

**ESTHERVILLE LINCOLN CENTRAL
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

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ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>BOARD OF EDUCATION</u>		
(Before September 2014 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
(After September 2014 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
<u>SCHOOL OFFICIALS</u>		
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, 2015, 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.

Auditor's 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, 2015, 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

As discussed in Note 13 to the financial statements, Estherville Lincoln Central Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinions are 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, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions, the Notes to Required Supplementary Information – Pension Liability and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 47 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 nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those 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 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 January 15, 2016 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

January 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Estherville Lincoln Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015.

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,829,449 in fiscal 2014 to \$14,260,674 in fiscal 2015, while General Fund expenditures increased from \$13,807,375 in fiscal 2014 to \$14,033,806 in fiscal 2015. The District's General Fund balance increased from \$2,131,850 in fiscal 2014 to \$2,358,718 in fiscal 2015, a 10.64% increase.
- The increase in expenditures was 1.64%. This increase in expenditures is primarily attributable to the 2.45% increase in salaries and benefits and a decrease in other expenditures such as utilities, flow through dollars to the residential facility in the district and other expenditures. The 3.12% increase in revenue is due mainly to an increase in state aid and property tax reflecting the increase in enrollment the district had in the October 2014 count and a 4% increase in supplemental state aid.
- Interest rates remained low and earnings in the General Fund increase from \$11,127 in fiscal year 2014 to \$12,397 in fiscal year 2015.
- 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 \$ 1,668,598 at June 30, 2015 and increased by 13.8% from the year ending June 30, 2014.

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 financial 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

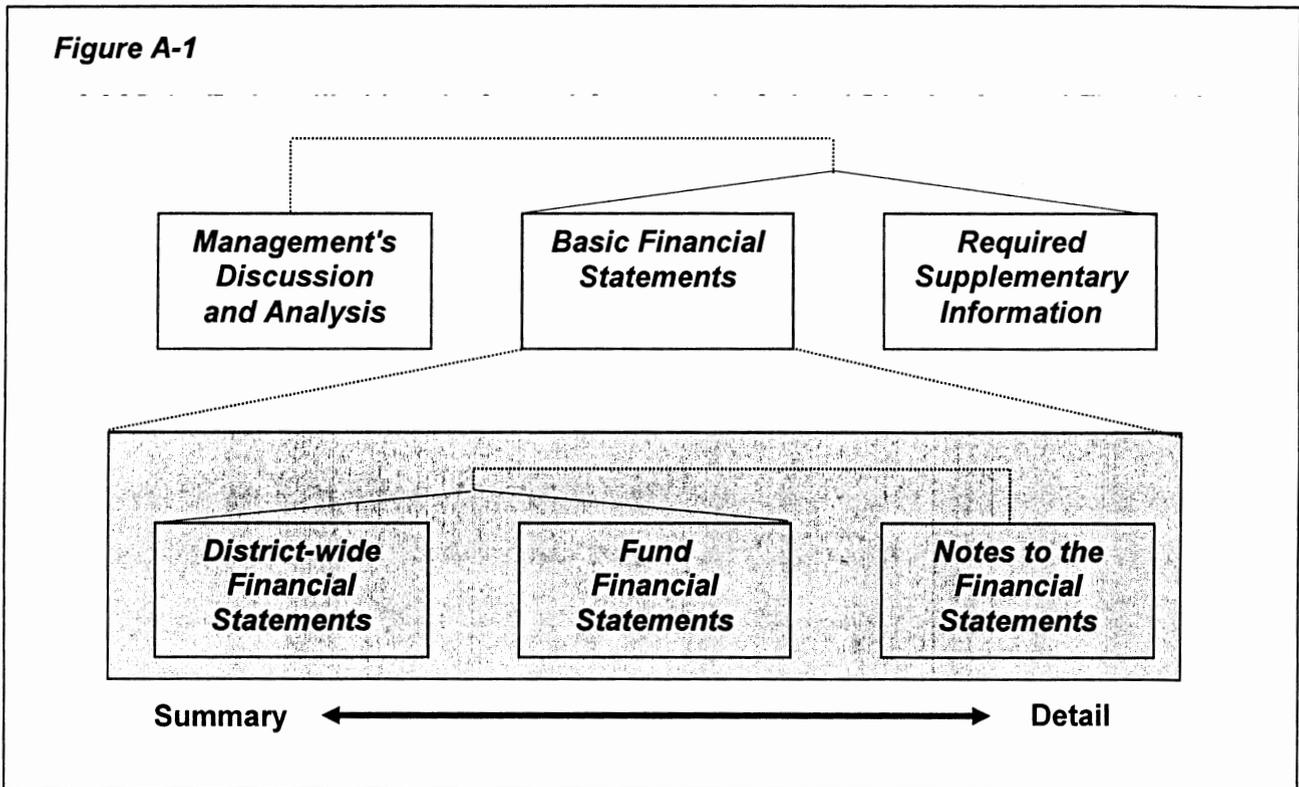


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.

- 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, 2015 compared to June 30, 2014.

Figure A-3							
Condensed Statement of Net Position							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2014		2014		2014		2014-2015
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	
Current and Other Assets	\$ 23,933,426	\$ 14,151,434	\$ 1,332,049	\$ 1,242,566	\$ 25,265,475	\$ 15,394,000	64.1%
Capital Assets	20,293,853	16,969,194	4,145,009	4,316,246	24,438,862	21,285,440	14.8%
Total Assets	<u>44,227,279</u>	<u>31,120,628</u>	<u>5,477,058</u>	<u>5,558,812</u>	<u>49,704,337</u>	<u>36,679,440</u>	<u>35.5%</u>
Deferred Outflows of Resources	959,253	-	52,418	-	1,011,671	-	100%
Long-Term Liabilities	21,494,039	8,131,414	255,109	-	21,749,148	8,131,414	167.5%
Other Liabilities	4,322,823	1,708,302	94,887	102,685	4,417,710	1,810,987	143.9%
Total Liabilities	<u>25,816,862</u>	<u>9,839,716</u>	<u>349,996</u>	<u>102,685</u>	<u>26,166,858</u>	<u>9,942,401</u>	<u>163.2%</u>
Deferred Inflows of Resources	7,940,913	6,016,561	100,645	-	8,041,558	6,016,561	33.7%
Net Position:							
Net Investment in Capital Assets	9,508,620	8,511,470	4,145,009	4,316,246	13,653,629	12,827,716	6.4%
Restricted	3,957,091	3,688,649	-	-	3,957,091	3,688,649	7.3%
Unrestricted	(2,036,954)	3,064,232	933,826	1,139,881	(1,103,128)	4,204,113	-126.2%
Total Net Position	<u>\$ 11,428,757</u>	<u>\$ 15,264,351</u>	<u>\$ 5,078,835</u>	<u>\$ 5,456,127</u>	<u>\$ 16,507,592</u>	<u>\$ 20,720,478</u>	<u>-20.3%</u>

The District's combined net position at June 30, 2014 was \$20,720,478 and decreased to \$16,507,592 at June 30, 2015, a decrease of 20.3%. This decrease in net position came from its governmental activities, due to the recording of the net pension liability as required by GASB 68.

