

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Central Lee Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Eelction)		
Robert Bryant	President	2015
Verna Brunstein	Vice President	2013
Kim Miller	Board Member	2013
Mark Hulsebus	Board Member	2013
Larry Engler	Board Member (Resigned July 2013)	2015
(After September 2013 Eelction)		
Robert Bryant	President	2015
Verna Brunstein	Vice President	2017
Kim Miller	Board Member	2017
Mark Hulsebus	Board Member	2015
Bill Young	Board Member	2015
School Officials		
John Henriksen	Superintendent	2014
Sandra Meierotto	Board Secretary	2014
Rose Bergman	Board Treasurer	2014
Gruhn Law Firm	Attorney	2014

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(A professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Central Lee 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 Central Lee Community School District, Donnellson, Iowa as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2015 on our consideration so Central Lee 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, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Lee Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,670,514 in fiscal year 2013 to \$10,006,562 in fiscal year 2014, while General Fund expenditures also increased from \$9,287,906 in fiscal year 2013 to \$9,706,868 in fiscal year 2014. As result, the District's General Fund balance increased from \$2,050,956 at June 30, 2013 to \$2,350,650 at June 30, 2014, representing an increase of 14.61%.
- The increase in General Fund revenues was mainly attributable to an increase in tuition and state source revenues received in fiscal year 2014, as compared to the prior year. The increase in expenditures was primarily due to an increase in instructions expenditures incurred as compared to the prior year.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 19.82% in fiscal year 2013 to 21.96% for fiscal year 2014. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

