

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2014

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**Edgewood-Colesburg Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Randall Mescher	President	2015
Jeff Lincoln	Vice President	2013
Jason Jones	Board Member	2013
Steve Schwietert	Board Member	2013
Kenneth Faust	Board Member	2015
<b>(After September 2013 Election)</b>		
Randall Mescher	President	2015
Jason Jones	Vice President	2017
Kenneth Faust	Board Member	2015
Douglas Moser	Board Member	2017
Robert Schilling	Board Member	2017
<b>School Officials</b>		
Rob Busch	Superintendent	2014
Martha Romig	District Secretary/ Business Manager	2014
Marc Casey	Attorney	2014

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Edgewood-Colesburg Community School District, Edgewood Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express not such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Edgewood-Colesburg Community School District as of June 30, 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 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

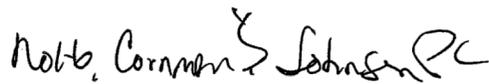
### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Edgewood-Colesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2015 on our consideration of Edgewood-Colesburg Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Edgewood-Colesburg Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2015  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$5,454,826 in fiscal 2013 to \$5,450,816 in fiscal 2014, while General Fund expenditures decreased from \$5,578,788 in fiscal 2013 to \$5,417,569 in fiscal 2014. This resulted in an increase in the District's General Fund balance from \$943,184 at June 30, 2013 to \$976,431 at June 30, 2014, a 3.52% increase.
- The decrease in General Fund revenues was attributable primarily to decreases in state source revenues and tuition revenue received in fiscal 2014. The decrease in expenditures was due to an decrease in expenditures in the support service functional area.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

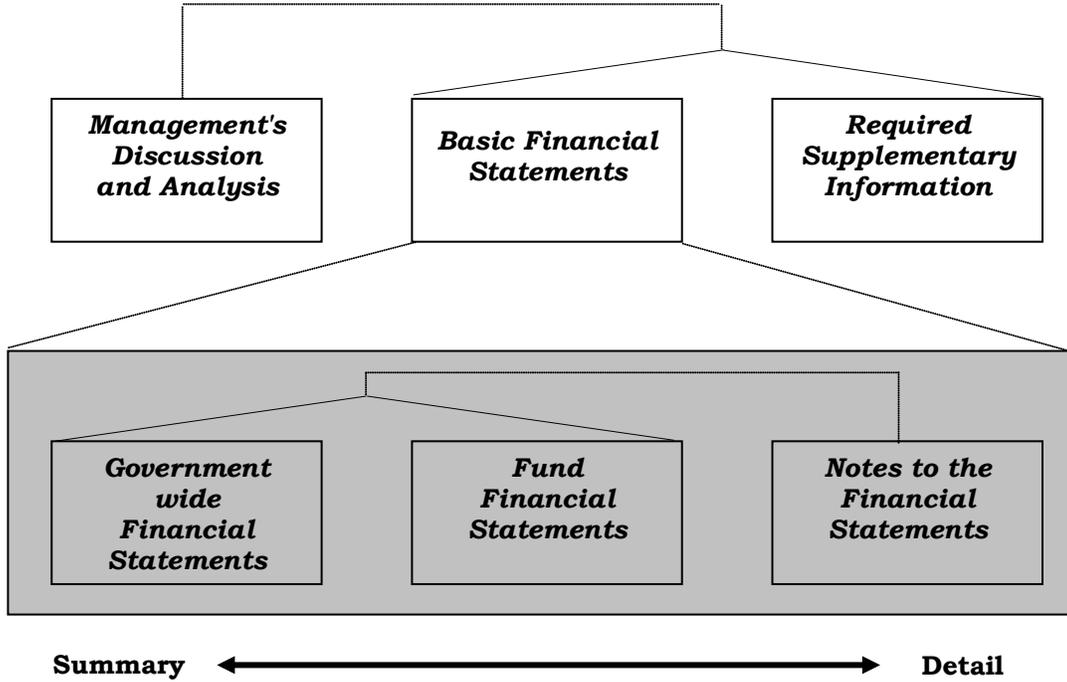


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with 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.

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The two government-wide financial statements report the District's net position and how they have 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 are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

Reconciliations between the government-wide financial statements and the 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 total net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 4,741,213	4,364,045	180,078	135,905	4,921,291	4,499,950	9.36%
Capital assets	4,707,667	4,989,377	5,857	8,152	4,713,524	4,997,529	-5.68%
Total assets	<u>9,448,880</u>	<u>9,353,422</u>	<u>185,935</u>	<u>144,057</u>	<u>9,634,815</u>	<u>9,497,479</u>	<u>1.45%</u>
Long-term obligations	1,396,683	1,694,808	-	-	1,396,683	1,694,808	-17.59%
Other liabilities	497,703	538,059	5,784	4,874	503,487	542,933	-7.27%
Total liabilities	<u>1,894,386</u>	<u>2,232,867</u>	<u>5,784</u>	<u>4,874</u>	<u>1,900,170</u>	<u>2,237,741</u>	<u>-15.09%</u>
Deferred Inflows of resources	<u>1,958,700</u>	<u>1,874,213</u>	<u>-</u>	<u>-</u>	<u>1,958,700</u>	<u>1,874,213</u>	<u>4.51%</u>
Net position:							
Net investment in capital assets	3,567,667	3,536,562	5,857	8,152	3,573,524	3,544,714	0.81%
Restricted	1,295,651	948,518	-	-	1,295,651	948,518	36.60%
Unrestricted	732,476	761,262	174,294	131,031	906,770	892,293	1.62%
Total net position	<u>\$ 5,595,794</u>	<u>5,246,342</u>	<u>180,151</u>	<u>139,183</u>	<u>5,775,945</u>	<u>5,385,525</u>	<u>7.25%</u>

The District's combined net position increased by \$390,420 or 7.25% from the prior year. The largest portion of the District's net position is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$347,133 or 36.60% over the prior year. The increase in restricted net

position is mostly attributable to the increase in fund balance of the Capital Projects: Statewide Sales and Services Tax Fund.

