

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Central Lee Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Robert Bryant	President	2015
Verna Brunstein	Vice President	2017
Kim Miller	Board Member (resigned November 2014)	2017
Bob Galle	Board Member (appointed December 2014)	2015
Mark Hulsebus	Board Member	2015
Bill Young	Board Member	2015
School Officials		
John Henriksen	Superintendent	2015
Sandra Meierotto	Board Secretary	2015
Rose Bergman	Board Treasurer	2015
Gruhn Law Firm	Attorney	2015

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Central Lee Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District contributions and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 44 through 50 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, 2014 (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 24, 2016 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.

Handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2016
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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$10,006,562 in fiscal year 2014 to \$9,659,234 in fiscal year 2015, while General Fund expenditures increased from \$9,706,868 in fiscal year 2014 to \$10,037,902 in fiscal year 2015. As result, the District's General Fund balance decreased from \$2,350,650 at June 30, 2014 to \$1,971,982 at June 30, 2015, representing a decrease of 16.10%.
- The decrease in General Fund revenues was mainly attributable to a decrease in tuition, local source and state source revenues received in fiscal year 2015, 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 21.96% in fiscal year 2014 to 19.52% for fiscal year 2015. 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, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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.

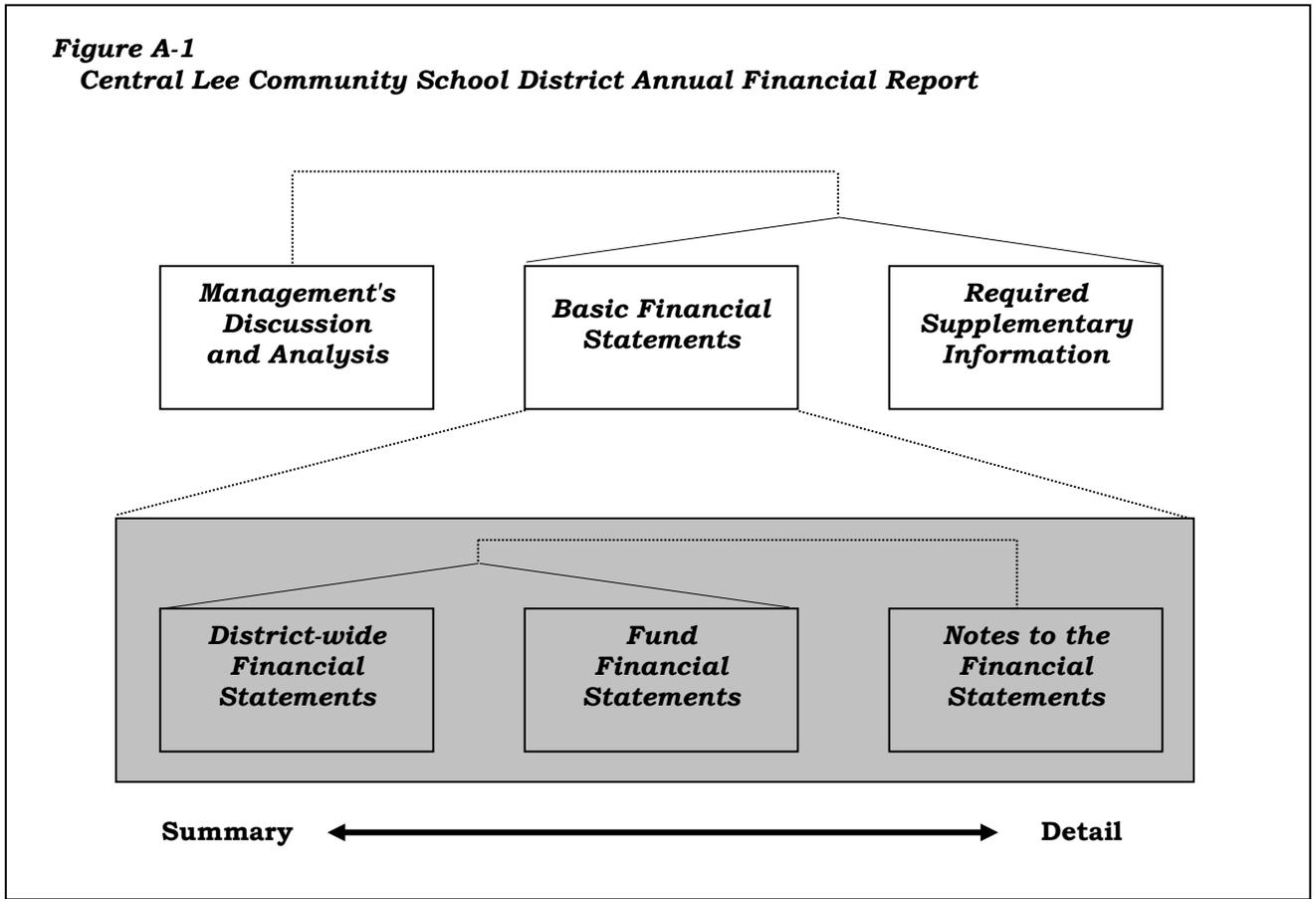


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred 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, 2015 compared to June 30, 2014.

Figure A-3								
Condensed Statement of Net Position								
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
	June 30,		June 30,		June 30,		June 30,	
	2015	2014	2015	2014	2015	2014	2014-15	
		(not restated)		(not restated)		(not restated)		
Current and other assets	\$ 7,332,020	7,811,135	22,568	18,596	7,354,588	7,829,731	-6.07%	
Capital assets	6,244,837	6,578,650	67,028	53,647	6,311,865	6,632,297	-4.83%	
Total assets	13,576,857	14,389,785	89,596	72,243	13,666,453	14,462,028	-5.50%	
Deferred outflows of resources	773,808	-	17,004	-	790,812	-	100.00%	
Long-term liabilities	3,889,485	307,911	-	-	3,889,485	307,911	1163.18%	
Other liabilities	1,223,600	1,478,369	85,665	6,003	1,309,265	1,484,372	-11.80%	
Total liabilities	5,113,085	1,786,280	85,665	6,003	5,198,750	1,792,283	190.06%	
Deferred inflows of resources	4,089,306	2,670,241	30,994	-	4,120,300	2,670,241	54.30%	
Net position:								
Net investment in capital assets	6,244,837	6,270,739	67,028	53,647	6,311,865	6,324,386	-0.20%	
Restricted	807,946	1,098,335	-	-	807,946	1,098,335	-26.44%	
Unrestricted	(1,904,509)	2,564,190	(77,087)	12,593	(1,981,596)	2,576,783	-176.90%	
Total net position	\$ 5,148,274	9,933,264	(10,059)	66,240	5,138,215	9,999,504	-48.62%	

