

ESSEX COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Blake Jensen	President	2015
Christy Johnson	Vice President	2015
Doug Ohnmacht	Board Member	2015
Dennis Liljedahl	Board Member	2013
April Scott	Board Member	2013
(After September 2013 Election)		
Doug Ohnmacht	President	2015
Christy Johnson	Vice President	2015
Blake Jensen	Board Member	2015
Dustin Frank	Board Member	2017
April Scott	Board Member	2017
School Officials		
Jim Dick	Superintendent (retired May 2014)	2014
Paul Croghan	Interim Superintendent (appointed May 2014)	2014
Sherri Ruzek	Business Manager	2014
Kay Schaefer	Board Secretary	2014
Ahlers & Cooney, P.C.	Attorney	2014

ESSEX COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Essex Community School District:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Essex Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Essex Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2015 on our consideration of Essex Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Essex Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,640,171 in fiscal year 2013 to \$2,736,454 in fiscal year 2014, while General Fund expenditures increased from \$2,788,086 in fiscal year 2013 to \$2,854,960 in fiscal year 2014. This resulted in a decrease in the District's General Fund balance from \$376,089 at June 30, 2013 to \$257,583 at June 30, 2014, a 31.51% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local source revenues in fiscal 2014. The increase in expenditures was due to increases in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Essex 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 Essex 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 Essex Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Essex Community School District Annual Financial Report

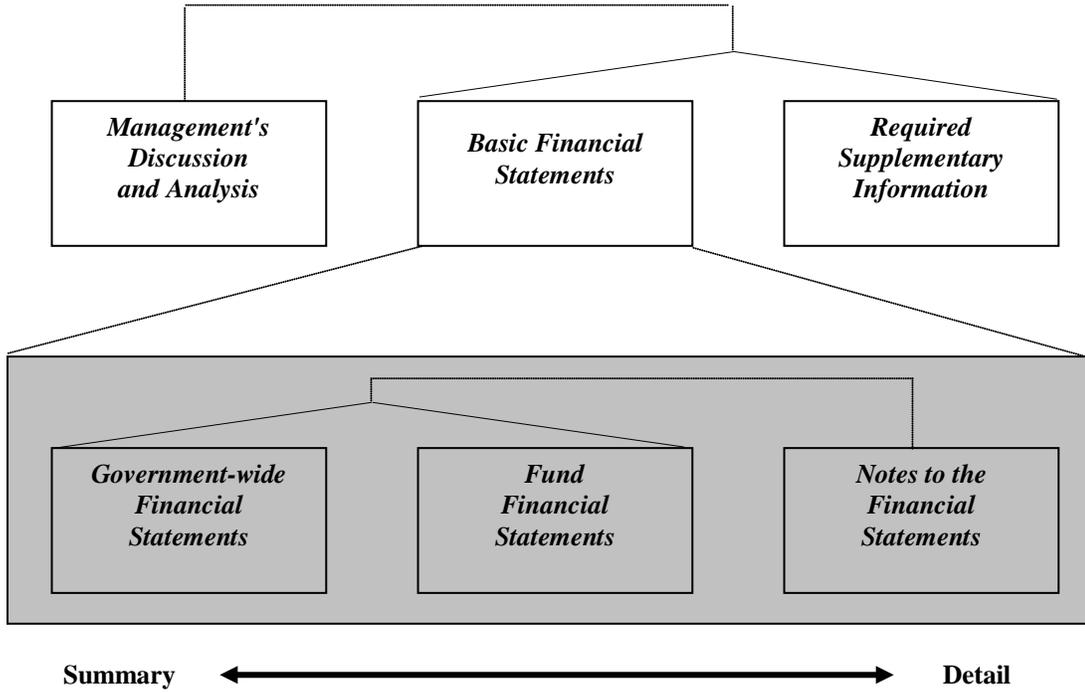


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has 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 and Capital Projects Fund.

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

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

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

- 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 Fund - These are funds are used to account for the District's benevolence funds.

The District is responsible for ensuring that 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 District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 2,329,613	2,294,211	2,992	4,880	2,332,605	2,299,091	1.46%
Capital assets	1,887,525	1,953,803	26,184	29,133	1,913,709	1,982,936	-3.49%
Total assets	<u>4,217,138</u>	<u>4,248,014</u>	<u>29,176</u>	<u>34,013</u>	<u>4,246,314</u>	<u>4,282,027</u>	<u>-0.83%</u>
Long-term liabilities	569,781	648,790	-	-	569,781	648,790	-12.18%
Other liabilities	319,089	308,650	6,598	13,419	325,687	322,069	1.12%
Total liabilities	<u>888,870</u>	<u>957,440</u>	<u>6,598</u>	<u>13,419</u>	<u>895,468</u>	<u>970,859</u>	<u>-7.77%</u>
Deferred inflows of resources	1,089,130	1,064,181	-	-	1,089,130	1,064,181	2.34%
Net position:							
Net investment in capital assets	1,499,323	1,547,507	26,184	29,133	1,525,507	1,576,640	-3.24%
Restricted	597,049	349,840	-	-	597,049	349,840	70.66%
Unrestricted	142,766	329,046	(3,606)	(8,539)	139,160	320,507	-56.58%
Total net position	<u>\$ 2,239,138</u>	<u>2,226,393</u>	<u>22,578</u>	<u>20,594</u>	<u>2,261,716</u>	<u>2,246,987</u>	<u>0.66%</u>

The District's combined net position increased by 0.66%, or \$14,729 from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 70.66%, or \$247,209 compared to the prior year. The increase in restricted net position is primarily the result of the increase in the Management Levy fund balance.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased 56.58% or \$181,347 from the prior year. The decrease in unrestricted net position is primarily the result of the decrease in the General Fund balance.