Unrestricted net position – the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased \$14,477 or 1.62% from the prior year. The increase in unrestricted net position is related to the improvement in the District’s Enterprise funds

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

Figure A-4 Changes of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2014	2013	2014	2013	2014	2013	2013-14	
Revenues:								
Program revenues:								
Charges for service	\$ 1,267,970	1,262,330	151,945	138,765	1,419,915	1,401,095	1.34%	
Operating grants, contributions and restricted interest	585,115	558,149	162,975	154,738	748,090	712,887	4.94%	
General revenues:								
Property tax	1,830,675	1,814,665	-	-	1,830,675	1,814,665	0.88%	
Income surtax	173,156	159,544	-	-	173,156	159,544	8.53%	
Statewide sales, services and use tax	378,606	388,910	-	-	378,606	388,910	-2.65%	
Unrestricted state grants	2,183,993	2,273,228	-	-	2,183,993	2,273,228	-3.93%	
Unrestricted investment earnings	13,060	12,653	261	230	13,321	12,883	3.40%	
Other	73,787	22,504	-	-	73,787	22,504	227.88%	
Total revenues	<u>6,506,362</u>	<u>6,491,983</u>	<u>315,181</u>	<u>293,733</u>	<u>6,821,543</u>	<u>6,785,716</u>	<u>0.53%</u>	
Program expenses:								
Governmental activities:								
Instructional	3,906,577	4,000,598	2,603	-	3,909,180	4,000,598	-2.29%	
Support services	1,845,929	1,753,137	1,104	2,019	1,847,033	1,755,156	5.23%	
Non-instructional programs	-	-	270,506	289,173	270,506	289,173	-6.46%	
Other expenses	404,404	413,242	-	-	404,404	413,242	-2.14%	
Total expenses	<u>6,156,910</u>	<u>6,166,977</u>	<u>274,213</u>	<u>291,192</u>	<u>6,431,123</u>	<u>6,458,169</u>	<u>-0.42%</u>	
Change in net position	349,452	325,006	40,968	2,541	390,420	327,547	19.20%	
Net position beginning of year	<u>5,246,342</u>	<u>4,921,336</u>	<u>139,183</u>	<u>136,642</u>	<u>5,385,525</u>	<u>5,057,978</u>	<u>6.48%</u>	
Net position end of year	<u>\$ 5,595,794</u>	<u>5,246,342</u>	<u>180,151</u>	<u>139,183</u>	<u>5,775,945</u>	<u>5,385,525</u>	<u>7.25%</u>	

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 70.18% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.92% of the revenue from business type activities.

The District’s total revenues were approximately \$6.82 million, of which approximately \$6.51 million was for governmental activities and approximately \$0.31 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 0.53% in revenues and a 0.42% decrease in expenses. The increase in revenues was related to a increase in operating grants, contributions and restricted interest revenue received during the year as compared to the prior year. The decrease in expenses was related to reduced expenditures in the instruction functional area.

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## Governmental Activities

Revenues for governmental activities were \$6,506,362 and expenses were \$6,156,910 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 and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 3,906,577	4,000,598	-2.35%	2,278,879	2,397,631	-4.95%
Support services	1,845,929	1,753,137	5.29%	1,800,250	1,711,967	5.16%
Other expenses	404,404	413,242	-2.14%	224,696	236,900	-5.15%
Totals	<u>\$ 6,156,910</u>	<u>6,166,977</u>	<u>-0.16%</u>	<u>4,303,825</u>	<u>4,346,498</u>	<u>-0.98%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,267,970.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$585,115.
- The net cost of governmental activities was financed with \$2,003,831 in local taxes, \$378,606 of statewide sales, services and use tax, \$2,183,993 in unrestricted state grants, \$13,060 in investment earnings, and \$73,787 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$315,181 and expenses were \$274,213. The District's business type activities include the School Nutrition Fund and Camp Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,146,636, compared to last year's ending fund balances of \$1,817,474. The increase in fund balance is primarily related to an increase in Capital Projects Fund balance.

## Governmental Fund Highlights

- The District's General Fund balance increased from \$943,184 at June 30, 2013 to \$976,431 at June 30, 2014. Despite reduced revenues, the District was able to trim

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expenditures, particularly in the support services functional area to produce the increase in fund balance.

- The Capital Projects Accounts balance increased from \$704,774 at June 30, 2013 to \$917,265 at June 30, 2014. Although expenditures for school infrastructure and transportation increased, they were still out paced by revenues leading to the improvement in fund balance.
- The Debt Service Fund balance increased slightly from \$7,484 at June 30, 2013 to \$8,025 at June 30, 2014.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$139,183 at June 30, 2013 to \$174,837 at June 30, 2014, representing an increase of 25.62%. The District established a Camp Fund during the year to record activities related to operations of the District sponsored athletic camps. The Camp Fund reported a balance of \$5,314 at June 30, 2014.

### **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$187,713 more than originally expected, a variance of 2.83%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2014, the District had invested \$4,713,524, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$375,768.

