

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

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

YEAR ENDED JUNE 30, 2016

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

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2015 Election)		
Jon Rowen	President	2017
Erin Halverson	Vice President	2017
Tracy Crail	Board Member	2015
Pat Manues	Board Member	2015
Elaine Schope	Board Member	2015
(After September 2015 Election)		
Jon Rowen	President	2017
Erin Halverson	Vice President	2017
Tracy Crail	Board Member	2019
Reina Robinson	Board Member	2019
Elaine Schope	Board Member	2019
School Officials		
Jess Toliver	Superintendent	2016
Teresa Sadler	District Secretary/Treasurer and Business Manager	Indefinite
Engel Law	Attorney	Indefinite

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

Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District, Eagle Grove, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District as of June 30, 2016, and the respective changes in its financial position and, where applicable, its 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 53 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2015 (which are not presented herein) and

expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2017 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Eagle Grove Community School District's internal control over financial reporting and compliance.

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

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

March 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,565,826 in fiscal 2015 to \$9,652,791 in fiscal 2016, while General Fund expenditures increased from \$9,271,489 in fiscal 2015 to \$9,541,347 in fiscal 2016. The District's General Fund balance increased from \$2,193,722 at the end of fiscal 2015 to \$2,305,166 at the end of fiscal 2016, a 5.1% increase.
- The increase in General Fund revenues was attributable to increases in state source revenue. The increase in expenditures was due primarily to an increase in instruction expenses.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$ 8,494	8,141	75	74	8,569	8,215	4.3%
Capital assets	9,545	9,337	25	28	9,570	9,365	2.2%
Total assets	18,039	17,478	100	102	18,139	17,580	3.2%
Deferred outflows of resources	733	682	18	17	751	699	7.4%
Long-term liabilities	7,723	7,354	122	104	7,845	7,458	5.2%
Other liabilities	101	79	12	4	113	83	36.1%
Total liabilities	7,824	7,433	134	108	7,958	7,541	5.5%
Deferred inflows of resources	4,080	5,100	9	33	4,089	5,133	-20.3%
Net position:							
Net investment in capital assets	6,483	5,908	25	28	6,508	5,936	9.6%
Restricted	2,544	2,205	---	---	2,544	2,205	15.4%
Unrestricted	(2,159)	(2,486)	(50)	(50)	(2,209)	(2,536)	12.9%
Total net position	\$ 6,868	5,627	(25)	(22)	6,843	5,605	22.1%

The District's total net position increased 22.1% or approximately \$1,238,000, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$339,000 or 15%, from the prior year. The increase was primarily a result of an increase in the Management Fund due to an increase in revenues and a decrease in expenditures.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$327,000 or 13%.

Figure A-2 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-2							
Changes in Net Position							
(Expressed in Thousands)							
	<u>Governmental</u>		<u>Business Type</u>		<u>Total School</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015-2016</u>
Revenues:							
Program revenues:							
Charges for service	\$ 890	758	160	168	1,050	926	13.3%
Operating grants, contributions and restricted interest	1,604	1,690	404	408	2,008	2,098	-4.3%
Capital grants, contributions and restricted interest	15	---	---	---	15	---	100.0%
General revenues:							
Property tax	3,812	3,843	---	---	3,812	3,843	-0.8%
Statewide sales, services and use tax	798	785	---	---	798	785	1.7%
Income surtax	249	282	---	---	249	282	-11.7%
Unrestricted state grants	4,406	4,226	---	---	4,406	4,226	4.3%
Unrestricted investment earnings	13	10	---	---	13	10	30.0%
Other	85	84	---	---	85	84	1.2%
Total revenues	<u>11,872</u>	<u>11,678</u>	<u>564</u>	<u>576</u>	<u>12,436</u>	<u>12,254</u>	<u>1.5%</u>
Program expenses:							
Instruction	6,880	6,626	---	---	6,880	6,626	3.8%
Support services	2,886	2,856	---	---	2,886	2,856	1.1%
Non-instructional programs	---	---	567	573	567	573	-1.0%
Other expenses	865	766	---	---	865	766	12.9%
Total expenses	<u>10,631</u>	<u>10,248</u>	<u>567</u>	<u>573</u>	<u>11,198</u>	<u>10,821</u>	<u>3.5%</u>
Change in net position	1,241	1,430	(3)	3	1,238	1,433	-13.6%
Net position beginning of year	<u>5,627</u>	<u>4,197</u>	<u>(22)</u>	<u>(25)</u>	<u>5,605</u>	<u>4,172</u>	<u>34.3%</u>
Net position end of year	<u>\$ 6,868</u>	<u>5,627</u>	<u>(25)</u>	<u>(22)</u>	<u>6,843</u>	<u>5,605</u>	<u>22.1%</u>

In fiscal year 2016, property tax and unrestricted state grants account for 69.2% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$12.4 million, of which approximately \$11.9 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 1.5% increase in revenues and a 3.5% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$11,871,556 and expenses were \$10,630,734 for the year ended June 30, 2016.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2016 compared to those expenses for the year ended June 30, 2015.

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2016-2015	2016	2015	Change 2016-2015
Instruction	\$ 6,880	6,626	3.8%	4,814	4,609	4.4%
Support services	2,886	2,856	1.1%	2,831	2,788	1.5%
Non-instructional programs	---	--	0.0%	---	---	0.0%
Other expenses	<u>865</u>	<u>766</u>	<u>12.9%</u>	<u>477</u>	<u>403</u>	<u>18.4%</u>
Total	<u>\$ 10,631</u>	<u>10,248</u>	<u>3.7%</u>	<u>8,122</u>	<u>7,800</u>	<u>4.1%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$889,856.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,603,760.
- The net cost of governmental activities was financed with \$4,858,518 in property and other taxes and \$4,406,167 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$563,711, representing a 2.2% decrease from the prior year, while expenses totaled \$567,305, a 1.0% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,446,747, well above last year's ending fund balances of \$4,006,557.