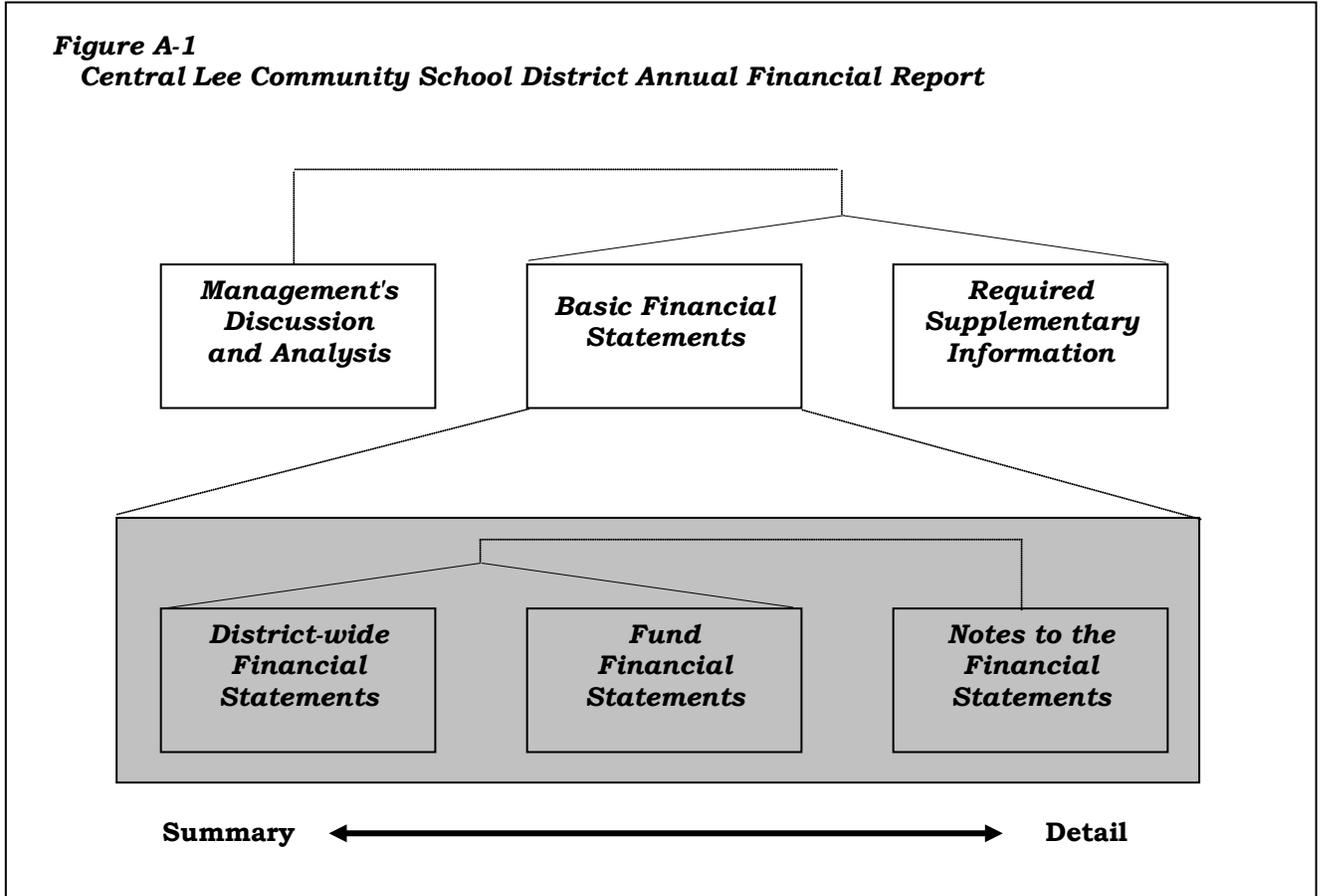


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for 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 the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 7,811,135	7,226,165	18,596	12,356	7,829,731	7,238,521	8.17%
Capital assets	6,578,650	6,869,798	53,647	35,320	6,632,297	6,905,118	-3.95%
Total assets	14,389,785	14,095,963	72,243	47,676	14,462,028	14,143,639	2.25%
Long-term liabilities	307,911	598,684	-	-	307,911	598,684	-48.57%
Other liabilities	1,478,369	1,296,139	6,003	3,889	1,484,372	1,300,028	14.18%
Total liabilities	1,786,280	1,894,823	6,003	3,889	1,792,283	1,898,712	-5.61%
Deferred inflows of resources	2,670,241	2,683,225	-	-	2,670,241	2,683,225	-0.48%
Net position:							
Net investment in capital assets	6,270,739	6,272,584	53,647	35,320	6,324,386	6,307,904	0.26%
Restricted	1,098,335	982,700	-	-	1,098,335	982,700	11.77%
Unrestricted	2,564,190	2,262,631	12,593	8,467	2,576,783	2,271,098	13.46%
Total net position	\$ 9,933,264	9,517,915	66,240	43,787	9,999,504	9,561,702	4.58%

The District's combined net position increased by \$437,802 or 4.58% from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$115,635 or 11.77% from the prior year. This increase is mainly attributable to the increases in the fund balance of the Management Levy Fund and the increase in the carryover balance of the District's categorical funding in the General Fund as compared to the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$305,685 or 13.46%. This increase is mainly attributable to the increase in the fund balance of the General Fund.

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

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 2,389,119	2,229,527	158,195	163,330	2,547,314	2,392,857	6.45%
Operating grants, contributions and restricted interest	608,275	590,508	230,952	236,440	839,227	826,948	1.48%
Capital grants, contributions and restricted interest	10,000	85,000	-	-	10,000	85,000	-88.24%
General revenues:							
Property tax	2,676,234	2,856,932	-	-	2,676,234	2,856,932	-6.32%
Income surtax	377,953	340,581	-	-	377,953	340,581	10.97%
Statewide sales, service and use tax	708,125	675,493	-	-	708,125	675,493	4.83%
Unrestricted state grants	4,397,688	4,115,485	-	-	4,397,688	4,115,485	6.86%
Unrestricted investment earnings	7,746	9,444	39	100	7,785	9,544	-18.43%
Other	38,345	46,006	941	341	39,286	46,347	-15.24%
Total revenues	11,213,485	10,948,976	390,127	400,211	11,603,612	11,349,187	2.24%
Program expenses:							
Instructional	7,082,504	6,648,168	-	-	7,082,504	6,648,168	6.53%
Support services	3,006,129	2,878,429	1,887	535	3,008,016	2,878,964	4.48%
Non-instructional programs	17,075	1,274	388,772	411,794	405,847	413,068	-1.75%
Other expenses	669,443	681,460	-	-	669,443	681,460	-1.76%
Total expenses	10,775,151	10,209,331	390,659	412,329	11,165,810	10,621,660	5.12%
Excess(Deficiency) of revenues over(under) expenses	438,334	739,645	(532)	(12,118)	437,802	727,527	-39.82%
Transfers	(22,985)	(4,178)	22,985	4,178	-	-	0.00%
Change in net position	415,349	735,467	22,453	(7,940)	437,802	727,527	-39.82%
Net position beginning of year	9,517,915	8,782,448	43,787	51,727	9,561,702	8,834,175	8.24%
Net position end of year	\$ 9,933,264	9,517,915	66,240	43,787	9,999,504	9,561,702	4.58%

In fiscal year 2014, property tax, income surtax, statewide sales, service and use tax and unrestricted state grants account for 72.77% of the revenue from governmental activities while charges for service and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were approximately \$11.60 million, of which approximately \$11.21 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.24% in revenues and an increase of 5.12% in expenses. The increase in revenues is primarily due to an increase in unrestricted state grants and charges for service revenue received, while the increase in expenditures is primarily due to an increase in instructional expenditures incurred as compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$11,213,485 and expenses were \$10,775,151 for the year ended June 30, 2014.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 7,082,504	6,648,168	6.53%	4,451,944	4,147,164	7.35%
Support services	3,006,129	2,878,429	4.44%	2,952,417	2,783,241	6.08%
Non-instructional	17,075	1,274	1240.27%	17,075	1,274	1240.27%
Other expenses	669,443	681,460	-1.76%	346,321	372,617	-7.06%
Totals	\$ 10,775,151	10,209,331	5.54%	7,767,757	7,304,296	6.35%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$2,389,119.
- Federal and state governments as well contributions from local sources subsidized certain programs with grants and contributions totaling \$618,275.
- The net cost of governmental activities was financed with \$2,676,234 in property tax, \$377,953 in income surtax, \$708,125 in statewide sales, services and use tax, \$4,397,688 in unrestricted state grants, \$7,746 in investment interest and \$38,345 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$390,127 and expenses totaled \$390,659 for the year ended June 30, 2014. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursement, investment income, and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Central Lee 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 balance of \$3,227,929, above last year's ending fund balances of a \$2,840,652. The primary reasons for the increase in combined fund balances is the increase in fund balance for the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. The fund balance of the General Fund increased from \$2,050,956 at June 30, 2013 to \$2,350,650 at June 30, 2014. This increase is primarily due to an increase in state and tuition source revenues received as compared to the prior year.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$43,787 at June 30, 2013 to \$66,240 at June 30, 2014, representing an increase of approximately 51.28%. The primary reason for this increase in ending net position is an increase in capital contributions received from the District's governmental activities which were capitalized as part of the School Nutrition Fund capital asset listing during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$145,955 less than budgeted revenues, a variance of approximately 1.24%. The most significant dollar variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area during the year ended June 30, 2014.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$6,632,297, 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 amount represents a net decrease of 3.95% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$558,970.

