

**ESTHERVILLE LINCOLN CENTRAL  
COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

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ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

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

**(Before September 2013 Election)**

Jodie Greig	President	2013
Mike Karels	Vice President	2015
Kathy Miller Cornwall	Board Member	2015
Don Schiltz	Board Member	2015
Michelle McCoy	Board Member	2013
Nancy Anderson	Board Member	2015
Duane Schnell	Board Member	2013

**(After September 2013 Election)**

Jodie Greig	President	2017
Kathy Miller Cornwall	Vice President	2015
Mike Karels	Board Member	2015
Nancy Anderson	Board Member	2015
Duane Schnell	Board Member	2015

**SCHOOL OFFICIALS**

Tara Paul	Superintendent	2018
Kate Woods	District Secretary	Indefinite
Kevin Sander	Attorney	Indefinite



## INDEPENDENT AUDITORS' REPORT

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

### **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 Estherville Lincoln Central Community School District, Estherville, 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 as 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 accounting principles generally accepted in the United States of America; 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 entity'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 entity'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 that 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 the Estherville Lincoln Central 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 accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

In fiscal year 2014, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported As Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Estherville Lincoln Central 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 eight years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. We did not previously audit, in accordance with the standards referred to in the third paragraph of this report, the financial statement for the year ended June 30, 2005. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare 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 auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of the Estherville Lincoln Central 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 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 Estherville Lincoln Central Community School District's internal control over financial reporting and compliance.

*Williams + Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
November 14, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Estherville Lincoln Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$13,572,053 in fiscal 2013 to \$13,829,449 in fiscal 2014, while General Fund expenditures increased from \$13,311,874 in fiscal 2013 to \$13,807,375 in fiscal 2014. The District's General Fund balance increased from \$2,073,207 in fiscal 2013 to \$2,131,850 in fiscal 2014, a 2.83% increase.
- The increase in expenditures was 3.72%. This increase in expenditures is primarily attributable to the a 2.8% increase in salaries and benefits and an increase of 2.7% in the cost of students open enrolled out. The 1.9% increase in revenue is due to an increase in state aid.
- Interest rates dropped and earnings in the General Fund decreased from \$13,526 in fiscal year 2013 to \$11,127 in fiscal year 2014.
- Beginning October 1, 2013 the District engaged Wellmark as third party administrator for its self-insured employee health plan which is maintained in an Internal Service Fund. The net position in the fund is \$ 1,466,043 at June 30, 2014 and increased by 29% from the year ending June 30, 2013.

### 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 Estherville Lincoln Central Community School District as a whole and present an overall view of the District's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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

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

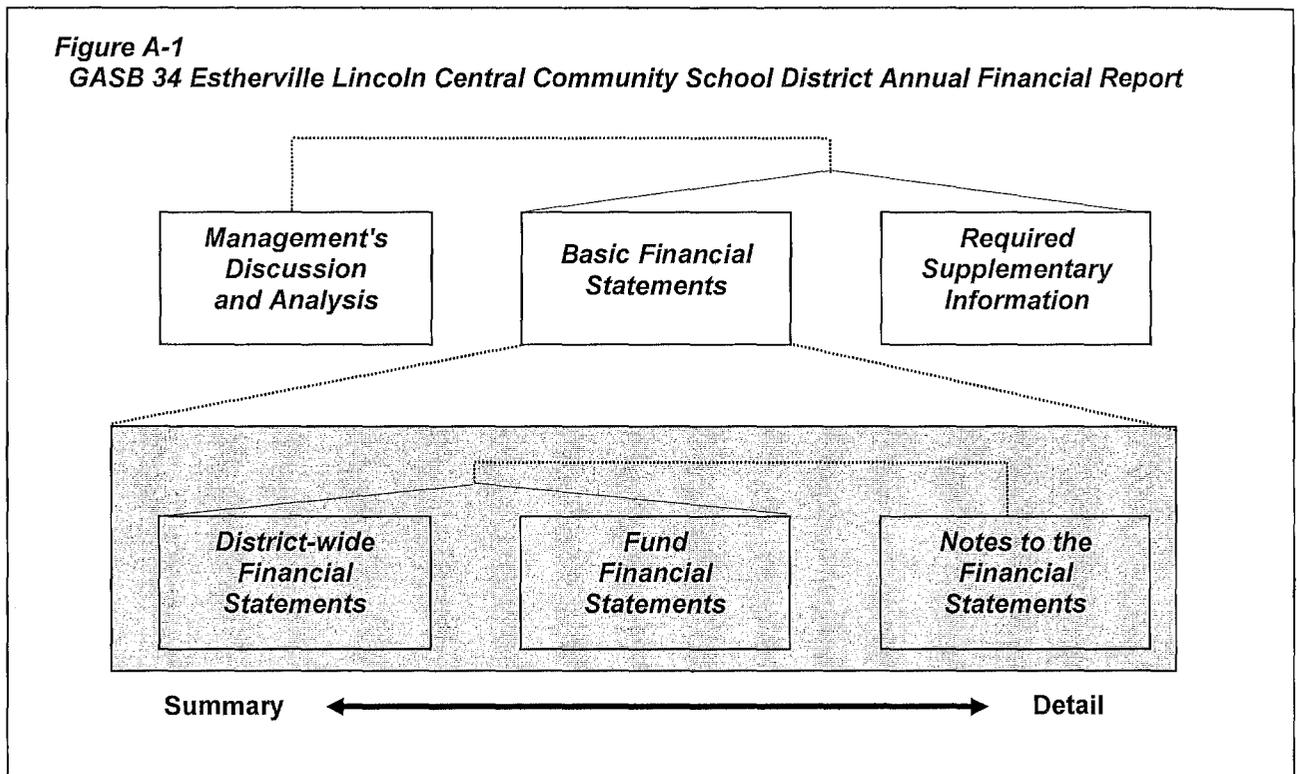


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

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

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

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

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

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

#### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and Other Assets	\$14,151,434	\$12,693,282	\$1,242,566	\$1,235,735	\$15,394,000	\$13,929,017	10.5%
Capital Assets	16,969,194	17,354,477	4,316,246	4,475,697	21,285,440	21,830,174	-2.5%
<b>Total Assets</b>	<b>31,120,628</b>	<b>30,047,759</b>	<b>5,558,812</b>	<b>5,711,432</b>	<b>36,679,440</b>	<b>35,759,191</b>	<b>2.6%</b>
Long-Term Obligations	8,131,414	9,700,990	-	-	8,131,414	9,700,990	-16.2%
Other Liabilities	1,708,302	749,254	102,685	113,707	1,810,987	862,961	109.9%
<b>Total Liabilities</b>	<b>9,839,716</b>	<b>10,450,244</b>	<b>102,685</b>	<b>113,707</b>	<b>9,942,401</b>	<b>10,563,951</b>	<b>-5.9%</b>
Deferred Inflow s of Resources	6,016,561	5,692,153	-	-	6,016,561	5,692,153	5.7%
Net Position:							
Net Investment in Capital							
Assets	8,511,470	8,187,262	4,316,246	4,475,697	12,827,716	12,662,959	1.3%
Restricted	3,688,649	2,952,011	-	-	3,688,649	2,952,011	25.0%
Unrestricted	3,064,232	2,766,089	1,139,881	1,122,028	4,204,113	3,888,117	8.1%
<b>Total Net Position</b>	<b>\$15,264,351</b>	<b>\$13,905,362</b>	<b>\$5,456,127</b>	<b>\$5,597,725</b>	<b>\$20,720,478</b>	<b>\$19,503,087</b>	<b>6.2%</b>

The District's combined net position at June 30, 2013 was \$19,503,087 and increased to \$20,720,478 at June 30, 2014, an improvement of 6.2%. This improvement in net position came from its governmental activities, due mainly to the decrease in liabilities and increase in current assets in the capital projects fund.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$736,638, primarily due to the carryover of sales tax receipts.

Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by 8.1%. This increase in unrestricted net assets was mainly

due to the increase in the capital projects fund. Figure A-4 shows the change in net position for the year ended June 30, 2014.

Figure A-4 shows the changes in net position.