The District's combined net position decreased by \$4,861,289 or 48.62% 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 decreased \$290,389 or 26.44% from 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 decreased \$4,558,379 or 176.90%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$4,384,846 and \$100,930, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Figure A-4							
	Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
2015	2014	2015	2014	2015	2014	2014-15		
	(not restated)	(not restated)	(not restated)		(not restated)			
Revenues:								
Program revenues:								
Charges for service	\$ 2,340,164	2,389,119	165,453	158,195	2,505,617	2,547,314	-1.64%	
Operating grants, contributions and restricted interest	563,823	608,275	215,574	230,952	779,397	839,227	-7.13%	
Capital grants, contributions and restricted interest	-	10,000	-	-	-	10,000	-100.00%	
General revenues:								
Property tax	2,677,636	2,676,234	-	-	2,677,636	2,676,234	0.05%	
Income surtax	231,974	377,953	-	-	231,974	377,953	-38.62%	
Statewide sales, service and use tax	757,492	708,125	-	-	757,492	708,125	6.97%	
Unrestricted state grants	4,283,806	4,397,688	-	-	4,283,806	4,397,688	-2.59%	
Unrestricted investment earnings	5,807	7,746	62	39	5,869	7,785	-24.61%	
Other	53,655	38,345	1,221	941	54,876	39,286	39.68%	
Total revenues	10,914,357	11,213,485	382,310	390,127	11,296,667	11,603,612	-2.65%	
Program expenses:								
Instructional	7,657,275	7,082,504	-	-	7,657,275	7,082,504	8.12%	
Support services	3,012,472	3,006,129	661	1,887	3,013,133	3,008,016	0.17%	
Non-instructional programs	20,386	17,075	357,018	388,772	377,404	405,847	-7.01%	
Other expenses	624,368	669,443	-	-	624,368	669,443	-6.73%	
Total expenses	11,314,501	10,775,151	357,679	390,659	11,672,180	11,165,810	4.54%	
Excess(Deficiency) of revenues over(under) expenses	(400,144)	438,334	24,631	(532)	(375,513)	437,802	-185.77%	
Transfers	-	(22,985)	-	22,985	-	-	0.00%	
Change in net position	(400,144)	415,349	24,631	22,453	(375,513)	437,802	-185.77%	
Net position beginning of year, as restated	5,548,418	9,517,915	(34,690)	43,787	5,513,728	9,561,702	-42.34%	
Net position end of year	\$ 5,148,274	9,933,264	(10,059)	66,240	5,138,215	9,999,504	-48.62%	

In fiscal year 2015, property tax, income surtax, statewide sales, service and use tax and unrestricted state grants account for 72.85% 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 \$11.29 million, of which approximately \$10.9 million was for governmental activities and approximately \$0.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 2.65% in revenues and an increase of 4.54% in expenses. The decrease in revenues is primarily due to a decrease 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 \$10,914,357 and expenses were \$11,314,501 for the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-15	2015	2014	Change 2014-15
		(not restated)			(not restated)	
Instruction	\$ 7,657,275	7,082,504	8.12%	5,083,028	4,451,944	14.18%
Support services	3,012,472	3,006,129	0.21%	3,006,806	2,952,417	1.84%
Non-instructional	20,386	17,075	19.39%	20,386	17,075	19.39%
Other expenses	624,368	669,443	-6.73%	300,294	346,321	-13.29%
Totals	\$ 11,314,501	10,775,151	5.01%	8,410,514	7,767,757	8.27%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$2,340,164.
- Federal and state governments as well contributions from local sources subsidized certain programs with grants and contributions totaling \$536,823.
- The net cost of governmental activities was financed with \$2,677,636 in property tax, \$231,974 in income surtax, \$757,492 in statewide sales, services and use tax, \$4,283,806 in unrestricted state grants, \$5,807 in investment interest and \$53,655 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$382,310 and expenses totaled \$357,679 for the year ended June 30, 2015. 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 \$3,073,401, above last year's ending fund balances of a \$3,227,929. The primary reasons for the increase in combined fund balances is the increase in fund balance for the Management Levy Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance of the General Fund decreased from \$2,350,650 at June 30, 2014 to \$1,971,982 at June 30, 2015. This decrease is primarily due to decrease in state, local, and tuition source revenues received as compared to the prior year.
- The District's Management Fund balance increased from \$216,888 at June 30, 2014 to \$443,585 at June 30, 2015. This increase is primarily due to an increase in local tax revenue received as compared to the prior year.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from restated deficit of \$34,690 at July 1, 2014 to a deficit net position of \$10,059 at June 30, 2015, representing a increase of approximately 71.0%. The primary reason for this decrease 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 \$246,780 less than budgeted revenues, a variance of approximately 2.11%. 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 Districts budgetary practice, the certified budget was exceeded in the instruction functional area during the year ended June 30, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$6,311,865, 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 4.83% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$478,372.