The original cost of the District's capital assets was \$14,919,428. Governmental funds account for \$14,664,642 with the remainder of \$254,786 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$5,345,729 at June 30, 2013, compared to \$5,154,383 at June 30, 2014. The primary reason for this decrease is due to annual depreciation expense incurred during fiscal year 2014.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 203,592	203,592	-	-	203,592	203,592	0.00%
Buildings	5,154,383	5,345,729	-	-	5,154,383	5,345,729	-3.58%
Improvements other than buildings	434,248	503,440	-	-	434,248	503,440	-13.74%
Machinery and equipment	786,427	817,037	53,647	35,320	840,074	852,357	-1.44%
Total	\$ 6,578,650	6,869,798	53,647	35,320	6,632,297	6,905,118	-3.95%

Long-Term Debt

At June 30, 2014, the District had long-term debt outstanding of \$307,911 in total long-term debt outstanding. This was a 48.57% decrease from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- At June 30, 2014, the District had \$235,000 of revenue bond indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- At June 30, 2014, the District had computer lease indebtedness payable of \$72,911 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
Revenue Bonds	\$ 235,000	470,000	-50.00%
Computer Lease	72,911	110,970	-34.30%
Land Contract	-	16,244	-100.00%
Termination benefits	-	1,470	-100.00%
Totals	\$ 307,911	598,684	-48.57%

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:

- Challenging economic times combined with rising costs for goods and services has forced the District to explore all opportunities to reduce expenditures and/or increase revenues.
- The District also continues to make fiscal adjustments in order to match enrollment and uncertain allowable growth.
- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

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 Sandra Meierotto, District Secretary, Central Lee Community School District, 2642 Highway 218, Donnellson, Iowa, 52625.

BASIC FINANCIAL STATEMENTS

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,913,014	11,104	3,924,118
Receivables:			
Property tax:			
Delinquent	40,625	-	40,625
Succeeding year	2,670,241	-	2,670,241
Income surtax	339,831	-	339,831
Accounts	42,268	-	42,268
Due from other governments	707,460	-	707,460
Inventories	-	7,492	7,492
Net OPEB asset	97,696	-	97,696
Capital assets, net of accumulated depreciation	6,578,650	53,647	6,632,297
TOTAL ASSETS	14,389,785	72,243	14,462,028
LIABILITIES			
Accounts payable	474,811	-	474,811
Salaries and benefits payable	1,000,627	279	1,000,906
Accrued interest payable	2,931	-	2,931
Unearned revenue	-	5,724	5,724
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	235,000	-	235,000
Computer lease payable	23,130	-	23,130
Portion due after one year:			
Computer lease payable	49,781	-	49,781
TOTAL LIABILITIES	1,786,280	6,003	1,792,283
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	2,670,241	-	2,670,241
NET POSITION			
Net investment in capital assets	6,270,739	53,647	6,324,386
Restricted for:			
Categorical funding	223,987	-	223,987
School infrastructure	321,301	-	321,301
Debt service	146,962	-	146,962
Management levy purposes	216,888	-	216,888
Student activities	189,197	-	189,197
Unrestricted	2,564,190	12,593	2,576,783
TOTAL NET POSITION	\$ 9,933,264	66,240	9,999,504