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 \$268,442, 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) decreased by 126.2%. This decrease in unrestricted net assets was primarily a result of the District's net pension liability recorded in the current year as required by GASB 68.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$5,908,049 and \$323,412, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-2015
2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-2015	
Revenues							
Program Revenues:							
Charges for Service	\$ 790,359	\$ 743,024	\$ 764,064	\$ 746,163	\$ 1,554,423	\$ 1,489,187	4.4%
Operating Grants, Contributions, and Restricted Interest	2,162,312	2,084,742	521,361	503,830	2,683,673	2,588,572	3.7%
General Revenues:							
Property Tax	6,087,221	5,830,937	-	-	6,087,221	5,830,937	4.4%
Statewide Sales, Services and Use Tax	1,297,982	1,185,487	-	-	1,297,982	1,185,487	9.5%
Unrestricted State Grants	7,087,455	6,976,657	-	-	7,087,455	6,976,657	1.6%
Unrestricted Investment Earnings	26,882	17,599	3,920	3,122	30,802	20,721	48.7%
Gain on Disposals of Fixed Assets	-	16,214	1,600	-	1,600	16,214	-90.1%
Other	105,377	16,377	-	-	105,377	16,377	543.4%
Transfers	(75,638)	(48,076)	75,638	48,076	-	-	-
Total Revenues and Transfers	17,481,950	16,822,961	1,366,583	1,301,191	18,848,533	18,124,152	4.0%
Program Expenses:							
Instruction	9,725,295	9,721,345	-	-	9,725,295	9,721,345	0.0%
Support Services	4,139,215	4,058,822	-	-	4,139,215	4,058,822	2.0%
Non-Instructional Programs	-	-	1,420,463	1,442,789	1,420,463	1,442,789	-1.5%
Other expenses	1,592,934	1,638,193	-	-	1,592,934	1,638,193	-2.8%
Total Expenses	15,457,444	15,418,360	1,420,463	1,442,789	16,877,907	16,861,149	0.1%
Change In Net Position	\$ 2,024,506	\$ 1,404,601	\$ (53,880)	\$ (141,598)	\$ 1,970,626	\$ 1,263,003	56.0%

In fiscal 2015, property tax and unrestricted state grants accounted for 75% of the revenue from governmental activities while charges for service and operating grants, contributions, and restricted interest accounted for 96% of the revenue from business type activities.

The District's total revenues were approximately \$18.8 million of which \$17.5 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 4% increase in revenues and a .1% increase in expenses. The district experienced a small increase in enrollment along with a 4% allowable growth rate from the state that increase revenues and expenditures were kept low in part to attrition of teaching staff.

Governmental Activities

Revenues for governmental activities were \$17,481,950 and expenses were \$15,457,444 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014- 2015	2015	2014 (Not restated)	Change 2014- 2015
Instruction	\$ 9,725,295	\$ 9,721,345	0.0%	\$ 7,386,379	\$ 7,476,409	-1.2%
Support Services	4,139,215	4,058,822	2.0%	4,113,070	4,035,934	1.9%
Other Expenses	1,592,934	1,638,193	-2.8%	1,005,324	1,078,251	-6.8%
Total	\$ 15,457,444	\$ 15,418,360	0.3%	\$ 12,504,773	\$ 12,590,594	-0.7%

- The cost financed by users of the District's programs was \$790,359.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,162,312.
- The net cost of governmental activities was financed with \$7,385,203 in property and other taxes and \$7,087,455 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$1,366,583 representing a 5.03% increase over the prior year while expenses totaled \$1,420,463 a 1.55% decrease over the prior year. The District's business type activities include the School Nutrition Fund and the Regional Wellness Center. Revenues of the School Nutrition Fund were comprised of charges for service, federal and state reimbursements and investment income. The Regional Wellness Center had a decrease in Net Position of \$39,367 for the fiscal year ending June 30, 2015.

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 combined fund balances of \$12,396,761 a 125.19% increase from last year's ending fund balances of \$5,504,952. The primary reason for the increase in combined fund balances at the end of fiscal year 2015 is due mainly to the issuance of the Revenue Bonds to fund the Demoney Project.

Governmental Fund Highlights

- The General Fund balance increased from \$2,131,850 to \$2,358,718. The restricted amount of the 2,358,718 is \$524,625, which will be spent in the upcoming years.
- The Capital Projects Fund balance increased due to the issuance of the Revenue Bonds to fund the Demoney Project.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$218,663 at June 30, 2014 to \$204,150 at June 30, 2015 representing a decrease of approximately 6.64%.

Regional Wellness Center Fund net position decreased from \$4,914,052 at June 30, 2014 to \$4,874,685, a decrease of approximately .80%. Operating revenues were consistent with Fiscal Year 2014, operating expenditures decreased by 6.87%. 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 amend its budget during the fiscal year ending June 30, 2015 to reflect additional expenditures related to their building projects.

The District's revenues were \$230,560 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function due to the projects being completed before June 30.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$24.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 14.8% 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 \$1,055,341.

The original cost of the District's capital assets was \$35.7 million. Governmental funds account for \$29.5 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 (Not Restated)		2014 (Not Restated)		2014 (Not Restated)		2014-2015
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-2015
Land	\$ 583,745	\$ 583,745	\$ 82,350	\$ 82,350	\$ 666,095	\$ 666,095	0.00%
Construction in Progress	3,567,526	-	-	-	3,567,526	-	100.00%
Buildings	14,401,387	14,658,483	3,791,003	3,926,849	18,192,390	18,585,332	-2.11%
Improvements	455,475	494,243	-	-	455,475	494,243	-7.84%
Equipment, Furniture & Vehicles	1,285,720	1,232,723	271,656	307,047	1,557,376	1,539,770	1.14%
Total	\$ 20,293,853	\$ 16,969,194	\$ 4,145,009	\$ 4,316,246	\$ 24,438,862	\$ 21,285,440	14.81%

Long-Term Debt

At June 30, 2015, the District had \$17,243,233 of total long-term debt outstanding. This represents an increase of approximately 103.88% 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, on June 9, 2008 the District adopted a resolution providing for the issuance of \$ 2.8 million in School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2008, and on April 1, 2015 the District adopted a resolution providing for the issuance of \$9.525 million in School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2015. 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, 2015 of \$17,243,233.

Figure A-7			
Outstanding Long-Term Obligations			
	Total School District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
Revenue Bonds	\$ 11,040,000	\$ 1,785,000	518.49%
General Obligation Bonds	6,118,233	6,507,724	-5.99%
PPEL Note Payable	85,000	165,000	-48.48%
Total	\$ 17,243,233	\$ 8,457,724	103.88%