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

	Figure A-4							
	Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
2014	2013	2014	2013	2014	2013	2013-14		
Revenues:								
Program revenues:								
Charges for service	\$ 519,974	472,280	62,621	49,717	582,595	521,997	11.61%	
Operating grants, contributions and restricted interest	247,443	186,529	72,495	41,896	319,938	228,425	40.06%	
Capital grants, contributions and restricted interest	7,190	11,824	-	-	7,190	11,824	-39.19%	
General revenues:								
Property tax	1,038,315	944,060	-	-	1,038,315	944,060	9.98%	
Income surtax	140,451	125,320	-	-	140,451	125,320	12.07%	
Statewide sales, services and use tax	189,625	204,621	-	-	189,625	204,621	-7.33%	
Unrestricted state grants	1,093,651	1,174,122	-	-	1,093,651	1,174,122	-6.85%	
Unrestricted investment earnings	2,135	1,486	1	1	2,136	1,487	43.64%	
Other general revenues	21,755	17,038	389	788	22,144	17,826	24.22%	
Total revenues	<u>3,260,539</u>	<u>3,137,280</u>	<u>135,506</u>	<u>92,402</u>	<u>3,396,045</u>	<u>3,229,682</u>	<u>5.15%</u>	
Program expenses:								
Instructional	2,013,854	2,041,295	-	-	2,013,854	2,041,295	-1.34%	
Support services	1,063,966	938,909	566	329	1,064,532	939,238	13.34%	
Non-instructional programs	-	-	132,956	106,679	132,956	106,679	24.63%	
Other expenses	169,974	166,414	-	-	169,974	166,414	2.14%	
Total expenses	<u>3,247,794</u>	<u>3,146,618</u>	<u>133,522</u>	<u>107,008</u>	<u>3,381,316</u>	<u>3,253,626</u>	<u>3.92%</u>	
Excess(Deficiency) of revenues over(under) expenditures	12,745	(9,338)	1,984	(14,606)	14,729	(23,944)	161.51%	
Transfers	-	(16,839)	-	16,839	-	-	0.00%	
Change in net position	12,745	(26,177)	1,984	2,233	14,729	(23,944)	161.51%	
Net position beginning of year	<u>2,226,393</u>	<u>2,252,570</u>	<u>20,594</u>	<u>18,361</u>	<u>2,246,987</u>	<u>2,270,931</u>	<u>-1.05%</u>	
Net position end of year	<u>\$ 2,239,138</u>	<u>2,226,393</u>	<u>22,578</u>	<u>20,594</u>	<u>2,261,716</u>	<u>2,246,987</u>	<u>0.66%</u>	

Property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 75.51% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.71% of business type activities revenue.

The District's total revenues were \$3,396,045, of which \$3,260,539 was for governmental activities and \$135,506 was for business type activities.

As shown in figure A-4, the District as a whole experienced a 5.15% increase in revenues and a 3.92% increase in expenses. The increase in revenues is related to the increase in property tax revenues. The increase in expenses is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$3,260,539 and expenses were \$3,247,794.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,013,854	2,041,295	-1.34%	1,405,785	1,525,870	-7.87%
Support services	1,063,966	938,909	13.32%	989,095	874,035	13.16%
Other expenses	169,974	166,414	2.14%	78,307	76,080	2.93%
Totals	<u>\$ 3,247,794</u>	<u>3,146,618</u>	<u>3.22%</u>	<u>2,473,187</u>	<u>2,475,985</u>	<u>-0.11%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$519,974.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$254,633.
- The net cost of governmental activities was financed with \$1,038,315 in property tax, \$140,451 of income surtax, \$189,625 in statewide sales, services and use tax, \$1,093,651 in unrestricted state grants, \$2,135 in interest income and \$21,755 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$135,506 and expenses were \$133,522. 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, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$814,047; below last year's ending fund balances of \$815,053. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$376,089 at June 30, 2013 to \$257,583 at June 30, 2014. The decrease in the General Fund balance is primarily due the increase in negotiated salaries and benefits.
- The District's Management Levy Fund balance increased from \$125,814 at June 30, 2013 to \$188,161 at June 30, 2014. As compared to the previous year, revenues increased and expenditures decreased. This resulted in the increase in fund balance of \$62,347 or 49.55% compared to the prior year.
- The District's Capital Projects Fund balance increased from \$245,134 at June 30, 2013 to \$270,467 at June 30, 2014. This represents an increase of \$25,333 or 10.33% compared to the prior year.

Proprietary Funds Highlights

The School Nutrition Fund net position increased from \$20,594 at June 30, 2013 to \$22,578 at June 30, 2014, an increase of 9.63%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$252,589 more than budgeted revenues, a variance of 8.04%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area and the budget was exceeded in total due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$1,913,709, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$130,019.

The original cost of the District's capital assets was \$4,231,681. Governmental funds account for \$4,153,119 with the remainder of \$78,562 in the School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$164,966 at June 30, 2014, compared to \$201,333 reported at June 30, 2013. The decrease was primarily due to depreciation expense recognized during the year.

Figure A-6 Capital Assets, Net of Depreciation							
Governmental Activities		Business Type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2014	2013	2014	2013	2014	2013	2013-14	
Land	\$ 4,812	4,812	-	-	4,812	4,812	0.00%
Buildings	1,551,621	1,608,338	-	-	1,551,621	1,608,338	-3.53%
Land improvements	192,310	168,453	-	-	192,310	168,453	14.16%
Machinery and equipment	138,782	172,200	26,184	29,133	164,966	201,333	-18.06%
Total	\$ 1,887,525	1,953,803	26,184	29,133	1,913,709	1,982,936	-3.49%

Long-Term Debt

At June 30, 2014, the District had \$569,781 in total long-term debt outstanding. This represents a decrease of 12.18% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

At June 30, 2014, the District had outstanding Qualified School Construction Bonds payable of \$250,000.

At June 30, 2014, the District had an outstanding lighting lease payable on lighting equipment of \$82,837.

At June 30, 2014, the District had an outstanding bus lease payable of \$55,365.

The District had a net OPEB liability of \$181,579 at June 30, 2014.