The original cost of the District's capital assets was \$9,015,471. Governmental funds account for \$8,880,030 with the remainder of \$135,441 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment decreased from \$565,381 at June 30, 2013 to \$438,227 at June 30, 2014. The decrease in the machinery and equipment category is due to depreciation expense taken during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 92,022	92,022	-	-	92,022	92,022	0.00%
Buildings	3,780,553	3,903,830	-	-	3,780,553	3,903,830	-3.16%
Land improvements	402,722	436,296	-	-	402,722	436,296	-7.70%
Machinery and equipment	432,370	557,229	5,857	8,152	438,227	565,381	-22.49%
Total	\$ 4,707,667	4,989,377	5,857	8,152	4,713,524	4,997,529	-5.68%

### Long-Term Debt

At June 30, 2014, the District had \$1,396,683 in general obligation and other long-term debt outstanding. This represents a decrease of 17.59% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District had a total of \$1,140,000 in outstanding general obligation bonds payable at June 30, 2014.

The District had termination benefits payable from the Special Revenue, Management Levy Fund of \$16,000 at June 30, 2014.

The District had net OPEB liability of \$240,683 at June 30, 2014.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 1,140,000	1,395,000	-18.28%
Apple lease	-	42,815	-100.00%
Land contract	-	15,000	-100.00%
Termination Benefits	16,000	28,000	-42.86%
Net OPEB liability	240,683	213,993	12.47%
Totals	\$ 1,396,683	1,694,808	-17.59%

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

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

- The budget guarantee, (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases are negatively impacting the District's spending authority. Contractual increases and program

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changes cannot be made without through consideration of our unspent authorized budget.

- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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

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

BASIC FINANCIAL STATEMENTS

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,211,821	156,558	2,368,379
Receivables:			
Property tax:			
Delinquent	24,176	-	24,176
Succeeding year	1,958,700	-	1,958,700
Income surtax	141,753	-	141,753
Accounts	471	-	471
Due from other governments	404,292	-	404,292
Inventories	-	23,520	23,520
Capital assets, net of accumulated depreciation	4,707,667	5,857	4,713,524
<b>TOTAL ASSETS</b>	<b>9,448,880</b>	<b>185,935</b>	<b>9,634,815</b>
<b>LIABILITIES</b>			
Accounts payable	5,078	-	5,078
Salaries and benefits payable	489,046	-	489,046
Accrued interest payable	3,579	-	3,579
Unearned revenue	-	5,784	5,784
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	265,000	-	265,000
Termination benefits	8,000	-	8,000
Portion due after one year:			
General obligation bonds	875,000	-	875,000
Termination benefits	8,000	-	8,000
Net OPEB liability	240,683	-	240,683
<b>TOTAL LIABILITIES</b>	<b>1,894,386</b>	<b>5,784</b>	<b>1,900,170</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
unavailable Property Tax Revenue	1,958,700		1,958,700
<b>NET POSITION</b>			
Net investment in capital assets	3,567,667	5,857	3,573,524
Restricted for:			
Categorical funding	145,025	-	145,025
Debt service	4,446	-	4,446
Management levy purposes	131,243	-	131,243
Student activities	97,672	-	97,672
School infrastructure	826,908	-	826,908
Physical plant and equipment	90,357	-	90,357
Unrestricted	732,476	174,294	906,770
<b>TOTAL NET POSITION</b>	<b>\$ 5,595,794</b>	<b>180,151</b>	<b>5,775,945</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,504,453	771,831	68,880	(1,663,742)	-	(1,663,742)
Special	556,001	214,949	86,685	(254,367)	-	(254,367)
Other	846,123	240,530	244,823	(360,770)	-	(360,770)
	3,906,577	1,227,310	400,388	(2,278,879)	-	(2,278,879)
Support services:						
Student	136,342	-	-	(136,342)	-	(136,342)
Instructional staff	199,214	-	300	(198,914)	-	(198,914)
Administration	585,662	-	-	(585,662)	-	(585,662)
Operation and maintenance of plant	458,206	-	-	(458,206)	-	(458,206)
Transportation	466,505	40,660	4,719	(421,126)	-	(421,126)
	1,845,929	40,660	5,019	(1,800,250)	-	(1,800,250)
Long-term debt interest	56,305	-	-	(56,305)	-	(56,305)
Other expenditures:						
AEA flowthrough	179,708	-	179,708	-	-	-
Depreciation(unallocated)*	168,391	-	-	(168,391)	-	(168,391)
	348,099	-	179,708	(168,391)	-	(168,391)
Total governmental activities	6,156,910	1,267,970	585,115	(4,303,825)	-	(4,303,825)
Business type activities:						
Instruction:						
Other	2,603	-	-	-	(2,603)	(2,603)
Support services:						
Operation and maintenance of plant	1,104	-	-	-	(1,104)	(1,104)
Non-instructional programs:						
Food service operations	270,506	151,945	162,975	-	44,414	44,414
Total business type activities	274,213	151,945	162,975	-	40,707	40,707
Total	\$ 6,431,123	1,419,915	748,090	(4,303,825)	40,707	(4,263,118)
General Revenues:						
Local tax for:						
General purposes			\$ 1,586,850	-	-	1,586,850
Debt service			198,192	-	-	198,192
Capital outlay			45,633	-	-	45,633
Income surtax			173,156	-	-	173,156
Statewide sales, services and use tax			378,606	-	-	378,606
Unrestricted state grants			2,183,993	-	-	2,183,993
Unrestricted investment earnings			13,060	261	-	13,321
Other			73,787	-	-	73,787
Total general revenues			4,653,277	261	-	4,653,538
Change in net position			349,452	40,968	-	390,420
Net position beginning of year			5,246,342	139,183	-	5,385,525
Net position end of year			\$ 5,595,794	180,151	-	5,775,945