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 increased by 15% during FY 15, 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 has negotiated a two year salary agreement with the Education Association for fiscal years 2016 & 2017. 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 began an addition to the Demoney building to move elementary students to the centrally located campus. This project is being financed with Revenue Bonds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Pooled Investments	\$ 17,298,016	\$ 1,321,133	\$ 18,619,149
Receivables:			
Property Tax	47,095	-	47,095
Succeeding Year Property Tax	5,562,497	-	5,562,497
Accounts	15,860	-	15,860
Accrued Interest	1,395	1,594	2,989
Due From Other Governments	1,008,563	5,037	1,013,600
Inventories	-	4,285	4,285
Land	583,745	82,350	666,095
Construction in Progress	3,567,526	-	3,567,526
Capital Assets, Net of Accumulated Depreciation	16,142,582	4,062,659	20,205,241
Total Assets	44,227,279	5,477,058	49,704,337
Deferred Outflows of Resources			
Pension Related Deferred Outflows	959,253	52,418	1,011,671
Liabilities			
Accounts Payable	3,105,335	16,931	3,122,266
Salaries and Benefits Payable	96,876	13,730	110,606
Accrued Interest Payable	73,122	-	73,122
Unearned Revenue	-	64,226	64,226
Incurred But Not Reported Claims Liability	170,000	-	170,000
Long Term Liabilities:			
Portion Due Within One Year:			
Bonds Payable	730,000	-	730,000
Notes Payable	85,000	-	85,000
Early Retirement	62,490	-	62,490
Portion Due After One Year:			
Bonds Payable	16,428,233	-	16,428,233
Early Retirement	74,455	-	74,455
Net Pension Liability	4,660,336	255,109	4,915,445
Net OPEB Liability	331,015	-	331,015
Total Liabilities	25,816,862	349,996	26,166,858
Deferred Inflows of Resources			
Unavailable Revenue:			
Succeeding Year Property Tax	5,562,497	-	5,562,497
Succeeding Year Income Surtax	539,854	-	539,854
Pension Related Deferred Inflows	1,838,562	100,645	1,939,207
Total Deferred Inflows of Resources	7,940,913	100,645	8,041,558
Net Position			
Net Investment in Capital Assets	9,508,620	4,145,009	13,653,629
Restricted For:			
Categorical Funding	518,067	-	518,067
Medicaid (10%)	6,558	-	6,558
Debt Service	423,295	-	423,295
Sanborn Endowment	45,716	-	45,716
School Infrastructure	2,448,284	-	2,448,284
Physical Plant and Equipment Levy	138,201	-	138,201
Student Activities	194,663	-	194,663
Management Levy	182,307	-	182,307
Unrestricted	(2,036,954)	933,826	(1,103,128)
Total Net Position	\$ 11,428,757	\$ 5,078,835	\$ 16,507,592

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues			
	Expenses	Charges For Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 5,709,519	\$ 418,698	\$ 1,105,617	\$ -
Special Instruction	2,102,065	4,937	-	-
Other Instruction	1,913,711	366,724	442,940	-
Support Services:				
Student Services	233,300	-	-	-
Instructional Staff Services	881,063	-	26,145	-
Administration Services	1,374,198	-	-	-
Operation and Maintenance	1,254,891	-	-	-
Transportation Services	395,763	-	-	-
Other Expenditures:				
Facilities Acquisition	77,365	-	-	-
Loss on Disposal of Assets	580	-	-	-
Long-term Debt Interest	329,581	-	-	-
AEA Flowthrough	587,610	-	587,610	-
Depreciation (unallocated)*	597,798	-	-	-
Total Governmental Activities	15,457,444	790,359	2,162,312	-
Business-Type Activities:				
Non-instructional Programs:				
Nutrition Services	755,715	271,378	469,388	-
Wellness Center	664,748	492,686	51,973	-
Total Business-Type Activities	1,420,463	764,064	521,361	-
Total School District	\$ 16,877,907	\$ 1,554,423	\$ 2,683,673	\$ -

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

Total General Revenues & Transfers

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>
\$ (4,185,204)		\$ (4,185,204)
(2,097,128)		(2,097,128)
(1,104,047)		(1,104,047)
(233,300)		(233,300)
(854,918)		(854,918)
(1,374,198)		(1,374,198)
(1,254,891)		(1,254,891)
(395,763)		(395,763)
(77,365)		(77,365)
(580)		(580)
(329,581)		(329,581)
-		-
(597,798)		(597,798)
<u>(12,504,773)</u>		<u>(12,504,773)</u>
-	(14,949)	(14,949)
-	<u>(120,089)</u>	<u>(120,089)</u>
-	<u>(135,038)</u>	<u>(135,038)</u>
<u>(12,504,773)</u>	<u>(135,038)</u>	<u>(12,639,811)</u>
4,505,814	-	4,505,814
661,967	-	661,967
354,211	-	354,211
565,229	-	565,229
1,297,982	-	1,297,982
7,087,455	-	7,087,455
26,882	3,920	30,802
-	1,600	1,600
105,377	-	105,377
<u>(75,638)</u>	<u>75,638</u>	<u>-</u>
<u>14,529,279</u>	<u>81,158</u>	<u>14,610,437</u>
2,024,506	(53,880)	1,970,626
15,264,351	5,456,127	20,720,478
<u>(5,860,100)</u>	<u>(323,412)</u>	<u>(6,183,512)</u>
<u>9,404,251</u>	<u>5,132,715</u>	<u>14,536,966</u>
<u>\$ 11,428,757</u>	<u>\$ 5,078,835</u>	<u>\$ 16,507,592</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Assets				
Cash and Pooled Investments	\$ 2,531,369	\$ 11,276,008	\$ 1,264,687	\$ 15,072,064
Receivables:				
Property Tax	33,738	-	13,357	47,095
Succeeding Year Property Tax	4,044,659	-	1,517,838	5,562,497
Accounts	196	-	-	196
Accrued Interest	1,395	-	-	1,395
Due From Other Governments	806,043	202,520	-	1,008,563
Due From Other Funds	1,272	-	9,917	11,189
Total Assets	<u>7,418,672</u>	<u>11,478,528</u>	<u>2,805,799</u>	<u>21,702,999</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	376,764	2,564,554	92,014	3,033,332
Salaries and Benefits Payable	96,450	-	426	96,876
Early Retirement Payable	-	-	62,490	62,490
Due to Other Funds	2,227	7,690	1,272	11,189
Total Liabilities	<u>475,441</u>	<u>2,572,244</u>	<u>156,202</u>	<u>3,203,887</u>
Deferred Inflows of Resources				
Unavailable Revenue -				
Succeeding Year Property Tax	4,044,659	-	1,517,838	5,562,497
Succeeding Year Income Surtax	539,854	-	-	539,854
	<u>4,584,513</u>	<u>-</u>	<u>1,517,838</u>	<u>6,102,351</u>
Fund Balances:				
Restricted for:				
Categorical Funding	518,067	-	-	518,067
Medicaid(10%)	6,558	-	-	6,558
Debt Service	-	-	496,417	496,417
School Infrastructure	-	8,906,284	-	8,906,284
Student Activities	-	-	194,663	194,663
Management Levy	-	-	256,762	256,762
Sanborn Endowment	-	-	45,716	45,716
Physical Plant and Equipment	-	-	138,201	138,201
Unassigned	1,834,093	-	-	1,834,093
Total Fund Balances	<u>2,358,718</u>	<u>8,906,284</u>	<u>1,131,759</u>	<u>12,396,761</u>
Total Liabilities and Fund Balances	<u>\$ 7,418,672</u>	<u>\$ 11,478,528</u>	<u>\$ 2,805,799</u>	<u>\$ 21,702,999</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, 2015**