Figure A-7			
Outstanding Long-Term Obligations			
	Total		Total
	District		Change
	June 30,		June 30,
	2014	2013	2013-14
Qualified school construction bonds	\$ 250,000	250,000	0.00%
Lighting lease	82,837	90,881	-8.85%
Bus lease	55,365	65,415	-15.36%
Termination benefits	-	96,956	-100.00%
Net OPEB liability	181,579	145,538	24.76%
Totals	<u>\$ 569,781</u>	<u>648,790</u>	<u>-12.18%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District is currently anticipating the retirement of a teacher and does not currently plan on replacing this position. The District will realign teaching staff to reduce the pressure in the General Fund for salaries and benefit expenditures.
- The District experienced a decrease in enrollment in fiscal year 2014 and the District is projecting that enrollment will remain stable in the future.
- The District is realigning staff to maximize sharing dollars from the State in future years. The District entered into a sharing arrangement to share a Superintendent in future years.
- Health insurance expense continues to be a concern for the District. The current health insurance provider for the District has been realigning its network of providers. This is causing certain health care providers to be considered out of network in the geographical area around the District. This has the potential to increase benefit costs for the District.

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 Sherri Ruzek, Business Manager, Essex Community School District, 111 Forbes Street, Essex, Iowa, 51638.

ESSEX COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

ESSEX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 912,993	8,294	921,287
Receivables:			
Property tax:			
Delinquent	15,946	-	15,946
Succeeding year	1,089,130	-	1,089,130
Income surtax	110,137	-	110,137
Accounts	2,902	1,534	4,436
Internal balances	11,600	(11,600)	-
Due from other governments	186,905	2,940	189,845
Inventories	-	1,824	1,824
Capital assets, net of accumulated depreciation	1,887,525	26,184	1,913,709
Total assets	4,217,138	29,176	4,246,314
Liabilities			
Accounts payable	109,239	2,219	111,458
Salaries and benefits payable	206,360	2,305	208,665
Advances for student fees	700	-	700
Accrued interest payable	2,790	-	2,790
Unearned revenue	-	2,074	2,074
Long-term liabilities:			
Portion due within one year:			
Lighting lease payable	8,494	-	8,494
Bus lease payable	10,361	-	10,361
Portion due after one year:			
Lighting lease payable	74,343	-	74,343
Bus lease payable	45,004	-	45,004
Qualified school construction bonds payable	250,000	-	250,000
Net OPEB liability	181,579	-	181,579
Total liabilities	888,870	6,598	895,468
Deferred Inflows of Resources			
Unavailable property tax revenue	1,089,130	-	1,089,130
Net position			
Net investment in capital assets	1,499,323	26,184	1,525,507
Restricted for:			
Categorical funding	43,375	-	43,375
Management levy purposes	188,161	-	188,161
Student activities	40,147	-	40,147
Debt service	54,899	-	54,899
School infrastructure	210,972	-	210,972
Physical plant and equipment	59,495	-	59,495
Unrestricted	142,766	(3,606)	139,160
Total net position	\$ 2,239,138	22,578	2,261,716

SEE NOTES TO FINANCIAL STATEMENTS.

**ESSEX COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,366,356	265,190	70,440	-	(1,030,726)	-	(1,030,726)
Special	316,607	62,509	11,703	-	(242,395)	-	(242,395)
Other	330,891	145,092	53,135	-	(132,664)	-	(132,664)
	<u>2,013,854</u>	<u>472,791</u>	<u>135,278</u>	<u>-</u>	<u>(1,405,785)</u>	<u>-</u>	<u>(1,405,785)</u>
Support services:							
Student	60,527	21,301	-	-	(39,226)	-	(39,226)
Instructional staff	134,804	-	19,719	-	(115,085)	-	(115,085)
Administration	421,114	25,882	-	-	(395,232)	-	(395,232)
Operation and maintenance of plant	277,196	-	-	7,190	(270,006)	-	(270,006)
Transportation	170,325	-	779	-	(169,546)	-	(169,546)
	<u>1,063,966</u>	<u>47,183</u>	<u>20,498</u>	<u>7,190</u>	<u>(989,095)</u>	<u>-</u>	<u>(989,095)</u>
Long-term debt interest	6,851	-	-	-	(6,851)	-	(6,851)
Other expenditures:							
AEA flowthrough	91,667	-	91,667	-	-	-	-
Depreciation(unallocated)*	71,456	-	-	-	(71,456)	-	(71,456)
	<u>163,123</u>	<u>-</u>	<u>91,667</u>	<u>-</u>	<u>(71,456)</u>	<u>-</u>	<u>(71,456)</u>
Total governmental activities	<u>3,247,794</u>	<u>519,974</u>	<u>247,443</u>	<u>7,190</u>	<u>(2,473,187)</u>	<u>-</u>	<u>(2,473,187)</u>
Business type activities:							
Support services:							
Student	566	-	-	-	-	(566)	(566)
Non-instructional programs:							
Food service operations	132,956	62,621	72,495	-	-	2,160	2,160
Total business type activities	<u>133,522</u>	<u>62,621</u>	<u>72,495</u>	<u>-</u>	<u>-</u>	<u>1,594</u>	<u>1,594</u>
Total	<u>\$ 3,381,316</u>	<u>582,595</u>	<u>319,938</u>	<u>7,190</u>	<u>(2,473,187)</u>	<u>1,594</u>	<u>(2,471,593)</u>
General Revenues:							
General revenues:							
Property tax for:							
General purposes				\$ 1,011,692	-		1,011,692
Capital outlay				26,623	-		26,623
Income surtax				140,451	-		140,451
Statewide sales, services and use tax				189,625	-		189,625
Unrestricted state grants				1,093,651	-		1,093,651
Unrestricted investment earnings				2,135		1	2,136
Other				21,755		389	22,144
Total general revenues				<u>2,485,932</u>	<u>390</u>		<u>2,486,322</u>
Change in net position				12,745	1,984		14,729
Net position beginning of year				<u>2,226,393</u>	<u>20,594</u>		<u>2,246,987</u>
Net position end of year				<u>\$ 2,239,138</u>	<u>22,578</u>		<u>2,261,716</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