Governmental Fund Highlights

- The General Fund balance increased from \$2,193,722 to \$2,305,166 due to an increase in revenues being adequate to cover the increase in expenditures.
- The Management Fund balance increased from \$437,963 to \$607,034 primarily due to an increase in property tax revenue and expenditures remaining about the same as the prior year.
- The Debt Service Fund balance increased from \$8,858 at the end of fiscal year 2015 to \$16,797 at the end of fiscal 2016. Revenues and expenditures did not vary significantly from the prior year.
- The Capital Projects Fund balance ended fiscal year 2015 with a balance of \$1,309,183. Fiscal year 2016 ended with a balance of \$1,406,995. Revenues were similar to the prior year. Expenditures increased from the prior year, but current year revenues were sufficient to cover this increase in expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a deficit of \$21,851 at June 30, 2015 to a deficit of \$25,445 at June 30, 2016, representing a decrease of approximately 16% due, in part, to a decrease in charges for service and federal source revenues. Expenses also decreased, but not enough to offset the decrease in revenues.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$361,899 less than total budgeted revenues, a variance of 2.9%.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$9.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. (See Figure A-4) This represents a net increase of 2.2% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$491,082.

The original cost of the District's capital assets was approximately \$15.4 million. Governmental funds account for approximately \$15.3 million with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Land	\$ 131	131	---	---	131	131	0.0%
Buildings	8,551	8,433	---	---	8,551	8,433	1.4%
Improvements other than buildings	110	121	---	---	110	121	-9.1%
Furniture and equipment	<u>752</u>	<u>652</u>	<u>25</u>	<u>28</u>	<u>777</u>	<u>680</u>	<u>14.3%</u>
Total	<u>\$ 9,544</u>	<u>9,337</u>	<u>25</u>	<u>28</u>	<u>9,569</u>	<u>9,365</u>	<u>2.2%</u>

Long-Term Debt

At June 30, 2016, the District had \$3,061,267 long-term debt outstanding. (See Figure A-5) This represents a decrease of approximately 11% from last year. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2016	2015	2015-2016
General obligation refunding bonds	\$ 3,061	3,430	-10.8%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Health insurance and the Affordable Care Act continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District plans to levy for the entire Debt Service and also we are proposing to the board to levy a surplus levy for 17-18. The District would still be well within our \$2.70 limit.
- The announcement of the building of the Prestage plant within our District will have a big bearing on the District's assessed valuation and enrollment. Our District has been doing a feasibility/facility study review on how best to accommodate a growing and varied student population. We will make additions to our existing facilities as we don't have adequate bonding capacity to replace buildings.
- Unknown and inadequate allowable growth continues to be a big concern. The supplemental growth of 1.1% for 17-18 is not adequate. With projected student enrollment increases we will need to hire additional staff.
- We will continue to look at the condition of our transportation fleet. While they pass inspection we have an aging fleet and we will need to update some of our vehicles.
- Collective bargaining changes approved by the legislature will have an impact on our negotiations process. We have settled a 2 year agreement for 2017-18 and 2018-19 with the EGEA and the EGESA already.
- We continue to see high special education deficits.
- The costs of our activity co-curricular programs are going beyond what the fund can handle. The General Fund is assisting within its legal limits. Hot Lunch balances always remain to be kept an eye on.
- The District has purchased the baseball/softball complex from the city. We will have to maintain the complex and will probably start to charge for admission which we haven't done in the past.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit A

Statement of Net Position

June 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,081,783	52,902	4,134,685
Receivables:			
Property tax:			
Delinquent	44,087	-	44,087
Succeeding year	3,704,292	-	3,704,292
Accounts	14,807	903	15,710
Accrued interest	1,247	-	1,247
Due from other governments	648,173	16,618	664,791
Inventories	-	4,713	4,713
Capital assets, net of accumulated depreciation	9,544,436	25,302	9,569,738
Total assets	<u>18,038,825</u>	<u>100,438</u>	<u>18,139,263</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>732,970</u>	<u>18,463</u>	<u>751,433</u>
Liabilities			
Accounts payable	94,156	8,681	102,837
Accrued interest payable	6,417	-	6,417
Unearned revenue	-	4,038	4,038
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	375,000	-	375,000
Portion due after one year:			
General obligation bonds (net of \$13,733 unamortized discount)	2,686,267	-	2,686,267
Net pension liability	4,055,968	102,772	4,158,740
Net OPEB liability	605,603	19,328	624,931
Total liabilities	<u>7,823,411</u>	<u>134,819</u>	<u>7,958,230</u>

(continued)

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit A

Statement of Net Position

June 30, 2016

	Governmental Activities	Business Type Activities	Total
Deferred Inflows of Resources			
Unavailable property tax revenue	3,704,292	-	3,704,292
Pension related deferred inflows	376,016	9,527	385,543
Total deferred inflows of resources	<u>4,080,308</u>	<u>9,527</u>	<u>4,089,835</u>
Net Position			
Net investment in capital assets	6,483,169	25,302	6,508,471
Restricted for:			
Categorical funding	402,668	-	402,668
Management levy purposes	607,034	-	607,034
Physical plant and equipment	12,465	-	12,465
School infrastructure	1,394,530	-	1,394,530
Student activities	110,755	-	110,755
Debt service	16,797	-	16,797
Unrestricted	<u>(2,159,342)</u>	<u>(50,747)</u>	<u>(2,210,089)</u>
Total net position	<u>\$ 6,868,076</u>	<u>(25,445)</u>	<u>6,842,631</u>

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa
Statement of Activities
Year ended June 30, 2016

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,682,669	318,344	626,814	-
Special instruction	1,713,856	180,776	257,387	-
Other instruction	1,482,862	390,519	291,447	-
	<u>6,879,387</u>	<u>889,639</u>	<u>1,175,648</u>	<u>-</u>
Support services:				
Student	200,381	-	11,067	-
Instructional staff	459,151	-	25,616	-
Administration	1,198,554	-	1,069	-
Operation and maintenance of plant	604,206	217	-	-
Transportation	423,896	-	17,359	-
	<u>2,886,188</u>	<u>217</u>	<u>55,111</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	205,275	-	-	15,280
Long-term debt interest	42,295	-	-	-
AEA flowthrough	373,001	-	373,001	-
Depreciation (unallocated)*	244,588	-	-	-
	<u>865,159</u>	<u>-</u>	<u>373,001</u>	<u>15,280</u>
Total governmental activities	<u>10,630,734</u>	<u>889,856</u>	<u>1,603,760</u>	<u>15,280</u>
Business type activities:				
Non-instructional programs:				
Food service operations	567,305	159,432	404,207	-
Total business type activities	<u>567,305</u>	<u>159,432</u>	<u>404,207</u>	<u>-</u>
Total	<u>\$ 11,198,039</u>	<u>1,049,288</u>	<u>2,007,967</u>	<u>15,280</u>

General Revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net position
Net position beginning of year
Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(2,737,511)	-	(2,737,511)
(1,275,693)	-	(1,275,693)
(800,896)	-	(800,896)
<u>(4,814,100)</u>	<u>-</u>	<u>(4,814,100)</u>
(189,314)	-	(189,314)
(433,535)	-	(433,535)
(1,197,485)	-	(1,197,485)
(603,989)	-	(603,989)
(406,537)	-	(406,537)
<u>(2,830,860)</u>	<u>-</u>	<u>(2,830,860)</u>
(189,995)	-	(189,995)
(42,295)	-	(42,295)
-	-	-
<u>(244,588)</u>	<u>-</u>	<u>(244,588)</u>
<u>(476,878)</u>	<u>-</u>	<u>(476,878)</u>
<u>(8,121,838)</u>	<u>-</u>	<u>(8,121,838)</u>
-	(3,666)	(3,666)
-	(3,666)	(3,666)
<u>(8,121,838)</u>	<u>(3,666)</u>	<u>(8,125,504)</u>
3,152,258	-	3,152,258
411,381	-	411,381
248,303	-	248,303
248,909	-	248,909
797,667	-	797,667
4,406,167	-	4,406,167
12,738	72	12,810
85,237	-	85,237
<u>9,362,660</u>	<u>72</u>	<u>9,362,732</u>
1,240,822	(3,594)	1,237,228
5,627,254	(21,851)	5,605,403
<u>\$ 6,868,076</u>	<u>(25,445)</u>	<u>6,842,631</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2016

Assets	<u>General</u>	<u>Management</u>	<u>Capital Projects</u>
Cash and cash equivalents	\$ 2,094,905	602,976	1,257,889
Receivables:			
Property tax:			
Delinquent	32,442	4,058	2,856
Succeeding year	2,686,196	349,999	254,097
Accounts	-		14,807
Accrued interest	764		483
Due from other governments	517,213	-	130,960
Total assets	<u>\$ 5,331,520</u>	<u>957,033</u>	<u>1,661,092</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 94,156	-	-
Total liabilities	<u>94,156</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,686,196	349,999	254,097
Income surtax	246,002	-	-
Total deferred inflows of resources	<u>2,932,198</u>	<u>349,999</u>	<u>254,097</u>
Fund balances:			
Restricted for:			
Categorical funding	402,668	-	-
Debt service	-	-	-
Management levy purposes	-	607,034	-
Student activities	-	-	-
School infrastructure	-	-	1,394,530
Physical plant and equipment	-	-	12,465
Assigned	23,175	-	-
Unassigned	1,879,323	-	-
Total fund balances	<u>2,305,166</u>	<u>607,034</u>	<u>1,406,995</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,331,520</u>	<u>957,033</u>	<u>1,661,092</u>

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2016

<u>Debt</u> <u>Service</u>	<u>Nonmajor</u> <u>Student Activity</u>	<u>Total</u>
12,066	110,755	4,078,591
4,731	-	44,087
414,000	-	3,704,292
-	-	14,807
-	-	1,247
-	-	648,173
<u>430,797</u>	<u>110,755</u>	<u>8,491,197</u>
-	-	94,156
-	-	94,156
414,000	-	3,704,292
-	-	246,002
<u>414,000</u>	-	<u>3,950,294</u>
-	-	402,668
16,797	-	16,797
-	-	607,034
-	110,755	110,755
-	-	1,394,530
-	-	12,465
-	-	23,175
-	-	1,879,323
<u>16,797</u>	<u>110,755</u>	<u>4,446,747</u>
<u>430,797</u>	<u>110,755</u>	<u>8,491,197</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit D

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

June 30, 2016

Total fund balances of governmental funds (page 20)			\$ 4,446,747
<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.			9,544,436
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			246,002
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.			(6,417)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources	\$ 732,970		
Deferred inflows of resources	<u>(376,016)</u>	356,954	
Long-term liabilities, including bonds, termination benefits, lease obligations, and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.			(7,722,838)
An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.			<u>3,192</u>
Net position of governmental activities (page 16)			<u>\$ 6,868,076</u>

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2016

	<u>General</u>	<u>Management</u>	<u>Capital Projects</u>
Revenues:			
Local sources:			
Local tax	\$ 3,056,746	350,450	248,303
Tuition	461,778	-	-
Other	142,518	20,305	19,992
State sources	5,551,811	6,301	802,138
Federal sources	439,938	-	-
Total revenues	<u>9,652,791</u>	<u>377,056</u>	<u>1,070,433</u>
Expenditures:			
Current:			
Instruction:			
Regular	3,631,277	5,387	101,836
Special	1,758,451	-	-
Other	1,200,600	-	-
	<u>6,590,328</u>	<u>5,387</u>	<u>101,836</u>
Support services:			
Student	204,392	-	-
Instructional staff	478,210	-	-
Administration	1,007,372	130,277	36,034
Operation and maintenance of plant	555,543	54,339	-
Transportation	332,501	17,982	135,799
	<u>2,578,018</u>	<u>202,598</u>	<u>171,833</u>
Other expenditures:			
Facilities acquisition	-	-	698,952
Long-term debt:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
AEA flowthrough	373,001	-	-
	<u>373,001</u>	<u>-</u>	<u>698,952</u>
Total expenditures	<u>9,541,347</u>	<u>207,985</u>	<u>972,621</u>
Excess of revenues over expenditures	<u>111,444</u>	<u>169,071</u>	<u>97,812</u>
Other financing sources (uses):			
Transfers in	-	-	217,186
Transfers out	-	-	(217,186)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	111,444	169,071	97,812
Fund balances beginning of year	<u>2,193,722</u>	<u>437,963</u>	<u>1,309,183</u>
Fund balances end of year	<u>\$ 2,305,166</u>	<u>607,034</u>	<u>1,406,995</u>

See notes to financial statements.