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for Services	\$ 743,024	\$ 901,007	\$ 746,163	\$ 853,819	\$ 1,489,187	\$ 1,754,826	-15.1%
Operating Grants, Contributions, and Restricted Interest	2,084,742	2,084,208	503,830	436,439	2,588,572	2,520,647	2.7%
<b>General Revenues:</b>							
Property Tax	5,830,937	5,831,814	-	-	5,830,937	5,831,814	0.0%
Local Option	1,185,487	1,145,195	-	-	1,185,487	1,145,195	3.5%
Unrestricted State Grants	6,976,657	6,762,458	-	-	6,976,657	6,762,458	3.2%
Unrestricted Investment Earnings	17,599	20,885	3,122	3,335	20,721	24,220	-14.4%
Gain on Disposals of Fixed Assets	16,214	2,183	-	-	16,214	2,183	642.7%
Other	16,377	28,838	-	-	16,377	28,838	-43.2%
Transfers	(48,076)	(50,000)	48,076	50,000	-	-	-
<b>Total Revenues and Transfers</b>	<b>16,822,961</b>	<b>16,726,588</b>	<b>1,301,191</b>	<b>1,343,593</b>	<b>18,124,152</b>	<b>18,070,181</b>	<b>0.3%</b>
<b>Program Expenses:</b>							
<b>Governmental Activities</b>							
Instruction	9,721,345	9,325,348	-	-	9,721,345	9,325,348	4.2%
Support Services	4,058,822	3,824,979	-	-	4,058,822	3,824,979	6.1%
Non-instructional programs	-	-	1,442,789	1,513,445	1,442,789	1,513,445	-4.7%
Other expenses	1,638,193	1,565,614	-	-	1,638,193	1,565,614	4.6%
<b>Total Expenses</b>	<b>15,418,360</b>	<b>14,715,941</b>	<b>1,442,789</b>	<b>1,513,445</b>	<b>16,861,149</b>	<b>16,229,386</b>	<b>3.9%</b>
<b>Change In Net Position</b>	<b>\$1,404,601</b>	<b>\$2,010,647</b>	<b>\$(141,598)</b>	<b>\$(169,852)</b>	<b>\$1,263,003</b>	<b>\$1,840,795</b>	<b>-31.4%</b>

In fiscal 2014, property tax and unrestricted state grants account for 76% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97% of the revenue from business type activities.

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

As shown in Figure A-4, the District as a whole experienced a .2% increase in revenues and a 3.8% increase in expenses. Small increase in revenue was primarily due to the termination of the child care program and loss of rental revenues from McKinley building. Increases were due to the increase in salaries/benefits and increase in open enrolled out students.

**Governmental Activities**

Revenues for governmental activities were \$16,822,961 and expenses were \$15,418,360.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 9,721,345	\$ 9,325,348	4.2%	\$ 7,476,409	\$ 6,894,804	8.4%
Support Services	4,058,822	3,824,979	6.1%	4,035,934	3,808,897	6.0%
Other Expenses	1,638,193	1,565,614	4.6%	1,078,251	993,090	8.6%
<b>Total</b>	<b>\$ 15,418,360</b>	<b>\$ 14,715,941</b>	<b>4.8%</b>	<b>\$ 12,590,594</b>	<b>\$ 11,696,791</b>	<b>7.6%</b>

- The cost financed by users of the District's programs was \$743,024.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,084,742.
- The net cost of governmental activities was financed with \$7,016,424 in property and other taxes and \$6,976,657 in unrestricted state grants.

**Business Type Activities**

Revenues for business type activities were \$1,288,705 representing a 4.09% decrease over the prior year while expenses totaled \$1,430,303 a 5.81% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District's business type activities also include the Regional Wellness Center. The Regional Wellness Center had a decrease in Net Position of \$118,229 for the fiscal year ending June 30, 2014.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,504,952 a 13.56% increase from last year's ending fund balances of \$ 4,847,778.

**Governmental Fund Highlights**

- The General Fund balance increased from \$2,073,207 to \$2,131,850. The restricted amount of the \$2,131,850 is \$533,661, which will be spent in the upcoming years.
- The Capital Projects Fund balance increased due to a slight increase in sales tax revenues and a decrease in transfers to debt service and a decrease in other expenditures.

### **Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$417,610 at June 30, 2013 to \$395,636 at June 30, 2014 representing a decrease of approximately 5.26%.

Regional Wellness Center Fund net position decreased from \$ 5,178,720 at June 30, 2013 to \$5,060,491, a decrease of approximately 2.28%. Operating revenues increased by 1.7%, operating expenditures increased by 4.14%. The Regional Wellness Center continues to monitor their balance and look for future funding from the local community and governments.

### **BUDGETARY HIGHLIGHTS**

The Estherville Lincoln Central Community School District did not amend its annual budget during the fiscal year ending June 30, 2014.

The District's revenues were \$ 422,963 above budgeted mainly due to increased sales tax revenues, income surtax revenues and state aid.

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The certified budget was not exceeded in any of the functions.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2014, the District had invested \$21.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.50% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$1,021,854.

The original cost of the District's capital assets was \$31.9 million. Governmental funds account for \$25.7 million, with the remainder of \$6.2 million accounted for in the Proprietary, School Nutrition Fund and Regional Wellness Center Fund.

**Figure A-6 – Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 583,745	\$ 583,745	\$ 82,350	\$ 82,350	\$ 666,095	\$ 666,095	0.00%
Buildings	14,658,483	15,042,050	3,926,849	4,048,665	18,585,332	19,090,715	-2.65%
Improvements	494,243	533,357	-	-	494,243	533,357	-7.33%
Equipment, Furniture & Vehicles	1,232,723	1,195,325	307,047	344,682	1,539,770	1,540,007	-0.02%
<b>Total</b>	<b>\$ 16,969,194</b>	<b>\$ 17,354,477</b>	<b>\$ 4,316,246</b>	<b>\$ 4,475,697</b>	<b>\$21,285,440</b>	<b>\$ 21,830,174</b>	<b>-2.50%</b>

**Long-Term Debt**

At June 30, 2014, the District had \$9,144,395 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 5.74% from last year. (See Figure A-7) Additional information about the District’s long-term debt is presented in Note 5 to the financial statements.

On April 9, 2007, the District adopted a resolution providing for the issuance of \$ 8.7 million in General Obligation Bonds and on June 9, 2008 the District adopted a resolution providing for the issuance of \$ 2,8 million in School Infrastructure Local Option Sales and Services Tax Revenue Bonds, Series 2008. On November 4, 2009 the District adopted a resolution providing for the issuance of \$525,000 in Go Capital Loan Notes. The District had total outstanding bonded indebtedness at June 30, 2014 of \$8,457,724.

**Figure A-7 - Outstanding Long-Term Obligations**

	Total School District		Total Change
	June 30,		June 30,
	2014	2013	2013-2014
Revenue Bonds	\$ 1,785,000	\$ 2,045,000	-12.71%
General Obligation Bonds	6,507,724	6,877,215	-5.37%
PPEL Note Payable	165,000	245,000	-32.65%
Early Retirement	414,732	395,169	4.95%
OPEB	271,939	138,606	96.20%
<b>Total</b>	<b>\$ 9,144,395</b>	<b>\$ 9,700,990</b>	<b>-5.74%</b>

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

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

- The District's enrollment has stabilized, but with a 2% allowable growth from the state, the District will have to maintain expenditures, this becomes a difficult task with rising insurance, salary and instructional materials costs.
- The District currently has a partially self-funded insurance plan. Claims costs decreased during FY 14, the district will continue to monitor these costs, this will impact general fund resources as premiums are directly linked to claims costs.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, at least one bus per year must be replaced. To pay for these buses, the District will use the Sales Tax Fund.
- The District will negotiate a new salary agreement with the Education Association during fiscal 2015. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related unspent balance.
- The District has invested funds in Technology, primarily from state funds allocated to the District designated specifically for Technology. The state has eliminated these funds, and without funds available the District must find other resources or let our technology become out dated.
- The District has one unused school building that will need to be demolished in the near future and this looks to be an expensive project.
- The District is planning an addition to the Demoney building to move elementary students to the centrally located campus. This project is planned to begin in FY 15 and will be financed with Sales Tax Funds.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kate Woods, School Business Official, Estherville Lincoln Central Community School District, 1814 7<sup>th</sup> Ave Street, Estherville, Iowa, 51334.