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

Total Fund Balance - Governmental Funds (page 17)		\$ 12,396,761
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		20,293,853
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.		(73,122)
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	2,241,616	
Accounts payable	(242,003)	
OPEB Liability	<u>(331,015)</u>	1,668,598
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported as assets and liabilities in the governmental funds, as follows:		
Deferred outflows of resources	959,253	
Deferred inflows of resources	<u>(1,838,562)</u>	(879,309)
Long-term liabilities, including bonds and notes payable, the long term portion of early retirement, other postemployment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(21,978,024)</u>
Total Net Position - Governmental Activities (page 14)		<u>\$ 11,428,757</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Statewide Sales, Services and Use Tax	Nonmajor Governmental Funds	Total
Revenues:				
Local Sources:				
Local Tax	\$ 4,505,814	\$ 1,297,982	\$ 1,581,407	\$ 7,385,203
Tuition	346,646	-	-	346,646
Other	159,110	22,171	394,491	575,772
State Sources	8,677,913	-	863	8,678,776
Federal Sources	571,191	-	-	571,191
Total Revenues	14,260,674	1,320,153	1,976,761	17,557,588
Expenditures:				
Current:				
Instruction:				
Regular Instruction	5,786,320	-	281,303	6,067,623
Special Instruction	2,189,388	-	-	2,189,388
Other Instruction	1,673,918	-	300,097	1,974,015
Support Services:				
Student Services	246,552	-	-	246,552
Instructional Staff Services	783,907	-	64,856	848,763
Administration Services	1,297,471	-	135,477	1,432,948
Operation and Maintenance	1,159,453	-	85,143	1,244,596
Transportation Services	309,187	123,925	38,579	471,691
Other Expenditures:				
Facilities Acquisition	-	3,724,444	250,198	3,974,642
Long Term Debt:				
Principal	-	-	735,000	735,000
Interest and Fiscal Charges	-	-	342,313	342,313
AEA Flowthrough	587,610	-	-	587,610
Total Expenditures	14,033,806	3,848,369	2,232,966	20,115,141
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	226,868	(2,528,216)	(256,205)	(2,557,553)
Other Financing Sources (Uses):				
Long-Term Debt Proceeds	-	9,525,000	-	9,525,000
Transfers In	-	-	500,157	500,157
Transfers Out	-	(414,287)	(161,508)	(575,795)
Total Other Financing Sources (Uses)	-	9,110,713	338,649	9,449,362
Net Change in Fund Balances	226,868	6,582,497	82,444	6,891,809
Fund Balances - Beginning of Year	2,131,850	2,323,787	1,049,315	5,504,952
Fund Balances - End of Year	\$ 2,358,718	\$ 8,906,284	\$ 1,131,759	\$ 12,396,761

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, 2015**

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

Net Change in Fund Balances - Total Governmental Funds (page 19)		\$ 6,891,809
<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	4,129,143	
Depreciation expense	<u>(851,854)</u>	3,277,289
<p>Bond premiums, discounts and similar items are deferred and amortized in the Statement of Activities.</p>		
		4,491
<p>Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.</p>		
		735,000
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		8,241
<p>The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are recorded as a deferred outflow of resources in the Statement of Net Position.</p>		
		702,933
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported expenditures in the governmental funds, as follows:</p>		
Early retirement	62,297	
Pension expense	<u>(334,529)</u>	(272,232)
<p>Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.</p>		
		(9,525,000)
<p>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.</p>		
		(580)
<p>Internal service funds are used by management to charge the costs of health insurance and benefits to individual funds. The net loss of the Internal Services Funds is reported with governmental activities net of the amount allocated to business-type activities.</p>		
Change in net position		<u>202,555</u>
Change in Net Position - Governmental Activities (page 16)		<u>\$ 2,024,506</u>

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-Type Activities - Enterprise			Governmental
	Wellness Center	Nonmajor Nutrition Fund	Total	Activities Internal Service Funds
Assets				
Current Assets:				
Cash and Pooled Investments	\$ 1,103,171	\$ 217,962	\$ 1,321,133	\$ 2,225,952
Accounts Receivable	-	-	-	15,664
Accrued Interest Receivable	1,594	-	1,594	-
Due from Other Governments	-	5,037	5,037	-
Inventories	-	4,285	4,285	-
Total Current Assets	<u>1,104,765</u>	<u>227,284</u>	<u>1,332,049</u>	<u>2,241,616</u>
Noncurrent Assets:				
Land	82,350	-	82,350	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	3,911,923	150,736	4,062,659	-
Total Noncurrent Assets	<u>3,994,273</u>	<u>150,736</u>	<u>4,145,009</u>	<u>-</u>
Total Assets	<u>5,099,038</u>	<u>378,020</u>	<u>5,477,058</u>	<u>2,241,616</u>
Deferred Outflows of Resources				
Pension Related Deferred Outflows	23,749	28,669	52,418	-
Liabilities				
Current Liabilities:				
Accounts Payable	12,465	4,466	16,931	72,003
Accrued Payroll	10,328	3,402	13,730	-
Unearned Revenues	64,226	-	64,226	-
Incurred But Not Reported Claims Liability	-	-	-	170,000
Net OPEB Liability	-	-	-	331,015
Total Current Liabilities	<u>87,019</u>	<u>7,868</u>	<u>94,887</u>	<u>573,018</u>
Noncurrent Liabilities:				
Net Pension Liability	115,512	139,597	255,109	-
Total Noncurrent Liabilities	<u>115,512</u>	<u>139,597</u>	<u>255,109</u>	<u>-</u>
Total Liabilities	<u>202,531</u>	<u>147,465</u>	<u>349,996</u>	<u>573,018</u>
Deferred Inflow of Resources				
Pension Related Deferred Inflows	45,571	55,074	100,645	-
Net Position				
Net Investment in Capital Assets	3,994,273	150,736	4,145,009	-
Unrestricted	880,412	53,414	933,826	1,668,598
Total Net Position	<u>\$ 4,874,685</u>	<u>\$ 204,150</u>	<u>\$ 5,078,835</u>	<u>\$ 1,668,598</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-Type Activities - Enterprise Funds			Governmental
	Wellness Center	Nonmajor Nutrition Fund	Total	Internal Service Funds
Operating Revenues:				
Charges for Services	\$ 488,774	\$ 267,678	\$ 756,452	\$ 1,871,207
Miscellaneous	3,912	3,700	7,612	192,008
Total Operating Revenue	<u>492,686</u>	<u>271,378</u>	<u>764,064</u>	<u>2,063,215</u>
Operating Expenses:				
Non-Instructional Programs:				
Food Service Operations:				
Salaries and Benefits	-	296,345	296,345	-
Food	-	392,137	392,137	-
Purchased Services	-	19,910	19,910	-
Supplies	-	7,558	7,558	-
Depreciation	-	39,765	39,765	-
Community Service Operations:				
Salaries and Benefits	276,397	-	276,397	-
Purchased Services	40,238	-	40,238	-
Supplies	150,664	-	150,664	-
Depreciation	163,722	-	163,722	-
Other	33,727	-	33,727	-
Other Enterprise Operations:				
Claims Expense	-	-	-	1,468,969
Administrative Fees and Other	-	-	-	391,691
Total Operating Expense	<u>664,748</u>	<u>755,715</u>	<u>1,420,463</u>	<u>1,860,660</u>
Operating Income (Loss)	(172,062)	(484,337)	(656,399)	202,555
Non-Operating Revenues:				
Interest Income	3,484	436	3,920	-
Contributions	43,608	-	43,608	-
State Sources	8,365	15,048	23,413	-
Federal Sources	-	454,340	454,340	-
Gain on Sale of Assets	1,600	-	1,600	-
Total Non-Operating Revenue	<u>57,057</u>	<u>469,824</u>	<u>526,881</u>	<u>-</u>
Change in Net Position Before Transfers	(115,005)	(14,513)	(129,518)	202,555
Transfers In	75,638	-	75,638	-
Change in Net Position After Transfers	<u>(39,367)</u>	<u>(14,513)</u>	<u>(53,880)</u>	<u>202,555</u>
Net Position - Beginning of Year	5,060,491	395,636	5,456,127	1,466,043
Prior Period Adjustment	(146,439)	(176,973)	(323,412)	-
Net Position - Beginning of Year, Restated	<u>4,914,052</u>	<u>218,663</u>	<u>5,132,715</u>	<u>1,466,043</u>
Net Position - End of Year	<u>\$ 4,874,685</u>	<u>\$ 204,150</u>	<u>\$ 5,078,835</u>	<u>\$ 1,668,598</u>

