

**ESTHERVILLE LINCOLN CENTRAL
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

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ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September 2010 Election)

Jodie Greig	President	2013
Mike Karels	Vice President	2011
Molly Anderson	Board Member	2011
Don Schiltz	Board Member	2011
Michelle McCoy	Board Member	2013
Nancy Anderson	Board Member	2011
Duane Schnell	Board Member	2013

(After September 2010 Election)

Jodie Greig	President	2013
Mike Karels	Vice President	2011
Molly Anderson	Board Member	2011
Don Schiltz	Board Member	2011
Michelle McCoy	Board Member	2013
Nancy Anderson	Board Member	2011
Duane Schnell	Board Member	2013

SCHOOL OFFICIALS

Richard Magnuson	Superintendent	2011
Kate Woods	District Secretary	Indefinite
Kevin Sander	Attorney	Indefinite

Independent Auditors' Report

To the Board of Education of the
Estherville Lincoln Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Estherville Lincoln Central Community School District, Estherville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Estherville Lincoln Central Community School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of Estherville Lincoln Central 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 40 through 43 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, who 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 auditing standards generally accepted in the United States of America, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Estherville Lincoln Central Community School District's financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. We did not previously audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Williams + Company, P.C.

Certified Public Accountants

Spencer, Iowa
December 9, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Estherville Lincoln Central 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, 2011

We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,108,646 in fiscal 2010 to \$ 14,094,785 in fiscal 2011, while General Fund expenditures increased from \$13,235,056 in fiscal 2010 to \$13,558,676 in fiscal 2011. The District's General Fund balance increased from \$1,115,820 in fiscal 2010 to \$1,651,929 in fiscal 2011, a 48% increase.
- The increase in expenditures was 3%. This increase in expenditures is attributable to the additional ARRA federal funds received by the District. The 48% increase in revenue is attributable to the \$ 915,000 cash reserve levy the district levied to replace the \$643,895 across the board cut the State of Iowa passed in FY 2010.
- Interest rates dropped and earnings in the General Fund decreased from \$ 39,149 in fiscal year 2010 to \$29,947 in fiscal year 2011.
- Beginning July 1, 2003 the District engaged Dakotacare as third party administrator for its self-insured employee health plan which is maintained in an Internal Service Fund. The net assets in the fund are \$694,349 at June 30, 2011 and decreased by 42% from year ending June 30, 2010.

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 Assets and a Statement of Activities. These provide information about the activities of Estherville Lincoln Central 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 Estherville Lincoln Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Estherville Lincoln Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Projects Funds, Debt Service Fund, and Permanent Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

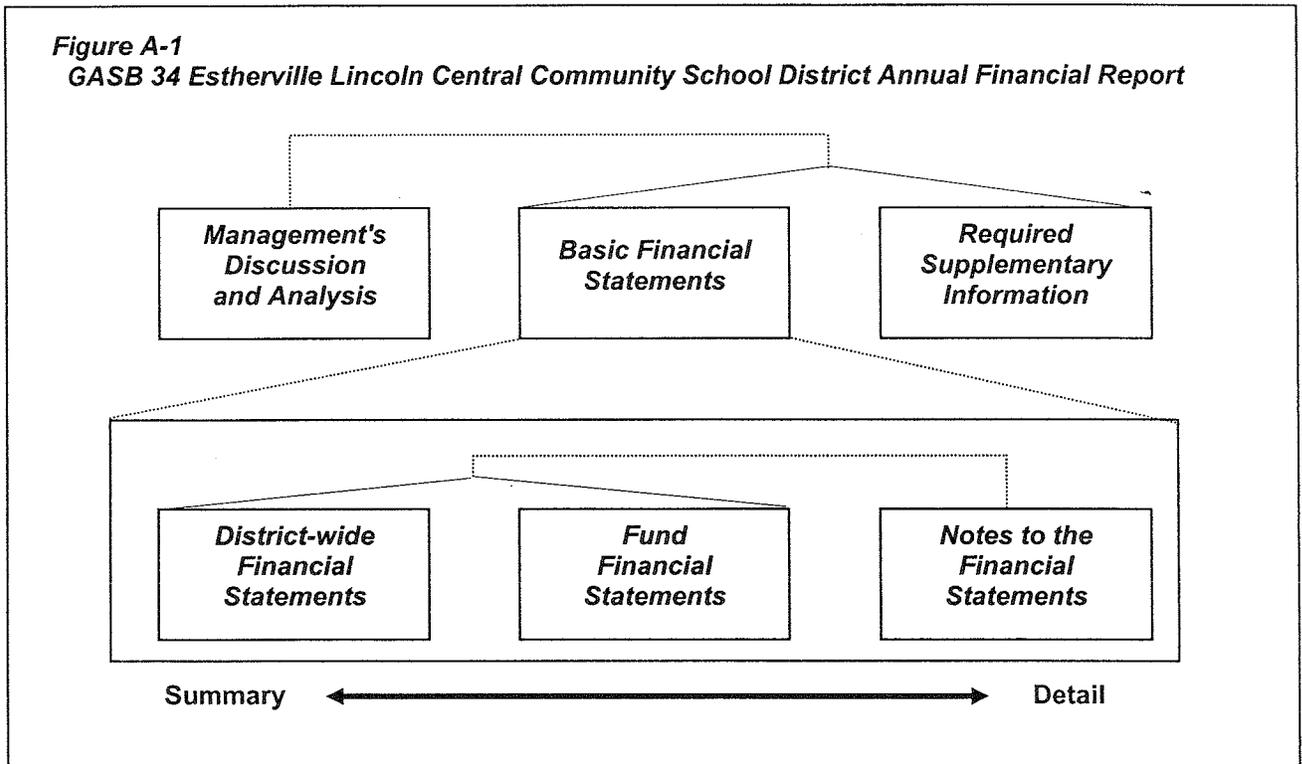


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as

changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Permanent 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 Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, the Child Care Fund, and the Wellness Center Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for revenue for Post Prom and PAT and related expenditures.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and Other Assets	\$10,656,299	\$10,893,289	\$1,255,794	\$1,149,492	\$11,912,093	\$12,042,781	-1.1%
Capital Assets	17,891,259	18,241,566	4,722,813	4,868,760	22,614,072	23,110,326	-2.1%
Total Assets	28,547,558	29,134,855	5,978,607	6,018,252	34,526,165	35,153,107	-1.8%
Long-Term Obligations	11,043,552	12,196,830	-	-	11,043,552	12,196,830	-9.5%
Other Liabilities	6,862,718	7,279,498	124,601	127,089	6,987,319	7,406,587	-5.7%
Total Liabilities	17,906,270	19,476,328	124,601	127,089	18,030,871	19,603,417	-8.0%
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	7,380,062	7,090,879	4,722,813	4,868,760	12,102,875	11,959,639	1.2%
Restricted	581,632	521,963	-	-	581,632	521,963	11.4%
Unrestricted	2,679,594	2,045,685	1,131,193	1,022,403	3,810,787	3,068,088	24.2%
Total Net Assets	\$10,641,288	\$9,658,527	\$5,854,006	\$5,891,163	\$16,495,294	\$15,549,690	6.1%

The District's combined net assets at June 30, 2010 were \$ 15,549,420 and increased to \$16,495,294 at June 30, 2011, an improvement of 6.1%. This improvement in net assets came from its governmental activities, due mainly to the decrease in liabilities.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$59,669.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by 24.2%. This increase in unrestricted net assets was mainly due to the \$915,000 cash reserve levy. Figure A-4 shows the change in net assets for the year ended June 30, 2011.

Figure A-4 shows the changes in net assets.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues							
Program Revenues							
Charges for Services	\$ 953,095	\$ 967,574	\$ 832,492	\$ 865,490	\$ 1,785,587	\$ 1,833,064	-2.6%
Operating Grants, Contributions, and Restricted Interest	2,614,156	2,942,089	443,986	435,977	3,058,142	3,378,066	-9.5%
Capital Grants, Contributions and Restricted interest	1,489	75,821	-	-	1,489	75,821	-98.0%
General Revenues:							
Property Tax	6,158,963	5,620,123	-	-	6,158,963	5,620,123	9.6%
Local Option	857,629	877,956	-	-	857,629	877,956	-2.3%
Unrestricted State Grants	6,217,019	5,336,624	-	-	6,217,019	5,336,624	16.5%
Unrestricted Investment Earnings	38,095	58,503	11,397	15,573	49,492	74,076	-33.2%
Loss on Disposals of Fixed Assets	-	-	(4,599)	-	(4,599)	-	-
Other	37,472	88,687	-	-	37,472	88,687	-57.7%
Transfers	(50,000)	(50,000)	50,000	36,000	-	(14,000)	-
Total Revenues	16,827,918	15,917,377	1,333,276	1,353,040	18,161,194	17,270,417	5.2%
Program Expenses:							
Governmental Activities							
Instruction	10,155,386	10,049,988	-	-	10,155,386	10,049,988	1.0%
Support Services	4,092,410	3,877,432	-	-	4,092,410	3,877,432	5.5%
Non-instructional programs	-	-	1,370,433	1,423,138	1,370,433	1,423,138	-3.7%
Other expenses	1,597,361	1,452,615	-	-	1,597,361	1,452,615	10.0%
Total Expenses	15,845,157	15,380,035	1,370,433	1,423,138	17,215,590	16,803,173	2.5%
Change In Net Assets	\$ 982,761	\$ 537,342	\$ (37,157)	\$ (70,098)	\$ 945,604	\$ 467,244	102.4%

In fiscal 2011, property tax and unrestricted state grants account for 74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96% of the revenue from business type activities.