**BASIC FINANCIAL STATEMENTS**

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**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Pooled Investments	\$ 7,244,092	\$ 1,223,673	\$ 8,467,765
Receivables:			
Property Tax	42,343	-	42,343
Succeeding Year Property Tax	5,484,977	-	5,484,977
Accounts	25,561	-	25,561
Accrued Interest	275	351	626
Due From Other Governments	1,308,684	11,054	1,319,738
Internal Balances	54	(54)	-
Inventories	-	7,542	7,542
Deposits	45,448	-	45,448
Land	583,745	82,350	666,095
Capital Assets, Net of Accumulated Depreciation	16,385,449	4,233,896	20,619,345
<b>Total Assets</b>	<b>31,120,628</b>	<b>5,558,812</b>	<b>36,679,440</b>
<b>Liabilities</b>			
Accounts Payable	375,452	22,431	397,883
Salaries and Benefits Payable	78,506	12,923	91,429
Accrued Interest Payable	81,363	-	81,363
Unearned Revenue	-	67,331	67,331
Incurred But Not Reported Claims Liability	160,000	-	160,000
Long Term Liabilities:			
Portion Due Within One Year:			
Bonds Payable	655,000	-	655,000
Notes Payable	80,000	-	80,000
Early Retirement	277,981	-	277,981
Portion Due After One Year:			
Bonds Payable	7,637,724	-	7,637,724
Notes Payable	85,000	-	85,000
Early Retirement	136,751	-	136,751
Net OPEB Liability	271,939	-	271,939
<b>Total Liabilities</b>	<b>9,839,716</b>	<b>102,685</b>	<b>9,942,401</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue:			
Succeeding Year Property Tax	5,484,977	-	5,484,977
Succeeding Year Income Surtax	531,584	-	531,584
<b>Total Deferred Inflows of Resources</b>	<b>6,016,561</b>	<b>-</b>	<b>6,016,561</b>
<b>Net Position</b>			
Net Investment in Capital Assets	8,511,470	4,316,246	12,827,716
Restricted For:			
Categorical Funding	527,103	-	527,103
Medicaid (10%)	6,558	-	6,558
Debt Service	328,855	-	328,855
Inman Trust	75,636	-	75,636
Sanborn Endowment	45,641	-	45,641
School Infrastructure	2,323,787	-	2,323,787
Physical Plant and Equipment Levy	145,708	-	145,708
Student Activities	189,879	-	189,879
Management Levy	45,482	-	45,482
Unrestricted	3,064,232	1,139,881	4,204,113
<b>Total Net Position</b>	<b>\$ 15,264,351</b>	<b>\$ 5,456,127</b>	<b>\$ 20,720,478</b>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 5,896,421	\$ 337,538	\$ 1,063,492	\$ -
Special Instruction	2,040,955	19,002	-	-
Other Instruction	1,783,969	386,484	438,420	-
Support Services:				
Student Services	216,009	-	-	-
Instructional Staff Services	709,981	-	22,888	-
Administration Services	1,390,620	-	-	-
Operation and Maintenance	1,315,366	-	-	-
Transportation Services	426,846	-	-	-
Other Expenditures:				
Facilities Acquisition	136,916	-	-	-
Loss on Disposal of Assets	516	-	-	-
Long-term Debt Interest	357,102	-	-	-
AEA Flowthrough	559,942	-	559,942	-
Depreciation (unallocated)*	583,717	-	-	-
<b>Total Governmental Activities</b>	<b>15,418,360</b>	<b>743,024</b>	<b>2,084,742</b>	<b>-</b>
<b>Business-Type Activities:</b>				
Non-instructional Programs:				
Nutrition Services	728,943	250,431	456,087	-
Childcare Center	53	582	-	-
Wellness Center	713,793	495,150	47,743	-
<b>Total Business-Type Activities</b>	<b>1,442,789</b>	<b>746,163</b>	<b>503,830</b>	<b>-</b>
<b>Total School District</b>	<b>\$ 16,861,149</b>	<b>\$ 1,489,187</b>	<b>\$ 2,588,572</b>	<b>\$ -</b>

**General Revenues:**

Property Tax Levied For:
General Purposes
Debt Service
Management Levy
Capital Outlay
Statewide Sales and Services Tax
Unrestricted State Grants
Unrestricted Investment Earnings
Gain on Disposal of Assets
Miscellaneous
Transfers
<b>Total General Revenues &amp; Transfers</b>
Change in Net Position
Net Position Beginning of Year
Prior Period Adjustment - Accounting Change
Net Assets Beginning of Year, Restated
Net Position End of Year

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

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (4,495,391)		\$ (4,495,391)
(2,021,953)		(2,021,953)
(959,065)		(959,065)
(216,009)		(216,009)
(687,093)		(687,093)
(1,390,620)		(1,390,620)
(1,315,366)		(1,315,366)
(426,846)		(426,846)
(136,916)		(136,916)
(516)		(516)
(357,102)		(357,102)
-		-
(583,717)		(583,717)
<u>(12,590,594)</u>		<u>(12,590,594)</u>
-	(22,425)	(22,425)
-	529	529
-	(170,900)	(170,900)
<u>-</u>	<u>(192,796)</u>	<u>(192,796)</u>
<u>(12,590,594)</u>	<u>(192,796)</u>	<u>(12,783,390)</u>
4,345,310	-	4,345,310
639,739	-	639,739
400,964	-	400,964
444,924	-	444,924
1,185,487	-	1,185,487
6,976,657	-	6,976,657
17,599	3,122	20,721
16,214	-	16,214
16,377	-	16,377
<u>(48,076)</u>	<u>48,076</u>	<u>-</u>
<u>13,995,195</u>	<u>51,198</u>	<u>14,046,393</u>
1,404,601	(141,598)	1,263,003
13,905,362	5,597,725	19,503,087
<u>(45,612)</u>	<u>-</u>	<u>(45,612)</u>
<u>13,859,750</u>	<u>5,597,725</u>	<u>19,457,475</u>
<u>\$ 15,264,351</u>	<u>\$ 5,456,127</u>	<u>\$ 20,720,478</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and Pooled Investments	\$ 2,086,326	\$ 1,827,069	\$ 1,325,787	\$ 5,239,182
Receivables:				
Property Tax	30,212	-	12,131	42,343
Succeeding Year Property Tax	3,923,560	-	1,561,417	5,484,977
Accounts	1,325	-	2,744	4,069
Accrued Interest	275	-	-	275
Due From Other Governments	857,414	451,270	-	1,308,684
Due From Other Funds	11,410	-	-	11,410
Deposits	-	45,448	-	45,448
Total Assets	<u>6,910,522</u>	<u>2,323,787</u>	<u>2,902,079</u>	<u>12,136,388</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts Payable	245,478	-	1,554	247,032
Salaries and Benefits Payable	78,050	-	456	78,506
Early Retirement Payable	-	-	277,981	277,981
Due to Other Funds	-	-	11,356	11,356
Total Liabilities	<u>323,528</u>	<u>-</u>	<u>291,347</u>	<u>614,875</u>
Deferred Inflows of Resources				
Unavailable Revenue -				
Succeeding Year Property Tax	3,923,560	-	1,561,417	5,484,977
Succeeding Year Income Surtax	531,584	-	-	531,584
	<u>4,455,144</u>	<u>-</u>	<u>1,561,417</u>	<u>6,016,561</u>
Fund Balances:				
Restricted for:				
Categorical Funding	527,103	-	-	527,103
Medicaid(10%)	6,558	-	-	6,558
Debt Service	-	-	410,218	410,218
School Infrastructure	-	2,323,787	-	2,323,787
Student Activities	-	-	189,879	189,879
Management Levy	-	-	182,233	182,233
Inman Trust	-	-	75,636	75,636
Sanborn Endowment	-	-	45,641	45,641
Physical Plant and Equipment	-	-	145,708	145,708
Unassigned	1,598,189	-	-	1,598,189
Total Fund Balances	<u>2,131,850</u>	<u>2,323,787</u>	<u>1,049,315</u>	<u>5,504,952</u>
Total Liabilities and Fund Balances	<u>\$ 6,910,522</u>	<u>\$ 2,323,787</u>	<u>\$ 2,902,079</u>	<u>\$ 12,136,388</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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

Total Fund Balance - Governmental Funds (page 17)	\$ 5,504,952
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	16,969,194
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.	(81,363)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal Service Funds are:	
Current assets	2,026,402
Accounts payable	(288,420)
OPEB Liability	<u>(271,939)</u>
	1,466,043
Long-term liabilities, including bonds payable and the long term portion of early retirement, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(8,594,475)</u>
Total Net Position - Governmental Activities (page 14)	<u>\$ 15,264,351</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General	Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local Sources:				
Local Tax	\$ 4,345,310	\$ 1,185,487	\$ 1,485,627	\$ 7,016,424
Tuition	314,651	-	-	314,651
Other	109,470	4,460	379,028	492,958
State Sources	8,492,087	-	872	8,492,959
Federal Sources	567,931	-	-	567,931
Total Revenues	<u>13,829,449</u>	<u>1,189,947</u>	<u>1,865,527</u>	<u>16,884,923</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular Instruction	5,924,403	-	266,110	6,190,513
Special Instruction	2,086,447	-	-	2,086,447
Other Instruction	1,480,769	-	314,156	1,794,925
Support Services:				
Student Services	225,194	-	-	225,194
Instructional Staff Services	658,386	-	24,908	683,294
Administration Services	1,290,374	-	144,443	1,434,817
Operation and Maintenance	1,223,205	-	95,393	1,318,598
Transportation Services	358,655	83,273	17,918	459,846
Other Expenditures:				
Facilities Acquisition	-	67,992	283,300	351,292
Long Term Debt:				
Principal	-	-	705,000	705,000
Interest and Fiscal Charges	-	-	369,805	369,805
AEA Flowthrough	559,942	-	-	559,942
Total Expenditures	<u>13,807,375</u>	<u>151,265</u>	<u>2,221,033</u>	<u>16,179,673</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,074</u>	<u>1,038,682</u>	<u>(355,506)</u>	<u>705,250</u>
Other Financing Sources (Uses):				
Transfers In	36,569	-	228,030	264,599
Transfers Out	-	(140,000)	(172,675)	(312,675)
Total Other Financing Sources (Uses)	<u>36,569</u>	<u>(140,000)</u>	<u>55,355</u>	<u>(48,076)</u>
Net Change in Fund Balances	58,643	898,682	(300,151)	657,174
Fund Balances - Beginning of Year	<u>2,073,207</u>	<u>1,425,105</u>	<u>1,349,466</u>	<u>4,847,778</u>
Fund Balances - End of Year	<u>\$ 2,131,850</u>	<u>\$ 2,323,787</u>	<u>\$ 1,049,315</u>	<u>\$ 5,504,952</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