See Accompanying Notes to Financial Statements

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business Type Activities:		Governmental
	Enterprise Funds		Activities:
	Wellness Center	Nonmajor Nutrition Fund	Internal Service Funds
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 485,670	\$ 273,694	\$ 2,063,215
Other Operating Receipts	3,912	3,700	-
Cash Payments for Goods and Services	(228,269)	(361,589)	(1,842,173)
Cash Payments for Salaries and Benefits	(285,084)	(306,928)	-
Net Cash Provided (Used) by Operating Activities	<u>(23,771)</u>	<u>(391,123)</u>	<u>221,042</u>
Cash Flows From Non-Capital Financing Activities			
State Grants Received	8,365	15,048	-
Federal Grants Received	-	397,724	-
Cash Paid to General Fund	(54)	-	-
Net Cash Provided by Non-Capital Financing Activities	<u>8,311</u>	<u>412,772</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities			
Transfers and Contributions	119,244	-	-
Acquisition of Capital Assets	(26,250)	(6,000)	-
Proceeds from Sale of Assets	1,600	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>94,594</u>	<u>(6,000)</u>	<u>-</u>
Cash Flows From Investing Activities:			
Interest on Investments	2,241	436	-
Net Cash Provided by Investing Activities	<u>2,241</u>	<u>436</u>	<u>-</u>
Net Increase In Cash and Pooled Investments	81,375	16,085	221,042
Cash and Pooled Investments At Beginning of Year	<u>1,021,796</u>	<u>201,877</u>	<u>2,004,910</u>
Cash and Pooled Investments At End of Year	<u>\$ 1,103,171</u>	<u>\$ 217,962</u>	<u>\$ 2,225,952</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Income (Loss) from Operations	\$ (172,062)	\$ (484,337)	\$ 202,555
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	163,722	39,765	-
Commodities Used	-	56,616	-
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:			
Accounts Receivable	-	-	5,828
Due from Other Governments	-	6,016	-
Inventories	-	3,257	-
Deferred Outflows	(6,729)	(8,100)	-
Accounts Payable	(3,640)	(1,857)	(56,417)
IBNR Claims Liability	-	-	10,000
OPEB Liability	-	-	59,076
Accrued Salaries and Benefits	418	388	-
Deferred Revenue	(3,104)	-	-
Net Pension Liability	(47,947)	(57,945)	-
Deferred Inflows	45,571	55,074	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (23,771)</u>	<u>\$ (391,123)</u>	<u>\$ 221,042</u>
Non-Cash Investing, Capital and Financing Activities:			
Federal Food Commodities Received		<u>\$ 56,616</u>	

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Government-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 interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's 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 attributable 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 is often subject to 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, 2015

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 expenditures, 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 a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the Agency Fund which is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

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

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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 government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

Capital assets 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

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

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unearned Revenue – 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

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

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 consist of succeeding year property tax receivable and succeeding year income surtax that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the other expenditures function and the District did not exceed its General Fund unspent authorized budget.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

At June 30, 2015 the District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$311,713 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, 2015 is as follows:

	Beginning Balance Restated	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 583,745	\$ -	\$ -	\$ 583,745
Construction in Progress	-	3,567,526	-	3,567,526
Total Capital Assets Not Being Depreciated	<u>583,745</u>	<u>3,567,526</u>	<u>-</u>	<u>4,151,271</u>
Capital Assets Being Depreciated:				
Land Improvements	927,852	-	-	927,852
Buildings	19,714,063	229,677	-	19,943,740
Equipment	4,513,527	331,940	386,996	4,458,471
Total Capital Assets Being Depreciated	<u>25,155,442</u>	<u>561,617</u>	<u>386,996</u>	<u>25,330,063</u>
Less Accumulated Depreciation For:				
Land Improvements	433,609	38,769	-	472,378
Buildings	5,055,580	486,773	-	5,542,353
Equipment	3,232,855	326,312	386,417	3,172,750
Total Accumulated Depreciation	<u>8,722,044</u>	<u>851,854</u>	<u>386,417</u>	<u>9,187,481</u>
Total Capital Assets Being Depreciated, Net	<u>16,433,398</u>	<u>(290,237)</u>	<u>579</u>	<u>16,142,582</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,017,143</u>	<u>\$ 3,277,289</u>	<u>\$ 579</u>	<u>\$ 20,293,853</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 3 – CAPITAL ASSETS (Continued)

Business Type Activities	<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	401,893	6,000	-	407,893
Regional Wellness Center:				
Buildings	5,316,094	-	-	5,316,094
Equipment	428,208	26,250	3,539	450,919
	<u>5,744,302</u>	<u>26,250</u>	<u>3,539</u>	<u>5,767,013</u>
Total Capital Assets Being Depreciated	<u>6,146,195</u>	<u>32,250</u>	<u>3,539</u>	<u>6,174,906</u>
Less Accumulated Depreciation For:				
Nutrition Fund				
Equipment	217,392	39,765	-	257,157
Regional Wellness Center				
Buildings	1,389,245	135,845	-	1,525,090
Equipment	305,662	27,877	3,539	330,000
	<u>1,694,907</u>	<u>163,722</u>	<u>3,539</u>	<u>1,855,090</u>
Total Accumulated Depreciation	<u>1,912,299</u>	<u>203,487</u>	<u>3,539</u>	<u>2,112,247</u>
Total Capital Assets Being Depreciated, Net	<u>4,233,896</u>	<u>(171,237)</u>	<u>-</u>	<u>4,062,659</u>
Business-Type Activity Capital Assets, Net	<u>\$ 4,316,246</u>	<u>\$ (171,237)</u>	<u>\$ -</u>	<u>\$ 4,145,009</u>

Depreciation expense was charged by the District as follows:

Governmental Activities

Instruction:	
Regular	\$ 37,991
Support Services	
Student Services	130
Instructional Staff	90,910
Administration	2,848
Operation and Maintenance	46,599
Transportation	75,578
	<u>216,065</u>
Unallocated Depreciation	<u>597,798</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 851,854</u>

Business-type Activities

Food Services	\$ 39,765
Wellness Center	163,722
	<u>\$ 203,487</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 3 – CAPITAL ASSETS (Continued)

Reconciliation of Investments in Capital Assets:	Governmental Activities	Business-type Activity
Land	\$ 583,745	\$ 82,350
Construction in Progress	3,567,526	-
Unspent Cash on Bond Issue	6,458,000	-
Capital Assets (net of accumulated depreciation)	16,142,582	4,062,659
Less: Bonds Payable	17,150,000	-
Notes Payable	85,000	-
Unamortized Bond Premiums	8,233	-
Net Investment in Capital Assets	\$ 9,508,620	\$ 4,145,009

Note 4 – INTER FUND TRANSFERS

The detail of inter fund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
Nonmajor Governmental: Debt Service	Governmental: Capital Projects Fund	\$ 414,287
Nonmajor Governmental: Debt Service	Nonmajor Governmental: PPEL	85,870
Regional Wellness Center	Nonmajor Governmental: Inman Trust	75,638
		<u>\$ 575,795</u>

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, 2015 are summarized as follows:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 6,495,000	\$ -	\$ 385,000	\$ 6,110,000	\$ 400,000
Sales Tax Revenue Bonds	1,785,000	9,525,000	270,000	11,040,000	330,000
PPEL Note	165,000	-	80,000	85,000	85,000
Early Retirement	414,926	-	277,981	136,945	62,490
Net Pension Liability	6,594,708	-	1,934,372	4,660,336	-
Net OPEB Liability	271,939	59,076	-	331,015	-
Total Long-Term Liabilities	\$ 15,726,573	\$ 9,584,076	\$ 2,947,353	\$ 22,363,296	\$ 877,490

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 5 – LONG-TERM LIABILITIES (Continued)

Business Type Activities:	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Net Pension Liability	\$ 361,001	\$ -	\$ 105,892	\$ 255,109	\$ -

Bond Payable listed on Statement of Net Position includes Unamortized Bond Premiums of \$8,233.