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities		Business Type Activities
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 4,731,866	1,607,710	46,619	-	(3,077,537)	-	(3,077,537)
Special	1,252,420	475,312	80,306	-	(696,802)	-	(696,802)
Other	1,098,218	306,097	114,516	-	(677,605)	-	(677,605)
	<u>7,082,504</u>	<u>2,389,119</u>	<u>241,441</u>	<u>-</u>	<u>(4,451,944)</u>	<u>-</u>	<u>(4,451,944)</u>
Support services:							
Student	285,204	-	26,435	-	(258,769)	-	(258,769)
Instructional staff	184,914	-	11,700	-	(173,214)	-	(173,214)
Administration	1,064,762	-	-	-	(1,064,762)	-	(1,064,762)
Operation and maintenance of plant	812,998	-	-	10,000	(802,998)	-	(802,998)
Transportation	658,251	-	5,577	-	(652,674)	-	(652,674)
	<u>3,006,129</u>	<u>-</u>	<u>43,712</u>	<u>10,000</u>	<u>(2,952,417)</u>	<u>-</u>	<u>(2,952,417)</u>
Non-instructional programs	17,075	-	-	-	(17,075)	-	(17,075)
Long-term debt interest	26,632	-	-	-	(26,632)	-	(26,632)
Other expenditures:							
AEA flowthrough	323,122	-	323,122	-	-	-	-
Depreciation(unallocated)*	319,689	-	-	-	(319,689)	-	(319,689)
	<u>642,811</u>	<u>-</u>	<u>323,122</u>	<u>-</u>	<u>(319,689)</u>	<u>-</u>	<u>(319,689)</u>
Total governmental activities	10,775,151	2,389,119	608,275	10,000	(7,767,757)	-	(7,767,757)
Business Type activities:							
Support services:							
Operation and maintenance of plant	1,887	-	-	-	-	(1,887)	(1,887)
Non-instructional programs:							
Food service operations	388,772	158,195	230,952	-	-	375	375
Total business type activities	390,659	158,195	230,952	-	-	(1,512)	(1,512)
Total	\$ 11,165,810	2,547,314	839,227	10,000	(7,767,757)	(1,512)	(7,769,269)
General Revenues & Transfers:							
Property tax levied for:							
General purposes				\$ 2,676,234	-		2,676,234
Income surtax				377,953	-		377,953
Statewide sales, services and use tax				708,125	-		708,125
Unrestricted state grants				4,397,688	-		4,397,688
Unrestricted investment earnings				7,746	39		7,785
Other				38,345	941		39,286
Transfers				(22,985)	22,985		-
Total general revenues & transfers				<u>8,183,106</u>	<u>23,965</u>		<u>8,207,071</u>
Change in net position				415,349	22,453		437,802
Net position beginning of year				9,517,915	43,787		9,561,702
Net position end of year				<u>\$ 9,933,264</u>	<u>66,240</u>		<u>9,999,504</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Nonmajor	Total
ASSETS			
Cash and cash equivalents	\$ 2,947,401	965,613	3,913,014
Receivables:			
Property tax:			
Delinquent	37,575	3,050	40,625
Succeeding year	2,310,241	360,000	2,670,241
Income surtax	339,831	-	339,831
Accounts	29,447	12,821	42,268
Due from other governments	566,384	141,076	707,460
TOTAL ASSETS	\$ 6,230,879	1,482,560	7,713,439
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 229,530	245,281	474,811
Salaries and benefits payable	1,000,627	-	1,000,627
Total liabilities	1,230,157	245,281	1,475,438
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,310,241	360,000	2,670,241
Income surtax	339,831	-	339,831
Total deferred inflows of resources	2,650,072	360,000	3,010,072
Fund balances:			
Restricted for:			
Categorical funding	223,987	-	223,987
School infrastructure	-	321,301	321,301
Debt service	-	149,893	149,893
Management levy purposes	-	216,888	216,888
Student activities	-	189,197	189,197
Unassigned	2,126,663	-	2,126,663
Total fund balances	2,350,650	877,279	3,227,929
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,230,879	1,482,560	7,713,439

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 3,227,929
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,578,650
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,931)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year and, therefore, is recognized as deferred inflows of resources in the governmental funds.	339,831
Other postemployment benefit assets, are not yet available to finance expenditures of the current fiscal period.	97,696
Long-term liabilities, including revenue bonds payable and computer lease payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(307,911)</u>
Net position of governmental activities(page 18)	<u><u>\$ 9,933,264</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Nonmajor	Total
Revenues:			
Local sources:			
Local tax	\$ 2,843,521	200,776	3,044,297
Tuition	2,058,027	-	2,058,027
Other	105,619	294,389	400,008
State sources	4,743,405	708,125	5,451,530
Federal sources	249,733	-	249,733
Total revenues	<u>10,000,305</u>	<u>1,203,290</u>	<u>11,203,595</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,628,032	7,653	4,635,685
Special	1,235,818	-	1,235,818
Other	820,024	255,018	1,075,042
	<u>6,683,874</u>	<u>262,671</u>	<u>6,946,545</u>
Support services:			
Student	286,126	-	286,126
Instructional staff	180,188	-	180,188
Administration	999,677	-	999,677
Operation and maintenance of plant	681,837	126,461	808,298
Transportation	552,044	89,183	641,227
	<u>2,699,872</u>	<u>215,644</u>	<u>2,915,516</u>
Non-instructional programs	-	17,075	17,075
Capital outlay	-	309,930	309,930
Long-term debt:			
Principal	-	362,214	362,214
Interest and fiscal charges	-	24,878	24,878
	<u>-</u>	<u>387,092</u>	<u>387,092</u>
Other expenditures:			
AEA flowthrough	323,122	-	323,122
Total expenditures	<u>9,706,868</u>	<u>1,192,412</u>	<u>10,899,280</u>
Excess of revenues over expenditures	293,437	10,878	304,315
Other financing sources(uses):			
Transfer in	-	387,092	387,092
Transfer out	-	(387,092)	(387,092)
Sale of equipment	6,257	-	6,257
Computer lease proceeds	-	72,911	72,911
Insurance proceeds	-	3,794	3,794
Total other financing sources(uses)	<u>6,257</u>	<u>76,705</u>	<u>82,962</u>
Change in fund balances	299,694	87,583	387,277
Fund balances beginning of year	<u>2,050,956</u>	<u>789,696</u>	<u>2,840,652</u>
Fund balances end of year	<u>\$ 2,350,650</u>	<u>877,279</u>	<u>3,227,929</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 387,277

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

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

Capital outlay	\$ 263,601	
Depreciation expense	(554,312)	
Loss on disposal of assets	<u>(437)</u>	(291,148)

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

Issued	(72,911)	
Repaid	<u>362,214</u>	289,303

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. (1,754)

Income surtax account receivable is not available to finance expenditures of the current year and is recognized as deferred inflows of resources in the governmental funds. 9,890

Other postemployment benefit assets are not available to finance expenditures of the current year period in the governmental funds. 20,311