ESSEX COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Management Levy	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 415,332	186,767	205,860	105,034	912,993
Receivables:					
Property tax					
Delinquent	13,235	2,305	406	-	15,946
Succeeding year	971,640	90,000	27,490	-	1,089,130
Income surtax	110,137	-	-	-	110,137
Accounts	2,902	-	-	-	2,902
Due from other funds	11,600	-	-	-	11,600
Due from other governments	114,579	-	72,326	-	186,905
Total assets	\$ 1,639,425	279,072	306,082	105,034	2,329,613
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 93,005	911	8,125	7,198	109,239
Salaries and benefits payable	206,360	-	-	-	206,360
Advances for student fees	700	-	-	-	700
Total liabilities	300,065	911	8,125	7,198	316,299
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	971,640	90,000	27,490	-	1,089,130
Income surtax	110,137	-	-	-	110,137
Total deferred inflows of resources	1,081,777	90,000	27,490	-	1,199,267
Fund balances:					
Restricted for:					
Categorical funding	43,375	-	-	-	43,375
Management levy purposes	-	188,161	-	-	188,161
Student activities	-	-	-	40,147	40,147
Debt service	-	-	-	57,689	57,689
School infrastructure	-	-	210,972	-	210,972
Physical plant and equipment	-	-	59,495	-	59,495
Unassigned	214,208	-	-	-	214,208
Total fund balances	257,583	188,161	270,467	97,836	814,047
Total liabilities, deferred inflows of resources and fund balances	\$ 1,639,425	279,072	306,082	105,034	2,329,613

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	814,047
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		1,887,525
Income surtax is not yet available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.		110,137
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.		(2,790)
Long-term liabilities, including qualified school construction bonds payable, lighting lease payable, bus lease payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(569,781)
		(569,781)
Net position of governmental activities(page 18)	\$	<u><u>2,239,138</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Mangement Levy	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,001,313	150,065	26,623	-	1,178,001
Tuition	261,176	-	-	-	261,176
Other	138,462	1,698	16,035	143,693	299,888
Intermediate sources	30,703	-	-	-	30,703
State sources	1,236,984	-	189,625	-	1,426,609
Federal sources	63,397	-	-	-	63,397
Total revenues	<u>2,732,035</u>	<u>151,763</u>	<u>232,283</u>	<u>143,693</u>	<u>3,259,774</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,358,793	64,148	-	-	1,422,941
Special	315,648	-	-	-	315,648
Other	202,145	-	-	127,315	329,460
	<u>1,876,586</u>	<u>64,148</u>	<u>-</u>	<u>127,315</u>	<u>2,068,049</u>
Support services:					
Student	70,437	-	-	-	70,437
Instructional staff	84,603	-	49,242	-	133,845
Administration	412,663	5,017	-	-	417,680
Operation and maintenance of plant	186,070	14,957	10,963	-	211,990
Transportation	132,934	5,294	-	-	138,228
	<u>886,707</u>	<u>25,268</u>	<u>60,205</u>	<u>-</u>	<u>972,180</u>
Capital outlay	-	-	108,103	-	108,103
Long-term debt:					
Principal	-	-	-	18,094	18,094
Interest and fiscal charges	-	-	-	7,106	7,106
	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,200</u>	<u>25,200</u>
Other expenditures:					
AEA flowthrough	91,667	-	-	-	91,667
	<u>91,667</u>	<u>-</u>	<u>108,103</u>	<u>25,200</u>	<u>224,970</u>
Total expenditures	<u>2,854,960</u>	<u>89,416</u>	<u>168,308</u>	<u>152,515</u>	<u>3,265,199</u>
Excess(Deficiency) of revenues □ over(under) expenditure/expenses	(122,925)	62,347	63,975	(8,822)	(5,425)
Other financing sources(uses):					
Transfer in	-	-	-	38,642	38,642
Transfer out	-	-	(38,642)	-	(38,642)
Insurance proceeds	4,419	-	-	-	4,419
Total other financing sources(uses)	<u>4,419</u>	<u>-</u>	<u>(38,642)</u>	<u>38,642</u>	<u>4,419</u>
Change in fund balances	(118,506)	62,347	25,333	29,820	(1,006)
Fund balances beginning of year	<u>376,089</u>	<u>125,814</u>	<u>245,134</u>	<u>68,016</u>	<u>815,053</u>
Fund balances end of year	<u>\$ 257,583</u>	<u>188,161</u>	<u>270,467</u>	<u>97,836</u>	<u>814,047</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ (1,006)

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

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

Capital outlay	\$ 60,792	
Depreciation expense	(127,070)	(66,278)

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		765
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	96,956	
Other postemployment benefits	(36,041)	60,915

Repayments of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:		18,094
--	--	--------

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.		255

Change in net position of governmental activities(page 19) \$ 12,745

SEE NOTES TO FINANCIAL STATEMENTS.

ESSEX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUND
JUNE 30, 2014

	Enterprise: School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 8,294
Accounts receivable	1,534
Due from other governments	2,940
Inventories	1,824
	14,592
Noncurrent assets:	
Capital assets, net of accumulated depreciation	26,184
Total assets	40,776
Liabilities	
Current liabilities:	
Due to other funds	11,600
Accounts payable	2,219
Salaries and benefits payable	2,305
Unearned revenue	2,074
Total liabilities	18,198
Net position	
Net investment in capital assets	26,184
Unrestricted	(3,606)
Total net position	\$ 22,578

ESSEX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise: School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 62,621
Miscellaneous	389
Total operating revenues	63,010
Operating expenses:	
Support services:	
Student	566
Non-instructional programs:	
Food service operations:	
Salaries	40,079
Benefits	13,343
Services	72
Supplies	76,493
Depreciation	2,949
Other	20
	132,956
Total operating expenses	133,522
Operating loss	(70,512)
Non-operating revenues:	
State sources	1,115
Federal sources	71,380
Interest income	1
Total non-operating revenues	72,496
Change in net position	1,984
Net position beginning of year	20,594
Net position end of year	\$ 22,578

SEE NOTES TO FINANCIAL STATEMENTS.