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, 2015 general obligation bonds are as follows:

Year	Bond Issue of December 1, 2009			
	Ending June 30,	Interest Rates	Principal	Interest
2016	3.40	\$ 85,000	\$ 2,890	
Total		\$ 85,000	\$ 2,890	

The District adopted a resolution, on April 1, 2015, providing for the issuance of \$9,525,000 in School Infrastructure Sales, Services and Use Tax Revenue Bonds, Series 2015. As part of the resolution, the District will deposit all sales, services and use tax revenue into the sales, services and use tax revenue fund for the payment and interest on the bonds.

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

Details of the District's June 30, 2015 sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 9, 2008			Bond Issue of April 1, 2015			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2016	4.05	\$ 280,000	\$ 55,688	2.60	\$ 50,000	\$ 185,088	\$ 330,000	\$ 240,776
2017	4.05	290,000	44,145	2.60	339,000	241,943	629,000	286,088
2018	4.05	300,000	32,197	2.60	350,000	232,986	650,000	265,183
2019	4.05	315,000	19,744	2.60	356,000	223,808	671,000	243,552
2020	4.05	330,000	6,682	2.60	364,000	214,448	694,000	221,130
2021-2025		-	-	2.60	3,774,000	808,288	3,774,000	808,288
2026-2030		-	-	2.60	4,292,000	284,700	4,292,000	284,700
Total		\$ 1,515,000	\$ 158,456		\$ 9,525,000	\$ 2,191,261	\$ 11,040,000	\$ 2,349,717

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 5 – LONG-TERM LIABILITIES (Continued)

The District adopted a resolution on April 9, 2007, providing for the issuance of \$ 8.7 million in General Obligation School Bonds, Series 2007. Details of the District's June 30, 2015 general obligation bonds are as follows:

Year Ending June 30,	Bond Issue of April 9, 2007		
	Interest Rates	Principal	Interest
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	4.00	475,000	176,418
2021-2025	4.00	2,685,000	580,890
2026-2027	4.00	1,235,000	75,534
	Total	<u>\$ 6,110,000</u>	<u>\$ 1,726,114</u>

Early Retirement

At June 30, 2015, there were 13 participants receiving medical coverage, with a total liability of medical coverage of \$136,945. The liability is calculated based on unadjusted premium amounts to be paid over the term of each employee's involvement in the plan. The District's early retirement expense for the year ended June 30, 2015 was \$62,490.

Note 6 – PENSION PLAN

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

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

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

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

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 6 – PENSION PLAN (Continued)

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

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

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

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$741,320.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$4,915,445 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.121456 percent, which was a decrease of 0.001393 from its proportion measured as of June 30, 2013.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION PLAN (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$352,841. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,421	\$ -
Changes of assumptions	216,930	-
Net difference between projected and actual earnings on pension plan investments	-	1,874,610
Changes in proportion and difference between District contributions and proportionate share of contributions	-	64,597
District contributions subsequent to the measurement date	741,320	-
Total	\$ 1,011,671	\$ 1,939,207

\$741,320 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (421,636)
2017	(421,636)
2018	(421,636)
2019	(421,636)
2020	17,688
	\$ (1,668,856)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION PLAN (Continued)

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease 6.50%</u>	<u>Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 9,287,598	\$ 4,915,445	\$ 1,224,898

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 6 – PENSION PLAN (Continued)

Payables to the Pension Plan – At June 30, 2015, the District reported payables to the defined benefit pension plan of \$3,237 for legally required employer contributions and \$2,156 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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 (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 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	\$ 158,934
Interest on net OPEB obligation	6,798
Adjustment to annual required contribution	<u>(35,766)</u>
Annual OPEB cost (Expense)	129,966
Contributions made	<u>(70,890)</u>
Increase in net OPEB obligation	59,076
Net OPEB obligation - beginning of year	<u>271,939</u>
Net OPEB obligation - end of year	<u><u>\$ 331,015</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 129,966	54.55%	\$ 331,015
2014	\$ 230,597	42.18%	\$ 271,939
2013	\$ 248,026	49.59%	\$ 138,606
2012	\$ 117,961	95.98%	\$ 13,569
2011	\$ 123,763	102.53%	\$ 8,829
2010	\$ 132,725	99.27%	\$ 11,965

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 7 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress – The funded status of the plan as of July 1, 2014 was as follows:

Actuarial accrued liability (AAL)	\$	722,257
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	722,257
Funded ratio (actuarial value of plan assets/AAL)		-
Covered payroll (active members)	\$	7,358,788
UAAL as a percentage of covered payroll		9.81%

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. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information 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.

As of the July 1, 2014 actuarial valuation, the 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 60% for non-Certified employees and 60% 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, 2015, an estimated liability of \$170,000 has been recorded, which represents estimated claims incurred but not yet reported.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 9 – HEALTH CARE COVERAGE (Continued)

Changes in the medical claims liability amounts were:

Liability, Beginning of Year	\$ 288,420
Current Year Claims and Changes in Estimates	1,468,969
Claim Payments	(1,515,386)
Liability, End of Year	\$ 242,003

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 \$587,610 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11 – CONSTRUCTION COMMITMENT

As of June 30, 2015 the following amounts remained to be paid for contracts that were entered into by the District:

Tri-State Paving: contract for the new football field and track in the amount of \$458,579, of which \$77,569 remains to be paid at June 30, 2015.

Christensen Construction: contract for the Demoney Elementary School addition in the amount of \$7,862,000, of which \$5,696,249 remains to be paid at June 30, 2015.

Note 12 – CATERGORICAL FUNDING

The District's reserved fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Supplementary Weighting	\$ 5,625
Limited English Proficiency	682
Talented and Gifted	277,117
Teacher Leadership	9,841
Voluntary 4 Year Old Preschool	23,042
Beginning Teacher Mentoring	459
Teacher Salary Supplement	103,325
Successful Program for Early Readers	20,745
Educator Quality	77,231
Total	\$ 518,067

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 13 –PRIOR PERIOD ADJUSTMENTS

Reclassification of Capital Asset:

During the current year it was determined that a vehicle was not properly included as a capital asset.