The District's total revenues were approximately \$18.1 million of which \$16.8 million was for governmental activities and \$1.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.2% increase in revenues and a 2.5% increase in expenses, due mostly to the increased levy.

Governmental Activities

Revenues for governmental activities were \$16,827,918 and expenses were \$15,845,157.

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.

Figure A-5 – Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 10,155,386	\$ 10,049,988	1.0%	\$ 7,183,167	\$ 6,651,092	8.0%
Support Services	4,092,410	3,877,432	5.5%	4,070,758	3,847,615	5.8%
Other Expenses	1,597,361	1,452,615	10.0%	1,022,492	895,844	14.1%
Total	\$ 15,845,157	\$ 15,380,035	3.0%	\$ 12,276,417	\$ 11,394,551	7.7%

- The cost financed by users of the District’s programs was \$953,095.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,614,156.
- The net cost of governmental activities was financed with \$7,016,592 in property and other taxes and \$6,217,019 in unrestricted state grants.

Business Type Activities

Program revenues for business type activities were \$1,276,478 representing a 1.95% decrease over the prior year while expenses totaled \$1,370,433 a 4.64% decrease over 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.

The District’s business type activities also include the Regional Wellness Center. The Regional Wellness Center had a decrease in Net Assets of \$ 61,775 for the fiscal year ending June 30, 2011.

INDIVIDUAL FUND ANALYSIS

As previously noted, Estherville Lincoln Central 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 a combined fund balance of \$2,960,536 a slight decrease from last year’s ending fund balances of \$ 2,116,844.

Governmental Fund Highlights

- The General Fund balance increased from \$1,115,820 to \$1,651,929. The restricted amount of the \$1,651,929 is \$305,018, which will be spent in the upcoming years.

- The Management Fund showed a negative fund balance of \$ 86,119. This results from recording the liability for the early retirement program initiated by the board in the Spring of 2011. The property taxes levied in FY 2012 to fund the program are recorded as a receivable but the revenue is deferred.

Proprietary Fund Highlights

Regional Wellness Center Fund assets decreased from \$ 5,422,515 at June 30, 2010 to \$5,360,740, a decrease of approximately 1.1%. Operating revenues decreased by 4.8%, operating expenditures decreased by 7.5%. The Regional Wellness Center continues to monitor their balance and look for future funding from the local community and governments.

BUDGETARY HIGHLIGHTS

The Estherville Lincoln Central Community School District amended its annual budget during the fiscal year ending June 30, 2011 to reflect additional expenditures related to the Microsoft Settlement Grant.

The District's revenues were \$ 64,197 more than anticipated.

Total expenditures were less than budgeted. 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. The District did not exceed its budget in any functional areas for the year ended June 30, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$22.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.15% decrease 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 \$975,889.

The original cost of the District's capital assets was \$22.6 million. Governmental funds account for \$17.9 million, with the remainder of \$4.7 million accounted for in the Proprietary, School Nutrition Fund and Regional Wellness Center Fund and Childcare Center.

Figure A-6 – Capital Assets, Net of Depreciation

	Governmental		Business-Type		Total		Total %
	Activities		Activity		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 583,745	\$ 553,038	\$ 82,350	\$ 82,350	\$ 666,095	\$ 635,388	4.83%
Buildings	15,696,722	15,987,957	4,301,683	4,412,557	19,998,405	20,400,514	-1.97%
Improvements	576,882	583,590	-	-	576,882	583,590	-1.15%
Equipment, Furniture & Vehicles	1,033,910	1,116,981	338,780	373,853	1,372,690	1,490,834	-7.92%
Total	\$ 17,891,259	\$ 18,241,566	\$ 4,722,813	\$ 4,868,760	\$22,614,072	\$ 23,110,326	-2.15%

Long-Term Debt

At June 30, 2011, the District had \$11,037,552 in general obligation, revenue and other long-term liabilities outstanding. This represents a decrease of approximately 9.5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

On April 9, 2007, the District adopted a resolution providing for the issuance of \$ 8.7 million in General Obligation Bonds and on June 9, 2008 the District adopted a resolution providing for the issuance of \$ 2.8 million in School Infrastructure Local Option Sales and Services Tax Revenue Bonds, Series 2008. On November 4, 2009 the District adopted a resolution providing for the issuance of \$525,000 in Go Capital Loan Notes. The District had total outstanding bonded indebtedness at June 30, 2011 of \$10,511,197.

Figure A-7 - Outstanding Long-Term Obligations

	Total School		Total
	District		Change
	June 30,		June 30,
	2011	2010	2010-2011
Revenue Bonds	\$ 2,550,000	\$ 2,800,000	-8.93%
General Obligation Bonds	7,571,197	7,890,687	-4.05%
PPEL Note Payable	390,000	460,000	100.00%
Early Retirement	517,526	1,034,178	-49.96%
OPEB	8,829	11,965	-26.21%
Total	\$ 11,037,552	\$ 12,196,830	-9.50%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District's enrollment has stabilized, but with 0% allowable growth from the state, the District will have to maintain or reduce expenditures, this becomes a difficult task with rising insurance, salary and instructional materials costs.
- The District currently has a partially self-funded insurance plan. Claims costs have continued to increase, this will impact general fund resources as premiums are directly linked to claims costs.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, at least one bus per year must be replaced. To pay for these buses, the District will use the Physical Plant and Equipment Levy Fund.
- The District will negotiate a new salary agreement with the Education Association during fiscal 2012. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related unspent balance.
- The District has invested funds in Technology, primarily from state funds allocated to the District designated specifically for Technology. The state has eliminated these funds, and without funds available the District must find other resources or let our technology become out dated.

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 Kate Woods, School Business Official, Estherville Lincoln Central Community School District, 1814 7th Ave Street, Estherville, Iowa, 51334.

BASIC FINANCIAL STATEMENTS

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ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Pooled Investments	\$ 4,369,686	\$ 1,224,714	\$ 5,594,400
Receivables:			
Property Tax	62,974	-	62,974
Succeeding Year Property Tax	5,042,859	-	5,042,859
Accounts	103,766	3,019	106,785
Accrued Interest	1,838	510	2,348
Due From Other Governments	1,016,929	14,640	1,031,569
Internal Balances	1,222	(1,222)	-
Inventories	-	14,133	14,133
Unamortized Bond Issuance Costs	57,025	-	57,025
Land	583,745	82,350	666,095
Capital Assets, Net of Accumulated Depreciation	17,307,514	4,640,463	21,947,977
Total Assets	28,547,558	5,978,607	34,526,165
Liabilities			
Accounts Payable	540,400	21,499	561,899
Salaries and Benefits Payable	282,107	23,817	305,924
Accrued Interest Payable	104,289	-	104,289
Due to Other Governments	541,701	-	541,701
Unearned Revenue	107,362	79,285	186,647
Deferred Revenue - Succeeding Year Property Tax	5,042,859	-	5,042,859
Incurred But Not Reported Claims Liability	250,000	-	250,000
Long Term Liabilities:			
Portion Due Within One Year:			
Bonds Payable	590,000	-	590,000
Notes Payable	70,000	-	70,000
Early Retirement	171,131	-	171,131
Portion Due After One Year:			
Bonds Payable	9,531,197	-	9,531,197
Notes Payable	320,000	-	320,000
Early Retirement	346,395	-	346,395
Net OPEB Liability	8,829	-	8,829
Total Liabilities	17,906,270	124,601	18,030,871
Net Assets			
Invested in Capital Assets, Net of Related Debt	7,380,062	4,722,813	12,102,875
Restricted For:			
Categorical Funding	298,460	-	298,460
Medicaid (10%)	6,558	-	6,558
Debt Service	320,681	-	320,681
Inman Trust	223,754	-	223,754
Sanborn Endowment	79,624	-	79,624
School Infrastructure	383,206	-	383,206
Physical Plant and Equipment Levy	133,056	-	133,056
Student Activities	150,116	-	150,116
Unrestricted	1,665,771	1,131,193	2,796,964
Total Net Assets	\$ 10,641,288	\$ 5,854,006	\$ 16,495,294