<u>Debt</u> <u>Service</u>	<u>Nonmajor</u> <u>Student Activity</u>	<u>Total</u>
411,382	-	4,066,881
-	-	461,778
-	358,515	541,330
7,407	-	6,367,657
-	-	439,938
<u>418,789</u>	<u>358,515</u>	<u>11,877,584</u>
-	-	3,738,500
-	-	1,758,451
-	<u>304,591</u>	<u>1,505,191</u>
-	<u>304,591</u>	<u>7,002,142</u>
-	-	204,392
-	-	478,210
-	-	1,173,683
-	-	609,882
-	-	486,282
-	-	<u>2,952,449</u>
-	-	698,952
355,000	-	355,000
55,850	-	55,850
-	-	373,001
<u>410,850</u>	-	<u>1,482,803</u>
<u>410,850</u>	<u>304,591</u>	<u>11,437,394</u>
<u>7,939</u>	<u>53,924</u>	<u>440,190</u>
-	-	217,186
-	-	<u>(217,186)</u>
-	-	-
7,939	53,924	440,190
<u>8,858</u>	<u>56,831</u>	<u>4,006,557</u>
<u>16,797</u>	<u>110,755</u>	<u>4,446,747</u>

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

Year ended June 30, 2016

Change in fund balances - total governmental funds (page 23) \$ 440,190

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. These costs are not reported in the Statement of Activities but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 694,639	
Depreciation	<u>(487,597)</u>	207,042

Income surtax not collected for several months after year end is recognized as deferred inflows of resources in the governmental funds. (6,028)

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

Discount on bonds issued	(1,753)	
Repaid	<u>370,000</u>	368,247

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 308

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 513,483

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:

Pension expense	(341,475)	
Other postemployment benefits	<u>59,052</u>	(282,423)

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

Year ended June 30, 2016

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

3

Change in net position of governmental activities (page 18)

\$ 1,240,822

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2016

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,902	3,192
Accounts receivable	903	-
Due from other governments	16,618	-
Inventories	4,713	-
Total current assets	<u>75,136</u>	<u>3,192</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>25,302</u>	-
Total assets	<u>100,438</u>	<u>3,192</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>18,463</u>	-
Liabilities		
Current liabilities:		
Accounts payable	8,681	-
Unearned revenue	4,038	-
Total current liabilities	<u>12,719</u>	-
Noncurrent liabilities:		
Net pension liability	102,772	-
Net OPEB liability	19,328	-
Total noncurrent liabilities	<u>122,100</u>	-
Total liabilities	<u>134,819</u>	-
Deferred Inflows of Resources		
Pension related deferred inflows	<u>9,527</u>	-
Net Position		
Net investment in capital assets	25,302	-
Unrestricted	<u>(50,747)</u>	<u>3,192</u>
Total net position	<u>\$ (25,445)</u>	<u>3,192</u>

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit H

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

Year ended June 30, 2016

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 159,432	52,811
Total operating revenues	<u>159,432</u>	<u>52,811</u>
Operating expenses:		
Non-instructional programs:		
Salaries	149,499	-
Benefits	44,762	52,811
Purchased services	7,098	-
Supplies	362,461	-
Depreciation	3,485	-
Total operating expenses	<u>567,305</u>	<u>52,811</u>
Operating income (loss)	<u>(407,873)</u>	<u>-</u>
Non-operating revenues:		
State sources	4,158	-
Federal sources	400,049	-
Interest income	72	3
Total non-operating revenues	<u>404,279</u>	<u>3</u>
Increase (decrease) in net position	(3,594)	3
Net position beginning of year	<u>(21,851)</u>	<u>3,189</u>
Net position end of year	<u>\$ (25,445)</u>	<u>3,192</u>
See notes to financial statements.		

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2016

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 160,212	-
Cash received from other services	-	52,811
Cash paid to employees for services	(200,623)	(52,811)
Cash paid to suppliers for goods or services	<u>(328,902)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(369,313)</u>	<u>-</u>
Cash flows from non-capital financing activities:		
State grants received	4,158	-
Federal grants received	<u>367,684</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>371,842</u>	<u>-</u>
Cash flows used by capital and related financing activities:		
Acquisition of capital assets	<u>(550)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>72</u>	<u>3</u>
Net increase in cash and cash equivalents	2,051	3
Cash and cash equivalents beginning of year	<u>50,851</u>	<u>3,189</u>
Cash and cash equivalents end of year	<u>\$ 52,902</u>	<u>3,192</u>
See notes to financial statements.		(continued)

Eagle Grove Community School District
Eagle Grove, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2016

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (407,873)	-
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	31,399	-
Depreciation	3,485	-
Decrease in accounts receivable	448	-
Decrease in inventories	577	-
Increase in accounts payable	8,681	-
Increase in deferred revenue	332	-
Increase in net pension liability	20,180	-
(Increase) in deferred outflows of resources	(1,187)	-
(Decrease) in deferred inflows of resources	(23,242)	-
(Decrease) in other postemployment benefits	(2,113)	-
Net cash provided by (used by) operating activities	<u>\$ (369,313)</u>	<u>-</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2016, the District received \$31,399 of federal commodities.

See notes to financial statements.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2016

B. Basis of Presentation

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

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

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

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

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

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2016

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

The District reports the following major governmental funds:

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

The Special Revenue Fund, Management Levy is used to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments and certain early retirement benefits.

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2016

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

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

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

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

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

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

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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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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

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

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period.

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

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

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

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

Pensions – For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Assigned – Amounts are not available for appropriation but are set aside for a specific purpose by the District's management.

Unassigned – All amounts not included in the preceding classifications.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the other expenditures function.

(2) **Cash and Cash Equivalents**

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.

Interest rate risk- The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

A reconciliation of cash and cash equivalents as shown on the financial statements of the District is as follows:

Depository accounts	\$ <u>4,134,685</u>
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Concentration of credit risk- The District's investment policy seeks diversification to reduce overall portfolio risk while maintaining market rates of return to enable the District to meet its anticipated cash requirements. The District does not have a policy specific to concentration of credit risk. At June 30, 2016, the District had no investments subject to concentration of credit risk.