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

Net Change in Fund Balances - Total Governmental Funds (page 19)	\$ 657,174
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:</p>	
Capital outlays	439,263
Depreciation expense	<u>(810,144)</u>
	(370,881)
Bond premiums, discounts and similar items are deferred and amortized in the Statement of Activities.	4,491
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.	705,000
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.	8,212
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported expenditures in the governmental funds.	
Early retirement	87,369
Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.	(14,402)
Internal service funds are used by management to charge the costs of health insurance and benefits to individual funds. The net loss of the Internal Services Funds is reported with governmental activities net of the amount allocated to business-type activities.	
Change in net position	<u>327,638</u>
Change in Net Position - Governmental Activities (page 16)	<u>\$ 1,404,601</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENTS OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Wellness Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>				
Current Assets:				
Cash and Pooled Investments	\$ 1,021,796	\$ 201,877	\$ 1,223,673	\$ 2,004,910
Accounts Receivable	-	-	-	21,492
Accrued Interest Receivable	351	-	351	-
Due from Other Governments	-	11,054	11,054	-
Inventories	-	7,542	7,542	-
<b>Total Current Assets</b>	<b>1,022,147</b>	<b>220,473</b>	<b>1,242,620</b>	<b>2,026,402</b>
Noncurrent Assets:				
Land	82,350	-	82,350	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	4,049,395	184,501	4,233,896	-
<b>Total Noncurrent Assets</b>	<b>4,131,745</b>	<b>184,501</b>	<b>4,316,246</b>	<b>-</b>
<b>Total Assets</b>	<b>5,153,892</b>	<b>404,974</b>	<b>5,558,866</b>	<b>2,026,402</b>
<b>Liabilities</b>				
Accounts Payable	16,106	6,325	22,431	128,420
Accrued Payroll	9,910	3,013	12,923	-
Due to Other Funds	54	-	54	-
Unearned Revenues	67,331	-	67,331	-
Incurred But Not Reported Claims Liability	-	-	-	160,000
Net OPEB Liability	-	-	-	271,939
<b>Total Liabilities</b>	<b>93,401</b>	<b>9,338</b>	<b>102,739</b>	<b>560,359</b>
<b>Net Position</b>				
Net Investment in Capital Assets	4,131,745	184,501	4,316,246	-
Unrestricted	928,746	211,135	1,139,881	1,466,043
<b>Total Net Position</b>	<b>\$ 5,060,491</b>	<b>\$ 395,636</b>	<b>\$ 5,456,127</b>	<b>\$ 1,466,043</b>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Business-Type Activities -Enterprise Funds			Governmental
	Wellness Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for Services	\$ 489,987	\$ 248,681	\$ 738,668	\$ 1,880,625
Miscellaneous	5,163	2,332	7,495	114,201
Total Operating Revenue	<u>495,150</u>	<u>251,013</u>	<u>746,163</u>	<u>1,994,826</u>
Operating Expenses:				
Non-Instructional Programs:				
Food Service Operations:				
Salaries and Benefits	-	296,537	296,537	-
Food	-	354,950	354,950	-
Purchased Services	-	15,533	15,533	-
Supplies	-	19,895	19,895	-
Depreciation	-	42,028	42,028	-
Community Service Operations:				
Salaries and Benefits	285,529	53	285,582	-
Purchased Services	44,691	-	44,691	-
Supplies	169,487	-	169,487	-
Depreciation	175,226	-	175,226	-
Other	38,860	-	38,860	-
Other Enterprise Operations:				
Claims Expense	-	-	-	1,275,427
Administrative Fees and Other	-	-	-	391,761
Total Operating Expense	<u>713,793</u>	<u>728,996</u>	<u>1,442,789</u>	<u>1,667,188</u>
Operating Income (Loss)	(218,643)	(477,983)	(696,626)	327,638
Non-Operating Revenues:				
Interest Income	2,671	451	3,122	-
Contributions	43,243	-	43,243	-
State Sources	4,500	6,040	10,540	-
Federal Sources	-	450,047	450,047	-
Total Non-Operating Revenue	<u>50,414</u>	<u>456,538</u>	<u>506,952</u>	<u>-</u>
Change in Net Position Before Transfers	(168,229)	(21,445)	(189,674)	327,638
Transfers In	50,000	-	50,000	-
Transfers Out	-	(1,924)	(1,924)	-
Change in Net Position After Transfers	<u>(118,229)</u>	<u>(23,369)</u>	<u>(141,598)</u>	<u>327,638</u>
Net Position - Beginning of Year	<u>5,178,720</u>	<u>419,005</u>	<u>5,597,725</u>	<u>1,138,405</u>
Net Position - End of Year	<u>\$ 5,060,491</u>	<u>\$ 397,560</u>	<u>\$ 5,456,127</u>	<u>\$ 1,466,043</u>

See Accompanying Notes to Financial Statements

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Business Type Activities: Enterprise Funds			Governmental Activities:
	Wellness Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash Flows From Operating Activities</b>				
Cash Received from Customers	\$ 488,713	\$ 250,389	\$ 739,102	\$ 1,994,826
Other Operating Receipts	5,163	2,332	7,495	-
Cash Payments for Goods and Services	(256,796)	(347,637)	(604,433)	(1,477,445)
Cash Payments for Salaries and Benefits	(283,226)	(299,291)	(582,517)	-
Net Cash Provided (Used) by Operating Activities	<u>(46,146)</u>	<u>(394,207)</u>	<u>(440,353)</u>	<u>517,381</u>
<b>Cash Flows From Non-Capital Financing Activities</b>				
State Grants Received	4,500	6,038	10,538	-
Federal Grants Received	-	404,196	404,196	-
Cash Paid to General Fund	(70)	(1,924)	(1,994)	-
Net Cash Provided by Non-Capital Financing Activities	<u>4,430</u>	<u>408,310</u>	<u>412,740</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Transfers and Contributions	93,244	-	93,244	-
Acquisition of Capital Assets	(41,433)	(16,370)	(57,803)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>51,811</u>	<u>(16,370)</u>	<u>35,441</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on Investments	2,669	451	3,120	-
Net Cash Provided by Investing Activities	<u>2,669</u>	<u>451</u>	<u>3,120</u>	<u>-</u>
<b>Net Increase (Decrease) In Cash and Pooled Investments</b>	12,764	(1,816)	10,948	517,381
<b>Cash and Pooled Investments At Beginning of Year</b>	<u>1,009,032</u>	<u>203,693</u>	<u>1,212,725</u>	<u>1,487,529</u>
<b>Cash and Pooled Investments At End of Year</b>	<u>\$1,021,796</u>	<u>\$ 201,877</u>	<u>\$1,223,673</u>	<u>\$ 2,004,910</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Income (Loss) from Operations	\$ (218,643)	\$ (477,983)	\$ (696,626)	\$ 327,638
Adjustments to Reconcile Operating (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	175,226	42,028	217,254	-
Commodities Used	-	45,851	45,851	-
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:				
Accounts Receivable	-	1,074	1,074	(21,492)
Due from Other Governments	-	634	634	-
Prepays	-	-	-	47,666
Inventories	-	2,483	2,483	-
Accounts Payable	(3,758)	(5,594)	(9,352)	55,236
IBNR Claims Liability	-	-	-	(25,000)
OPEB Liability	-	-	-	133,333
Accrued Salaries and Benefits	2,303	(2,700)	(397)	-
Deferred Revenue	(1,274)	-	(1,274)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (46,146)</u>	<u>\$ (394,207)</u>	<u>\$ (440,353)</u>	<u>\$ 517,381</u>
<b>Non-Cash Investing, Capital and Financing Activities:</b>				
Federal Food Commodities Received		<u>\$ 45,851</u>		