Accounting Change/Restatement:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

These changes have the following affects on beginning net position:

	Governmental Activities	Business Type Activities
Beginning Net Position, as Previously Stated	\$ 15,264,351	\$ 5,456,127
Reclassification of Vehicle	47,949	-
Net Pension Liability at June 30, 2014	(6,594,708)	(361,001)
Deferred Outflows of Resources related to contributions made after the June 30, 2013 measurement date	686,659	37,589
Beginning Net Position, As Restated	\$ 9,404,251	\$ 5,132,715

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**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, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final	Final to Actual Variance
				Original			
Receipts:							
Local Sources:							
Local Taxes	\$ 7,385,203	\$ -	\$ 7,385,203	\$7,382,897		\$7,382,897	\$ 2,306
Tuition	346,646	-	346,646	310,000		310,000	36,646
Other	575,772	813,192	1,388,964	1,110,793		1,110,793	278,171
State Sources	8,678,776	23,413	8,702,189	8,833,733		8,833,733	(131,544)
Federal Sources	571,191	454,340	1,025,531	980,550		980,550	44,981
Total Receipts	<u>17,557,588</u>	<u>1,290,945</u>	<u>18,848,533</u>	<u>18,617,973</u>		<u>18,617,973</u>	<u>230,560</u>
Expenditures:							
Instruction	10,231,026	-	10,231,026	11,683,055		11,683,055	1,452,029
Support Services	4,244,550	-	4,244,550	5,266,600		5,266,600	1,022,050
Non-instructional Programs	-	1,420,463	1,420,463	1,650,000		1,650,000	229,537
Other Expenditures	5,639,565	-	5,639,565	2,432,316		5,459,217	(180,348)
Total Expenditures	<u>20,115,141</u>	<u>1,420,463</u>	<u>21,535,604</u>	<u>21,031,971</u>		<u>24,058,872</u>	<u>2,523,268</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,557,553)	(129,518)	(2,687,071)	(2,413,998)		(5,440,899)	2,753,828
Other Financing Sources (Uses):							
Long Term Debt Proceeds	9,525,000	-	9,525,000	-		-	9,525,000
Transfers In	500,157	75,638	575,795	476,728		476,728	99,067
Transfers Out	(575,795)	-	(575,795)	(476,728)		(476,728)	(99,067)
Total Other Financing Sources (Uses)	<u>9,449,362</u>	<u>75,638</u>	<u>9,525,000</u>	<u>-</u>		<u>-</u>	<u>9,525,000</u>
Net Change in Fund Balances	6,891,809	(53,880)	6,837,929	(2,413,998)		(5,440,899)	12,278,828
Fund Balance at Beginning of Year	5,504,952	5,456,127	10,961,079	10,961,079		10,961,079	-
Prior Period Adjustment - Accounting Change	-	(323,412)	(323,412)	(323,412)		(323,412)	-
Fund Balance at Beginning of Year, Restated	5,504,952	5,132,715	10,637,667	10,637,667		10,637,667	-
Fund Balance at End of Year	<u>\$12,396,761</u>	<u>\$5,078,835</u>	<u>\$17,475,596</u>	<u>\$8,223,669</u>		<u>\$5,196,768</u>	<u>\$12,278,828</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$3,026,901.

During the year ended June 30, 2015, expenditures in the other expenditures function exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2015**

	2015
District's proportion of the net pension liability	0.121456%
District's proportionate share of the net pension liability	\$ 4,915,445
District's covered-employee payroll	\$ 8,113,830
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.58%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 741,320	\$ 724,565	\$ 684,751	\$ 663,234
Contributions in relation to the statutorily required contribution	<u>741,320</u>	<u>724,565</u>	<u>684,751</u>	<u>663,234</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 8,301,442	\$ 8,113,830	\$ 7,897,935	\$ 8,218,513
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See Accompanying Independent Auditors' Report

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 576,064	\$ 454,908	\$ 511,514	\$ 474,107	\$ 426,364	\$ 414,509
<u>576,064</u>	<u>454,908</u>	<u>511,514</u>	<u>474,107</u>	<u>426,364</u>	<u>414,509</u>
<u>\$ -</u>					
\$ 8,288,691	\$ 6,840,722	\$ 8,055,339	\$ 7,836,479	\$ 7,415,026	\$ 7,208,852
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2015**

Changes of benefit terms:

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2015**

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%
2015	7/1/2014	\$ -	\$ 722,257	\$ 722,257	0%	\$ 7,358,788	9.81%

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

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**OTHER SUPPLEMENTARY
INFORMATION**

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 GOVERNMENTAL NONMAJOR FUNDS
 JUNE 30, 2015

	Special Revenue			Debt Service	Capital Projects	Total
	Student Activity	Management	Inman Trust	Debt Service	Physical Plant and Equipment	
Assets						
Cash and Pooled Investments	\$ 194,134	\$ 318,851	\$ -	\$ 45,716	\$ 215,152	\$ 1,264,687
Receivables:						
Property Tax	-	3,007	-	-	4,767	13,357
Succeeding Year Property Tax	-	300,001	-	-	564,618	1,517,838
Due from Other Funds	2,227	-	-	-	7,690	9,917
Total Assets	<u>196,361</u>	<u>621,859</u>	<u>-</u>	<u>45,716</u>	<u>792,227</u>	<u>2,805,799</u>
Liabilities						
Accounts Payable	-	2,606	-	-	89,408	92,014
Salaries and Benefits Payable	426	-	-	-	-	426
Early Retirement Payable	-	62,490	-	-	-	62,490
Due to Other Funds	1,272	-	-	-	-	1,272
Total Liabilities	<u>1,698</u>	<u>65,096</u>	<u>-</u>	<u>-</u>	<u>89,408</u>	<u>156,202</u>
Deferred Inflows of Resources						
Unavailable revenues:						
Succeeding Year Property Tax	-	300,001	-	-	564,618	1,517,838
Fund Balance						
Restricted:						
Debt Service	-	-	-	496,417	-	496,417
Student Activities	194,663	-	-	-	-	194,663
Management Levy	-	256,762	-	-	-	256,762
Sanborn Endowment	-	-	-	45,716	-	45,716
Physical Plant and Equipment	-	-	-	-	138,201	138,201
Total Fund Balance	<u>194,663</u>	<u>256,762</u>	<u>-</u>	<u>45,716</u>	<u>138,201</u>	<u>1,131,759</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 196,361</u>	<u>\$ 621,859</u>	<u>\$ -</u>	<u>\$ 45,716</u>	<u>\$ 792,227</u>	<u>\$ 2,805,799</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, 2015**

	Special Revenue			Debt Service	Capital Projects		
	Student Activity	Management	Inman Trust	Debt Service	Physical Plant and Equipment	Total	
Revenues:							
Local Sources:							
Local tax	\$ -	\$ 354,211	\$ -	\$ -	\$ 661,967	\$ 565,229	\$ 1,581,407
Other	304,881	19,102	2	75	1,027	69,404	394,491
State Sources	-	194	-	-	361	308	863
Total Revenues	<u>304,881</u>	<u>373,507</u>	<u>2</u>	<u>75</u>	<u>663,355</u>	<u>634,941</u>	<u>1,976,761</u>
Expenditures:							
Current:							
Instruction:							
Regular Instruction	-	63,461	-	-	-	217,842	281,303
Other Instruction	300,097	-	-	-	-	-	300,097
Support Services:							
Instructional Staff Services	-	-	-	-	-	64,856	64,856
Administration Services	-	129,295	-	-	-	6,182	135,477
Operation and Maintenance	-	85,143	-	-	-	-	85,143
Transportation Services	-	21,079	-	-	-	17,500	38,579
Other Expenditures:							
Facilities Acquisition	-	-	-	-	-	250,198	250,198
Long Term Debt:							
Principal	-	-	-	-	735,000	-	735,000
Interest and Fiscal Charges	-	-	-	-	342,313	-	342,313
Total Expenditures	<u>300,097</u>	<u>298,978</u>	<u>-</u>	<u>-</u>	<u>1,077,313</u>	<u>556,578</u>	<u>2,232,966</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,784</u>	<u>74,529</u>	<u>2</u>	<u>75</u>	<u>(413,958)</u>	<u>78,363</u>	<u>(256,205)</u>
Other Financing Sources (Uses):							
Transfers In	-	-	-	-	500,157	-	500,157
Transfers Out	-	-	(75,638)	-	-	(85,870)	(161,508)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(75,638)</u>	<u>-</u>	<u>500,157</u>	<u>(85,870)</u>	<u>338,649</u>
Net Change in Fund Balances	<u>4,784</u>	<u>74,529</u>	<u>(75,636)</u>	<u>75</u>	<u>86,199</u>	<u>(7,507)</u>	<u>82,444</u>
Fund Balances - Beginning of Year	<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>
Fund Balances - End of year	<u>\$ 194,663</u>	<u>\$ 256,762</u>	<u>\$ -</u>	<u>\$ 45,716</u>	<u>\$ 496,417</u>	<u>\$ 138,201</u>	<u>\$ 1,131,759</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 3,427	\$ -	\$ 3,427	\$ -
Liabilities				
Other Payables	\$ 3,427	\$ -	\$ 3,427	\$ -