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Custodial credit risk- For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned. For an investment, this is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of the outside party. The District's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 131,192	---	---	131,192
Capital assets being depreciated:				
Buildings	11,868,273	340,268	---	12,208,541
Improvements other than buildings	635,660	---	---	635,660
Furniture and equipment	1,963,353	354,371	---	2,317,724
Total capital assets being depreciated	<u>14,467,286</u>	<u>694,639</u>	---	<u>15,161,925</u>
Less accumulated depreciation for:				
Buildings	3,434,714	222,846	---	3,657,560
Improvements other than buildings	514,765	10,652	---	525,417
Furniture and equipment	1,311,605	254,099	---	1,565,704
Total accumulated depreciation	<u>5,261,084</u>	<u>487,597</u>	---	<u>5,748,681</u>
Total capital assets being depreciated, net	<u>9,206,202</u>	<u>207,042</u>	---	<u>9,413,244</u>
Governmental activities capital assets, net	<u>\$ 9,337,394</u>	<u>207,042</u>	---	<u>9,544,436</u>

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	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 84,926	550	---	85,476
Less accumulated depreciation	<u>56,689</u>	<u>3,485</u>	---	<u>60,174</u>
Business type activities capital assets, net	<u>\$ 28,237</u>	<u>(2,935)</u>	---	<u>25,302</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 123,143
Special	3,730
Other	4,189

Support services:

Administration	54,011
Operation and maintenance of plant	4,882
Transportation	<u>53,054</u>
	243,009

Unallocated

244,588

Total depreciation expense – governmental activities

\$ 487,597

Business type activities:

Food service operations	<u>\$ 3,485</u>
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(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation refunding bonds	\$ 3,429,514	---	368,247	3,061,267 (1)	375,000
Net pension liability	3,259,546	796,422	---	4,055,968	---
Net OPEB liability	<u>664,655</u>	---	<u>59,052</u>	<u>605,603</u>	---
Total	<u>\$ 7,353,715</u>	<u>796,422</u>	<u>427,299</u>	<u>7,722,838</u>	<u>375,000</u>

(1) Bonds were sold at a discount; unamortized discount at June 30, 2016 totaled \$13,733.

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	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 82,592	20,180	---	102,772	---
Net OPEB liability	21,441	---	2,113	19,328	---
Total	\$ 104,033	20,180	2,113	122,100	---

General Obligation Refunding Bonds

On March 25, 2013, the District issued \$3,810,000 of general obligation refunding bonds, with interest rates ranging from 0.40% to 1.75%, for a crossover refunding of a portion of the general obligation bonds issued June 1, 2004.

Details of the District's June 30, 2016 general obligation indebtedness are as follows:

Year Ending June 30	Bond Issue of March 25, 2013			
	Interest Rates	Principal	Interest	Total
2017	0.65%	\$ 375,000	38,500	413,500
2018	0.85	375,000	36,063	411,063
2019	1.00	375,000	32,875	407,875
2020	1.20	380,000	29,125	409,125
2021	1.35	385,000	24,565	409,565
2022-24	1.5-1.75	<u>1,185,000</u>	<u>39,885</u>	<u>1,224,885</u>
Total		<u>\$3,075,000</u>	<u>201,013</u>	<u>3,276,013</u>

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(5) **Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of the date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012 the reduction is 0.50% for each month the member receives benefits before age 65.

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Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$526,384.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$4,158,740 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.084177%, which was a decrease of .000095% from its proportion measured as of June 30, 2014.

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For the year ended June 30, 2016, the District recognized pension expense of \$350,128. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,833	-
Changes of assumptions	114,501	-
Net difference between projected and actual earnings on IPERS' investments	-	346,116
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	47,715	39,427
District contributions subsequent to the measurement date	<u>526,384</u>	-
Total	<u>\$ 751,433</u>	<u>385,543</u>

\$526,384 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2017	\$ (116,409)
2018	(116,409)
2019	(116,409)
2020	183,708
2021	<u>5,025</u>
Total	<u>\$ (160,494)</u>

There were no non-employer contributing entities to IPERS.

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Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

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Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in The Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
District’s proportionate share of the net pension liability	\$ 7,281,206	\$ 4,158,740	\$ 1,523,155

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to IPERS – At June 30, 2016, the District reported no payables to IPERS.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 97 active and six retired members in the plan. Participants must be age 55 or older at retirement.

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

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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, 2016, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 84,126
Interest on net OPEB obligation	14,755
Adjustment to annual required contribution	<u>(45,422)</u>
Annual OPEB cost	53,459
Contributions made	<u>(18,736)</u>
Increase in net OPEB obligation	34,723
Net OPEB obligation beginning of year	<u>590,208</u>
Net OPEB obligation end of year	\$ 624,931 =====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2016.

For the year ended June 30, 2016, the District contributed \$18,736 to the medical plan. Plan members eligible for benefits contributed \$79,435 or 80.9% of the premium costs.

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

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Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 112,947	58.1%	\$ 633,767
2015	103,360	49.4%	686,096
2016	53,459	35.0%	624,931

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$592,079, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$592,079. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,014,000 and the ratio of the UAAL to covered payroll was 14.7%. As of June 30, 2016, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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Mortality rates are from the RP 2000 Annuity Mortality Table Projected to 2015, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$906 per month for retirees less than age 65 and \$750 per month for retirees who have attained age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Risk Management

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

(8) 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 \$373,001 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Operating Leases

The District entered into an operating lease with Ricoh USA, Inc. for the rental of seven copiers on June 17, 2015 for a period of 48 months beginning July 10, 2015. The amount paid for the fiscal year ended June 30, 2016 was \$21,501. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2017	\$ 21,501
2018	21,501
2019	<u>21,501</u>
Total	\$ <u>64,503</u>

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The District entered into an operating lease with Mail Finance for a postage meter on July 30, 2014 for a period of 63 months. The amount paid for the fiscal year ended June 30, 2016 was \$1,608. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2017	\$ 1,608
2018	1,608
2019	1,608
2020	<u>403</u>
Total	\$ <u>5,227</u>