The original cost of the District's capital assets was \$14,856,289. Governmental funds account for \$14,578,818 with the remainder of \$277,471 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 \$5,154,383 at June 30, 2014, compared to \$4,914,609 at June 30, 2015. The primary reason for this decrease is due to annual depreciation expense incurred during fiscal year 2015.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 203,592	203,592	-	-	203,592	203,592	0.00%
Buildings	4,914,609	5,154,383	-	-	4,914,609	5,154,383	-4.65%
Improvements other than buildings	380,057	434,248	-	-	380,057	434,248	-12.48%
Machinery and equipment	746,579	786,427	67,028	53,647	813,607	840,074	-3.15%
Total	\$ 6,244,837	6,578,650	67,028	53,647	6,311,865	6,632,297	-4.83%

Long-Term Debt

At June 30, 2015, the District had long-term debt outstanding of \$3,970,754 in total long-term debt outstanding. This was a 1189.58% increase from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

- At June 30, 2015, the District had computer lease indebtedness payable of \$358,778 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- Net pension liability of \$3,611,976 at June 30, 2015. Governmental net pension liability of \$3,530,707 and business type activities net pension liability of \$81,269.

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-15
Revenue Bonds	\$ -	235,000	-100.00%
Net Pension liability	3,611,976	-	100.00%
Computer Lease	358,778	72,911	392.08%
Totals	\$ 3,970,754	307,911	1189.58%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- 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, the District booked the liability on financial statements associated with the District's share of its IPERS liability. This had a negative impact on 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, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,853,564	14,469	3,868,033
Receivables:			
Property tax:			
Delinquent	32,029	-	32,029
Succeeding year	2,742,796	-	2,742,796
Income surtax	184,144	-	184,144
Accounts	409,779	-	409,779
Due from other governments	414	-	414
Inventories	-	8,099	8,099
Net OPEB asset	109,294	-	109,294
Capital assets, net of accumulated depreciation	6,244,837	67,028	6,311,865
TOTAL ASSETS	13,576,857	89,596	13,666,453
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	773,808	17,004	790,812
LIABILITIES			
Accounts payable	195,064	-	195,064
Salaries and benefits payable	1,027,321	-	1,027,321
Accrued interest payable	1,215	-	1,215
Unearned revenue	-	4,396	4,396
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	124,851	-	124,851
Portion due after one year:			
Computer lease payable	233,927	-	233,927
Net pension liability	3,530,707	81,269	3,611,976
TOTAL LIABILITIES	5,113,085	85,665	5,198,750
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	2,742,796	-	2,742,796
Pension related deferred inflows	1,346,510	30,994	1,377,504
	4,089,306	30,994	4,120,300
NET POSITION			
Net investment in capital assets	6,244,837	67,028	6,311,865
Restricted for:			
Categorical funding	150,112	-	150,112
School infrastructure	463,446	-	463,446
Student activities	194,388	-	194,388
Unrestricted	(1,904,509)	(77,087)	(1,981,596)
TOTAL NET POSITION	\$ 5,148,274	(10,059)	5,138,215