EXHIBIT I

ESSEX COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Enterprise:</u> <u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 63,445
Cash received from miscellaneous operating activities	389
Cash payments to employees for services	(51,880)
Cash payments to suppliers for goods or services	(68,114)
Net cash used by operating activities	<u>(56,160)</u>
Cash flows from non-capital financing activities:	
State grants received	1,115
Federal grants received	60,533
Net cash provided by non-capital financing activities	<u>61,648</u>
Cash flows from investing activities:	
Interest on investments	<u>1</u>
Net increase in cash and cash equivalents	5,489
Cash and cash equivalents at beginning of year	<u>2,805</u>
Cash and cash equivalents at end of year	<u>\$ 8,294</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (70,512)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	7,907
Depreciation	2,949
Increase in inventories	(989)
Increase in accounts receivable	(294)
Increase in accounts payable	2,119
Increase in salaries and benefits payable	1,542
Increase in unearned revenue	1,118
Net cash used by operating activities	<u>\$ (56,160)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$7,907 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

ESSEX COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 43,981	2,557
Liabilities		
Accounts payable	-	92
Due to other groups	-	2,465
Total liabilities	-	2,557
Net position		
Restricted for scholarships	\$ 43,981	-

SEE NOTES TO FINANCIAL STATEMENTS.

ESSEX COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions	
Local sources:	
Gifts and contributions	\$ 280
Interest income	150
Total additions	<u>430</u>
Deductions	
Instruction:	
Other:	
Scholarships awarded	<u>1,300</u>
Change in net position	(870)
Net position beginning of year	<u>44,851</u>
Net position end of year	<u>\$ 43,981</u>

SEE NOTES TO FINANCIAL STATEMENTS.

ESSEX COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Essex Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Essex, Iowa, and the predominate agricultural territory in a portion of Page and Montgomery Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for termination benefits incentives.

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

The District reports the following nonmajor proprietary fund:

The District's proprietary fund is the School Nutrition Fund, which is used to account for the District's food service operations.

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

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be 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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

Asset Class	Estimated Useful Life
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the instruction functional area as well as expenditures in total.

(2) Cash and Pooled Investments

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

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$286,938 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 11,600

The School Nutrition Fund is repaying the General Fund for salaries and benefits not paid before year end.

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Statewide Sales, Services and Use Tax	\$ 38,642

A transfer of \$13,442 was needed from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund for the yearly escrow payment to Farmer's State Bank on the District's Qualified School Construction Bond indebtedness. Additional transfers of \$12,077 and \$13,123 were needed for the down payment on the District's bus lease and principal and interest payments on the lighting lease respectively.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,812	-	-	4,812
Total capital assets not being depreciated	4,812	-	-	4,812
Capital assets being depreciated:				
Buildings	2,904,582	4,242	-	2,908,824
Land improvements	292,049	34,354	-	326,403
Machinery and equipment	904,070	22,196	13,186	913,080
Total capital assets being depreciated	4,100,701	60,792	13,186	4,148,307
Less accumulated depreciation for:				
Buildings	1,296,244	60,959	-	1,357,203
Land improvements	123,596	10,497	-	134,093
Machinery and equipment	731,870	55,614	13,186	774,298
Total accumulated depreciation	2,151,710	127,070	13,186	2,265,594
Total capital assets being depreciated, net	1,948,991	(66,278)	-	1,882,713
Governmental activities capital assets, net	\$ 1,953,803	(66,278)	-	1,887,525
Business type activities:				
Machinery and equipment	\$ 78,562	-	-	78,562
Less accumulated depreciation	49,429	2,949	-	52,378
Business type activities capital assets, net	\$ 29,133	(2,949)	-	26,184

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 18,527
Support services:		
Student		2,478
Administration		1,365
Operation and maintenance of plant		1,147
Transportation		32,097
		55,614
Unallocated depreciation		71,456
		\$ 127,070
Business type activities:		
Food service operations		\$ 2,949

(6) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Qualified school construction bonds	\$ 250,000	-	-	250,000	-
Lighting lease	90,881	-	8,044	82,837	8,494
Bus lease	65,415	-	10,050	55,365	10,361
Termination benefits *	96,956	-	96,956	-	-
Net OPEB liability	145,538	36,041	-	181,579	-
Total	\$ 648,790	36,041	115,050	569,781	18,855

* Termination benefits are now accounted for as an explicit subsidy under GASB Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions

Qualified School Construction Bonds Payable

During the year ended June 30, 2010, the District issued zero interest Qualified School Construction Bonds (QSCB). The District makes annual transfers of \$13,442 from Capital Projects: Statewide Sales, Services and Use Tax Fund to an escrow account at Farmers Savings Bank in Essex. The escrow account earns 3.00% interest and the proceeds in the escrow account on September 1, 2024 should be sufficient to repay \$250,000.

Bus Lease Payable

On December 15, 2012, the District entered into a lease purchase agreement with De Lage Landen Public Finance LLC for a Bluebird School Bus, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	Bus Lease of December 15, 2012			
	Interest Rates	Principal	Interest	Total
2015	3.10	\$ 10,361	1,716	12,077
2016	3.10	45,004	1,395	46,399
Total		\$ 55,365	3,111	58,476

Lighting Lease Payable

On January 13, 2012, the District entered into a capital lease for the lightings for baseball and softball fields, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Year Ending June 30,	Lighting Lease of January 13, 2012			
	Interest Rates	Principal	Interest	Total
2015	5.59%	\$ 8,494	4,629	13,123
2016	5.59	8,969	4,155	13,124
2017	5.59	9,470	3,653	13,123
2018	5.59	9,999	3,124	13,123
2019	5.59	10,558	2,565	13,123
2020-2022	5.59	35,347	4,022	39,369
Total		<u>\$ 82,837</u>	<u>22,148</u>	<u>104,985</u>

Termination Benefits (Early Retirement)

The District offers a voluntary early retirement plan to its certified employees. The plan is offered at the Board's discretion on a year to year basis. Eligible employees must be a tenured contracted teacher, must have completed fifteen years of continuous service to the District and be at least age fifty-five. Employees must complete an application, which is subject to approval by the Board of Education. The early retirement incentive consists of the District paying health insurance premiums until the retiree reaches age 65.

Actual early retirement benefits paid during the year ended June 30, 2014, totaled \$45,443. The remaining \$51,513 is now accounted for as an explicit subsidy under GASB Statement No. 45 Accounting and financial Reporting by Employers for Postemployment Benefits other than Pensions and included in the District's net OPEB liability.

(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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$136,202, \$129,262, and \$119,524 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 24 active and 7 retired members in the plan. Retired participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The District also offers an Early Retirement incentive consisting of the District paying successful candidates health insurance premiums until the retiree reaches the age of sixty five. This benefit results in an explicit subsidy that is included in the OPEB liability.