See Accompanying Notes to Financial Statements

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENTS OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and Pooled Investments	\$ -	\$ 3,427
<b>Total Assets</b>	<u>-</u>	<u>3,427</u>
<b>Liabilities</b>		
Other Payables	-	3,427
<b>Total Liabilities</b>	<u>-</u>	<u>3,427</u>
<b>Net Position</b>		
Unrestricted	-	-
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ -</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Scholarship
<b>Additions:</b>	
Local Sources:	
Gifts and Contributions	\$ 12,486
Total Additions	12,486
<b>Deductions:</b>	
Support Services:	
Scholarships Awarded	14,004
Change in Net Position	(1,518)
<b>Net Position Beginning of Year</b>	1,518
<b>Net Position End of Year</b>	\$ -

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The Estherville Lincoln Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Estherville and Gruver, Iowa, the predominate agricultural territory in Emmet County and portions of Dickinson County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's non fiduciary assets and liabilities, with the difference reported as net position. Net positions are reported in three categories:

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

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.
- The **Capital Projects - SSSU Tax Fund** is used to account for property tax levy per thousand dollars of assessed valuation in the District for the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary funds:

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

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

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

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

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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

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

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

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

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 Equity**

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

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.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-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.

Land	\$ 2,000
Buildings	\$ 1,000
Improvements other than buildings	\$ 1,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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

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

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

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

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

Unearned Revenue – When assets are recognized in connection with a transaction before the earning process is complete, those assets must be offset by a corresponding liability for unearned revenue. Unearned revenue consists of unspent grant proceeds

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 inflow of resources consists of property tax receivables and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred inflow of resources in the Statement of Net Position consists of succeeding year property tax receivable and succeeding year income surtax that will not be recognized as revenue until the year for which it is levied.

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

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

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 did not exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**Note 2 – CASH AND POOLED INVESTMENTS**

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

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 2 – CASH AND POOLED INVESTMENTS (Continued)**

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.

Custodial Credit Risk - The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

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

At June 30, 2014 the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$688,117 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor’s Financial Services.

**Note 3 – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Capital Assets Not Being Depreciated:				
Land	\$ 583,745	\$ -	\$ -	\$ 583,745
Total Capital Assets Not Being Depreciated	<u>583,745</u>	<u>-</u>	<u>-</u>	<u>583,745</u>
Capital Assets Being Depreciated:				
Land Improvements	928,544	1,950	2,642	927,852
Buildings	19,773,346	106,832	166,115	19,714,063
Equipment	4,189,559	330,481	59,792	4,460,248
Total Capital Assets Being Depreciated	<u>24,891,449</u>	<u>439,263</u>	<u>228,549</u>	<u>25,102,163</u>
Land Improvements	395,189	41,062	2,642	433,609
Buildings	4,731,295	476,479	152,194	5,055,580
Equipment	2,994,233	292,603	59,311	3,227,525
Total Accumulated Depreciation	<u>8,120,717</u>	<u>810,144</u>	<u>214,147</u>	<u>8,716,714</u>
Total Capital Assets Being Depreciated, Net	<u>16,770,732</u>	<u>(370,881)</u>	<u>14,402</u>	<u>16,385,449</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,354,477</u>	<u>\$ (370,881)</u>	<u>\$ 14,402</u>	<u>\$ 16,969,194</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

<b>Business Type Activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Regional Wellness Center:				
Land	\$ 82,350	\$ -	\$ -	\$ 82,350
Total Capital Assets Not Being Depreciated	<u>82,350</u>	<u>-</u>	<u>-</u>	<u>82,350</u>
Capital Assets Being Depreciated:				
Nutrition Fund				
Equipment	419,712	16,369	34,188	401,893
Childcare Fund				
Equipment	4,364	-	4,364	-
Regional Wellness Center:				
Buildings	5,302,734	13,360	-	5,316,094
Equipment	437,582	28,073	37,447	428,208
	<u>5,740,316</u>	<u>41,433</u>	<u>37,447</u>	<u>5,744,302</u>
Total Capital Assets Being Depreciated	<u>6,164,392</u>	<u>57,802</u>	<u>75,999</u>	<u>6,146,195</u>
Less Accumulated Depreciation For:				
Nutrition Fund				
Equipment	209,553	40,229	32,390	217,392
Childcare Fund				
Equipment	4,364	-	4,364	-
Regional Wellness Center				
Buildings	1,254,068	135,177	-	1,389,245
Equipment	303,060	36,304	33,702	305,662
	<u>1,557,128</u>	<u>171,481</u>	<u>33,702</u>	<u>1,694,907</u>
Total Accumulated Depreciation	<u>1,771,045</u>	<u>211,710</u>	<u>70,456</u>	<u>1,912,299</u>
Total Capital Assets Being Depreciated, Net	<u>4,393,347</u>	<u>(153,908)</u>	<u>5,543</u>	<u>4,233,896</u>
Business-Type Activity Capital Assets, Net	<u>\$ 4,475,697</u>	<u>\$ (153,908)</u>	<u>\$ 5,543</u>	<u>\$ 4,316,246</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

Depreciation expense was charged by the District as follows:

**Governmental Activities**

Instruction:		
Regular	\$	34,871
Support Services		
Student Services		130
Instructional Staff		88,223
Administration		2,704
Operation and Maintenance		45,725
Transportation		54,774
		191,556
Unallocated Depreciation		583,717
 Total Depreciation Expense - Governmental Activities	 \$	 810,144

**Business-type Activities**

Food Services	\$	42,028
Wellness Center		175,226
		217,254

**Reconciliation of Investments in Capital Assets:**

	Governmental Activities	Business-type Activity
Land	\$ 583,745	\$ 82,350
Capital Assets (net of accumulated depreciation)	16,385,449	4,233,896
Less: Bonds Payable	8,280,000	-
Notes Payable	165,000	-
Unamortized Bond Premiums	12,724	-
	\$ 8,511,470	\$ 4,316,246

**Note 4 – INTER FUND TRANSFERS**

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

Transfer To	Transfer From	Amount
Nonmajor Governmental: Debt Service	Governmental: Capital Projects Fund	\$ 140,000
Nonmajor Governmental: Debt Service	Nonmajor Governmental: PPEL	88,030
Regional Wellness Center	Nonmajor Governmental: Inman Trust	50,000
Governmental: General Fund	Nonmajor Governmental: Sanborn Endowment	34,645
Governmental: General Fund	Childcare Fund	1,924
		\$ 314,599

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 4 – INTER FUND TRANSFERS (Continued)**

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

**Note 5 – LONG-TERM LIABILITIES**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 6,860,000	\$ -	\$ 365,000	\$ 6,495,000	\$ 385,000
Sales Tax Revenue Bonds	2,045,000	-	260,000	1,785,000	270,000
PPEL Note	245,000	-	80,000	165,000	80,000
Early Retirement	395,170	190,611	171,049	414,732	277,981
Net OPEB Liability	<u>138,606</u>	<u>133,333</u>	<u>-</u>	<u>271,939</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 9,683,776</u>	<u>\$ 323,944</u>	<u>\$ 876,049</u>	<u>\$ 9,131,671</u>	<u>\$ 1,012,981</u>

Bond Payable listed on Statement of Net Position includes Unamortized Bond Premiums of \$12,724.

**Bonds Payable**

The District adopted a resolution, on November 4, 2009, providing for the issuance of \$ 525,000 in General Obligation School Capital Loan Notes, Series 2009. Details of the District's June 30, 2014 general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	<u>Bond Issue of December 1, 2009</u>	
		<u>Principal</u>	<u>Interest</u>
2015	3.10 %	\$ 80,000	\$ 5,370
2016	3.40	85,000	2,890
	Total	<u>\$ 165,000</u>	<u>\$ 8,260</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 5 – LONG-TERM LIABILITIES (Continued)**

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

Details of the District's June 30, 2014 local option tax revenue bonded indebtedness are as follows:

<u>Year Ending</u>	<u>Interest</u>	<u>Bond Issue of June 9, 2008</u>	
		<u>Principal</u>	<u>Interest</u>
2015	4.05 %	\$ 270,000	\$ 66,825
2016	4.05	280,000	55,688
2017	4.05	290,000	44,145
2018	4.05	300,000	32,197
2019	4.05	315,000	19,744
2020	4.05	<u>330,000</u>	<u>6,682</u>
	Total	<u>\$ 1,785,000</u>	<u>\$ 225,281</u>

The District adopted a resolution on April 9, 2007, providing for the issuance of \$ 8.7 million in General Obligation School Bonds, Series 2007. Details of the District's June 30, 2014 general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	<u>Bond Issue of April 9, 2007</u>	
		<u>Principal</u>	<u>Interest</u>
2015	4.00 %	\$ 385,000	\$ 268,618
2016	4.00	400,000	253,218
2017	4.00	420,000	233,218
2018	4.00	440,000	212,218
2019	4.00	455,000	194,618
2020-2024	4.00	2,020,000	588,472
2025-2027	4.00	<u>2,375,000</u>	<u>244,370</u>
	Total	<u>\$ 6,495,000</u>	<u>\$ 1,994,732</u>

**Early Retirement**

The District has offered a voluntary early retirement plan to its certified and support staff. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. For the current year, the benefit consists of a lump sum payment to be made in two equal installments. Early retirement benefits paid during the year ended June 30, 2014, totaled \$271,939. There were 22 retired individuals receiving benefits at June 30, 2014.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 6 – PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll for the year ended June 30, 2014. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$724,565, \$684,751, and \$663,234 respectively, equal to the required contributions for each year.