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 6,001,402	\$ 452,075	\$ 1,076,191	\$ 1,489
Special Instruction	1,998,420	103,874	75,620	-
Other Instruction	2,155,564	397,146	865,824	-
Support Services:				
Student Services	408,911	-	-	-
Instructional Staff Services	649,642	-	21,652	-
Administration Services	1,325,023	-	-	-
Operation and Maintenance	1,323,984	-	-	-
Transportation Services	384,850	-	-	-
Other Expenditures:				
Facilities Acquisition	10,683	-	-	-
Long-term Debt Interest	438,256	-	-	-
AEA Flowthrough	574,869	-	574,869	-
Depreciation (unallocated)*	573,553	-	-	-
Total Governmental Activities	15,845,157	953,095	2,614,156	1,489
Business-Type Activities:				
Non-instructional Programs:				
Nutrition Services	560,901	236,938	369,128	-
Childcare Center	188,071	159,120	20,569	-
Wellness Center	621,461	436,434	54,289	-
Total Business-Type Activities	1,370,433	832,492	443,986	-
Total School District	\$ 17,215,590	\$ 1,785,587	\$ 3,058,142	\$ 1,489

General Revenues:

Property Tax Levied For:
General Purposes
Debt Service
Management Levy
Capital Outlay
Statewide Sales and Services Tax
Unrestricted State Grants
Unrestricted Investment Earnings
Loss on Disposal of Assets
Miscellaneous
Transfers
Total General Revenues & Transfers
Change in Net Assets
Net Assets Beginning of Year
Net Assets End of Year

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

Governmental Activities	Business- Type Activities	Total
\$ (4,471,647)		\$ (4,471,647)
(1,818,926)		(1,818,926)
(892,594)		(892,594)
(408,911)		(408,911)
(627,990)		(627,990)
(1,325,023)		(1,325,023)
(1,323,984)		(1,323,984)
(384,850)		(384,850)
(10,683)		(10,683)
(438,256)		(438,256)
-		-
(573,553)		(573,553)
<u>(12,276,417)</u>		<u>(12,276,417)</u>
-	45,165	45,165
-	(8,382)	(8,382)
-	(130,738)	(130,738)
<u>-</u>	<u>(93,955)</u>	<u>(93,955)</u>
<u>(12,276,417)</u>	<u>(93,955)</u>	<u>(12,370,372)</u>
4,675,762	-	4,675,762
435,212	-	435,212
648,851	-	648,851
399,138	-	399,138
857,629	-	857,629
6,217,019	-	6,217,019
38,095	11,397	49,492
-	(4,599)	(4,599)
37,472	-	37,472
(50,000)	50,000	-
<u>13,259,178</u>	<u>56,798</u>	<u>13,315,976</u>
982,761	(37,157)	945,604
<u>9,658,527</u>	<u>5,891,163</u>	<u>15,549,690</u>
<u>\$ 10,641,288</u>	<u>\$ 5,854,006</u>	<u>\$ 16,495,294</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Management	Nonmajor Governmental Funds	Total
Assets				
Cash and Pooled Investments	\$ 1,845,117	\$ 80,443	\$ 1,429,179	\$ 3,354,739
Receivables:				
Property Tax	46,457	7,270	9,247	62,974
Succeeding Year Property Tax	3,583,078	600,000	859,781	5,042,859
Accounts	78,219	-	14,793	93,012
Accrued Interest	1,441	-	397	1,838
Due From Other Governments	827,711	-	189,218	1,016,929
Due From Other Funds	1,325	-	-	1,325
Total Assets	<u>6,383,348</u>	<u>687,713</u>	<u>2,502,615</u>	<u>9,573,676</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	217,300	2,701	247,876	467,877
Salaries and Benefits Payable	281,978	-	129	282,107
Early Retirement Payable	-	171,131	-	171,131
Due to Other Governments	541,701	-	-	541,701
Due to Other Funds	-	-	103	103
Unearned Revenue	107,362	-	-	107,362
Succeeding Year Property Tax	3,583,078	600,000	859,781	5,042,859
Total Liabilities	<u>4,731,419</u>	<u>773,832</u>	<u>1,107,889</u>	<u>6,613,140</u>
Fund Balances:				
Restricted for:				
Categorical Funding	298,460	-	-	298,460
Medicaid(10%)	6,558	-	-	6,558
Debt Service	-	-	424,970	424,970
Student Activities	-	-	150,116	150,116
Inman Trust	-	-	223,754	223,754
Sanborn Endowment	-	-	79,624	79,624
School Infrastructure	-	-	383,206	383,206
Physical Plant and Equipment	-	-	133,056	133,056
Unassigned	1,346,911	(86,119)	-	1,260,792
Total Fund Balances	<u>1,651,929</u>	<u>(86,119)</u>	<u>1,394,726</u>	<u>2,960,536</u>
Total Liabilities and Fund Balances	<u>\$ 6,383,348</u>	<u>\$ 687,713</u>	<u>\$ 2,502,615</u>	<u>\$ 9,573,676</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds (page 17)	\$ 2,960,536
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	17,891,259
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(104,289)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal Service Funds are:	
Current assets	1,025,701
Accounts payable	(322,523)
OPEB Liability	(8,829)
	694,349
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	57,025
Long-term liabilities, including bonds payable and the long term portion of early retirement, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	(10,857,592)
Total Net Assets - Governmental Activities (page 14)	\$ 10,641,288

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	Management	Nonmajor Governmental Funds	Total
Revenues:				
Local Sources:				
Local Tax	\$ 4,675,762	\$ 648,851	\$ 1,691,979	\$ 7,016,592
Tuition	381,491	-	-	381,491
Other	217,175	20,624	421,679	659,478
State Sources	7,740,392	-	-	7,740,392
Federal Sources	1,079,965	-	-	1,079,965
Total Revenues	<u>14,094,785</u>	<u>669,475</u>	<u>2,113,658</u>	<u>16,877,918</u>
Expenditures:				
Current:				
Instruction:				
Regular Instruction	5,774,851	283,714	20,505	6,079,070
Special Instruction	1,929,771	-	-	1,929,771
Other Instruction	1,728,445	-	404,511	2,132,956
Support Services:				
Student Services	387,072	-	-	387,072
Instructional Staff Services	566,510	-	72,573	639,083
Administration Services	1,124,752	134,845	2,785	1,262,382
Operation and Maintenance	1,137,970	104,420	33,591	1,275,981
Transportation Services	334,436	15,112	18,900	368,448
Other Expenditures:				
Facilities Acquisition	-	-	255,304	255,304
Long Term Debt:				
Principal	-	-	635,000	635,000
Interest and Fiscal Charges	-	-	444,290	444,290
AEA Flowthrough	574,869	-	-	574,869
Total Expenditures	<u>13,558,676</u>	<u>538,091</u>	<u>1,887,459</u>	<u>15,984,226</u>
Excess of Revenues Over Expenditures	<u>536,109</u>	<u>131,384</u>	<u>226,199</u>	<u>893,692</u>
Other Financing Sources (Uses):				
Transfers In	-	-	1,061,123	1,061,123
Transfers Out	-	-	(1,111,123)	(1,111,123)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net Change in Fund Balances	536,109	131,384	176,199	843,692
Fund Balances (Deficit) - Beginning of Year	<u>1,115,820</u>	<u>(217,503)</u>	<u>1,218,527</u>	<u>2,116,844</u>
Fund Balances (Deficit) - End of Year	<u>\$ 1,651,929</u>	<u>\$ (86,119)</u>	<u>\$ 1,394,726</u>	<u>\$ 2,960,536</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds (page 19)	\$	843,692
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:</p>		
Capital outlays	421,277	
Depreciation expense	<u>(771,584)</u>	(350,307)
<p>Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statement of Activities.</p>		
		(1,216)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.</p>		
		635,000
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		7,250
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported expenditures in the governmental funds.</p>		
Early retirement		333,596
<p>Internal service funds are used by management to charge the costs of health insurance and benefits to individual funds. The net loss of the Internal Services Funds is reported with governmental activities net of the amount allocated to business-type activities.</p>		
Change in net assets		<u>(485,254)</u>
Change in Net Assets - Governmental Activities (page 16)	<u>\$</u>	<u>982,761</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Wellness Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets				
Current Assets:				
Cash and Pooled Investments	\$ 946,380	\$ 278,334	\$ 1,224,714	\$ 1,014,947
Accounts Receivable	-	3,019	3,019	10,754
Accrued Interest Receivable	510	-	510	-
Due from Other Governments	-	14,640	14,640	-
Inventories	-	14,133	14,133	-
Total Current Assets	<u>946,890</u>	<u>310,126</u>	<u>1,257,016</u>	<u>1,025,701</u>
Noncurrent Assets:				
Land	82,350	-	82,350	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	4,437,250	203,213	4,640,463	-
Total Noncurrent Assets	<u>4,519,600</u>	<u>203,213</u>	<u>4,722,813</u>	<u>-</u>
Total Assets	<u>5,466,490</u>	<u>513,339</u>	<u>5,979,829</u>	<u>1,025,701</u>
Liabilities and Fund Equity				
Accounts Payable	17,009	4,490	21,499	72,523
Due to Other Funds	1,222	-	1,222	-
Accrued Payroll	8,234	15,583	23,817	-
Unearned Revenues	79,285	-	79,285	-
Incurred But Not Reported Claims Liability	-	-	-	250,000
Net OPEB Liability	-	-	-	8,829
Total Liabilities	<u>105,750</u>	<u>20,073</u>	<u>125,823</u>	<u>331,352</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,519,600	203,213	4,722,813	-
Unrestricted	841,140	290,053	1,131,193	694,349
Total Net Assets	<u>\$ 5,360,740</u>	<u>\$ 493,266</u>	<u>\$ 5,854,006</u>	<u>\$ 694,349</u>