Change in net position of governmental activities(page 19) \$ 415,349

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>Enterprise, School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 11,104
Inventories	7,492
Capital assets, net of accumulated depreciation	<u>53,647</u>
TOTAL ASSETS	<u><u>72,243</u></u>
LIABILITIES	
Salaries and benefits payable	279
Unearned revenue	<u>5,724</u>
TOTAL LIABILITIES	<u><u>6,003</u></u>
NET POSITION	
Net investment in capital assets	53,647
Unrestricted	<u>12,593</u>
TOTAL NET POSITION	<u><u>\$ 66,240</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 158,195
Miscellaneous	941
Total operating revenues	159,136
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	1,887
Non-instructional programs:	
Food service operations:	
Salaries	139,948
Benefits	22,739
Services	15,436
Supplies	205,991
Depreciation	4,658
	388,772
Total operating expenses	390,659
Operating loss	(231,523)
Non-operating revenues:	
State sources	3,721
Federal sources	227,231
Interest income	39
Total non-operating revenues	230,991
Deficiency of revenues under expenditures before capital contributions	(532)
Other financing sources:	
Capital contributions	22,985
Change in net position	22,453
Net position beginning of year	43,787
Net position end of year	\$ 66,240

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 160,030
Cash received from miscellaneous operating activities	941
Cash payments to employees for services	(162,408)
Cash payments to suppliers for goods or services	(198,327)
Net cash used in operating activities	(199,764)
Cash flows from non-capital financing activities:	
State grants received	3,721
Federal grants received	202,343
Net cash provided by non-capital financing activities	206,064
Cash flows from investing activities:	
Interest on investments	39
Net increase in cash and cash equivalents	6,339
Cash and cash equivalents beginning of year	4,765
Cash and cash equivalents end of year	\$ 11,104
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (231,523)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	24,888
Depreciation	4,658
Decrease in inventories	99
Increase in salaries and benefits payable	279
Increase in unearned revenue	1,835
Net cash used in operating activities	\$ (199,764)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$24,888 of federal commodities.

During the year ended June 30, 2014, the District received capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund valued at \$16,775 and the Student Activity Fund valued at \$6,210.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>1,900</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,900</u>
Change in net position	-
Net position beginning of year	<u>-</u>
Net position end of year	<u><u>\$ -</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The Central Lee 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. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the city of Donnellson, Iowa, and the predominate agricultural territory in Lee County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

The District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service 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 following:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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 governmental funds are accounted for using the modified accrual basis of accounting.

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	5-20 years
Machinery and equipment	5-20 years

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

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

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

Deferred Inflows of Resources - 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 inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

Fund Balances - 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 imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classes.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amount budgeted in the support services functional area.

(2) Cash and Pooled Investments

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

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 registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2014, the District had no investments.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 387,092</u>

The transfer from the Capital Projects, Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was to make the principal and interest payments on the District’s revenue bonded indebtedness, along with the annual payments on its land contract and the computer lease indebtedness.

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 203,592	-	-	203,592
Total capital assets not being depreciated	<u>203,592</u>	<u>-</u>	<u>-</u>	<u>203,592</u>
Capital assets being depreciated:				
Buildings	9,535,100	51,900	-	9,587,000
Improvements other than buildings	1,616,668	7,251	-	1,623,919
Machinery and equipment	3,107,897	204,450	62,216	3,250,131
Total capital assets being depreciated	<u>14,259,665</u>	<u>263,601</u>	<u>62,216</u>	<u>14,461,050</u>
Less accumulated depreciation for:				
Buildings	4,189,371	243,246	-	4,432,617
Improvements other than buildings	1,113,228	76,443	-	1,189,671
Machinery and equipment	2,290,860	234,623	61,779	2,463,704
Total accumulated depreciation	<u>7,593,459</u>	<u>554,312</u>	<u>61,779</u>	<u>8,085,992</u>
Total capital assets being depreciated, net	<u>6,666,206</u>	<u>(290,711)</u>	<u>437</u>	<u>6,375,058</u>
Governmental activities capital assets, net	<u>\$ 6,869,798</u>	<u>(290,711)</u>	<u>437</u>	<u>6,578,650</u>
Business type activities:				
Machinery and equipment	\$ 231,801	22,985	-	254,786
Less accumulated depreciation	196,481	4,658	-	201,139
Business type activities capital assets, net	<u>\$ 35,320</u>	<u>18,327</u>	<u>-</u>	<u>53,647</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 65,877
Special	4,228
Other	3,554
Support services:	
Student	494
Instructional staff	475
Administration	43,956
Operation and maintenance of plant	14,325
Transportation	<u>101,714</u>
	234,623
Unallocated depreciation	<u>319,689</u>
Total depreciation expense - governmental activities	<u>\$ 554,312</u>
Business type activities:	
Food service operations	<u>\$ 4,658</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District paid \$3,750 as a membership fee and had no borrowings in fiscal year 2014.

(6) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 470,000	-	235,000	235,000	235,000
Computer Leases	110,970	72,911	110,970	72,911	23,130
Land Contract	16,244	-	16,244	-	-
Termination Benefits	1,470	-	1,470	-	-
Total	\$ 598,684	72,911	363,684	307,911	258,130

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 9, 2009			
	Interest Rates	Principal	Interest	Total
2015	4.25%	\$ 235,000	13,575	248,575

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,355,000 of bonds issued July 2009. The bonds were issued for the purpose of financing the costs of a geothermal project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require near 35 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$248,575. For the year ended June 30, 2014, principal of \$235,000 and interest of \$20,563 was paid on the bonds and total statewide sales, services and use tax revenues were \$708,125.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$135,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

Details of the District’s June 30, 2014 computer lease indebtedness, which is paid from the Statewide Sales, Services and Use Tax Fund, is as follows:

Year Ending June 30,	Computer Lease dated April 20, 2014			
	Interest Rates	Principal	Interest	Total
2015	4.99%	\$ 23,130	3,639	26,769
2016	4.99%	24,285	2,484	26,769
2017	4.99%	25,496	1,273	26,769
Total		\$ 72,911	7,396	80,307

Termination Benefits

The District did not offer a voluntary early retirement incentive to District employees during fiscal year 2014. However, the District offered a voluntary early retirement plan to its certified and classified employees in prior fiscal years. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2014, totaled \$1,470. As of June 30, 2014 there were not outstanding obligations to any retirees.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$532,193, \$496,973 and \$467,115, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical benefits for employees, retirees and their spouses. There are 48 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 25 years.