**Note 7 – OTHER POST EMPLOYMENT BENEFITS**

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

*Funding Policy.* The District currently finances the retiree benefit plan on a pay-as-you-go basis.

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

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

Annual required contribution	\$ 240,717
Interest on net OPEB obligation	3,465
Adjustment to annual required contribution	(13,585)
Annual OPEB cost (Expense)	230,597
Contributions made	(97,264)
Increase in net OPEB obligation	133,333
Net OPEB obligation - beginning of year	138,606
Net OPEB obligation - end of year	\$ 271,939

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 240,717	42.18%	\$ 271,939
2013	\$ 249,369	49.59%	\$ 138,606
2012	\$ 125,964	95.98%	\$ 13,569
2011	\$ 123,464	103.00%	\$ 8,829

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 7 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

*Funded Status and Funding Progress.* The funded status of the plan as of December 31, 2012 was as follows:

Actuarial accrued liability (AAL)	\$ 1,035,014
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,035,014</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active members)	\$ 7,892,204
UAAL as a percentage of covered payroll	13.11%

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2.5% interest discount rate and an annual medical healthcare cost trend rate of 6% select trend and a 6% ultimate trend. The participation assumed is 80% for non-Certified employees and 80% for all other employees. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8 – RISK MANAGEMENT**

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

**Note 9 – HEALTH CARE COVERAGE**

The District maintains the Insurance Internal Service Fund to account for the District's employee health care coverage program which is self-insured by the District beginning July 1, 2003. Aggregate stop-loss insurance and specific stop-loss insurance are covered through third-party insurance policies. Revenues are recognized from payroll deduction and District contributions. As of June 30, 2014, an estimated liability of \$160,000 has been recorded, which represents estimated claims incurred but not yet reported.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 9 – HEALTH CARE COVERAGE (Continued)**

Changes in the medical claims liability amounts were:

Liability, Beginning of Year	\$ 258,184
Current Year Claims and Changes in Estimates	1,275,427
Claim Payments	<u>(1,245,191)</u>
Liability, End of Year	<u>\$ 288,420</u>

**Note 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 \$559,942 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11 – CATERGORICAL FUNDING**

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

<u>Program</u>	<u>Amount</u>
Supplementary Weighting	\$ 9,228
Limited English Proficiency	14,006
Talented and Gifted	232,409
Teacher Leadership	10,012
Voluntary 4 Year Old Preschool	77,751
Beginning Teacher Mentoring	1,620
Teacher Salary Supplement	103,324
Successful Program for Early Readers	22,908
Educator Quality	55,841
Teacher Quality Professional Development	4
Total	<u>\$ 527,103</u>

**Note 12 – PRIOR PERIOD ADJUSTMENT – ACCOUNTING CHANGE**

During 2014, the District implemented Governmental Accounting Standards Board Statement No. 65 and the District has restated the beginning net position in the Statement of Activities. In previous years, bond issuance costs were deferred and amortized over the term of the bonds. GASB No. 65 now requires these costs to be recognized in the period the loan originated. This results in decreasing the 2013 beginning net position by \$45,612.

**Government-Wide Financial Statements**

	<u>Statement of Activities</u>
Beginning Net Position As Previously Reported	\$ 13,905,362
Accounting Change - Bond Costs	<u>(45,612)</u>
Beginning Net Position, As Restated	<u>\$ 13,859,750</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 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.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
<b>Receipts:</b>					
Local Sources:					
Local Taxes	\$ 7,016,424	\$ -	\$ 7,016,424	\$ 6,791,148	\$ 225,276
Tuition	314,651	-	314,651	309,250	5,401
Other	492,958	792,528	1,285,486	1,462,133	(176,647)
State Sources	8,492,959	10,540	8,503,499	8,228,499	275,000
Federal Sources	567,931	450,047	1,017,978	924,045	93,933
Total Receipts	<u>16,884,923</u>	<u>1,253,115</u>	<u>18,138,038</u>	<u>17,715,075</u>	<u>422,963</u>
<b>Expenditures:</b>					
Instruction	10,071,885	-	10,071,885	11,124,484	1,052,599
Support Services	4,121,749	-	4,121,749	4,757,928	636,179
Non-instructional Programs	-	1,442,789	1,442,789	1,500,000	57,211
Other Expenditures	1,986,039	-	1,986,039	2,269,556	283,517
Total Expenditures	<u>16,179,673</u>	<u>1,442,789</u>	<u>17,622,462</u>	<u>19,651,968</u>	<u>2,029,506</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	705,250	(189,674)	515,576	(1,936,893)	2,452,469
<b>Other Financing Sources (Uses):</b>					
Transfers In	264,599	50,000	314,599	489,823	(175,224)
Transfers Out	(312,675)	(1,924)	(314,599)	(489,823)	175,224
Total Other Financing Sources (Uses)	<u>(48,076)</u>	<u>48,076</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	657,174	(141,598)	515,576	(1,936,893)	2,452,469
<b>Fund Balance at Beginning of Year</b>	<u>4,847,778</u>	<u>5,597,725</u>	<u>10,445,503</u>	<u>10,445,503</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 5,504,952</u>	<u>\$ 5,456,127</u>	<u>\$ 10,961,079</u>	<u>\$ 8,508,610</u>	<u>\$ 2,452,469</u>

See Accompanying Independent Auditor's Report

**ESTHERVILLE LINCOLN CENTRAL 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 Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2014, expenditures did not exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
YEAR ENDED JUNE 30, 2014**

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	7/1/2008	\$ -	\$ 1,409,340	\$ 1,409,340	0%	\$ 5,372,556	26.23%
2011	7/1/2010	\$ -	\$ 1,215,372	\$ 1,215,372	0%	\$ 7,438,763	16.34%
2012	7/1/2010	\$ -	\$ 1,215,372	\$ 1,215,372	0%	\$ 7,438,763	16.34%
2013	7/1/2012	\$ -	\$ 1,184,544	\$ 1,184,544	0%	\$ 7,892,204	15.01%
2014	7/1/2012	\$ -	\$ 1,184,544	\$ 1,184,544	0%	\$ 7,892,204	15.01%

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

**OTHER SUPPLEMENTARY  
INFORMATION**

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL NONMAJOR FUNDS  
 JUNE 30, 2014