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

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,178,098	785,508	5,516	242,699	2,211,821
Receivables:					
Property tax:					
Delinquent	18,873	578	2,509	2,216	24,176
Succeeding year	1,367,892	47,360	383,448	160,000	1,958,700
Income surtax	141,753	-	-	-	141,753
Accounts	471	-	-	-	471
Due from other governments	273,113	131,179	-	-	404,292
<b>TOTAL ASSETS</b>	<b>\$ 2,980,200</b>	<b>964,625</b>	<b>391,473</b>	<b>404,915</b>	<b>4,741,213</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 5,078	-	-	-	5,078
Salaries and benefits payable	489,046	-	-	-	489,046
Total liabilities	494,124	-	-	-	494,124
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,367,892	47,360	383,448	160,000	1,958,700
Income surtax	141,753	-	-	-	141,753
Total deferred inflows or resources	1,509,645	47,360	383,448	160,000	2,100,453
Fund balances:					
Restricted for:					
Categorical funding	145,025	-	-	-	145,025
Debt service	-	-	8,025	-	8,025
Management levy purposes	-	-	-	147,243	147,243
Student activities	-	-	-	97,672	97,672
School infrastructure	-	826,908	-	-	826,908
Physical plant and equipment	-	90,357	-	-	90,357
Unassigned	831,406	-	-	-	831,406
Total fund balances	976,431	917,265	8,025	244,915	2,146,636
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,980,200</b>	<b>964,625</b>	<b>391,473</b>	<b>404,915</b>	<b>4,741,213</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

<b>Total fund balances of governmental funds(page 20)</b>	\$ 2,146,636
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,707,667
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,579)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	141,753
Long-term liabilities, including bonds payable, termination benefits payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,396,683)</u>
<b>Net position of governmental activities(page 18)</b>	<u><u>\$ 5,595,794</u></u>

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,590,749	45,633	198,192	166,343	2,000,917
Tuition	949,502	-	-	-	949,502
Other	155,077	5,199	104	258,555	418,935
State sources	2,455,725	378,606	-	-	2,834,331
Federal sources	299,763	-	-	-	299,763
Total revenues	<u>5,450,816</u>	<u>429,438</u>	<u>198,296</u>	<u>424,898</u>	<u>6,503,448</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,383,770	-	-	19,684	2,403,454
Special	575,129	-	-	-	575,129
Other	598,278	-	-	243,148	841,426
	<u>3,557,177</u>	<u>-</u>	<u>-</u>	<u>262,832</u>	<u>3,820,009</u>
Support services:					
Student	135,290	-	-	-	135,290
Instructional staff	195,425	-	-	-	195,425
Administration	564,040	-	-	2,003	566,043
Operation and maintenance of plant	392,758	-	-	57,021	449,779
Transportation	345,845	36,020	-	20,159	402,024
	<u>1,633,358</u>	<u>36,020</u>	<u>-</u>	<u>79,183</u>	<u>1,748,561</u>
Capital outlay	-	55,927	-	-	55,927
Long-term debt:					
Principal	-	-	312,815	-	312,815
Interest and fiscal charges	-	-	57,266	-	57,266
	<u>-</u>	<u>-</u>	<u>370,081</u>	<u>-</u>	<u>370,081</u>
Other expenditures:					
AEA flowthrough	179,708	-	-	-	179,708
Total expenditures	<u>5,370,243</u>	<u>91,947</u>	<u>370,081</u>	<u>342,015</u>	<u>6,174,286</u>
Excess(Deficiency) of revenues over(under) expenditures	80,573	337,491	(171,785)	82,883	329,162
Other financing sources(uses):					
Transfer in	-	-	172,326	-	172,326
Transfer out	(47,326)	(125,000)	-	-	(172,326)
Total other financing sources(uses)	<u>(47,326)</u>	<u>(125,000)</u>	<u>172,326</u>	<u>-</u>	<u>-</u>
Change in fund balances	33,247	212,491	541	82,883	329,162
Fund balances beginning of year	<u>943,184</u>	<u>704,774</u>	<u>7,484</u>	<u>162,032</u>	<u>1,817,474</u>
Fund balances end of year	<u>\$ 976,431</u>	<u>917,265</u>	<u>8,025</u>	<u>244,915</u>	<u>2,146,636</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2014

**Change in fund balances - total governmental funds(page 22)** \$ 329,162

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

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

Capital outlays	\$ 91,763	
Depreciation expense	<u>(373,473)</u>	(281,710)

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

312,815

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

961

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

2,914

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	12,000	
Other postemployment benefits	<u>(26,690)</u>	<u>(14,690)</u>

**Change in net position of governmental activities(page 19)** \$ 349,452

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014

	Business Type Activites: Nonmajor Enterprise Funds		
	School Nutrition	Camp	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 151,244	5,314	156,558
Inventories	23,520	-	23,520
Total current assets	174,764	5,314	180,078
Noncurrent assets:			
Capital assets, net of accumulated depreciation	5,857	-	5,857
<b>TOTAL ASSETS</b>	180,621	5,314	185,935
<b>LIABILITIES</b>			
Unearned revenue	5,784	-	5,784
<b>NET POSITION</b>			
Net investment in capital assets	5,857	-	5,857
Unrestricted	168,980	5,314	174,294
<b>TOTAL NET POSITION</b>	\$ 174,837	5,314	180,151