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

Annual required contribution	\$ 8,615
Interest on net OPEB obligation	(774)
Adjustment to annual required contribution	<u>2,984</u>
Annual OPEB cost	10,825
Contributions made	<u>(31,136)</u>
Increase in net OPEB obligation	(20,311)
Net OPEB obligation beginning of year	<u>(77,385)</u>
Net OPEB obligation end of year	<u><u>\$ (97,696)</u></u>

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

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 10,549	242.2%	\$ (55,130)
2013	10,190	318.4%	(77,385)
2014	10,825	287.6%	(97,696)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$153,975, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$153,975. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,910,222 and the ratio of the UAAL to covered payroll was 5.3%. As of June 30, 2014 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past

expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 3%. The medical trend is reduced by a percentage each year until reaching the 3% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the Central Lee Community School District.

Projected claim costs of the medical plan are \$965 per month for retirees who have family coverage and \$420 per month for retirees who have single coverage. The UAAL is being amortized as a level percentage of the projected payroll expense on an open basis over 25 years.

(9) Risk Management

Central Lee 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.

(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 \$323,122 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of June 30, 2014 are as follows:

Program	Amount
Returning Dropouts and Dropout Prevention	\$ 65,147
Teacher Salary Supplement	45,037
Successful Progression for Early Readers	6,439
Professional Development for Model Core Curriculum	52,317
Professional Development	46,958
Teacher Leadership Grants	8,089
Total	<u>\$ 223,987</u>

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the support services functional area exceeded the amount budgeted.

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	149,893	2,126,663
Invested in capital assets, net of accumulated depreciation	6,578,650	-	-
Revenue bond capitalized indebtedness	(235,000)	-	-
Computer lease	(72,911)	-	-
Income surtax	-	-	339,831
Accrued interest payable	-	(2,931)	-
Net OPEB asset	-	-	97,696
Net position (Exhibit A)	\$ 6,270,739	146,962	2,564,190

(14) Prospective Accounting Change

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,502,332	159,175	5,661,507	6,431,725	6,431,725	(770,218)
State sources	5,451,530	3,721	5,455,251	4,832,952	4,832,952	622,299
Federal sources	249,733	227,231	476,964	475,000	475,000	1,964
Total revenues	11,203,595	390,127	11,593,722	11,739,677	11,739,677	(145,955)
Expenditures/Expenses:						
Instruction	6,946,545	-	6,946,545	7,034,000	7,034,000	87,455
Support services	2,915,516	1,887	2,917,403	2,845,500	2,845,500	(71,903)
Non-instructional programs	17,075	388,772	405,847	456,000	456,000	50,153
Other expenditures	1,020,144	-	1,020,144	1,506,335	1,506,335	486,191
Total expenditures/expenses	10,899,280	390,659	11,289,939	11,841,835	11,841,835	551,896
Excess(Deficiency) of revenues over(under) expenditures/expenses	304,315	(532)	303,783	(102,158)	(102,158)	405,941
Other financing sources, net	82,962	22,985	105,947	684,000	684,000	(578,053)
Excess of revenues and other financing sources over expenditures/expenses and other financing sources	387,277	22,453	409,730	581,842	581,842	(172,112)
Balances beginning of year	2,840,652	43,787	2,884,439	2,010,346	2,010,346	874,093
Balances end of year	\$ 3,227,929	66,240	3,294,169	2,592,188	2,592,188	701,981

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

During the year ended June 30, 2014, expenditures in the support services functional area exceeded the amount budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 153,771	153,771	0.0%	\$ 4,883,551	3.1%
2011	July 1, 2009	-	153,771	153,771	0.0%	4,650,437	3.3%
2012	July 1, 2009	-	153,771	153,771	0.0%	2,583,006	6.0%
2013	July 1, 2012	-	153,975	153,795	0.0%	2,415,584	6.4%
2014	July 1, 2012	-	153,975	153,795	0.0%	2,910,222	5.3%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue			Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	Total Other Nonmajor Funds
	Management Levy	Student Activity	Total Special Revenue			
ASSETS						
Cash and cash equivalents	\$ 213,838	189,197	403,035	394,603	167,975	965,613
Receivables:						
Property tax:						
Delinquent	3,050	-	3,050	-	-	3,050
Succeeding year	360,000	-	360,000	-	-	360,000
Accounts	-	-	-	571	12,250	12,821
Due from other governments	-	-	-	-	141,076	141,076
TOTAL ASSETS	\$ 576,888	189,197	766,085	395,174	321,301	1,482,560
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	-	-	245,281	-	245,281
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	360,000	-	360,000	-	-	360,000
Fund balances:						
Restricted for:						
School infrastructure	-	-	-	-	321,301	321,301
Debt service	-	-	-	149,893	-	149,893
Management levy purposes	216,888	-	216,888	-	-	216,888
Student activities	-	189,197	189,197	-	-	189,197
Total fund balances	216,888	189,197	406,085	149,893	321,301	877,279
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 576,888	189,197	766,085	395,174	321,301	1,482,560