	Special Revenue			Debt Service	Capital Projects		Total
	Student Activity	Management	Inman Trust	Debt Service	Physical Plant and Equipment		
<b>Assets</b>							
Cash and Pooled Investments	\$ 198,947	\$ 458,168	\$ 75,636	\$ 45,641	\$ 405,006	\$ 142,389	\$ 1,325,787
Receivables:							
Property Tax	-	3,300	-	-	5,212	3,619	12,131
Succeeding Year Property Tax	-	349,700	-	-	653,618	558,099	1,561,417
Accounts	2,744	-	-	-	-	-	2,744
<b>Total Assets</b>	<u>201,691</u>	<u>811,168</u>	<u>75,636</u>	<u>45,641</u>	<u>1,063,836</u>	<u>704,107</u>	<u>2,902,079</u>
<b>Liabilities</b>							
Accounts Payable	-	1,254	-	-	-	300	1,554
Salaries and Benefits Payable	456	-	-	-	-	-	456
Early Retirement Payable	-	277,981	-	-	-	-	277,981
Due to Other Funds	11,356	-	-	-	-	-	11,356
<b>Total Liabilities</b>	<u>11,812</u>	<u>279,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>	<u>291,347</u>
<b>Deferred Inflows of Resources</b>							
Unavailable revenues:							
Succeeding Year Property Tax	-	349,700	-	-	653,618	558,099	1,561,417
<b>Fund Balance</b>							
Restricted:							
Debt Service	-	-	-	-	410,218	-	410,218
Student Activities	189,879	-	-	-	-	-	189,879
Management Levy	-	182,233	-	-	-	-	182,233
Inman Trust	-	-	75,636	-	-	-	75,636
Sanborn Endowment	-	-	-	45,641	-	-	45,641
Physical Plant and Equipment	-	-	-	-	-	145,708	145,708
<b>Total Fund Balance</b>	<u>189,879</u>	<u>182,233</u>	<u>75,636</u>	<u>45,641</u>	<u>410,218</u>	<u>145,708</u>	<u>1,049,315</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 201,691</u>	<u>\$ 811,168</u>	<u>\$ 75,636</u>	<u>\$ 45,641</u>	<u>\$ 1,063,836</u>	<u>\$ 704,107</u>	<u>\$ 2,902,079</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL NONMAJOR FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue			Debt Service	Capital Projects	Total
	Student Activity	Management	Inman Trust	Debt Service	Physical Plant and Equipment	
Revenues:						
Local Sources:						
Local tax	\$ -	\$ 400,964	\$ -	\$ -	\$ 444,924	\$ 1,485,627
Other	337,125	10,298	14	7	30,225	379,028
State Sources	-	237	-	-	260	872
Total Revenues	<u>337,125</u>	<u>411,499</u>	<u>14</u>	<u>7</u>	<u>475,409</u>	<u>1,865,527</u>
Expenditures:						
Current:						
Instruction:						
Regular Instruction	-	266,110	-	-	-	266,110
Other Instruction	314,156	-	-	-	-	314,156
Support Services:						
Instructional Staff Services	-	-	-	-	24,908	24,908
Administration Services	-	139,084	-	-	5,359	144,443
Operation and Maintenance	-	81,249	-	-	14,144	95,393
Transportation Services	-	17,918	-	-	-	17,918
Other Expenditures:						
Facilities Acquisition	-	-	-	-	283,300	283,300
Long Term Debt:						
Principal	-	-	-	-	705,000	705,000
Interest and Fiscal Charges	-	-	-	-	369,805	369,805
Total Expenditures	<u>314,156</u>	<u>504,361</u>	<u>-</u>	<u>-</u>	<u>1,074,805</u>	<u>2,221,033</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>22,969</u>	<u>(92,862)</u>	<u>14</u>	<u>7</u>	<u>(433,332)</u>	<u>(355,506)</u>
Other Financing Sources (Uses):						
Transfers In	-	-	-	-	228,030	228,030
Transfers Out	-	-	(50,000)	(34,645)	-	(172,675)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(34,645)</u>	<u>228,030</u>	<u>55,355</u>
Net Change in Fund Balances	22,969	(92,862)	(49,986)	(34,638)	(205,302)	(300,151)
Fund Balances - Beginning of Year	166,910	275,095	125,622	80,279	86,040	1,349,466
Fund Balances - End of year	<u>\$ 189,879</u>	<u>\$ 182,233</u>	<u>\$ 75,636</u>	<u>\$ 45,641</u>	<u>\$ 145,708</u>	<u>\$ 1,049,315</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PROPRIETARY NONMAJOR FUNDS  
 JUNE 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Childcare Center</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and Pooled Investments	\$ 201,877	\$ -	\$ 201,877
Due from Other Governments	11,054	-	11,054
Inventories	7,542	-	7,542
<b>Total Current Assets</b>	<u>220,473</u>	<u>-</u>	<u>220,473</u>
Noncurrent Assets:			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	184,501	-	184,501
<b>Total Noncurrent Assets</b>	<u>184,501</u>	<u>-</u>	<u>184,501</u>
<b>Total Assets</b>	<u>404,974</u>	<u>-</u>	<u>404,974</u>
<b>Liabilities</b>			
Accounts Payable	6,325	-	6,325
Accrued Payroll	3,013	-	3,013
<b>Total Liabilities</b>	<u>9,338</u>	<u>-</u>	<u>9,338</u>
<b>Net Position</b>			
Net Investment in Capital Assets	184,501	-	184,501
Unrestricted	211,135	-	211,135
<b>Total Net Position</b>	<u>\$ 395,636</u>	<u>\$ -</u>	<u>\$ 395,636</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
PROPRIETARY NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Business-Type Activities -Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Childcare Center</u>	<u>Total</u>
Operating Revenues:			
Charges for Services	\$ 248,099	\$ 582	\$ 248,681
Miscellaneous	2,332	-	2,332
Total Operating Revenue	<u>250,431</u>	<u>582</u>	<u>251,013</u>
Operating Expenses:			
Non-Instructional Programs:			
Food Service Operations:			
Salaries and Benefits	296,537	-	296,537
Food	354,950	-	354,950
Purchased Services	15,533	-	15,533
Supplies	19,895	-	19,895
Depreciation	42,028	-	42,028
Community Service Operations:			
Salaries and Benefits	-	53	53
Total Operating Expense	<u>728,943</u>	<u>53</u>	<u>728,996</u>
Operating Income (Loss)	(478,512)	529	(477,983)
Non-Operating Revenues:			
Interest Income	451	-	451
State Sources	6,040	-	6,040
Federal Sources	450,047	-	450,047
Total Non-Operating Revenue	<u>456,538</u>	<u>-</u>	<u>456,538</u>
Change in Net Position Before Transfers	(21,974)	529	(21,445)
Transfers Out	-	(1,924)	(1,924)
Change in Net Position	<u>(21,974)</u>	<u>(1,395)</u>	<u>(23,369)</u>
Net Position - Beginning of Year	<u>417,610</u>	<u>1,395</u>	<u>419,005</u>
Net Position - End of Year	<u>\$ 395,636</u>	<u>\$ -</u>	<u>\$ 395,636</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY NONMAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Business Type Activities: Enterprise Funds</b>		
	<b>School Nutrition</b>	<b>Childcare Center</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Cash Received from Customers	\$ 248,733	\$ 1,656	\$ 250,389
Other Operating Receipts	2,332	-	2,332
Cash Payments for Goods and Services	(347,624)	(13)	(347,637)
Cash Payments for Salaries and Benefits	(297,020)	(2,271)	(299,291)
Net Cash (Used) by Operating Activities	(393,579)	(628)	(394,207)
<b>Cash Flows From Non-Capital Financing Activities</b>			
State Grants Received	6,038	-	6,038
Federal Grants Received	404,196	-	404,196
Transfers to General Fund	-	(1,924)	(1,924)
Net Cash Provided (Used) by Non-Capital Financing Activities	410,234	(1,924)	408,310
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition of Capital Assets	(16,370)	-	(16,370)
Net Cash (Used) by Capital and Related Financing Activities	(16,370)	-	(16,370)
<b>Cash Flows From Investing Activities:</b>			
Interest on Investments	451	-	451
Net Cash Provided By Investing Activities	451	-	451
<b>Net Increase (Decrease) In Cash and Pooled Investments</b>	736	(2,552)	(1,816)
<b>Cash and Pooled Investments At Beginning of Year</b>	201,141	2,552	203,693
<b>Cash and Pooled Investments At End of Year</b>	<u>\$ 201,877</u>	<u>\$ -</u>	<u>\$ 201,877</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>			
Income (Loss) from Operations	\$ (478,512)	\$ 529	\$ (477,983)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:			
Depreciation	42,028	-	42,028
Commodities Used	45,851	-	45,851
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	-	1,074	1,074
Due from Other Governments	634	-	634
Inventories	2,483	-	2,483
Accounts Payable	(5,581)	(13)	(5,594)
Accrued Salaries and Benefits	(482)	(2,218)	(2,700)
<b>Net Cash (Used) by Operating Activities</b>	<u>\$ (393,579)</u>	<u>\$ (628)</u>	<u>\$ (394,207)</u>
<b>Non-Cash Investing, Capital and Financing Activities:</b>			
Federal Food Commodities Received	<u>\$ 45,851</u>		

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>Assets</b>				
Cash	\$ 8,668	\$ 26,976	\$ 32,217	\$ 3,427
<b>Liabilities</b>				
Other Payables	\$ 8,668	\$ 26,976	\$ 32,217	\$ 3,427

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2014**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary	\$ 15,088	\$ 28,936	\$ 30,128	\$ 13,896
High School Activity	51,425	47,392	58,477	40,340
Athletics	58,343	213,930	180,142	92,131
Middle School	42,054	46,867	45,409	43,512
Total	<u>\$ 166,910</u>	<u>\$ 337,125</u>	<u>\$ 314,156</u>	<u>\$ 189,879</u>

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ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST TEN YEARS ENDED JUNE 30, 2014