The District entered into a lease with Eagle's Wing Childcare and Pre-School Center to rent space for the preschool program. The lease is for 36 months starting July 1, 2015. The rent paid on this lease for the year ended June 30, 2016 was \$9,950. Future rentals are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 9,950
2018	<u>9,950</u>
Total	\$ <u>19,900</u>

The District entered into a lease with Wright County District Junior Fair to rent a building. The lease is for 10 years commencing July 1, 2008 and terminating June 30, 2018. The lease calls for one payment due in July each year. The rent paid on this lease for the year ended June 30, 2016 was \$13,000. Future rentals are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 13,000
2018	<u>13,000</u>
Total	\$ <u>26,000</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2016

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
English Language Learning	\$ 198,359
Home School Assistance	45,430
Teacher salary supplement	76,494
Successful Progression for Early Readers	36,502
Professional Core Curriculum	2,632
Professional development	38,086
Teacher Leadership	<u>5,165</u>
Total	<u>\$ 402,668</u>

(11) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit net position of \$25,445 at June 30, 2016. The reason for the deficit net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during fiscal year 2015, which requires all school districts and other governmental entities in the State of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on their financials beginning in fiscal year 2015.

(12) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2016, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the District beginning with its fiscal year ending June 30, 2017. The statement requires governments to disclosure information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Financial Statements

June 30, 2016

types of commitments made by tax abatement receipts, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

GASB Statement No. 82, *Pension Issues*, issued April 2016, will be effective for the District beginning with its fiscal year ending June 30, 2017. Statement No. 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and the Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Management has not yet determined the effect these GASB Statements will have on the Districts' financial statements.

(13) Subsequent Events

Subsequent events have been evaluated through March 20, 2017 which is the date the financial statements were available to be issued.

On September 12, 2016, the Board approved to purchase from the City of Eagle Grove, the north and west ball diamonds located at Greenwood Park and to approve the 28E Sharing Agreement for Recreational Facilities.

Required Supplementary Information

Eagle Grove Community School District
Eagle Grove, Iowa

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

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 5,069,989	159,504
State sources	6,367,657	4,158
Federal sources	<u>439,938</u>	<u>400,049</u>
Total revenues	<u>11,877,584</u>	<u>563,711</u>
Expenditures/Expenses:		
Instruction	7,002,142	-
Support services	2,952,449	-
Non-instructional programs	-	567,305
Other expenditures	<u>1,482,803</u>	<u>-</u>
Total expenditures/expenses	<u>11,437,394</u>	<u>567,305</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	440,190	(3,594)
Balances beginning of year	<u>4,006,557</u>	<u>(21,851)</u>
Balances end of year	<u>\$ 4,446,747</u>	<u>(25,445)</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
5,229,493	5,234,254	5,234,254	(4,761)
6,371,815	6,748,940	6,748,940	(377,125)
<u>839,987</u>	<u>820,000</u>	<u>820,000</u>	<u>19,987</u>
<u>12,441,295</u>	<u>12,803,194</u>	<u>12,803,194</u>	<u>(361,899)</u>
7,002,142	7,995,886	7,995,886	993,744
2,952,449	4,800,511	4,800,511	1,848,062
567,305	1,107,555	1,107,555	540,250
<u>1,482,803</u>	<u>1,074,871</u>	<u>1,074,871</u>	<u>(407,932)</u>
<u>12,004,699</u>	<u>14,978,823</u>	<u>14,978,823</u>	<u>2,974,124</u>
436,596	(2,175,629)	(2,175,629)	2,612,225
<u>3,984,706</u>	<u>3,334,299</u>	<u>3,334,299</u>	<u>650,407</u>
<u>4,421,302</u>	<u>1,158,670</u>	<u>1,158,670</u>	<u>3,262,632</u>

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2016

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

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

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

During the year ended June 30, 2016, expenditures in the other expenditures function exceeded the amount budgeted.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Fiscal Years*
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.084177%	0.084272%
District's proportionate share of the net pension liability	\$ 4,159	3,342
District's covered-employee payroll	\$ 5,497	5,291
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.66%	63.16%
IPERS" net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 526	515	492
Contributions in relation to the statutorily required contribution	<u>(526)</u>	<u>(515)</u>	<u>(492)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 5,896	5,497	5,291
Contributions as a percentage of covered-employee payroll	8.92%	9.37%	9.30%

See accompanying independent auditor's report.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
469	418	325	325	300	289	268
<u>(469)</u>	<u>(418)</u>	<u>(325)</u>	<u>(325)</u>	<u>(300)</u>	<u>(289)</u>	<u>(268)</u>
-	-	-	-	-	-	-
5,143	4,982	4,701	5,919	4,790	3,402	4,730
9.12%	8.39%	6.91%	5.49%	6.26%	8.50%	5.67%

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Eagle Grove Community School District
Eagle Grove, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Eagle Grove Community School District

Eagle Grove, Iowa

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 1,599	1,599	0.0%	4,960	32.2%
2011	Jul 1, 2009	-	1,599	1,599	0.0%	5,057	31.6%
2012	Jul 1, 2009	-	1,522	1,522	0.0%	5,311	28.7%
2013	Jul 1, 2012	-	1,090	1,090	0.0%	4,336	25.1%
2014	Jul 1, 2012	-	1,009	1,009	0.0%	4,531	22.3%
2015	Jul 1, 2012	-	922	922	0.0%	4,536	20.3%
2016	Jul 1, 2015	-	592	592	0.0%	4,014	14.7%

See Note 6 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.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 1