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Capital Projects:	Total
	Management Levy	Student Activity	Total Special Revenue		Statewide Sales, Services and Use Tax	Other Nonmajor Funds
Revenues:						
Local sources:						
Local tax	\$ 200,776	-	200,776	-	-	200,776
Other	-	282,473	282,473	1,358	10,558	294,389
State sources	-	-	-	-	708,125	708,125
Total revenues	200,776	282,473	483,249	1,358	718,683	1,203,290
Expenditures:						
Current:						
Instruction:						
Regular	7,653	-	7,653	-	-	7,653
Other	-	255,018	255,018	-	-	255,018
Support services:						
Operation and maintenance of plant	126,461	-	126,461	-	-	126,461
Student transportation	-	-	-	-	89,183	89,183
Non-instructional programs	-	-	-	-	17,075	17,075
Capital outlay	-	-	-	-	309,930	309,930
Long-term debt:						
Principal	-	-	-	362,214	-	362,214
Interest	-	-	-	24,878	-	24,878
Total expenditures	134,114	255,018	389,132	387,092	416,188	1,192,412
Excess(Deficiency) of revenues over(under) expenditures	66,662	27,455	94,117	(385,734)	302,495	10,878
Other financing sources(uses):						
Transfer in	-	-	-	387,092	-	387,092
Transfer out	-	-	-	-	(387,092)	(387,092)
Computer lease proceeds	-	-	-	-	72,911	72,911
Insurance proceeds	3,794	-	3,794	-	-	3,794
Total other financing sources(uses)	3,794	-	3,794	387,092	(314,181)	76,705
Change in fund balances	70,456	27,455	97,911	1,358	(11,686)	87,583
Fund balances beginning of year	146,432	161,742	308,174	148,535	332,987	789,696
Fund balances end of year	\$ 216,888	189,197	406,085	149,893	321,301	877,279

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
High School:					
All School Play	\$ 4,225	661	405	-	4,481
Drama Club	1,481	339	141	-	1,679
Quiz Bowl	15	-	-	-	15
Yearbook	55	4,990	4,521	-	524
Milk Machine	2,718	3,453	2,045	-	4,126
Art Club	1,262	547	789	-	1,020
Pep Club	99	-	-	-	99
AFS Club	14,485	4,432	5,228	-	13,689
Student Council	7,118	6,676	6,351	(142)	7,301
Spanish Club	863	1,125	1,405	-	583
Science Club	411	-	12	-	399
Computer Club	163	845	-	(845)	163
FFA	23,638	52,639	55,536	78	20,819
FCCLA Group	-	10,031	7,909	-	2,122
National Honor Society	754	866	645	(400)	575
Class of 2014	637	-	-	(637)	-
Class of 2015	-	4,748	4,594	50	204
Class of 2016	-	-	-	10	10
Class of 2017	-	-	-	25	25
Class of 2018	-	-	-	652	652
Post Prom Activities	328	130	130	-	328
SAEP-Entrepreneurship	49,085	18,734	9,959	-	57,860
Athletics	176	2,695	2,880	1,000	991
Athletic Activities	3,850	6,056	4,532	-	5,374
Concessions	1,045	28,844	16,310	(12,605)	974
Golf	438	900	2,261	2,100	1,177
Cross Country	97	760	1,236	400	21
Soccer	230	1,583	2,028	750	535
Boys Basketball	4,422	8,514	7,545	(400)	4,991
Football	5,335	12,435	15,447	-	2,323
Baseball	1,163	4,310	5,785	1,322	1,010
Boys Track	323	862	1,916	4,000	3,269
Girls Basketball	3,756	7,147	5,722	-	5,181
Volleyball	675	13,442	7,585	-	6,532
Softball	1,551	4,537	4,210	-	1,878
Girls Track	182	805	5,534	4,600	53
Cheerleaders	822	2,467	1,659	-	1,630
Dance Team	92	11,274	9,651	-	1,715
HS Student Activities	2,114	1,589	2,033	(59)	1,611
Renaissance Program	3,567	19,562	19,966	-	3,163
S.A.D.D	239	-	-	-	239
P.B.I.S.	-	-	-	1,000	1,000

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
<u>Middle School:</u>					
MS Student Council	4,473	5,212	5,815	42	3,912
MS Student Activities	3,593	22,855	23,057	471	3,862
Athletic Resale	89	-	-	-	89
MS Football	638	4,270	2,047	-	2,861
MS Volleyball	603	2,176	847	-	1,932
MS Girls Basketball	280	1,232	926	-	586
MS Boys Basketball	198	1,656	1,005	-	849
MS Girls Track	216	309	232	-	293
MS Boys Track	229	309	233	-	305
MS Softball	760	874	495	-	1,139
MS Baseball	1,087	890	504	-	1,473
MS Cross Country	23	-	-	-	23
Academic Booster Club	689	2,547	2,147	-	1,089
<u>Elementary School:</u>					
Special Olympics	90	-	-	-	90
Special Needs Field Trips	2,828	-	-	-	2,828
Art Club K8	3,803	1,476	144	-	5,135
T.A.G. Club	230	-	-	-	230
Elementary Student Activities	3,105	20	1,429	157	1,853
Interest Account	1,394	649	167	(1,569)	307
Total	\$ 161,742	282,473	255,018	-	189,197