	Modified Accrual Basis				
	2014	2013	2012	2011	2010
<b>Revenues:</b>					
Local Sources:					
Local Tax	\$ 7,016,424	\$ 6,977,009	\$ 6,620,899	\$ 7,016,592	\$ 6,498,079
Tuition	314,651	373,121	300,897	381,491	434,106
Other	492,958	587,896	617,328	659,478	684,644
State Sources	8,492,959	8,260,727	8,141,310	7,740,392	6,835,507
Federal Sources	567,931	575,652	761,100	1,079,965	1,515,041
<b>Total</b>	<u>16,884,923</u>	<u>16,774,405</u>	<u>16,441,534</u>	<u>16,877,918</u>	<u>15,967,377</u>
<b>Expenditures:</b>					
Instruction:					
Regular Instruction	6,190,513	5,589,958	6,042,538	6,079,070	5,909,343
Special Instruction	2,086,447	2,053,809	1,928,926	1,929,771	1,911,593
Other Instruction	1,794,925	1,966,513	1,935,926	2,132,956	2,138,608
Support Services:					
Student Services	225,194	240,358	337,016	387,072	490,912
Instructional Staff Services	683,294	793,438	679,220	639,083	506,034
Administration Services	1,434,817	1,431,564	1,355,262	1,262,382	1,261,090
Operation and Maintenance	1,318,598	1,224,135	1,192,123	1,275,981	1,419,474
Transportation Services	459,846	399,317	435,006	368,448	304,576
Non-Instructional Programs	-	-	-	-	-
Other / Expenditures:					
Facilities acquisition	351,292	94,609	318,799	255,304	1,371,278
Long-Term Debt:					
Principal	705,000	675,000	660,000	635,000	370,000
Interest and other charges	369,805	395,858	420,814	444,290	455,857
AEA flowthrough	559,942	538,589	519,919	574,869	556,771
<b>Total</b>	<u>\$ 16,179,673</u>	<u>\$ 15,403,148</u>	<u>\$ 15,825,549</u>	<u>\$ 15,984,226</u>	<u>\$ 16,695,536</u>

## Modified Accrual Basis

2009	2008	2007	2006	2005
\$ 5,907,462	\$ 5,790,012	\$ 5,395,697	\$ 4,869,098	\$ 4,515,401
407,361	430,169	438,187	486,143	1,121,539
721,689	1,206,195	773,995	677,697	641,058
7,858,023	7,403,364	6,925,705	6,592,251	6,566,433
664,310	650,712	714,868	794,636	1,270,901
<u>15,558,845</u>	<u>15,480,452</u>	<u>14,248,452</u>	<u>13,419,825</u>	<u>14,115,332</u>
5,945,534	5,783,701	5,482,880	4,854,333	5,005,459
1,804,986	2,294,466	2,247,870	2,582,724	2,522,207
1,856,346	1,158,467	1,121,639	1,208,262	1,327,093
452,040	461,319	430,053	485,436	731,119
594,405	610,500	568,946	590,959	186,431
1,202,436	1,167,759	1,072,712	1,153,144	1,090,947
1,320,289	1,242,155	1,237,471	1,108,029	1,116,373
430,439	389,462	421,815	381,856	338,691
-	-	-	-	4,396
7,160,031	6,140,840	747,915	325,530	152,996
285,000	925,000	314,015	303,028	283,028
407,583	393,640	102,058	70,200	85,462
495,760	466,718	448,147	421,253	419,600
<u>\$ 21,954,849</u>	<u>\$ 21,034,027</u>	<u>\$ 14,195,521</u>	<u>\$ 13,484,754</u>	<u>\$ 13,263,802</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>Indirect:</b>		
U.S. Department of Agriculture		
Iowa Department of Education:		
School Nutrition Cluster Programs:		
School Breakfast Program	10.553	\$ 72,866
National School Lunch Program	10.555	356,827
Summer Food Service Program	10.559	20,353
		<u>450,046</u>
 U.S. Department of Education		
Iowa Department of Education:		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	242,591
Title I SINA	84.010	14,704
		<u>257,295</u>
 Title I Program for Neglected and Delinquent Children	84.013	76,678
Career and Technical Education - Basic Grants to States	84.048	9,433
Advanced Placement Program	84.330	144
Title III English Language Acquisition State Grants	84.365	12,816
Improving Teacher Quality State Grants	84.367	50,882
Grants for State Assessments and Related Activities	84.369	7,288
 Area Education Agency:		
Special Education - Grants to States	84.027	65,139
 U.S. Department of Health and Human Services:		
Iowa Department of Human Services:		
Medical Assistance Program	93.778	72,021
 Total Indirect		<u><u>\$ 1,001,742</u></u>

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



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARD**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Estherville Lincoln Central Community School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Estherville Lincoln Central Community School District's basic financial statements, and have issued our report thereon dated November 14, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Estherville Lincoln Central Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Estherville Lincoln Central Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control.

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

*A deficiency in internal control* exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item 14-II-A to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Estherville Lincoln Central Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Estherville Lincoln Central Community School District's Response to Findings

Estherville Lincoln Central Community School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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 it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa

November 14, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education  
Estherville Lincoln Central Community School District

**Report on Compliance for Each Major Federal Program**

We have audited Estherville Lincoln Central Community School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Estherville Lincoln Central Community School District's major federal programs for the year ended June 30, 2014. Estherville Lincoln Central Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Estherville Lincoln Central Community School District's compliance.

***Opinion on Each Major Federal Program***

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

## Report on Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 14-III-A that we consider to be a significant deficiency.

Estherville Lincoln Central Community School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Estherville Lincoln Central Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Williams + Company, P.C.*  
Certified Public Accountants

Spencer, Iowa

November 14, 2014

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

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

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**MATERIAL WEAKNESS:**

**14-II-A Financial Reporting**

Observation – During our audit, we identified material amounts of capital assets, long term portion of early retirement liability, OPEB liability, revenues and expenses, and immaterial amounts of cash, receivables, incurred but not reported claims liability, short term portion of early retirement liability, fund balances, revenues and expenses not recorded or recorded incorrectly in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all cash, receivables, capital assets, payables, other liabilities, fund balances, revenues and expenses are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any cash, receivables, capital assets, payables, other liabilities, fund balances, revenues and expenses have been recorded properly.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**SIGNIFICANT DEFICIENCY:**

**CFDA Number 10.553 – School Breakfast Program  
CFDA Number 10.555 – National School Lunch Program  
CFDA Number 10.559 – Summer Food Service Program  
Federal Award Year – 2014  
Passed through the Iowa Department of Education**

**14-III-A Awarding of Free and Reduced Meals**

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified three instances where we could not locate the applications to be able to verify that the students were properly awarded free or reduced meals.

Recommendation – We recommend that the District develops a policy in which the applications can be saved in two spots once completed. We would recommend that one copy be kept in a file cabinet and another copy be scanned in and saved electronically.

Response – The District will reevaluate the current procedures associated with the storage of the applications. We will ensure a back-up copy of the applications will be saved within the District.

Conclusion – Response accepted.

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

14-IV-A: Certified Budget – Disbursements for the year ended June 30, 2014 did not exceed the certified budget amounts.

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

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Duane Schnell, Board Member Owner of Jensen Furniture Stores	Carpet & Misc. Furnishings	\$ 4,264

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

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

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

- 14-IV-E Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 14-IV-F Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 14-IV-G Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- 14-IV-H Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 14-IV-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 14-IV-J Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.
- 14-IV-K Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-IV-L Statewide Sales and Service Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 1,425,105
Statewide Sales and Services	1,185,487	
Other local revenue	4,460	1,189,947
Expenditures/Transfers Out:		
Equipment	151,265	
Transfers to other funds:	140,000	291,265
Ending Balance		\$ 2,323,787

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

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

14-IV-M Deficit Balances – No funds had a deficit balance at June 30, 2014.

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

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2014**

**13-III-A Eligibility of Free and Reduced Meals**

Observation – During our review of internal control structure over the School Breakfast Program and National School Lunch Program, we identified four applications that did not have a confirming second signature on the application.

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

Current Status – All applications tested in the current year had two signatures.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
JUNE 30, 2014**

Department of Education:

Estherville Lincoln Central Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2014.

The audit was performed by Williams & Company, P.C., P.O. Box 908, Spencer, Iowa, for the fiscal year ended June 30, 2014.

The findings from the June 30, 2014 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**SIGNIFICANT DEFICIENCY:**

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

Observation – During our review of compliance requirements over the School Breakfast Program and National School Lunch Program, we identified three instances where we could not locate the applications to be able to verify that the students were properly awarded free or reduced meals.

Recommendation – We recommend that the District develops a policy in which the applications can be saved in two spots once completed. We would recommend that one copy be kept in a file cabinet and another copy be scanned in and saved electronically.

Response – The District will reevaluate the current procedures associated with the storage of the applications. We will ensure a back-up copy of the applications will be saved within the District.

Conclusion – Response accepted.

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

Sincerely yours,

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT



Tara Paul, Superintendent