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities: Nonmajor Enterprise Funds		
	School		
	Nutrition	Camp	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 144,028	7,917	151,945
Operating expenses:			
Instruction:			
Other:			
Supplies	-	2,603	2,603
Support services:			
Operation and maintenance of plant:			
Services	848	-	848
Supplies	256	-	256
	1,104	-	1,104
Non-instructional programs:			
Food service operations:			
Salaries	95,377	-	95,377
Benefits	16,254	-	16,254
Services	655	-	655
Supplies	153,974	-	153,974
Other	1,951	-	1,951
Depreciation	2,295	-	2,295
	270,506	-	270,506
Total operating expenses	271,610	2,603	274,213
Operating income(loss)	(127,582)	5,314	(122,268)
Non-operating revenues:			
State sources	2,577	-	2,577
Federal sources	160,398	-	160,398
Interest income	261	-	261
Total non-operating revenues	163,236	-	163,236
Change in net position	35,654	5,314	40,968
Net position beginning of year	139,183	-	139,183
Net position end of year	\$ 174,837	5,314	180,151

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014

	Business Type Activities:		
	Nonmajor Enterprise Funds		
	School Nutrition	Camp	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 144,938	-	144,938
Cash received from miscellaneous operating activities	-	7,917	7,917
Cash payments to employees for services	(111,631)	-	(111,631)
Cash payments to suppliers for goods or services	(141,011)	(2,603)	(143,614)
Net cash provided by(used by) operating activities	<u>(107,704)</u>	<u>5,314</u>	<u>(102,390)</u>
Cash flows from non-capital financing activities:			
State grants received	2,577	-	2,577
Federal grants received	137,790	-	137,790
Net cash provided by non-capital financing activities	<u>140,367</u>	<u>-</u>	<u>140,367</u>
Cash flows from investing activities:			
Interest on investments	261	-	261
Net increase in cash and cash equivalents	32,924	5,314	38,238
Cash and cash equivalents beginning of year	118,320	-	118,320
Cash and cash equivalents end of year	<u>\$ 151,244</u>	<u>5,314</u>	<u>156,558</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating income(loss)	\$ (127,582)	5,314	(122,268)
Adjustments to reconcile operating income(loss) to net cash provided by(used by) operating activities:			
Commodities used	22,608	-	22,608
Depreciation	2,295	-	2,295
Decrease in inventories	(5,935)	-	(5,935)
Increase in unearned revenue	910	-	910
Net cash provided by(used by) operating activities	<u>\$ (107,704)</u>	<u>5,314</u>	<u>(102,390)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$22,608 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS .

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 25,068
<b>LIABILITIES</b>	<u>-</u>
<b>NET POSITION</b>	
Restricted for scholarships	<u>\$ 25,068</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 1,511
Interest income	286
Total additions	<u>1,797</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>4,460</u>
Change in net position	(2,663)
Net position beginning of year	<u>27,731</u>
Net position end of year	<u><u>\$ 25,068</u></u>

SEE NOTES TO FINANCIAL STATEMENTS .

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1. Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows or 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 and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized 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 District reports the following nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Camp Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Camp Fund is used to account for District-sponsored athletic camps.

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

#### **D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balance**

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consists of unspent grant proceeds as well as property tax receivables 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.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

**Note 2. Cash and Pooled Investments**

The District's deposits in bank 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. For the year ended June 30, 2014, the District had no investments.

**Note 3. Interfund Transfers**

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

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

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

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

**Note 4. Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,395,000	-	255,000	1,140,000	265,000
Apple lease	42,815	-	42,815	-	-
Land contract	15,000	-	15,000	-	-
Termination benefits	28,000	-	12,000	16,000	8,000
Net OPEB liability	213,993	26,690	-	240,683	-
Total	<u>1,694,808</u>	<u>26,690</u>	<u>324,815</u>	<u>1,396,683</u>	<u>273,000</u>

**General Obligation Bonds**

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

Year Ending June 30,	Bond Issue of May 1, 2003				
	Interest Rates		Principal	Interest	Total
2015	3.65	\$ %	265,000	42,948	307,948
2016	3.70		280,000	33,275	313,275
2017	3.80		290,000	22,915	312,915
2018	3.90		305,000	11,895	316,895
Total			\$ 1,140,000	111,033	1,251,033

### **Termination Benefits (Early Retirement)**

During the 2013 fiscal year, the District offered a termination benefit plan to its certified employees. Eligible employees must have been at least age fifty-five and completed fifteen years of continuous service to the District. Employees had to complete an application which required approval by the Board of Education. The plan included a health reimbursement arrangement of \$8,000 per year for three years to be deposited into a tax-free account to be used for medical expenses and premiums. Early retirement benefits paid during the year ended June 30, 2014, totaled \$12,000.

### **Note 5. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 92,022	-	-	92,022
Total capital assets not being depreciated	92,022	-	-	92,022
Capital assets being depreciated:				
Buildings	6,218,779	11,540	-	6,230,319
Land improvements	671,445	-	-	671,445
Machinery and equipment	1,820,521	80,223	14,500	1,886,244
Total capital assets being depreciated	8,710,745	91,763	14,500	8,788,008
Less accumulated depreciation for:				
Buildings	2,314,949	134,817	-	2,449,766
Land improvements	235,149	33,574	-	268,723
Machinery and equipment	1,263,292	205,082	14,500	1,453,874
Total accumulated depreciation	3,813,390	373,473	14,500	4,172,363
Total capital assets being depreciated, net	4,897,355	(281,710)	-	4,615,645
Governmental activities capital assets, net	\$ 4,989,377	(281,710)	-	4,707,667
<b>Business type activities:</b>				
Machinery and equipment	\$ 135,441	-	-	135,441
Less accumulated depreciation	127,289	2,295	-	129,584
Business type activities capital assets, net	\$ 8,152	(2,295)	-	5,857

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 96,595
Special	6,291
Other	2,575
Support services	
Instructional staff services	2,252
Administration	13,039
Operation and maintenance of plant	7,282
Transportation	77,048
	<hr/>
	205,082
Unallocated depreciation	<hr/>
	168,391
	<hr/>
Total governmental activities depreciation expense	<hr/>
	\$ 373,473
	<hr/>
Business type activities:	
Food service operations	<hr/>
	\$ 2,295
	<hr/>

#### **Note 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 \$302,481, \$292,265, and \$259,330, respectively, equal to the required contributions for each year.