See Accompanying Notes to Financial Statements

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities -Enterprise Funds			Governmental
	Wellness Center	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
Operating Revenues:				
Charges for Services	\$ 436,092	\$ 389,795	\$ 825,887	\$ 1,873,301
Miscellaneous	8,775	6,263	15,038	103,967
Total Operating Revenue	<u>444,867</u>	<u>396,058</u>	<u>840,925</u>	<u>1,977,268</u>
Operating Expenses:				
Non-Instructional Programs:				
Food Service Operations:				
Salaries and Benefits	-	248,809	248,809	-
Food	-	245,220	245,220	-
Purchased Services	-	6,063	6,063	-
Supplies	-	25,440	25,440	-
Depreciation	-	35,369	35,369	-
Community Service Operations:				
Salaries and Benefits	235,216	165,297	400,513	-
Purchased Services	57,911	-	57,911	-
Supplies	137,771	21,901	159,672	-
Depreciation	168,063	873	168,936	-
Other	22,500	-	22,500	-
Other Enterprise Operations:				
Claims Expense	-	-	-	2,446,176
Administrative Fees and Other	-	-	-	16,346
Total Operating Expense	<u>621,461</u>	<u>748,972</u>	<u>1,370,433</u>	<u>2,462,522</u>
Operating (Loss)	(176,594)	(352,914)	(529,508)	(485,254)
Non-Operating Revenues:				
Interest Income	10,530	867	11,397	-
Contributions	35,539	-	35,539	-
State Sources	18,750	5,691	24,441	-
Federal Sources	-	375,573	375,573	-
(Loss) on Sale of Assets	-	(4,599)	(4,599)	-
Total Non-Operating Revenue	<u>64,819</u>	<u>377,532</u>	<u>442,351</u>	<u>-</u>
Change in Net Assets Before Transfers	(111,775)	24,618	(87,157)	(485,254)
Transfers In	50,000	-	50,000	-
Change in Net Assets After Transfers	<u>(61,775)</u>	<u>24,618</u>	<u>(37,157)</u>	<u>(485,254)</u>
Net Assets - Beginning of Year	<u>5,422,515</u>	<u>468,648</u>	<u>5,891,163</u>	<u>1,179,603</u>
Net Assets - End of Year	<u>\$ 5,360,740</u>	<u>\$ 493,266</u>	<u>\$ 5,854,006</u>	<u>\$ 694,349</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business Type Activities: Enterprise Funds			Governmental Activities:
	Wellness Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows From Operating Activities				
Cash Received from Customers	\$ 443,674	\$ 387,360	\$ 831,034	\$ 2,049,417
Other Operating Receipts	8,775	6,263	15,038	-
Cash Payments for Goods and Services	(216,167)	(263,885)	(480,052)	(2,477,211)
Cash Payments for Salaries and Benefits	(236,196)	(417,711)	(653,907)	-
Net Cash Provided (Used) by Operating Activities	<u>86</u>	<u>(287,973)</u>	<u>(287,887)</u>	<u>(427,794)</u>
Cash Flows From Non-Capital Financing Activities				
State Grants Received	18,750	5,691	24,441	-
Federal Grants Received	-	337,986	337,986	-
Net Cash Provided by Non-Capital Financing Activities	<u>18,750</u>	<u>343,677</u>	<u>362,427</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Transfers and Contributions	85,539	-	85,539	-
Acquisition of Capital Assets	(47,319)	(17,340)	(64,659)	-
Proceeds from Sale of Assets	-	1,700	1,700	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>38,220</u>	<u>(15,640)</u>	<u>22,580</u>	<u>-</u>
Cash Flows From Investing Activities:				
Interest on Investments	<u>10,719</u>	<u>867</u>	<u>11,586</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>67,775</u>	<u>40,931</u>	<u>108,706</u>	<u>(427,794)</u>
Cash and Cash Equivalents At Beginning of Year	<u>878,605</u>	<u>237,403</u>	<u>1,116,008</u>	<u>1,442,741</u>
Cash and Cash Equivalents At End of Year	<u>\$ 946,380</u>	<u>\$ 278,334</u>	<u>\$ 1,224,714</u>	<u>\$ 1,014,947</u>
Reconciliation of Operating (Loss) to Net Cash Provided (Used) by Operating Activities:				
(Loss) from Operations	\$ (176,594)	\$ (352,914)	\$ (529,508)	\$ (485,254)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	168,063	36,242	204,305	-
Commodities Used	-	37,587	37,587	-
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:				
Accounts Receivable	-	(3,019)	(3,019)	72,149
Due from Other Governments	-	4,540	4,540	-
Accounts Payable	1,192	(2,721)	(1,529)	(6,521)
OPEB Liability	-	-	-	(3,136)
Accrued Salaries and Benefits	(980)	(3,605)	(4,585)	-
Due to Other Funds	823	(127)	696	(5,032)
Deferred Revenue	7,582	(3,956)	3,626	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 86</u>	<u>\$ (287,973)</u>	<u>\$ (287,887)</u>	<u>\$ (427,794)</u>
Non-Cash Investing, Capital and Financing Activities:				
Federal Food Commodities Received		<u>\$ 37,587</u>		

See Accompanying Notes to Financial Statements

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and Pooled Investments	\$ 2,535	\$ 26,548
Total Assets	<u>2,535</u>	<u>26,548</u>
Liabilities		
Other Payables	-	26,548
Total Liabilities	<u>-</u>	<u>26,548</u>
Net Assets		
Unrestricted	2,535	-
Total Net Assets	<u>\$ 2,535</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local Sources:	
Gifts and Contributions	\$ 12,233
Total Additions	12,233
 Deductions:	
Support Services:	
Scholarships Awarded	11,003
Change in Net Assets	1,230
 Net Assets Beginning of Year	1,305
 Net Assets End of Year	\$ 2,535

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Estherville Lincoln Central Community School District was formed when voters of both the Estherville and Lincoln Central Community School Districts approved a merger as of July 1, 1997. The merger was accomplished by splitting the Lincoln Central School District with a neighboring school district.

The Estherville Lincoln Central 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 Cities of Estherville and Gruver, Iowa, the predominate agricultural territory in Emmet County and portions of Dickinson County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Estherville Lincoln Central Community School District has included all funds, organizations, account groups, 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 Estherville Lincoln Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

District-wide financial statements - The statement of net assets and the statement of activities report information on all of the non fiduciary activities of the District. For the most part, the effect of inter fund 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 assets presents the District's non fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets, Net of Related Debt*** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non major governmental funds.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.
- The **Management Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

The District reports the following major proprietary funds:

- The **Wellness Center Fund** is used to account for the Wellness Center operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds are the RWC Scholarship/Endowment fund and the Agency Fund. RWC Scholarship/Endowment funds are donated by private individuals and are to be used for memberships at the Regional Wellness Center operated by the District. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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 then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	\$ 1,000

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements other than buildings	\$ 1,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment	5 - 15 Years

Salaries and Benefits Payable - Payroll and related expenditures for non-certified staff corresponding to the current school year, have been accrued as liabilities.

Unearned Revenue and Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Unearned revenue consists of unspent grant proceeds. Deferred revenue consists of property tax receivables and other receivables not collected within sixty days after year end, excluding grant receivables.

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

Long-term Obligations - In the District-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 assets.

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

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

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets - In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgeting and Budgetary Control

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

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa except for an immaterial amount of interest earned in a CD at a credit union. See Schedule of Findings and Questioned Costs for more information. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current year budget year or within 15 months of receipt) in instruments that mature within 397 days. Fund 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.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows:

Governmental Activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 553,038	\$ 30,707	\$ -	\$ 583,745
Total Capital Assets Not Being Depreciated	<u>553,038</u>	<u>30,707</u>	<u>-</u>	<u>583,745</u>
Capital Assets Being Depreciated:				
Land Improvements	971,795	37,369	-	1,009,164
Buildings	19,404,280	157,402	-	19,561,682
Equipment	3,835,214	195,799	-	4,031,013
Total Capital Assets Being Depreciated	<u>24,211,289</u>	<u>390,570</u>	<u>-</u>	<u>24,601,859</u>
Land Improvements	388,205	44,077		432,282
Buildings	3,416,323	448,637		3,864,960
Equipment	2,718,233	278,870		2,997,103
Total Accumulated Depreciation	<u>6,522,761</u>	<u>771,584</u>	<u>-</u>	<u>7,294,345</u>
Total Capital Assets Being Depreciated, Net	<u>17,688,528</u>	<u>(381,014)</u>	<u>-</u>	<u>17,307,514</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,241,566</u>	<u>\$ (350,307)</u>	<u>\$ -</u>	<u>\$ 17,891,259</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 3 – **CAPITAL ASSETS (Continued)**