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 4,974,654	1,687,044	37,893	(3,249,717)	-	(3,249,717)
Special	1,356,274	372,400	57,739	(926,135)	-	(926,135)
Other	1,326,347	280,720	138,451	(907,176)	-	(907,176)
	<u>7,657,275</u>	<u>2,340,164</u>	<u>234,083</u>	<u>(5,083,028)</u>	<u>-</u>	<u>(5,083,028)</u>
Support services:						
Student	228,429	-	-	(228,429)	-	(228,429)
Instructional staff	185,960	-	-	(185,960)	-	(185,960)
Administration	1,067,638	-	-	(1,067,638)	-	(1,067,638)
Operation and maintenance of plant	857,386	-	-	(857,386)	-	(857,386)
Transportation	673,059	-	5,666	(667,393)	-	(667,393)
	<u>3,012,472</u>	<u>-</u>	<u>5,666</u>	<u>(3,006,806)</u>	<u>-</u>	<u>(3,006,806)</u>
Non-instructional programs	20,386	-	-	(20,386)	-	(20,386)
Long-term debt interest	6,329	-	-	(6,329)	-	(6,329)
Other expenditures:						
AEA flowthrough	324,074	-	324,074	-	-	-
Depreciation(unallocated)*	293,965	-	-	(293,965)	-	(293,965)
	<u>618,039</u>	<u>-</u>	<u>324,074</u>	<u>(293,965)</u>	<u>-</u>	<u>(293,965)</u>
Total governmental activities	11,314,501	2,340,164	563,823	(8,410,514)	-	(8,410,514)
Business Type activities:						
Support services:						
Operation and maintenance of plant	661	-	-	-	(661)	(661)
Non-instructional programs:						
Food service operations	357,018	165,453	215,574	-	24,009	24,009
Total business type activities	<u>357,679</u>	<u>165,453</u>	<u>215,574</u>	<u>-</u>	<u>23,348</u>	<u>23,348</u>
Total	<u>\$ 11,672,180</u>	<u>2,505,617</u>	<u>779,397</u>	<u>(8,410,514)</u>	<u>23,348</u>	<u>(8,387,166)</u>
General Revenues & Transfers:						
Property tax levied for:						
General purposes				\$ 2,677,636	-	2,677,636
Income surtax				231,974	-	231,974
Statewide sales, services and use tax				757,492	-	757,492
Unrestricted state grants				4,283,806	-	4,283,806
Unrestricted investment earnings				5,807	62	5,869
Other				53,655	1,221	54,876
Total general revenues & transfers				<u>8,010,370</u>	<u>1,283</u>	<u>8,011,653</u>
Change in net position				(400,144)	24,631	(375,513)
Net position beginning of year				5,548,418	(34,690)	5,513,728
Net position end of year, as restated				<u>\$ 5,148,274</u>	<u>(10,059)</u>	<u>5,138,215</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Management			Total
	General	Levy Fund	Nonmajor	
ASSETS				
Cash and cash equivalents	\$ 2,880,676	428,807	544,081	3,853,564
Receivables:				
Property tax:				
Delinquent	27,692	4,337	-	32,029
Succeeding year	2,442,795	300,001	-	2,742,796
Income surtax	184,144		-	184,144
Accounts	277,991	13,701	118,087	409,779
Due from other governments	414	-	-	414
TOTAL ASSETS	\$ 5,813,712	746,846	662,168	7,222,726
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 190,730	-	4,334	195,064
Salaries and benefits payable	1,024,061	3,260	-	1,027,321
Total liabilities	1,214,791	3,260	4,334	1,222,385
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,442,795	300,001	-	2,742,796
Income surtax	184,144	-	-	184,144
Total deferred inflows of resources	2,626,939	300,001	-	2,926,940
Fund balances:				
Restricted for:				
Categorical funding	150,112	-	-	150,112
School infrastructure	-	-	463,446	463,446
Student activities	-	-	194,388	194,388
Unassigned	1,821,870	443,585	-	2,265,455
Total fund balances	1,971,982	443,585	657,834	3,073,401
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,813,712	746,846	662,168	7,222,726

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, 2015

Total fund balances of governmental funds(page 20)	\$	3,073,401
 <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.		6,244,837
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.		(1,215)
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.		184,144
Other postemployment benefit assets, are not yet available to finance expenditures of the current fiscal period.		109,294
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 773,808	
Deferred inflows of resources	<u>(1,346,510)</u>	(572,702)
Long-term liabilities, including revenue bonds payable, net pension liability and computer lease payable are not due and current period and, therefore, payable in the current year and, therefore, are not reported in the governmental funds.		<u>(3,889,485)</u>
Net position of governmental activities(page 18)	\$	<u><u>5,148,274</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, 2015