#### **Note 7. Other Postemployment Benefits**

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

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

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

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

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

Annual required contribution	\$ 42,269
Interest on net OPEB obligation	5,350
Adjustment to annual required contribution	(14,602)
Annual OPEB cost	<u>33,017</u>
Contributions made	(6,327)
Increase in net OPEB obligation	<u>26,690</u>
Net OPEB obligation beginning of year	<u>213,993</u>
Net OPEB obligation end of year	<u><u>\$ 240,683</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.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 80,444	19.58%	\$ 187,249
2013	31,786	15.86	213,993
2014	33,017	19.16	240,683

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 \$300,505, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$300,505. The covered payroll (annual payroll of active employees covered by the plan) was \$1,769,604 and the ratio of the UAAL to covered payroll was 16.98%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

policy. The projected annual health care cost trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$538 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8. Risk Management**

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

**Note 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 \$179,708 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.

**Note 10. Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2014 are as follows:

Program	Amount
Statewide Voluntary Preschool Program Grants	\$ 122,181
Professional Development for Model Core Curriculum	6,285
Professional Development	14,963
Market Factor Incentives	70
Teacher Salary Supplement	1,526
Total	<u>\$ 145,025</u>

**Note 11. Prospective Accounting Changes**

The Governmental Accounting Standards Board has issued Statement No.68, Accounting and Financial Reporting for Pensions-an Amendment of GASB No. 27. The statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements established 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 employees' pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPEDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,369,354	152,206	3,521,560	3,855,234	3,855,234	(333,674)
State sources	2,834,331	2,577	2,836,908	2,350,681	2,350,681	486,227
Federal sources	299,763	160,398	460,161	425,000	425,000	35,161
Total revenues	6,503,448	315,181	6,818,629	6,630,915	6,630,915	187,714
Expenditures/Expenses:						
Instruction	3,820,009	2,603	3,822,612	4,296,900	4,296,900	474,288
Support services	1,748,561	1,104	1,749,665	1,794,800	1,794,800	45,135
Non-instructional programs	-	270,506	270,506	325,000	325,000	54,494
Other expenditures	605,716	-	605,716	1,166,791	1,166,791	561,075
Total expenditures/expenses	6,174,286	274,213	6,448,499	7,583,491	7,583,491	1,134,992
Excess(Deficiency) of revenues over(under) expenditures/expenses	329,162	40,968	370,130	(952,576)	(952,576)	1,322,706
Other financing sources, net	-	-	-	-	-	-
Excess(Deficiency) of revenues over(under) expenditures and other financing uses	329,162	40,968	370,130	(952,576)	(952,576)	1,322,706
Balances beginning of year	1,817,474	139,183	1,956,657	1,707,864	1,707,864	248,793
Balances end of year	\$ 2,146,636	180,151	2,326,787	755,288	755,288	1,571,499

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 749,893	749,893	0.0%	\$ 2,287,001	32.79%
2011	July 1, 2009	-	719,555	719,555	0.0	1,927,998	37.32
2012	July 1, 2009	-	675,005	675,005	0.0	2,062,172	32.73
2013	July 1, 2012	-	308,360	308,360	0.0	1,868,670	16.50
2014	July 1, 2012	-	300,505	300,505	0.0	1,769,604	16.98

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

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 145,027	97,672	242,699
Receivables:			
Property tax:			
Delinquent	2,216	-	2,216
Succeeding year	160,000	-	160,000
<b>TOTAL ASSETS</b>	<b>\$ 307,243</b>	<b>97,672</b>	<b>404,915</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	160,000	-	160,000
Fund balances:			
Restricted for:			
Management levy purposes	147,243	-	147,243
Student activity	-	97,672	97,672
Total fund balances	147,243	97,672	244,915
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 307,243</b>	<b>97,672</b>	<b>404,915</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 166,343	-	166,343
Other	4,278	254,277	258,555
Total revenues	170,621	254,277	424,898
Expenditures:			
Current:			
Instruction:			
Regular	19,684	-	19,684
Other	-	243,148	243,148
Support services:			
Administration	2,003	-	2,003
Operation and maintenance of plant	57,021	-	57,021
Transportation	20,159	-	20,159
Total expenditures	98,867	243,148	342,015
Change in fund balances	71,754	11,129	82,883
Fund balances beginning of year	75,489	86,543	162,032
Fund balances end of year	\$ 147,243	97,672	244,915

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 695,729	89,779	785,508
Receivables:			
Property tax:			
Delinquent	-	578	578
Succeeding year	-	47,360	47,360
Due from other governments	131,179	-	131,179
<b>TOTAL ASSETS</b>	<b>\$ 826,908</b>	<b>137,717</b>	<b>964,625</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable Revenues:			
Succeeding year property tax	-	47,360	47,360
Fund balances:			
Restricted for:			
School infrastructure	826,908	-	826,908
Physical plant and equipment	-	90,357	90,357
Total fund balances	826,908	90,357	917,265
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 826,908</b>	<b>137,717</b>	<b>964,625</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	45,633	45,633
Other	4,559	640	5,199
State sources	378,606	-	378,606
Total revenues	383,165	46,273	429,438
Expenditures:			
Current:			
Support services:			
Transportation	36,020	-	36,020
Capital outlay	55,927	-	55,927
Total expenditures	91,947	-	91,947
Excess of revenues over expenditures	291,218	46,273	337,491
Other financing uses:			
Transfer out	(125,000)	-	(125,000)
Change in fund balances	166,218	46,273	212,491
Fund balances beginning of year	660,690	44,084	704,774
Fund balances end of year	\$ 826,908	90,357	917,265