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2016

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
HS Musical	\$ 6,240	4,886	7,283	-	3,843
HS Speech/Drama	1,369	6,878	5,489	-	2,758
Trip Fund/Music Department	4,738	28,983	38,538	4,817	-
Music Concession Account	127	15,772	9,090	(4,817)	1,992
HS Vocal Music	13,966	2,039	2,591	-	13,414
HS Band	5,473	1,156	5,033	-	1,596
HS-MS Music	3,680	599	-	87	4,366
MS Music	87	-	-	(87)	-
General Athletic Account	(14,571)	19,762	6,521	(24,651)	(25,981)
Concessions	625	-	-	(625)	-
Weighlifting	(87)	-	-	87	-
Athletic Uniforms	585	-	-	(585)	-
HS Boys Basketball	1,640	8,196	4,256	(5,580)	-
MS Boys Basketball	(2,930)	600	600	2,930	-
Boys Basketball Camp	97	450	200	-	347
HS Football	(8,516)	25,446	19,707	2,777	-
MS Football	(6,584)	5,694	6,118	7,008	-
Football Camp	1,592	10,176	6,899	-	4,869
Baseball	(14,720)	3,950	3,885	14,770	115
Baseball Camp	977	7,097	5,592	-	2,482
HS Cross Country	(441)	2,504	2,601	538	-
HS Cross Country Camp	3,377	3,835	6,268	-	944
HS Boys Track	(5,393)	5,737	2,909	2,565	-
HS Boys Track Camp	457	2,263	2,474	-	246
MS Boys Track	(764)	2,534	3,125	1,355	-
HS Boys Golf	(660)	182	175	653	-
HS Boys Golf Camp	438	450	48	-	840
HS Wrestling	1,802	7,341	6,364	(2,779)	-
HS Wrestling Camp	(122)	262	35	-	105
MS Wrestling	(455)	85	85	455	-
HS Girls Basketball	3,173	8,170	4,903	(6,440)	-
Girls Basketball Camp	2,768	731	2,104	-	1,395
MS Girls Basketball	(2,999)	525	525	2,999	-
Volleyball Camp	1,623	9,310	7,090	-	3,843
HS Volleyball	1,728	10,399	8,060	(4,067)	-
MS Volleyball	(538)	-	-	538	-
Softball	(16,885)	7,519	7,181	16,547	-
Softball Camp	2,408	6,203	1,106	-	7,505
HS Girls Cross Country	(343)	1,308	851	(114)	-

(continued)

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule I

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2016

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
HS Girls Cross Country Camp	(13)	320	-	-	307
HS Girls Track	(7,935)	4,391	2,670	6,214	-
MS Girls Track	(740)	2,378	3,055	1,417	-
HS Girls Track Camp	(66)	410	112	-	232
HS Girls Golf	(514)	120	166	560	-
HS Girls Golf Camp	779	50	60	-	769
MS Track Camp	(107)	-	-	107	-
MS Cheerleading	604	-	-	-	604
HS Annual	(6,661)	6,243	1,741	126	(2,033)
Book Fair	66	5,007	5,007	-	66
Student Extracurricular	789	-	-	-	789
HS Student Fundraising	5,820	3,737	2,979	-	6,578
Student Activity Tickets	11,717	5,480	-	(17,197)	-
Adult Activity Tickets	2,325	600	-	(2,925)	-
Special Olympics	1,494	4,261	3,469	-	2,286
MS Student Senate	18,216	34,359	35,132	-	17,443
MS Student Fundraising	3,271	236	116	-	3,391
Elementary Student Fundraising	17,924	3,305	7,296	-	13,933
Destination Imagination	201	-	-	-	201
Cheerleaders	(3,689)	-	-	3,689	-
HS Cheerleading Camp	1,409	3,879	3,304	-	1,984
Drill Team	(558)	18,153	13,763	-	3,832
Drill Team Trip	(464)	464	-	-	-
FFA	7,882	3,990	6,040	-	5,832
Spanish Club	5,016	2,519	1,602	-	5,933
National Honor Society	1,519	4,013	2,920	-	2,612
FBLA	2,460	23,697	20,915	-	5,242
FCCLA	483	75	140	-	418
HS Student Senate	268	1,933	1,757	-	444
FCS Business	6,149	996	350	-	6,795
Robert Blue School Yearbook	4,584	834	498	-	4,920
Class of 2014	125	-	-	(125)	-
Class of 2015	101	-	-	(101)	-
Class of 2016	-	25	-	(25)	-
Class of 2017	11	10,167	10,173	-	5
Class of 2018	25	1,213	1,188	-	50
Class of 2019	-	25	-	125	150
HS Park Project	246	-	-	(246)	-
Elementary MAMA Cats	399	283	225	-	457
Career Academy	208	4,299	2,207	-	2,300
General Activity	525	11	-	-	536
Total	<u>\$ 56,831</u>	<u>358,515</u>	<u>304,591</u>	<u>-</u>	<u>110,755</u>

See accompanying independent auditor's report.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 2

Combining Balance Sheet
Capital Projects Fund Accounts

June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 1,257,889	-	1,257,889
Receivables:			
Property tax:			
Delinquent	-	2,856	2,856
Succeeding year	-	254,097	254,097
Accounts	-	14,807	14,807
Accrued interest	481	2	483
Due from other funds	5,200	(5,200)	-
Due from other governments	130,960	-	130,960
	<u>\$ 1,394,530</u>	<u>266,562</u>	<u>1,661,092</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	254,097	254,097
Total deferred inflows of resources	-	254,097	254,097
Fund balances:			
Restricted for:			
School infrastructure	1,394,530	-	1,394,530
Physical plant and equipment	-	12,465	12,465
Total fund balances	<u>1,394,530</u>	<u>12,465</u>	<u>1,406,995</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,394,530</u>	<u>266,562</u>	<u>1,661,092</u>

See accompanying independent auditor's report.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule 3

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

Year ended June 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	248,303	248,303
Other	13,424	6,568	19,992
State sources	797,667	4,471	802,138
Total revenues	<u>811,091</u>	<u>259,342</u>	<u>1,070,433</u>
Expenditures:			
Instruction:			
Regular	-	101,836	101,836
Support services:			
Administration	15,138	20,896	36,034
Transportation	110,861	24,938	135,799
Other expenditures:			
Facilities acquisition	379,417	319,535	698,952
Total expenditures	<u>505,416</u>	<u>467,205</u>	<u>972,621</u>
Excess (deficiency) of revenues over (under) expenditures	<u>305,675</u>	<u>(207,863)</u>	<u>97,812</u>
Other financing sources (uses):			
Transfers in	-	217,186	217,186
Transfers out	(217,186)	-	(217,186)
Total other financing sources (uses)	<u>(217,186)</u>	<u>217,186</u>	<u>-</u>
Change in fund balances	88,489	9,323	97,812
Fund balances beginning of year	1,306,041	3,142	1,309,183
Fund balances end of year	<u>\$ 1,394,530</u>	<u>12,465</u>	<u>1,406,995</u>

See accompanying independent auditor's report.