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

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

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

Annual required contribution	\$ 88,378
Interest on net OPEB obligation	3,638
Adjustment to annual required contribution	(20,808)
Annual OPEB cost	<u>71,208</u>
Contributions made	<u>(35,167)</u>
Increase in net OPEB obligation	36,041
Net OPEB obligation beginning of year	<u>145,538</u>
Net OPEB obligation end of year	<u><u>\$ 181,579</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$35,167 to the medical plan.

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

For Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$70,100	66.60%	\$109,180
2013	\$80,011	54.56%	\$145,538
2014	\$71,208	49.39%	\$181,579

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$360,710, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$360,710. The covered payroll (annual payroll of active employees covered by the plan) was \$1,303,939 and the ratio of the UAAL to covered payroll was 27.66%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$379,658.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$91,667 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(11) Categorical Funding

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

Programs	Amount
Gifted and Talented	\$ 8,806
Dropout and Dropout Prevention	17,900
Successful Progression for Early Readers	11,117
Teacher Leadership Grants	5,552
Total	\$ 43,375

(12) Deficit Unrestricted Net Position

The Enterprise, School Nutrition Fund had a deficit unrestricted net position balance of \$3,606 at June 30, 2014.

(13) Prospective Accounting Change

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

ESSEX COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 1,739,065	63,011	1,802,076	1,819,278	1,819,278	(17,202)
Intermediate sources	30,703	-	30,703	1,100	1,100	29,603
State sources	1,426,609	1,115	1,427,724	1,177,313	1,177,313	250,411
Federal sources	63,397	71,380	134,777	145,000	145,000	(10,223)
Total revenues	3,259,774	135,506	3,395,280	3,142,691	3,142,691	252,589
Expenditures/Expenses:						
Instruction	2,068,049	-	2,068,049	1,637,803	1,637,803	(430,246)
Support services	972,180	566	972,746	1,194,412	1,194,412	221,666
Non-instructional programs	-	132,956	132,956	139,435	139,435	6,479
Other expenditures	224,970	-	224,970	241,071	241,071	16,101
Total expenditures/expenses	3,265,199	133,522	3,398,721	3,212,721	3,212,721	(186,000)
Excess(Deficiency) of revenues over (under) expenditures/expenses	(5,425)	1,984	(3,441)	(70,030)	(70,030)	66,589
Other financing sources, net	4,419	-	4,419	-	-	4,419
Excess(Deficiency) of revenues and other financing sources over (under) expenditures/expenses	(1,006)	1,984	978	(70,030)	(70,030)	71,008
Balances beginning of year	815,053	20,594	835,647	603,694	603,694	231,953
Balances end of year	\$ 814,047	22,578	836,625	533,664	533,664	302,961

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

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

During the year ended June 30, 2014, District expenditures exceeded the amounts budgeted in the instruction functional area as well as in total.

ESSEX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 515,752	515,752	0.00%	\$ 1,195,497	43.14%
2011	July 1, 2009	-	490,695	490,695	0.00%	1,208,653	40.60%
2012	July 1, 2009	-	428,899	428,899	0.00%	1,131,173	37.92%
2013	July 1, 2012	-	395,114	395,114	0.00%	1,058,198	37.34%
2014	July 1, 2012	-	360,710	360,710	0.00%	1,303,939	27.66%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

ESSEX COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Student Activity	Debt Service	Total
Assets			
Cash and pooled investments	\$ 47,345	57,689	105,034
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,198	-	7,198
Fund balances:			
Restricted for:			
Student activities	40,147	-	40,147
Debt service	-	57,689	57,689
Total fund balances	40,147	57,689	97,836
Total liabilities, deferred inflows of resources and fund balances	\$ 47,345	57,689	105,034

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Student Activity	Debt Service	Total
Revenues:			
Local sources:			
Other	\$ 142,055	1,638	143,693
Expenditures:			
Current:			
Instruction:			
Other	127,315	-	127,315
Long-term debt:			
Principal	-	18,094	18,094
Interest and fiscal charges	-	7,106	7,106
Total expenditures	127,315	25,200	152,515
Excess(Deficiency) of revenues over(under) expenditures	14,740	(23,562)	(8,822)
Other financing sources:			
Transfer in	-	38,642	38,642
Change in fund balances	14,740	15,080	29,820
Fund balances beginning of year	25,407	42,609	68,016
Fund balances end of year	\$ 40,147	57,689	97,836

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 138,646	67,214	205,860
Receivables:			
Property tax:			
Delinquent	-	406	406
Succeeding year	-	27,490	27,490
Due from other governments	72,326	-	72,326
Total assets	\$ 210,972	95,110	306,082
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	8,125	8,125
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	27,490	27,490
Fund balances:			
Restricted for:			
School infrastructure	210,972	-	210,972
Physical plant and equipment	-	59,495	59,495
Total fund balances	210,972	59,495	270,467
Total liabilities, deferred inflows of resources and fund balances	\$ 210,972	95,110	306,082

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	26,623	26,623
Other	7,195	8,840	16,035
State sources	189,625	-	189,625
Total revenues	196,820	35,463	232,283
Expenditures:			
Support services:			
Instructional staff	48,792	450	49,242
Operation and maintenance of plant	5,625	5,338	10,963
Capital outlay	84,563	23,540	108,103
Total expenditures	138,980	29,328	168,308
Excess of revenues over expenditures	57,840	6,135	63,975
Other financing uses:			
Transfer out	(38,642)	-	(38,642)
Change in fund balances	19,198	6,135	25,333
Fund balances beginning of year	191,774	53,360	245,134
Fund balances end of year	\$ 210,972	59,495	270,467