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Supplies	\$ 1	-	-	1
Band Student Purchase	(177)	231	54	-
Band Resale	142	541	683	-
Band Fundraising	676	-	-	676
Cheerleading	-	2,499	2,499	-
Cheerleading Fundraising	172	-	-	172
Track	-	10,972	10,972	-
Cross Country	-	1,703	1,703	-
Golf	-	1,216	1,216	-
Dance Team Fund Balance	562	12,730	11,131	2,161
Boys Basketball	123	3,942	4,065	-
Boys Basketball Fundraising	889	2,638	3,061	466
Football	8	4,888	4,896	-
Baseball	-	6,100	6,100	-
Wrestling	-	2,648	2,648	-
Wrestling Fundraiser	10	1,300	1,130	180
Girls Basketball	30	5,588	5,618	-
Volleyball Fundraiser	1,025	16,684	14,922	2,787
Volleyball	-	5,307	5,130	177
Softball	832	6,046	6,878	-
Softball Fundraising	2,276	300	-	2,576
Athletics General	4,276	5,360	1,933	7,703
Coach of the Year	625	-	-	625
Friends of the Arts	6,716	7,583	5,402	8,897
ED-CO Partners	1,907	200	1,758	349
Drama	-	3,204	3,204	-
Post Prom	2,409	19,721	20,034	2,096
Environment First Grant/FFA	1,649	-	-	1,649
FFA	1,018	30,212	30,688	542
Spanish Club	1,457	-	-	1,457
FFA CD	2,615	8	1	2,622
HS Student Council	3,973	1,719	219	5,473
Class of 2014	1,027	1,759	2,605	181
Class of 2015	1,735	925	908	1,752
Class of 2016	1,379	-	1	1,378
Class of 2017	3,535	-	-	3,535
Class of 2018	2,422	5,134	4,922	2,634
Class of 2019	-	4,888	1,651	3,237
JH Student Council	486	605	485	606
Yearbook	23,146	12,141	12,006	23,281
F.B.L.A.	5,452	31,191	28,901	7,742
N.H.S. Fund Balance	48	713	761	-
HS Supplies	997	34	32	999
Elementary Activities	4,481	9,005	11,197	2,289
Concessions	1,256	1,161	984	1,433
Perrinjaquet Assistance	4,379	-	-	4,379
Elementary Fundraising	-	32,059	32,059	-
HS Art Club	1,119	1,322	691	1,750
Elementary Perrinjaquet Asst.	1,867	-	-	1,867
Total	\$ 86,543	254,277	243,148	97,672

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund						
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon Memorial Scholarship	James L. Kinyon Scholarship	Nadermann Scholarship	Total
<b>ASSETS</b>							
Cash and pooled investments	\$ 3,203	1,889	6,066	1,044	7,553	5,313	25,068
<b>LIABILITIES</b>							
	-	-	-	-	-	-	-
<b>NET POSITION</b>							
Restricted for scholarships	\$ 3,203	1,889	6,066	1,044	7,553	5,313	25,068

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS  
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship Fund						Total
	Carl Lewis Scholarship	High School Scholarship	Gull Memorial	Fannon Memorial Scholarship	James L. Kinyon Scholarship	Nadermann Scholarship	
Additions:							
Local sources:							
Gifts and contributions	\$ -	1,511	-	-	-	-	1,511
Interest income	16	39	-	13	113	105	286
Total additions	16	1,550	-	13	113	105	1,797
Deductions:							
Instruction:							
Regular:							
Scholarships awarded	\$ 500	1,760	-	-	1,000	1,200	4,460
Change in net position	(484)	(210)	-	13	(887)	(1,095)	(2,663)
Net position beginning of year	3,687	2,099	6,066	1,031	8,440	6,408	27,731
Net position end of year	\$ 3,203	1,889	6,066	1,044	7,553	5,313	25,068