	Management			Total
	General	Levy Fund	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 2,704,428	360,869	-	3,065,297
Tuition	2,033,874	-	-	2,033,874
Other	75,042	-	288,288	363,330
State sources	4,614,585	4,161	757,492	5,376,238
Federal sources	222,508	-	-	222,508
Total revenues	<u>9,650,437</u>	<u>365,030</u>	<u>1,045,780</u>	<u>11,061,247</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,781,162	10,681	-	4,791,843
Special	1,323,198	-	-	1,323,198
Other	976,025	-	282,131	1,258,156
	<u>7,080,385</u>	<u>10,681</u>	<u>282,131</u>	<u>7,373,197</u>
Support services:				
Student	235,529	-	-	235,529
Instructional staff	184,523	-	-	184,523
Administration	1,011,847	4,352	-	1,016,199
Operation and maintenance of plant	666,411	118,817	-	785,228
Transportation	535,133	4,483	128,300	667,916
	<u>2,633,443</u>	<u>127,652</u>	<u>128,300</u>	<u>2,889,395</u>
Non-instructional programs	-	-	20,386	20,386
Capital outlay	-	-	660,342	660,342
Long-term debt:				
Principal	-	-	258,130	258,130
Interest and fiscal charges	-	-	8,045	8,045
	<u>-</u>	<u>-</u>	<u>266,175</u>	<u>266,175</u>
Other expenditures:				
AEA flowthrough	324,074	-	-	324,074
Total expenditures	<u>10,037,902</u>	<u>138,333</u>	<u>1,357,334</u>	<u>11,533,569</u>
Excess (deficiencies) of revenues over (under) expenditures	(387,465)	226,697	(311,554)	(472,322)
Other financing sources(uses):				
Transfer in	-	-	116,271	116,271
Transfer out	-	-	(116,271)	(116,271)
Sale of equipment	8,797	-	-	8,797
Computer lease proceeds	-	-	308,997	308,997
Total other financing sources(uses)	<u>8,797</u>	<u>-</u>	<u>308,997</u>	<u>317,794</u>
Change in fund balances	(378,668)	226,697	(2,557)	(154,528)
Fund balances beginning of year	<u>2,350,650</u>	<u>216,888</u>	<u>660,391</u>	<u>3,227,929</u>
Fund balances end of year	<u>\$ 1,971,982</u>	<u>443,585</u>	<u>657,834</u>	<u>3,073,401</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, 2015

Change in fund balances - total governmental funds(page 22) \$ (154,528)

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	\$ 156,149	
Depreciation expense	(469,068)	
Loss on disposal of assets	<u>(20,894)</u>	(333,813)

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	(308,997)	
Repaid	<u>258,130</u>	(50,867)

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.

1,716

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.

(155,687)

The current year District employee share of IPERS contributions are reported as expenditures in the government funds, but are reported as a deferred outflow of resources in the Statement of Net Position

552,126

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Pension expense	(270,689)	
Other postemployment benefits	<u>11,598</u>	<u>(259,091)</u>

Change in net position of governmental activities(page 19) \$ (400,144)

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

		Enterprise, School Nutrition
ASSETS		
Cash and cash equivalents	\$	14,469
Inventories		8,099
Capital assets, net of accumulated depreciation		67,028
TOTAL ASSETS		89,596
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows		17,004
LIABILITIES		
Unearned revenue		4,396
Net pension liability		81,269
TOTAL LIABILITIES		85,665
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows		30,994
NET POSITION		
Net investment in capital assets		67,028
Unrestricted		(77,087)
TOTAL NET POSITION	\$	(10,059)

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, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 165,453
Miscellaneous	1,221
Total operating revenues	166,674
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	661
Non-instructional programs:	
Food service operations:	
Salaries	138,032
Benefits	16,679
Services	15,000
Supplies	178,003
Depreciation	9,304
Total operating expenses	357,679
Operating loss	(191,005)
Non-operating revenues:	
State sources	3,555
Federal sources	212,019
Interest income	62
Total non-operating revenues	215,636
Change in net position	24,631
Net position beginning of year, restated	(34,690)
Net position end of year	\$ (10,059)