Business Type Activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Regional Wellness Center:				
Land	\$ 82,350	\$ -	\$ -	\$ 82,350
Total Capital Assets Not Being Depreciated	<u>82,350</u>	<u>-</u>	<u>-</u>	<u>82,350</u>
Capital Assets Being Depreciated:				
Nutrition Fund				
Equipment	325,086	17,340	7,508	334,918
Childcare Fund				
Equipment	4,364	-	-	4,364
Regional Wellness Center:				
Buildings	5,267,296	21,526	-	5,288,822
Equipment	330,070	25,793	-	355,863
	<u>5,597,366</u>	<u>47,319</u>	<u>-</u>	<u>5,644,685</u>
Total Capital Assets Being Depreciated	<u>5,926,816</u>	<u>64,659</u>	<u>7,508</u>	<u>5,983,967</u>
Less Accumulated Depreciation For:				
Nutrition Fund				
Equipment	98,602	35,369	1,207	132,764
Childcare Fund				
Equipment	2,433	873	-	3,306
Regional Wellness Center				
Buildings	854,739	132,400	-	987,139
Equipment	184,632	35,663	-	220,295
	<u>1,039,371</u>	<u>168,063</u>	<u>-</u>	<u>1,207,434</u>
Total Accumulated Depreciation	<u>1,140,406</u>	<u>204,305</u>	<u>1,207</u>	<u>1,343,504</u>
Total Capital Assets Being Depreciated, Net	<u>4,786,410</u>	<u>(139,646)</u>	<u>6,301</u>	<u>4,640,463</u>
Business-Type Activity Capital Assets, Net	<u>\$ 4,868,760</u>	<u>\$ (139,646)</u>	<u>\$ 6,301</u>	<u>\$ 4,722,813</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 3 – **CAPITAL ASSETS (Continued)**

Depreciation expense was charged by the District as follows:

Governmental Activities		
Instruction:		
Regular	\$	43,552
Support Services		
Student Services		1,652
Instructional Staff		78,765
Administration		1,438
Operation and Maintenance		35,248
Transportation		37,375
		<u>154,478</u>
Unallocated Depreciation		<u>573,554</u>
	<u>\$</u>	<u>771,584</u>
 Business-type Activities		
Food Services	\$	35,369
Childcare Center		873
Wellness Center		168,063
		<u>\$ 204,305</u>

Reconciliation of Investments in Capital Assets:	Governmental Activities	Business-type Activity
	<u> </u>	<u> </u>
Land	\$ 583,745	\$ 82,350
Capital Assets (net of accumulated depreciation)	17,307,514	4,640,463
Less: Bonds Payable	10,095,000	-
Notes Payable	390,000	-
Unamortized Bond Premiums	26,197	-
	<u> </u>	<u> </u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 7,380,062</u>	<u>\$ 4,722,813</u>

Note 4 – **DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Wellness	\$1,222

The Wellness Fund is repaying the General fund for postage and transportation.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 5 – INTER FUND TRANSFERS

The detail of inter fund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor Governmental: Inman Trust	Nonmajor Governmental: Sanborn Endowment	\$ 19,705
Nonmajor Governmental: Debt Service	Nonmajor Governmental: Capital Projects Fund	959,533
Nonmajor Governmental: Debt Service	Nonmajor Governmental: PPEL	81,885
Regional Wellness Center	Nonmajor Governmental: Inman Trust	50,000
		<u>\$ 1,111,123</u>

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

Note 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 7,860,000	\$ -	\$ 315,000	\$ 7,545,000	\$ 335,000
Sales Tax Revenue Bonds	2,800,000	-	250,000	2,550,000	255,000
PPEL Note	460,000	-	70,000	390,000	70,000
Early Retirement	1,034,178	33,120	549,772	517,526	171,131
Net OPEB Liability	<u>11,965</u>	<u>-</u>	<u>3,136</u>	<u>8,829</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 12,166,143</u>	<u>\$ 33,120</u>	<u>\$ 1,187,908</u>	<u>\$ 11,011,355</u>	<u>\$ 831,131</u>

Bond Payable listed on Statement of Net Assets include Unamortized Bond Premiums of \$26,197.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 6 – **LONG-TERM LIABILITIES (Continued)**

Bonds Payable

The District adopted a resolution, on November 4, 2009, providing for the issuance of \$ 525,000 in General Obligation School Capital Loan Notes, Series 2009. Details of the District's June 30, 2011 general obligation bonds are as follows:

Year Ending June 30	Interest Rates	Bond Issue of December 1, 2009	
		Principal	Interest
2012	1.90 %	\$ 70,000	\$ 10,585
2013	2.30	75,000	9,255
2014	2.70	80,000	7,530
2015	3.10	80,000	5,370
2016	3.40	85,000	2,890
	Total	\$ 390,000	\$ 35,630

The District adopted a resolution, on June 9, 2008, providing for the issuance of \$2,800,000 in School Infrastructure Local Option Sales and Services Tax Revenue Bonds, Series 2008. As part of the resolution, the District will deposit all local option tax revenue into the local option sales and services tax revenue fund for the payment and interest on the bonds.

Details of the District's June 30, 2011 local option tax revenue bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Bond Issue of June 9, 2008	
		Principal	Interest
2012	4.05 %	\$ 255,000	\$ 98,111
2013	4.05	250,000	87,885
2014	4.05	260,000	77,557
2015	4.05	270,000	66,825
2016	4.05	280,000	55,688
2017-2021	4.05	1,235,000	102,769
	Total	\$ 2,550,000	\$ 488,835

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 6 – LONG-TERM LIABILITIES (Continued)

The District adopted a resolution on April 9, 2007, providing for the issuance of \$ 8.7 million in General Obligation School Bonds, Series 2007. Details of the District's June 30, 2011 general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	Bond Issue of April 9, 2007	
		<u>Principal</u>	<u>Interest</u>
2012	4.00 %	\$ 335,000	\$ 310,618
2013	4.00	350,000	297,218
2014	4.00	365,000	283,218
2015	4.00	385,000	268,618
2016	4.00	400,000	253,218
2017-2021	4.00	2,285,000	973,890
2022-2026	4.00	2,795,000	473,490
2027	4.00	<u>630,000</u>	<u>25,516</u>
	Total	<u><u>\$ 7,545,000</u></u>	<u><u>\$ 2,885,786</u></u>

Early Retirement

The District has offered a voluntary early retirement plan to its certified and support staff. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. For the current year, the benefit consists of a lump sum payment to be made in two equal installments. Early retirement benefits paid during the year ended June 30, 2011, totaled \$549,772. There were 31 retired individuals receiving benefits at June 30, 2011.

Note 7 – PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$576,064, \$545,908, and \$511,514, respectively, equal to the required contributions for each year.

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 – OTHER POST EMPLOYMENT BENEFITS

During fiscal 2009, the District adopted the provisions of GASB 45 “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions”. The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded at June 30, 2011 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

Annual required contribution	\$ 123,464
Interest on net OPEB obligation	299
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	<u>123,763</u>
Contributions made	<u>(126,899)</u>
Decrease in net OPEB obligation	(3,136)
Net OPEB obligation - beginning of year	<u>11,965</u>
Net OPEB obligation - end of year	<u><u>\$ 8,829</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 123,464	103.00%	\$ 8,829
2010	\$ 141,898	92.85%	\$ 11,965
2009	\$ 137,891	92.03%	\$ 10,992

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2010 was as follows:

Actuarial accrued liability (AAL)	\$ 1,215,372
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,215,372</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active members)	\$ 7,438,763
UAAL as a percentage of covered payroll	16.34%

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the 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 substantive plan 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 and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2.5% interest discount rate and an annual medical healthcare cost trend rate of 6% select trend and a 6% ultimate trend. The participation assumed is 80% for non-Certified employees and 80% for all other employees. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9 – RISK MANAGEMENT

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

Note 10 – HEALTH CARE COVERAGE

The District maintains the Insurance Internal Service Fund to account for the District's employee health care coverage program which is self-insured by the District beginning July 1, 2003. Aggregate stop-loss insurance and specific stop-loss insurance are covered through third-party insurance policies. Revenues are recognized from payroll deduction and District contributions. As of June 30, 2011, an estimated liability of \$250,000 has been recorded, which represents estimated claims incurred but not yet reported.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 10 – HEALTH CARE COVERAGE (Continued)

Changes in the medical claims liability amounts were:

Liability, Beginning of Year	\$	250,000
Current Year Claims and Changes in Estimates		1,964,439
Claim Payments		(1,964,439)
Liability, End of Year	\$	250,000

Note 11 – 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 \$574,869 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 12 – CATERGORICAL FUNDING

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program		Amount
Talented and Gifted	\$	121,647
Dropout Prevention		24,565
Voluntary 4 Year Old Preschool		85,348
Beginning Teacher Mentoring		2,473
Teacher Salary Supplement		51,793
Administratory Mentoring		220
Innovation at Risk		2,787
Early Childhood Program Grant		8,057
Educator Quality		1,570
Total	\$	298,460