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,000,917	2,345,317	2,259,412	2,110,952	2,065,168	2,004,761	1,958,360	1,938,919	1,813,901	1,913,747
Tuition	949,502	953,530	872,127	785,911	741,616	736,362	706,711	728,093	586,667	502,505
Other	418,935	365,497	438,451	354,636	369,237	370,042	388,463	367,519	381,038	308,499
State sources	2,834,331	2,528,769	2,606,959	2,538,342	2,181,574	2,494,999	2,494,805	2,363,543	2,237,613	2,096,722
Federal sources	299,763	281,068	360,406	552,676	382,136	235,091	269,833	229,470	293,486	300,814
<b>Total</b>	<b>\$ 6,503,448</b>	<b>6,474,181</b>	<b>6,537,355</b>	<b>6,342,517</b>	<b>5,739,731</b>	<b>5,841,255</b>	<b>5,818,172</b>	<b>5,627,544</b>	<b>5,312,705</b>	<b>5,122,287</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,403,454	2,519,014	2,455,637	2,826,279	2,183,411	2,332,188	2,100,200	2,149,016	1,995,453	1,847,168
Special	575,129	720,197	621,394	791,925	551,282	507,870	517,226	629,351	624,870	615,222
Other	841,426	653,067	760,251	515,868	928,084	733,670	654,481	528,264	494,560	500,319
Support services:										
Student	135,290	129,450	108,226	43,010	62,119	114,773	124,370	121,225	126,475	142,973
Instructional staff	195,425	190,367	166,340	92,325	120,151	112,518	136,115	116,857	176,521	93,179
Administration	566,043	553,545	529,479	518,110	569,045	545,348	613,033	572,646	557,427	525,863
Operation and maintenance of plant	449,779	428,990	399,779	389,480	435,090	465,641	600,653	550,263	458,005	341,650
Transportation	402,024	536,707	427,260	325,949	397,046	375,406	351,366	356,250	316,373	241,271
Non-instructional programs	-	-	-	-	-	-	-	-	-	1,000
Capital outlay	55,927	70,474	107,221	42,995	119,202	128,428	87,882	77,862	92,269	162,094
Long-term debt:										
Principal	312,815	298,733	285,041	240,000	221,284	296,286	290,892	269,538	236,285	235,000
Interest	57,266	69,923	81,840	77,380	85,615	97,796	110,358	121,721	127,265	137,171
Other expenditures:										
AEA flow-through	179,708	176,342	176,465	197,294	196,793	176,747	172,996	168,497	162,305	161,081
<b>Total</b>	<b>\$ 6,174,286</b>	<b>6,346,809</b>	<b>6,118,933</b>	<b>6,060,615</b>	<b>5,869,122</b>	<b>5,886,671</b>	<b>5,759,572</b>	<b>5,661,490</b>	<b>5,367,808</b>	<b>5,003,991</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Edgewood-Colesburg Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2015.

**Internal Control Over Financial Reporting**

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-14 through I-D-14 to be significant deficiencies.

## **Compliance and Other Matters**

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

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

## **Edgewood-Colesburg Community School District's Responses to Findings**

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

## **Purpose of this report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 26, 2015  
Newton, Iowa

EDGEWOOD-COLESBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

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

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

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

Conclusion - Response acknowledged

I-B-14 Employee Reimbursements -We noted during our audit that the District made reimbursements to an employee for purchases of After Prom prizes. We also noted that the District reimbursed the full amount of the purchases including sales tax and some of the purchases had photo copies of price tags used as supporting documentation rather than actual receipts.

Recommendation - Allowing employees to personally purchase items for the District and then receive reimbursement circumvents the District's purchase order system and subjects the District to sales tax. The District should require all purchases to be properly approved through the District's purchase order system and purchase items directly from vendors. If the District would have made the purchases, sale tax would not have been applicable due to the District's tax exempt status. Therefore, if the District chooses to reimburse employees, the reimbursements should not include sales tax. The District should also require employees to provide actual receipts for items purchased and adopt procedures that require additional administrative approval in the event that original receipts are not available.

Response - Employees have been reminded to follow purchase order process, they have been be reminded to purchase items through school district, if it is necessary that any employees need to be reimbursed through the school district the employee will only reimbursed the cost of the item purchased on the detailed receipt and no sales tax will be reimbursed.

Conclusion – Response accepted

I-C-14 Scholarship Awards -We noted during our Audit that the District paid a scholarship out of the National Honor Society account within the Student Activity Fund.

Recommendations - Iowa Administrative rule 98.70(3) outlines inappropriate uses of Student Activity Fund money and subsection (d) specifically prohibits payments to any private organization unless a fundraiser was held expressly for that purpose and the purpose of the fundraiser was specifically identified. When fundraising takes place the revenues should be recorded in the fund that may legally pay for the purpose of the fundraiser. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, if the National Honor Society club intends to fundraise for a scholarship, the revenues should be receipted directly into the Private Purpose Trust Fund and scholarship checks written from there.

Response - Any funds raised for the Purpose of a scholarship will be directly deposited into the Private Purpose Trust fund and scholarship checks will be written from that fund.

Conclusion - Response accepted

I-D-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

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

Response - District will have non-certified coaches complete timesheets

Conclusion – Response accepted

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

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014, did not exceed the amounts budgeted.

II-B-14 Questionable Disbursements - We noted that the District purchased as gift cards to be given to students for After Prom prizes. Gift cards do not provide an opportunity for the District’s Board of Directors to “audit and allow” the final purchase as required by Chapter 279.29 of the Code of Iowa. Additionally, the practice of giving gift cards as prizes to students does not appear to meet public purpose as defined in the Attorney General’s Opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and discontinue the practice of giving gift cards to students.

Response - Post prom now has separate ties from the school and now operates under EC Post Prom. No gift cards will be purchased with school funds

Conclusion - Response accepted

II-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.

II-D-14 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randall Mescher, Board President Part-owner of Edgewood Building Center	Supplies	\$1,828
Eileen Bergan, Teacher Husband owns Edgewood Farm & Home Supply	Supplies	\$4,616

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

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

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

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-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.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed timely with the Department of Education.
- II-K-14 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 660,690
Revenues:		
Sales tax revenues	\$ 378,606	
Other local revenues	4,559	383,165
		1,043,855
Expenditures/transfer out:		
School infrastructures construction	\$ 55,927	
Equipment	36,020	
Transfer to other funds:		
Debt service fund	125,000	216,947
		826,908
Ending Balance		\$ 826,908

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

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.90572	\$ 125,000

- II-M-14 Checks Outstanding - We noted that the District had checks included in the general fund bank reconciliation that have been outstanding for over a year.

Recommendation- Per Chapter 556.1(10) and 556.11 of the Code of Iowa, The District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response – District will contact the people with outstanding checks to see if they still have possession of these checks. If they do not have possession of these checks the district will reissue the checks.

Conclusion – Response accepted