduction Per \$1,000 of Taxable <u>Valuation</u>	Property Tax Dollars <u>Reduced</u>
Debt service levy	\$ 0.21291	\$ <u>53,210</u>

IV-M-14 Deficit Balances - The Capital Project, Physical Plant and Equipment Levy account and some student activity accounts had deficit balances at June 30, 2014.

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

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

Conclusion - Response accepted.