Note 13 – ACCOUNTING CHANGE / RESTATEMENT

Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. As a result, the Physical Plant and Equipment Levy Fund was reclassified from a special revenue fund to a capital project fund.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2011**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Local Sources:			
Local Taxes	\$ 7,016,592	\$ -	\$ 7,016,592
Tuition	381,491	-	381,491
Other	659,478	883,262	1,542,740
State Sources	7,740,392	24,441	7,764,833
Federal Sources	1,079,965	375,573	1,455,538
Total Receipts	<u>16,877,918</u>	<u>1,283,276</u>	<u>18,161,194</u>
Expenditures:			
Instruction	10,141,797	-	10,141,797
Support Services	3,932,966	-	3,932,966
Non-instructional Programs	-	1,370,433	1,370,433
Other Expenditures	1,909,463	-	1,909,463
Total Expenditures	<u>15,984,226</u>	<u>1,370,433</u>	<u>17,354,659</u>
Excess (Deficiency) of Revenues Over Expenditures	893,692	(87,157)	806,535
Other Financing Sources (Uses):			
Transfers In	1,061,123	50,000	1,111,123
Transfers Out	(1,111,123)	-	(1,111,123)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balances	843,692	(37,157)	806,535
Fund Balance at Beginning of Year	<u>2,116,844</u>	<u>5,891,163</u>	<u>8,008,007</u>
Fund Balance at End of Year	<u>\$ 2,960,536</u>	<u>\$ 5,854,006</u>	<u>\$ 8,814,542</u>

See Accompanying Independent Auditor's Report

Budgeted Amounts		Final to Actual Variance
Original	Final	
\$ 6,140,360	\$ 6,140,360	\$ 876,232
372,544	372,544	8,947
2,159,400	2,159,400	(616,660)
8,456,942	8,456,942	(692,109)
967,751	967,751	487,787
<u>18,096,997</u>	<u>18,096,997</u>	<u>64,197</u>
11,496,866	11,496,866	1,355,069
4,424,536	4,624,536	691,570
1,480,000	1,480,000	109,567
1,871,755	1,871,755	(37,708)
<u>19,273,157</u>	<u>19,473,157</u>	<u>2,118,498</u>
(1,176,160)	(1,376,160)	2,182,695
698,837	698,837	412,286
<u>(698,837)</u>	<u>(698,837)</u>	<u>(412,286)</u>
-	-	-
(1,176,160)	(1,376,160)	2,182,695
8,008,007	8,008,007	-
<u>\$ 6,831,847</u>	<u>\$ 6,631,847</u>	<u>\$ 2,182,695</u>

See Accompanying Independent Auditor's Report

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011**

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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$200,000.

During the year ended June 30, 2011, expenditures in the Other Expenditures function exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2011**

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)
2009	7/1/2008	\$ -	\$ 1,409,340	\$ 1,408,340	0%	\$ 5,372,556	26.23%
2010	7/1/2008	-	1,409,340	1,409,340	0%	5,372,556	26.23%
2011	7/1/2010	\$ -	\$ 1,215,372	\$ 1,215,372	0%	\$ 7,438,763	16.34%

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

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**OTHER SUPPLEMENTARY
INFORMATION**

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2011

	Special Revenue		Debt Service	Permanent Sanborn Endowment	Capital Projects		Total
	Student Activity	Inman Trust			Physical Plant and Equipment	Statewide Sales, Services and Use Tax	
Assets							
Cash and Pooled Investments	\$ 136,165	\$ 223,357	\$ 420,146	\$ 79,624	\$ 275,429	\$ 294,458	\$ 1,429,179
Receivables:							
Property Tax	-	-	4,824	-	4,423	-	9,247
Succeeding Year Property Tax	-	-	448,494	-	411,287	-	859,781
Accounts	14,793	-	-	-	-	-	14,793
Due from Other Governments	-	-	-	-	-	189,218	189,218
Accrued Interest	-	397	-	-	-	-	397
Total Assets	<u>150,958</u>	<u>223,754</u>	<u>873,464</u>	<u>79,624</u>	<u>691,139</u>	<u>483,676</u>	<u>2,502,615</u>
Liabilities							
Accounts Payable	610	-	-	-	146,796	100,470	247,876
Salaries and Benefits Payable	129	-	-	-	-	-	129
Due to Other Funds	103	-	-	-	-	-	103
Deferred Revenue:							
Succeeding Year Property Tax	-	-	448,494	-	411,287	-	859,781
Total Liabilities	<u>842</u>	<u>-</u>	<u>448,494</u>	<u>-</u>	<u>558,083</u>	<u>100,470</u>	<u>1,107,889</u>
Fund Balance							
Restricted:							
Debt Service	-	-	424,970	-	-	-	424,970
Student Activities	150,116	-	-	-	-	-	150,116
Inman Trust	-	223,754	-	-	-	-	223,754
Saborn Endowment	-	-	-	79,624	-	-	79,624
School Infrastructure	-	-	-	-	-	383,206	383,206
Physical Plant and Equipment	-	-	-	-	133,056	-	133,056
Total Fund Balance	<u>150,116</u>	<u>223,754</u>	<u>424,970</u>	<u>79,624</u>	<u>133,056</u>	<u>383,206</u>	<u>969,756</u>
Total Liabilities and Fund Balance	<u>\$ 150,958</u>	<u>\$ 223,754</u>	<u>\$ 873,464</u>	<u>\$ 79,624</u>	<u>\$ 691,139</u>	<u>\$ 483,676</u>	<u>\$ 2,502,615</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue		Debt Service	Permanent Sanborn Endowment	Capital Projects		Total
	Student Activity	Inman Trust			Physical Plant and Equipment	Statewide Sales, Services and Use Tax	
Revenues:							
Local Sources:							
Local tax	\$ -	\$ -	\$ 435,212	\$ -	\$ 399,138	\$ 857,629	\$ 1,691,979
Other	397,808	2,221	1,270	736	17,670	1,974	421,679
Total Revenues	<u>397,808</u>	<u>2,221</u>	<u>436,482</u>	<u>736</u>	<u>416,808</u>	<u>859,603</u>	<u>2,113,658</u>
Expenditures:							
Current:							
Instruction:							
Regular Instruction	-	19,705	-	-	800	-	20,505
Other Instruction	394,866	-	-	-	9,645	-	404,511
Support Services:							
Instructional Staff Services	-	-	-	-	72,573	-	72,573
Administration Services	-	-	-	-	2,785	-	2,785
Operation and Maintenance	-	-	-	-	33,591	-	33,591
Transportation Services	-	-	-	-	18,900	-	18,900
Other Expenditures:							
Facilities Acquisition	-	-	-	-	145,102	110,202	255,304
Long Term Debt:							
Principal	-	-	635,000	-	-	-	635,000
Interest and Fiscal Charges	-	-	444,290	-	-	-	444,290
Total Expenditures	<u>394,866</u>	<u>19,705</u>	<u>1,079,290</u>	<u>-</u>	<u>283,396</u>	<u>110,202</u>	<u>1,887,459</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,942</u>	<u>(17,484)</u>	<u>(642,808)</u>	<u>736</u>	<u>133,412</u>	<u>749,401</u>	<u>226,199</u>
Other Financing Sources (Uses):							
Transfers In	-	19,705	1,041,418	-	-	-	1,061,123
Transfers Out	-	(50,000)	-	(19,705)	(81,885)	(959,533)	(1,111,123)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(30,295)</u>	<u>1,041,418</u>	<u>(19,705)</u>	<u>(81,885)</u>	<u>(959,533)</u>	<u>(50,000)</u>
Net Change in Fund Balances	2,942	(47,779)	398,610	(18,969)	51,527	(210,132)	176,199
Fund Balances - Beginning of Year	147,174	271,533	26,360	98,593	81,529	593,338	1,218,527
Fund Balances - End of year	<u>\$ 150,116</u>	<u>\$ 223,754</u>	<u>\$ 424,970</u>	<u>\$ 79,624</u>	<u>\$ 133,056</u>	<u>\$ 383,206</u>	<u>\$ 1,394,726</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY NONMAJOR FUNDS
 JUNE 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Childcare Center</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and Pooled Investments	\$ 229,347	\$ 48,987	\$ 278,334
Accounts Receivable	-	3,019	3,019
Due from Other Governments	13,637	1,003	14,640
Inventories	14,133	-	14,133
Total Current Assets	<u>257,117</u>	<u>53,009</u>	<u>310,126</u>
Noncurrent Assets:			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	202,155	1,058	203,213
Total Noncurrent Assets	<u>202,155</u>	<u>1,058</u>	<u>203,213</u>
Total Assets	<u>459,272</u>	<u>54,067</u>	<u>513,339</u>
Liabilities and Fund Equity			
Accounts Payable	3,393	1,097	4,490
Accrued Payroll	4,742	10,841	15,583
Total Liabilities	<u>8,135</u>	<u>11,938</u>	<u>20,073</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	202,155	1,058	203,213
Unrestricted	248,982	41,071	290,053
Total Net Assets	<u>\$ 451,137</u>	<u>\$ 42,129</u>	<u>\$ 493,266</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
PROPRIETARY NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Business-Type Activities -Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Childcare Center</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 231,174	\$ 158,621	\$ 389,795
Miscellaneous	5,764	499	6,263
Total Operating Revenue	<u>236,938</u>	<u>159,120</u>	<u>396,058</u>
Operating Expenses:			
Non-Instructional Programs:			
Food Service Operations:			
Salaries and Benefits	248,809	-	248,809
Food	245,220	-	245,220
Purchased Services	6,063	-	6,063
Supplies	25,440	-	25,440
Depreciation	35,369	-	35,369
Community Service Operations:			
Salaries and Benefits	-	165,297	165,297
Supplies	-	21,901	21,901
Depreciation	-	873	873
Total Operating Expense	<u>560,901</u>	<u>188,071</u>	<u>748,972</u>
Operating (Loss)	(323,963)	(28,951)	(352,914)
Non-Operating Revenues:			
Interest Income	366	501	867
State Sources	5,691	-	5,691
Federal Sources	363,437	12,136	375,573
(Loss) on Sale of Asset	(4,599)	-	(4,599)
Total Non-Operating Revenue	<u>364,895</u>	<u>12,637</u>	<u>377,532</u>
Change in Net Assets	40,932	(16,314)	24,618
Net Assets - Beginning of Year	<u>410,205</u>	<u>58,443</u>	<u>468,648</u>
Net Assets - End of Year	<u>\$ 451,137</u>	<u>\$ 42,129</u>	<u>\$ 493,266</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business Type Activities: Enterprise Funds		
	School Nutrition	Childcare Center	Total
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 232,362	\$ 154,998	\$ 387,360
Other Operating Receipts	5,764	499	6,263
Cash Payments for Goods and Services	(242,541)	(21,344)	(263,885)
Cash Payments for Salaries and Benefits	(246,552)	(171,159)	(417,711)
Net Cash (Used) by Operating Activities	<u>(250,967)</u>	<u>(37,006)</u>	<u>(287,973)</u>
Cash Flows From Non-Capital Financing Activities			
State Grants Received	5,691	-	5,691
Federal Grants Received	325,850	12,136	337,986
Net Cash Provided by Non-Capital Financing Activities	<u>331,541</u>	<u>12,136</u>	<u>343,677</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of Capital Assets	(17,340)	-	(17,340)
Proceeds from Sale of Asset	1,700	-	1,700
Net Cash (Used) by Capital and Related Financing Activities	<u>(15,640)</u>	<u>-</u>	<u>(15,640)</u>
Cash Flows From Investing Activities:			
Interest on Investments	366	501	867
Net Increase (Decrease) In Cash and Cash Equivalents	65,300	(24,369)	40,931
Cash and Cash Equivalents At Beginning of Year	164,047	73,356	237,403
Cash and Cash Equivalents At End of Year	<u>\$ 229,347</u>	<u>\$ 48,987</u>	<u>\$ 278,334</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:			
(Loss) from Operations	\$ (323,963)	\$ (28,951)	\$ (352,914)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:			
Depreciation	35,369	873	36,242
Commodities Used	37,587	-	37,587
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	-	(3,019)	(3,019)
Due from Other Governments	5,144	(604)	4,540
Accounts Payable	(3,278)	557	(2,721)
Accrued Salaries and Benefits	2,257	(5,862)	(3,605)
Due to Other Funds	(127)	-	(127)
Deferred Revenue	(3,956)	-	(3,956)
Net Cash (Used) by Operating Activities	<u>\$ (250,967)</u>	<u>\$ (37,006)</u>	<u>\$ (287,973)</u>
Non-Cash Investing, Capital and Financing Activities:			
Federal Food Commodities Received	<u>\$ 37,587</u>		