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Speech	\$ 5	-	50	45	-
Drama	3,455	-	-	(45)	3,410
Instrumental music	49	922	943	-	28
Athletics	2,102	57,110	50,036	1,480	10,656
JH VB tournament	84	-	84	-	-
Football fund	1,364	-	-	(1,364)	-
HS basketball	62	3,523	4,097	512	-
Softball girls	1,060	-	-	(1,060)	-
Class of 2010	633	-	633	-	-
Class of 2012	313	-	313	-	-
Class of 2013	1,670	-	1,670	-	-
Class of 2014	2,901	22,505	24,741	-	665
Class of 2015	451	10,625	8,621	-	2,455
Class of 2016	184	-	40	-	144
Class of 2017	29	90	80	-	39
Class of 2018	85	-	-	-	85
Pep club	598	5,775	5,776	-	597
School booster fund balance	1,602	29,703	20,215	-	11,090
E-Stars	255	1,150	743	-	662
GAB fund	5	-	5	-	-
Safety patrol	17	-	-	-	17
Claire McKinney music fund	416	-	416	-	-
Annual	4,966	7,397	5,644	-	6,719
National honor society	235	139	233	-	141
Concession equipment	628	280	199	-	709
Project class	123	-	-	-	123
Student council	2,547	2,836	2,776	-	2,607
Dance team	(432)	-	-	432	-
Total	\$ 25,407	142,055	127,315	-	40,147

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	Claire McKinney Trust	Saunder Scholarship	Joan Hamilton Scholarship	Danielle Wallin Scholarship	ES&C Scholarship	Total
Assets						
Cash and pooled investments	\$ 990	21,241	19,775	1,483	492	43,981
Liabilities						
	-	-	-	-	-	-
Net Position						
Restricted for scholarships	\$ 990	21,241	19,775	1,483	492	43,981

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Claire McKinney Trust	Saunders Scholarship	Joan Hamilton Scholarship	Danielle Wallin Scholarship	ES&C Scholarship	Total
Additions:						
Local sources:						
Gifts and contributions	\$ -	-	-	-	280	280
Interest income	-	70	70	10	-	150
Total additions	-	70	70	10	280	430
Deductions:						
Instruction:						
Other:						
Scholarships awarded	-	250	-	800	250	1,300
Change in net position	-	(180)	70	(790)	30	(870)
Net position beginning of year	990	21,421	19,705	2,273	462	44,851
Net position end of year	\$ 990	21,241	19,775	1,483	492	43,981

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Beginning Balance	Increases	Decreases	Ending Balance
JUST HELP KIDS				
Assets:				
Cash and other investments	\$ 795	-	-	795
Liabilities:				
Accounts payable	\$ -	92	-	92
Due to other groups	795	-	92	703
Total liabilities	\$ 795	92	92	795
NURSE FUND				
Assets:				
Cash and other investments	\$ 1,762	574	574	1,762
Liabilities:				
Due to other groups	\$ 1,762	574	574	1,762
TOTAL				
Cash and other investments	\$ 2,557	574	574	2,557
Liabilities:				
Accounts payable	\$ -	92	-	92
Due to other groups	2,557	574	666	2,465
Total liabilities	\$ 2,557	666	666	2,557

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ESSEX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,178,001	1,258,839	1,298,945	1,220,074	1,182,511	1,161,837	1,055,988	1,082,481	1,088,623	1,059,879
Tuition	261,176	268,192	251,482	190,737	137,499	144,879	172,999	169,071	133,075	121,086
Other	299,888	251,696	270,317	202,236	139,083	186,817	188,003	216,450	254,312	176,562
Intermediate sources	30,703	-	-	-	-	2,000	2,459	-	-	3,174
State sources	1,426,609	1,272,273	1,264,082	1,180,368	1,031,916	1,423,390	1,354,443	1,281,715	1,121,983	1,038,057
Federal sources	63,397	71,118	79,162	202,185	227,646	121,276	79,855	88,941	96,413	95,460
Total	\$ 3,259,774	3,122,118	3,163,988	2,995,600	2,718,655	3,040,199	2,853,747	2,838,658	2,694,406	2,494,218
Expenditures:										
Instruction:										
Regular	\$ 1,422,941	1,494,713	1,320,668	1,253,384	1,238,190	1,422,297	1,360,453	1,189,956	1,117,705	1,094,300
Special	315,648	260,066	252,318	253,096	229,700	218,744	189,187	139,147	134,904	138,480
Other	329,460	276,741	346,479	279,417	275,431	184,576	186,324	247,660	245,153	212,114
Support services:										
Student	70,437	68,902	62,830	39,006	68,166	91,984	90,473	82,955	69,713	42,331
Instructional staff	133,845	80,626	121,845	112,915	52,774	53,447	59,012	86,405	51,631	63,508
Administration	417,680	407,190	372,221	353,477	369,840	358,304	339,246	340,349	303,500	284,193
Operation and maintenance of plant	211,990	214,121	295,120	199,914	182,072	195,571	208,738	213,757	184,159	155,805
Transportation	138,228	211,903	156,648	113,782	106,127	90,669	109,306	114,733	94,646	77,486
Capital outlay	108,103	85,373	338,086	161,552	374,723	196,903	47,542	71,672	154,069	117,703
Long-term debt:										
Principal	18,094	19,696	-	-	-	100,000	160,000	160,000	155,000	170,127
Interest and other charges	7,106	5,505	-	-	-	3,700	8,660	13,140	16,937	21,394
Other expenditures:										
AEA flowthrough	91,667	90,334	90,907	101,583	100,586	96,514	87,568	84,149	74,390	78,350
Total	\$ 3,265,199	3,215,170	3,357,122	2,868,126	2,997,609	3,012,709	2,846,509	2,743,923	2,601,807	2,455,791

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report 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 Essex Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Essex Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2015.

Internal Control Over Financial Reporting

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

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

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 deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Essex Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

Essex Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015
Newton, Iowa

ESSEX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual may perform two or more functions in each of the following areas for the District.

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

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

Response - The District will review the internal controls in place and investigate available alternatives and implement a solution.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - We noted during our audit that expenditures in the instruction functional area exceeded the amounts budgeted and the District exceeded the budget in total.

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

Response - The expenses are being monitored monthly to avoid exceeding the budgeted amount.

Conclusion - Response accepted.