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,044,297	3,872,114	3,782,861	3,655,466	3,601,261	3,493,382	3,372,263	3,348,880	3,136,981	3,189,323
Tuition	2,058,027	1,911,175	1,658,995	1,209,348	1,213,743	1,197,429	1,113,423	981,596	803,065	724,243
Other	400,008	457,942	408,614	416,322	390,494	473,312	533,582	529,619	482,003	390,920
State sources	5,451,530	4,437,556	4,596,338	4,647,013	4,207,309	4,928,448	5,027,800	4,861,274	4,531,530	4,466,282
Federal sources	249,733	269,297	247,103	589,418	762,335	357,020	259,263	296,527	268,240	376,006
Total	\$ 11,203,595	10,948,084	10,693,911	10,517,567	10,175,142	10,449,591	10,306,331	10,017,896	9,221,819	9,146,774
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,635,685	4,416,534	4,442,218	4,272,288	4,070,484	4,149,685	4,393,908	4,261,021	4,175,716	3,792,917
Special	1,235,818	1,243,333	1,286,346	1,171,499	1,160,356	1,315,008	1,197,589	1,108,147	988,254	1,210,190
Other	1,075,042	1,036,840	1,016,335	1,036,750	1,138,440	1,110,044	1,110,902	1,089,480	912,535	942,480
Support services:										
Student	286,126	258,150	279,703	254,559	265,913	201,708	299,344	280,908	289,636	276,961
Instructional staff	180,188	182,921	167,681	141,463	234,609	141,679	123,247	235,853	135,997	151,639
Administration	999,677	968,741	924,802	896,827	805,339	857,584	961,251	886,861	885,935	776,587
Operation and maintenance of plant	808,298	743,572	687,173	716,388	692,453	683,814	690,085	679,850	686,548	639,309
Transportation	641,227	653,465	642,964	599,749	457,566	470,114	468,759	778,867	324,288	438,627
Non-instructional programs	17,075	1,274	4,398	-	-	-	-	-	-	-
Capital outlay	309,930	242,811	607,686	492,895	1,216,428	222,563	166,044	204,456	202,602	332,966
Long-term debt:										
Principal	362,214	382,767	643,543	338,660	109,696	930,281	490,092	441,118	392,590	369,686
Interest	24,878	38,492	73,584	61,211	66,490	63,698	46,625	79,567	97,312	117,521
Other expenditures:										
AEA flow-through	323,122	308,843	311,259	351,004	347,801	321,260	316,552	310,819	289,512	281,037
Total	\$ 10,899,280	10,477,743	11,087,692	10,333,293	10,565,575	10,467,438	10,264,398	10,356,947	9,380,925	9,329,920

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of the Central Lee Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Lee Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Lee Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

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

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

Central Lee Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2015
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) *Investments* - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 2) *Capital Assets* - recording and reconciling.
- 3) *Inventories* - counting inventory and maintaining inventory records.
- 4) *Receipts* - collecting, recording, depositing, journalizing, posting and reconciling.
- 5) *Disbursements* - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) *Payroll* - entering payroll into the system and approval, approval of and payment of payroll taxes.
- 7) *Computer systems* - performing all general accounting functions and controlling all data input and output.
- 8) *Journal entries* - approval and posting.

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

Response - We will continue to look for ways to segregate duties.

Conclusion - Response accepted.

OTHER MATTERS:

I-B-14 Deficit Lunch Account Balances - During our audit we noted multiple negative student lunch account balances on the Districts financial statements at June 30, 2014. Some of these negative amounts appeared to be excessive.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming excessively negative. The District may also wish to investigate alternatives to bring negative accounts back to a positive balance.

Response - The District has implemented procedures to bring negative accounts back to a positive balance, including the use of collection services.

Conclusion - Response accepted.

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

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budgeted amount in the support services functional area.

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 - We will amend future budgets as necessary.

Conclusion - Response accepted.

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

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.

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

II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted discrepancies in the enrollment data certified to the Department of Education for the fall 2013 count date as follows:

Student Adjustment: We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student due to the District receiving funding for a student who was not enrolled on the 2013 count date.

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

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

Conclusion - Response accepted.

Late Certification: The District did not meet the October 15th deadline for certifying enrollment for the fall of 2013 as required by Chapter 257.6 (7b) of the Code of Iowa.

Recommendation - The District should review procedures to ensure that enrollment data is certified to the Iowa Department of Education in a timely manner to be in compliance with Iowa Code 257.6 (7b).

Response - We will certify to the Iowa Department of Education in a timely manner.

Conclusion - Response accepted.

- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	332,987
Revenues:			
Sales tax revenues	\$	708,125	
Other local revenues		10,558	
Computer lease proceeds		72,911	791,594
			1,124,581
Expenditures/Transfers out:			
School infrastructure construction	\$	196,838	
Equipment		218,754	
Other		596	
Transferred to other funds:			
Debt service fund		387,092	803,280
			803,280
Ending Balance		\$	321,301

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

- II-M-14 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Expenses: We noted during our audit that the District records expenses for advance placement exam fees in the HS Student Activities account within the Student Activity Fund. Advance placement exam fee expenses appear to be more related to instructional purposes rather than co-curricular or extra-circularly related and, therefore, would be more appropriately handled in the General Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The expenditures for advance placement exam fees appear to be instructional in nature and revenues and expenditures for instructional purposes are more appropriately handled in the General Fund.

Response - All future advance placement exam fee revenues and expenditures will be handled through the General Fund.

Conclusion - Response accepted.