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2015**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary	\$ 13,896	\$ 15,825	\$ 11,288	\$ 18,433
High School Activity	40,340	55,160	52,897	42,603
Athletics	92,131	204,906	201,902	95,135
Middle School	43,512	28,989	34,009	38,492
Total	<u>\$ 189,879</u>	<u>\$ 304,880</u>	<u>\$ 300,096</u>	<u>\$ 194,663</u>

**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, 2015**

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Local Sources:				
Local Tax	\$ 7,385,203	\$ 7,016,424	\$ 6,977,009	\$ 6,620,899
Tuition	346,646	314,651	373,121	300,897
Other	575,772	492,958	587,896	617,328
State Sources	8,678,776	8,492,959	8,260,727	8,141,310
Federal Sources	571,191	567,931	575,652	761,100
Total	<u>17,557,588</u>	<u>16,884,923</u>	<u>16,774,405</u>	<u>16,441,534</u>
Expenditures:				
Instruction:				
Regular Instruction	6,067,623	6,190,513	5,589,958	6,042,538
Special Instruction	2,189,388	2,086,447	2,053,809	1,928,926
Other Instruction	1,974,015	1,794,925	1,966,513	1,935,926
Support Services:				
Student Services	246,552	225,194	240,358	337,016
Instructional Staff Services	848,763	683,294	793,438	679,220
Administration Services	1,432,948	1,434,817	1,431,564	1,355,262
Operation and Maintenance	1,244,596	1,318,598	1,224,135	1,192,123
Transportation Services	471,691	459,846	399,317	435,006
Other / Expenditures:				
Facilities acquisition	3,974,642	351,292	94,609	318,799
Long-Term Debt:				
Principal	735,000	705,000	675,000	660,000
Interest and other charges	342,313	369,805	395,858	420,814
AEA flowthrough	587,610	559,942	538,589	519,919
Total	<u>\$ 20,115,141</u>	<u>\$ 16,179,673</u>	<u>\$ 15,403,148</u>	<u>\$ 15,825,549</u>

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
\$ 7,016,592	\$ 6,498,079	\$ 5,907,462	\$ 5,790,012	\$ 5,395,697	\$ 4,869,098
381,491	434,106	407,361	430,169	438,187	486,143
659,478	684,644	721,689	1,206,195	773,995	677,697
7,740,392	6,835,507	7,858,023	7,403,364	6,925,705	6,592,251
1,079,965	1,515,041	664,310	650,712	714,868	794,636
<u>16,877,918</u>	<u>15,967,377</u>	<u>15,558,845</u>	<u>15,480,452</u>	<u>14,248,452</u>	<u>13,419,825</u>
6,079,070	5,909,343	5,945,534	5,783,701	5,482,880	4,854,333
1,929,771	1,911,593	1,804,986	2,294,466	2,247,870	2,582,724
2,132,956	2,138,608	1,856,346	1,158,467	1,121,639	1,208,262
387,072	490,912	452,040	461,319	430,053	485,436
639,083	506,034	594,405	610,500	568,946	590,959
1,262,382	1,261,090	1,202,436	1,167,759	1,072,712	1,153,144
1,275,981	1,419,474	1,320,289	1,242,155	1,237,471	1,108,029
368,448	304,576	430,439	389,462	421,815	381,856
255,304	1,371,278	7,160,031	6,140,840	747,915	325,530
635,000	370,000	285,000	925,000	314,015	303,028
444,290	455,857	407,583	393,640	102,058	70,200
574,869	556,771	495,760	466,718	448,147	421,253
<u>\$ 15,984,226</u>	<u>\$ 16,695,536</u>	<u>\$ 21,954,849</u>	<u>\$ 21,034,027</u>	<u>\$ 14,195,521</u>	<u>\$ 13,484,754</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Indirect:		
U.S. Department of Agriculture		
Iowa Department of Education:		
School Nutrition Cluster Programs:		
School Breakfast Program	10.553	\$ 109,595
National School Lunch Program	10.555	339,538
Summer Food Service Program	10.559	5,037
		<u>454,170</u>
U.S. Department of Education		
Iowa Department of Education:		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	245,930
Title I SINA	84.010	21,178
		<u>267,108</u>
Title I Program for Neglected and Delinquent Children	84.013	77,490
Career and Technical Education - Basic Grants to States	84.048	5,049
Advanced Placement Program	84.330	39
Improving Teacher Quality State Grants	84.367	51,378
Grants for State Assessments and Related Activities	84.369	6,645
Area Education Agency:		
Special Education - Grants to States	84.027	65,762
Total Indirect		<u><u>\$ 927,641</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, 2015, 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 January 15, 2016.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, 2015-001, 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 response was 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

January 15, 2016



**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, 2015. 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, 2015.

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, material weaknesses may exist that have not been identified.

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

January 15, 2016

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

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) No significant deficiencies in internal control over major programs were 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:

2015-001 Financial Reporting

Criteria – The District is responsible for the accuracy and correct reporting of the financial statements.

Condition – During our audit, we identified material amounts of payables and expenses and immaterial amounts of revenue and fixed assets not recorded properly in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Effect – As a result of these misstatements, the financial statements were materially misstated.

Recommendation – The District should implement procedures to ensure all fixed assets, payables, revenues and expenses are identified and included in the District’s financial statements.

Response – The District will review these in the future to avoid missing any of these transactions.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES: No matters were reported.

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

15-IV-A: Certified Budget – Disbursements for the year ended June 30, 2015 exceeded the amended certified budget amounts in the Other Expenditures function.

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

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

Conclusion – Response accepted.

15-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.

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

15-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	\$ 12,014
Barb Houseman, Teacher - Spouse of owner of Houseman Oil	Fuel and Supplies	\$ 63,245

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.

15-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.

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

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

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

15-IV-G Certified Enrollment – The number of resident students reported to the Iowa Department of Education on the Certified Enrollment Certification Form for October of 2014 was overstated. The District’s certified enrollment count included 1 student who was missed as a resident student, 1 student who was funded in the wrong resident district, and a .22 adjustment for a student who should not have been a funded ELL student. This resulted in overstating the total actual enrollment by .22 students.

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

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

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

15-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.

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

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

15-IV-L Statewide Sales, Service and Use 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, 2015, 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 2015 audit:

Beginning Balance		\$ 2,323,787
Revenues/Transfers In:		
Statewide Sales, Services and Use Tax	1,297,982	
Other Local Revenue	22,171	
Long-Term Debt Proceeds	9,525,000	<u>10,845,153</u>
Expenditures/Transfers Out:		
Equipment	3,848,369	
Transfers to other funds:	414,287	<u>4,262,656</u>
Ending Balance		<u><u>\$ 8,906,284</u></u>

For the year ended June 30, 2015, 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, 2015**

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

15-IV-M Deficit Balances – No funds had a deficit balance at June 30, 2015.

15-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, 2015**

14-III-A Awarding 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 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.

Current Status – All applications tested in the current year were located.