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

II-C-14 Travel Expense - No travel advances to District officials or employees were noted; however, we did note instances of travel reimbursements that appear to be inappropriate. More specific examples are as follows:

Mileage Reimbursements Rates: We noted during audit that the District reimbursed employee mileage at a rate of \$0.40 per mile. However, the Board adopted a new reimbursement rate of \$0.45 per mile at the April 8, 2013 board meeting. It does not appear that these rates match Board Policy 401.7 which states "Pre-approved expenses for transportation within three-hundred miles of the school district administrative office will be by automobile. If a school district vehicle is not available, the employee will be reimbursed 28 cents per mile."

Recommendation - If the Board wishes to change the rate of mileage reimbursement it should be reflected in a revision of Board policy 401.7. The District should also review procedures to ensure that employees are being reimbursed the correct rate.

Response - The policy has been changed to comply with the rates.

Conclusion - Response accepted.

Mileage Reimbursements: We noted during the year that the District was reimbursing mileage for a shared teacher and the business manager for commutes from home to the shared District. This does not appear to be in compliance with IRS Publication 463. If the sharing arrangement is expected to be in place for more than 1 year, the alternate workplace does not qualify as a temporary workplace and therefore, is not an allowable exclusion.

Recommendation - Reimbursements for commuting from home to work would appear to be taxable compensation. If the employee was to depart the Essex CSD building and drive to the shared district, that portion of the commute would be reimbursable for the distance from Essex to the alternate workplace under IRS Publication 463. The District should review its reimbursement procedures to ensure compliance with the IRS guidelines.

Response - Reimbursements will not be allowed in this circumstance.

Conclusion - Response accepted.

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

Name, Title and Business Connection	Transaction Description	Amount
Curtis Riley, Transportation Director Owns Babes Café	Catering	\$493
Amy Resh, Teacher	Purchased a computer	\$211
KerryMcBride, Teacher	Purchased a computer	\$306
Linda McCargill, Teacher	Purchased a computer	\$306
Jim Dick, Superintendent	Purchased a computer	\$306

In accordance with the Attorney General’s opinion dated July 2, 1990 the above transaction with Curtis Riley does not appear to represent a conflict of interest.

The transactions with the teachers and the superintendent do not appear to be properly handled. Chapter 297.22 of the Code of Iowa states in part that “property having a value of not more than five thousand dollars, other than real property, may be disposed of by any procedure which is adopted by the board and each sale shall be published by at least one insertion each week for two consecutive weeks in a newspaper having general circulation in the district”. It was noted that the sale of the computers was not published and was not open to the general public.

Recommendation - The District should review its procedures to ensure that the disposal of equipment is in compliance with Chapter 297.22 of the Code of Iowa.

Response - The District will follow Chapter 297.22 of the Code of Iowa in the future.

Conclusion - Response accepted.

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

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. We did note instances of the board minutes not being handled within the statutory guidelines; more specific examples are as follows:

Board Minute Publication: We did note an instance of board minutes not being submitted for publication within the timeline established by Section 279.35 of the Code of Iowa.

Recommendation - The District should evaluate its procedures to ensure compliance with Section 279.35 of the Code of Iowa.

Response - The Board Secretary will submit all minutes timely.

Conclusion - Response accepted.

Closed Sessions: We noted instances of the board going into closed session without stating an exemption allowable under the Code of Iowa to justify going into closed session. Section 21.5 of the Code of Iowa states in part, “the reason for holding the closed session by reference to a specific exemption under this section shall be announced publicly at the open session and entered in the minutes”.

Recommendation - The District should review its procedures to ensure closed sessions are properly handled and documented.

Response - The district will follow Section 21.5 for board meetings.

Conclusion - Response accepted.

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-14 Supplementary Weighting - We noted supplementary weighting data certified to the Department of Education was overstated by 0.02 students.

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

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

Conclusion - Response accepted.

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

II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

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

II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	191,774
Revenues:			
Sales tax revenues	\$	189,625	
Other local revenues		7,195	196,820
			<u>388,594</u>
Expenditures/transfer out:			
School infrastructure construction		14,820	
Equipment		98,440	
Other		25,720	
Transfer to other funds:			
Debt service fund		38,642	177,622
			<u>177,622</u>
Ending Balance			<u>\$ 210,972</u>

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

	<u>Per \$1,000</u> <u>of Taxable</u> <u>Valuation</u>	<u>Property</u> <u>Tax</u> <u>Dollars</u>
Physical plant and equipment levy	<u>\$ 0.33000</u>	<u>\$ 27,490</u>

II-M-14 Financial Condition - We noted during our audit that the Enterprise, School Nutrition Fund had a deficit unrestricted net position of \$3,606 at June 30, 2014.

Recommendation - The District needs to review program costs compared to sales, labor costs of staff, balances of individual student accounts and possible issues with internal controls and reporting in the School Nutrition Fund. The District should consider raising meal prices to bring the Nutrition Fund back to a level of self-sustainability.

Response - The program has made great strides in revenue. The CN program sells meals to the local daycare and participates in the summer program. The District reduced the deficit unrestricted position by \$4,933 compared to the prior year.

Conclusion - Response accepted.

II-N-14 Written Contracts - We noted during our audit that the District is currently using an online service for contracting with officials for athletic events. Subsequently the District changed the Athletic Director, this resulted in the prior contracts being no longer accessible to the District. Iowa Code Chapter 291.6 on the duties of the secretary states "File and preserve copies of all reports made and all papers transmitted pertaining to the business of the corporation."

Recommendation - The District should review procedures to ensure that the Board Secretary is able to maintain a record of all contracts entered into by the District.

Response - Copies of contracts are required before checks are written and officials paid.

Conclusion - Response accepted.

II-O-14 Signing of Checks - We noted during the year that a previous Board President's name was appearing as a signer on checks. Chapter 291.1 of the Code of Iowa states in part that, "The president or the president's designee shall sign, using an original or facsimile signature, all school district warrants drawn as provided by law. The board of directors, by resolution, may designate an individual, who shall not be the secretary, to sign warrants on behalf of the president". Under Chapter 291.1 of the Code of Iowa it would appear to be inappropriate to have a prior board president be signing checks unless designated by a resolution of the board of directors.

Recommendation - The District should review its payment procedures to ensure compliance with Chapter 291.1 of the Code of Iowa.

Response - The signature cards and computer signatures will be monitored and changed timely.

Conclusion - Response accepted