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Assets				
Cash	\$ 52,831	\$ 78,394	\$ 104,677	\$ 26,548
Liabilities				
Other Payables	\$ 52,831	\$ 78,394	\$ 104,677	\$ 26,548

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ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary	\$ 13,372	27,437	29,375	\$ 11,434
High School Activity	62,972	85,572	86,832	61,712
Athletics	35,565	226,207	223,546	38,226
Middle School	35,265	58,592	55,113	38,744
Total	<u>\$ 147,174</u>	<u>\$ 397,808</u>	<u>\$ 394,866</u>	<u>\$ 150,116</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES AND RECEIPTS
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004**

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local Tax	\$ 7,016,592	\$ 6,498,079	\$ 5,907,462	\$ 5,790,012
Tuition	381,491	434,106	407,361	430,169
Other	659,478	684,644	721,689	1,206,195
State Sources	7,740,392	6,835,507	7,858,023	7,403,364
Federal Sources	1,079,965	1,515,041	664,310	650,712
Total	<u>16,877,918</u>	<u>15,967,377</u>	<u>15,558,845</u>	<u>15,480,452</u>
Expenditures:				
Instruction:				
Regular Instruction	6,079,070	5,909,343	5,945,534	5,783,701
Special Instruction	1,929,771	1,911,593	1,804,986	2,294,466
Other Instruction	2,132,956	2,138,608	1,856,346	1,158,467
Support Services:				
Student Services	387,072	490,912	452,040	461,319
Instructional Staff Services	639,083	506,034	594,405	610,500
Administration Services	1,262,382	1,261,090	1,202,436	1,167,759
Operation and Maintenance	1,275,981	1,419,474	1,320,289	1,242,155
Transportation Services	368,448	304,576	430,439	389,462
Non-Instructional Programs	-	-	-	-
Other / Expenditures:				
Facilities acquisition	255,304	1,371,278	7,160,031	6,140,840
Long-Term Debt:				
Principal	635,000	370,000	285,000	925,000
Interest and other charges	444,290	455,857	407,583	393,640
AEA flowthrough	574,869	556,771	495,760	466,718
Total	<u>\$ 15,984,226</u>	<u>\$ 16,695,536</u>	<u>\$ 21,954,849</u>	<u>\$ 21,034,027</u>

Modified Accrual Basis			
2007	2006	2005	2004
\$ 5,395,697	\$ 4,869,098	\$ 4,515,401	\$ 5,139,351
438,187	486,143	1,121,539	432,742
773,995	677,697	641,058	2,543,339
6,925,705	6,592,251	6,566,433	6,400,290
714,868	794,636	1,270,901	1,292,861
<u>14,248,452</u>	<u>13,419,825</u>	<u>14,115,332</u>	<u>15,808,583</u>
5,482,880	4,854,333	5,005,459	5,331,064
2,247,870	2,582,724	2,522,207	2,584,254
1,121,639	1,208,262	1,327,093	856,602
430,053	485,436	731,119	748,194
568,946	590,959	186,431	183,830
1,072,712	1,153,144	1,090,947	1,081,985
1,237,471	1,108,029	1,116,373	924,990
421,815	381,856	338,691	302,291
-	-	4,396	1,413
747,915	325,530	152,996	2,145,456
314,015	303,028	283,028	268,028
102,058	70,200	85,462	99,893
448,147	421,253	419,600	420,910
<u>\$ 14,195,521</u>	<u>\$ 13,484,754</u>	<u>\$ 13,263,802</u>	<u>\$ 14,948,910</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	\$ 54,972
National School Lunch Program	10.555	FY 11	292,910
Summer Food Service Program	10.559	FY 11	15,556
			<u>363,438</u>
Child & Adult Care Food Program	10.558	FY 11	12,136
U.S. Department of Education			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 11	212,481
ARRA - Title I Grants to Local Educational Agencies	84.389	FY 11	104,786
			<u>317,267</u>
Title I Program for Neglected and Delinquent Children	84.013	FY 11	124,008
Career and Technical Education - Basic Grants to States	84.048	FY 11	10,766
Tech Prep Education	84.243	FY 11	2,934
Advanced Placement Program	84.330	FY 11	171
Title III English Language Acquisition State Grants	84.365	FY 11	12,360
Improving Teacher Quality State Grants	84.367	FY 11	63,501
Grants for State Assessments and Related Activities	84.369	FY 11	8,652
ARRA - State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund-Education State Grants	84.394	FY 11	72,171
ARRA - State Fiscal Stabilization Fund - Government Services	84.397	FY 11	64,373
			<u>136,544</u>
Education Jobs Fund	84.410	FY 11	190,769
Area Education Agency:			
Special Education - Grants to States	84.027	FY 11	73,181
ARRA - Special Education Part B	84.391	FY 11	75,620
			<u>148,801</u>
Department of Homeland Security:			
Iowa Homeland Security and Emergency Management:			
Public Assistance Grants - FEMA	97.036	FY 11	1,489
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Medical Assistance Program	93.778	FY 11	62,702
Total Indirect			<u>\$ 1,455,538</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Estherville Lincoln Central Community School District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

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

To the Board of Education of the
Estherville Lincoln Central Community School District:

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 Estherville Lincoln Central Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 9, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that 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 in internal control described in Part II of the accompanying Schedule of Findings as item 11-II-B and 11-II-C to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Estherville Lincoln Central 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 grants, 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 an instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 11-II-A. We also noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Estherville Lincoln Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Estherville Lincoln Central Community School District's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and other parties to whom Estherville Lincoln Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Estherville Lincoln Central 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.