Eagle Grove Community School District
Eagle Grove, Iowa

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

For the Last Ten Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Modified</u> <u>2013</u>
Revenues:				
Local sources:				
Local tax	\$ 4,066,881	4,088,799	4,246,273	4,958,151
Tuition	461,778	408,776	340,808	382,486
Other	541,330	462,951	411,167	448,549
State sources	6,367,657	6,184,597	5,925,041	5,013,396
Federal sources	439,938	497,060	442,909	536,105
Total	<u>\$ 11,877,584</u>	<u>11,642,183</u>	<u>11,366,198</u>	<u>11,338,687</u>
Expenditures:				
Instruction	\$ 7,002,142	6,666,439	6,466,126	6,548,758
Support services:				
Student	204,392	232,117	219,008	234,503
Instructional staff	478,210	385,207	396,700	494,846
Administration	1,173,683	1,183,371	1,154,740	1,147,689
Operation and maintenance of plant	609,882	642,918	644,987	557,319
Transportation	486,282	386,459	400,175	641,181
Non-instructional programs	-	-	1,366	2,477
Other expenditures:				
Facilities acquisition	698,952	332,988	1,256,945	508,902
Long-term debt:				
Principal	355,000	365,000	300,000	280,000
Interest and other charges	55,850	42,310	221,057	230,496
AEA flowthrough	373,001	362,617	354,285	341,544
Total	<u>\$ 11,437,394</u>	<u>10,599,426</u>	<u>11,415,389</u>	<u>10,987,715</u>

See accompanying independent auditor's report.

Accrual Basis					
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
4,690,684	4,545,168	4,016,623	3,864,910	3,714,402	3,415,934
292,750	222,348	202,561	200,552	153,399	155,590
657,389	654,632	528,738	531,107	931,412	601,514
4,897,718	4,555,222	4,256,625	4,716,189	4,578,364	4,373,571
501,069	509,072	954,696	301,262	446,280	503,406
<u>11,039,610</u>	<u>10,486,442</u>	<u>9,959,243</u>	<u>9,614,020</u>	<u>9,823,857</u>	<u>9,050,015</u>
6,453,639	6,041,008	5,927,846	5,824,414	5,640,039	5,498,933
210,143	226,454	192,508	185,593	183,056	201,185
407,766	574,544	389,257	420,163	394,818	372,808
947,496	887,432	903,747	790,151	1,369,699	996,747
617,845	651,489	601,659	593,304	679,055	797,636
419,228	384,484	265,094	408,963	363,824	289,766
21,219	20,907	18,427	20,096	175,824	244,747
196,557	291,633	463,118	420,054	266,149	1,682,711
270,000	260,000	255,000	250,000	235,000	225,000
199,866	213,916	215,966	223,316	230,366	237,316
317,305	353,121	352,900	311,957	301,638	293,439
<u>10,061,064</u>	<u>9,904,988</u>	<u>9,585,522</u>	<u>9,448,011</u>	<u>9,839,468</u>	<u>10,840,288</u>

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eagle Grove Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 20, 2017.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Questioned Costs as items I-A-16 and I-B-16 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Eagle Grove Community School District's Responses to the Findings

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

Purpose of this Report

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

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

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

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

March 20, 2017

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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 currently available staff, including elected officials.

Response - We are continuing to review our procedures and implement additional controls where possible.

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

I-B-16 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Eagle Grove Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget – Expenditures for the year ended June 30, 2016 exceeded the certified budget amounts in the other expenditures functions.

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

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

Conclusion – Response accepted.

II-B-16 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-16 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-16 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jon Rowen, Board President Owner of J & J Sports	Supplies	\$10,358
Teresa Sadler, Board Secretary Brother and nephew own Sadler Construction	Electronical repairs	\$59,612
Erin Halverson, Board member Spouse owns Cutting Edge	Ground Maintenance	\$4,990

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

In accordance with an Attorney General's opinion dated November 9, 1976 the transactions with the brother, nephew and spouse do not appear to represent conflicts of interest.

Chapter 301.28 is not applicable as the transaction is not for school supplies and is with a brother and nephew and not a District employee or Board member.

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

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

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

Conclusion – Response accepted.

- II-E-16 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.
- II-F-16 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-16 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-16 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.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

- II-J-16 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-K-16 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- II-L-16 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2016 audit:

Beginning balance		\$ 1,306,041
Revenues/transfers in:		
Sales tax revenues	\$ 797,667	
Other local revenues	13,424	811,091
		2,117,132
Expenditures/transfers out:		
School infrastructure	183,388	
Equipment	110,861	
Other	211,167	
Transfers to other funds:		
Other transfers	217,186	722,602
Ending balance		\$ <u>1,394,530</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the money received under Chapter 423E or 423F of the Code of Iowa.

Eagle Grove Community School District
Eagle Grove, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

- II-M-16 Deficit Net Position and Balances - The Enterprise, School Nutrition Fund had a deficit Net Position at June 30, 2016. The primary reason for this deficit Net Position is due to the implementation of GASB Statement No. 68 during fiscal year 2015. Also some student activity accounts have deficit balances at June 30, 2016.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand how GASB Statement 68 will affect the District's financials moving forward. The District should continue to investigate alternatives to eliminate the deficits in the student activity accounts.

Response – The District's business-type activities went into a deficit in fiscal year 2015 due to the implementation of GASB Statement No. 68 which required the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District is continuing to investigate alternatives to eliminate the student activity account deficits.

Conclusion - Response accepted.

- II-N-16 Caring for Kids Checking Account – There exists a Caring for Kids checking account that is using the District's federal identification number but the District is not keeping or recording the financial transactions and records. Bank accounts not owned or controlled by the District should not use the District's federal identification number.

Recommendation –Caring for Kids should obtain its own federal identification number and cease using the District's identification number or turn over its records to the District so the transactions can be properly recorded in the District books.

Response – We will talk to the person in charge of Caring for Kids about this issue.

Conclusion – Response accepted.