Williams + Company, PC
Certified Public Accountants

Spencer, Iowa
December 9, 2011

**Independent Auditors' Report on Compliance with Requirements
Applicable to each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of the
Estherville Lincoln Central Community School District:

Compliance

We have audited the compliance of Estherville Lincoln Central Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. Estherville Lincoln Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of Estherville Lincoln Central Community School District's management. Our responsibility is to express an opinion on Estherville Lincoln Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Estherville Lincoln Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Estherville Lincoln Central Community School District's compliance with those requirements.

In our opinion, Estherville Lincoln Central Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Estherville Lincoln Central Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to tests and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Estherville Lincoln Central Community School District internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses as described in the accompanying schedule of findings and questioned costs as items III-A-11, III-B-11, III-C-11, and III-D-11. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Estherville Lincoln Central Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Estherville Lincoln Central Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Williams + Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 9, 2011

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did disclose non-compliance, which is immaterial to the financial statements.
- (D) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (E) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit did disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program
 - Title I, Part A Cluster
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies
 - Education Jobs Fund
 - CFDA Number 84-410 – Education Jobs Fund
- (H) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (I) Estherville Lincoln Central Community School District did not qualify as a low-risk auditee.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE:

11-II-A **Revenue Bonds**

Observation – The District has not transferred the required amount to the sinking fund required by the revenue bond resolution.

Recommendation – We recommend that the District make the required transfer to the sinking fund in order to fully fund the sinking fund and then begin making the monthly transfers as required by the bond resolution.

Response – The District will make the required transfers and resume making the required monthly transfers.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

SIGNIFICANT DEFICIENCIES:

11-II-B Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

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

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

11-II-C Financial Reporting

Observation – During our audit, we identified immaterial amounts of receivables, payables, capital asset additions, and expenses not recorded or recorded incorrectly in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables, capital asset transactions and verify expenses have been recorded properly.

Conclusion – Response accepted.

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

INSTANCES OF NON-COMPLIANCE:

**CFDA Number 10.553 – School Breakfast Program
CFDA Number 10.555 – National School Lunch Program
CFDA Number 10.559 – Summer Food Service Program
Federal Award Year – 2011
Passed through the Iowa Department of Education**

11-III-A Awarding of Free and Reduced Meals

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, ten applications were selected for verification when the sample size should only have been seven. Also, we identified one application who was improperly awarded free meals based upon the information available.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Recommendation –We would recommend additional training for the person in charge of the application process and eligibility determinations.

Response – The District will ensure that the individual in charge of the eligibility determinations will receive the proper training.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

**CFDA Number 84.010 – Title I Grants to Local Educational Agencies
CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies
CFDA Number 84.410 – Education Jobs Fund
Federal Award Year – 2011
Passed through the Iowa Department of Education**

11-III-B Financial Accounting – Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

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

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

**CFDA Number 10.553 – School Breakfast Program
CFDA Number 10.555 – National School Lunch Program
CFDA Number 10.559 – Summer Food Service Program
Federal Award Year – 2011
Passed through the Iowa Department of Education**

11-III-C Eligibility of Free and Reduced Meals

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified six applications that did not have their eligibility determination confirmed.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Recommendation – We recommend that the District makes sure to have current staff associated with the free and reduced eligibility calculations sign off on the application once they have confirmed the eligibility calculation.

Response – The District will take greater care in making sure all applications are signed off once the eligibility calculation has been confirmed.

Conclusion – Response accepted.

**CFDA Number 10.553 – School Breakfast Program
CFDA Number 10.555 – National School Lunch Program
CFDA Number 10.559 – Summer Food Service Program
Federal Award Year – 2011
Passed through the Iowa Department of Education**

11-III-D Verification of Free and Reduced Meals

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified two applications selected for verification that were not confirmed.

Recommendation – We recommend that the District makes sure to have current staff associated with the free and reduced eligibility confirm all applications, including those selected for verification.

Response – The District will take greater care in making sure all applications are confirmed, including those selected for verification.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

11-IV-A: Certified Budget – Disbursements for the year ended June 30, 2011 exceeded the amended certified budget amounts in the Other Expenditures function.

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

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

Conclusion – Response accepted.

11-IV-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

11-IV-C: Travel Expense – No expenditures of Estherville Lincoln Central Community School District were for travel expenses of spouses of District officials or employees.

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

Name, Title, and Business Connection	Transaction Description	Amount
Duane Schnell, Board Member Partial Owner of Jensen Furniture Stores	Carpet	\$ 5,032

In accordance with the Code of Iowa, the above transactions may represent conflict of interest since the total received during the fiscal year is greater than \$2,500. This transaction may represent a conflict of interest and the District should contact legal council for determination.

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

11-IV-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

11-IV-G: Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

11-IV-H: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (CONTINUED)

11-IV-I: Deposits and Investments – The District had one instance of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District’s investment policy. The District’s balance at a credit union was \$4,995 over the Depository resolution balance for that institution of \$250,000.

Recommendation: The interest earned on the CD should have been taken out and deposited into a different bank account so the balance would not have exceeded the \$250,000.

Response: The interest earned will be moved to a new bank account and any future interest earned will be moved as well.

Conclusion: Response accepted.

11-IV-J Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

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

11-IV-L Statewide Sales and Service Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, 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 2011 audit:

Beginning Balance		\$ 593,338
Statewide Sales and Services	857,629	
Other local revenue	<u>1,974</u>	<u>859,603</u>
Expenditures/Transfers Out:		
Buildings	110,202	
Transfers to other funds:	<u>959,533</u>	<u>1,069,735</u>
Ending Balance		<u><u>\$ 381,232</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (CONTINUED)

11-IV-M Deficit Balances – The Management fund had a deficit balance at June 30, 2011.

Recommendation – We recommend that the District should investigate alternatives to significantly reduce and/or eliminate this deficit.

Response – The District is aware of this situation and future property taxes will eliminate this deficit by June 30, 2012.

Conclusion – Response accepted.

11-IV-N Revenue Bonds – The District has not transferred the required amount to the sinking fund required by the revenue bond resolution.

Recommendations – We recommend that the District make the required transfer to the sinking fund in order to fully fund the sinking fund and then begin making the monthly transfers as required by the bond resolution.

Response – The District will make the required transfers and resume making the required monthly transfers.

Conclusion: Response accepted.

11-IV-O Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

10-III-A Financial Accounting – Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

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

Current Status - This finding still exists at June 30, 2011. (See Comment 11-III-B)

10-III-B Awarding of Free and Reduced Meals

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified four applications in which the eligibility calculation was not verified by the business office.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or continue to review all the calculations.

Current Status – Sandy Sunde, the food service director, took over the eligibility determinations in the fiscal year 2010. She would do the initial determination and Traci Moore, the assistant food director would review the calculation. We did find instances in fiscal year 2011 that this was not done. This finding still exists at June 30, 2011 (See Comment 11-III-C)

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
JUNE 30, 2011**

Department of Education:

Estherville Lincoln Central Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2011.

The audit was performed by Williams & Company, P.C., P.O. Box 908, Spencer, Iowa, for the fiscal year ended June 30, 2011.

The findings from the June 30, 2011 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

INSTANCES OF NON-COMPLIANCE:

11-III-A Awarding of Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555– Summer Food Service Program CFDA #10.559

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, 10 applications were selected for verification when the sample size should only have been 7. Also, we identified one application who was improperly awarded free meals based upon the information available.

Recommendation –We would recommend additional training for the person in charge of the application process and eligibility determinations.

Response – The District will ensure that the individual in charge of the eligibility determinations will receive the proper training.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

11-III-B Financial Accounting – Segregation of Duties –Title I Grants to Local Educational Agencies CFDA #84.010 – ARRA – Title I Grants to Local Education Agencies CFDA #84.389 – Education Jobs Fund - CFDA #84.410.

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

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

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS (Continued)
JUNE 30, 2011**

Conclusion – Response accepted.

11-III-C Eligibility of Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555 - Summer Food Service Program CFDA #10.559

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified six applications that did not have their eligibility determination confirmed.

Recommendation – We recommend that the District makes sure to have current staff associated with the free and reduced eligibility calculations sign off on the application once they have confirmed the eligibility calculation.

Response – The District will take greater care in making sure all applications are signed off once the eligibility calculation has been confirmed.

Conclusion – Response accepted.

11-III-D Verification of Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555- Summer Food Service Program CFDA #10.559

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified two applications selected for verification that were not confirmed.

Recommendation – We recommend that the District makes sure to have current staff associated with the free and reduced eligibility confirm all applications, including those selected for verification.

Response – The District will take greater care in making sure all applications are confirmed, including those selected for verification.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Tara Paul at 712-362-2692.

Sincerely yours,

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT



Tara Paul, Superintendent