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 164,125
Cash received from miscellaneous operating activities	1,221
Cash payments to employees for services	(160,661)
Cash payments to suppliers for goods or services	(170,539)
Net cash used in operating activities	(165,854)
Cash flows from non-capital financing activities:	
State grants received	3,555
Federal grants received	188,287
Net cash provided by non-capital financing activities	191,842
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(22,685)
Cash flows from investing activities:	
Interest on investments	62
Net increase in cash and cash equivalents	3,365
Cash and cash equivalents beginning of year	11,104
Cash and cash equivalents end of year	\$ 14,469
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (191,005)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	23,732
Depreciation	9,304
Increase in inventories	(607)
Decrease in net pension liability	(31,635)
Increase in deferred outflows of resources	(5,030)
Increase in deferred inflows of resources	30,994
Decrease in salaries and benefits payable	(279)
Decrease in unearned revenue	(1,328)
Net cash used in operating activities	\$ (165,854)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$23,732 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>3,150</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>3,150</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, 2015

(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 Management Levy Fund is utilized to account for the revenues and expenses for unemployment benefits, early retirement and insurance agreements relating to such liabilities.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for 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

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

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.

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

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

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

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or 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, 2015, expenditures exceeded the amount budgeted in the instruction functional area.

(2) Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2015, the District had no investments.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	<u>\$ 116,271</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, 2015 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	9,587,000	-	-	9,587,000
Improvements other than buildings	1,623,919	-	-	1,623,919
Machinery and equipment	3,250,131	156,149	241,973	3,164,307
Total capital assets being depreciated	<u>14,461,050</u>	<u>156,149</u>	<u>241,973</u>	<u>14,375,226</u>
Less accumulated depreciation for:				
Buildings	4,432,617	239,774	-	4,672,391
Improvements other than buildings	1,189,671	54,191	-	1,243,862
Machinery and equipment	2,463,704	175,103	221,079	2,417,728
Total accumulated depreciation	<u>8,085,992</u>	<u>469,068</u>	<u>221,079</u>	<u>8,333,981</u>
Total capital assets being depreciated, net	<u>6,375,058</u>	<u>(312,919)</u>	<u>20,894</u>	<u>6,041,245</u>
Governmental activities capital assets, net	<u>\$ 6,578,650</u>	<u>(312,919)</u>	<u>20,894</u>	<u>6,244,837</u>
Business type activities:				
Machinery and equipment	\$ 254,786	22,685	-	277,471
Less accumulated depreciation	201,139	9,304	-	210,443
Business type activities capital assets, net	<u>\$ 53,647</u>	<u>13,381</u>	<u>-</u>	<u>67,028</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 60,609
Special	4,666
Other	3,799
Support services:	
Student	756
Instructional staff	668
Administration	26,677
Operation and maintenance of plant	12,637
Transportation	65,291
	<u>175,103</u>
Unallocated depreciation	<u>293,965</u>
Total depreciation expense - governmental activities	<u>\$ 469,068</u>
Business type activities:	
Food service operations	<u>\$ 9,304</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue Bonds	\$ 235,000	-	235,000	-	-
Net pension liability	4,905,065	-	1,374,358	3,530,707	-
Computer Leases	72,911	308,997	23,130	358,778	124,851
Total governmental activities	5,212,976	308,997	1,632,488	3,889,485	124,851
Business type activities:					
Net pension liability	112,904		31,635	81,269	-
Total governmental and business type activities	\$ 5,325,880	308,997	1,664,123	3,970,754	124,851

Computer Lease

Details of the District's June 30, 2015 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			Computer Lease dated May 25, 2015					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	4.99%	\$ 24,285	2,484	2.40%	100,566	7,416	124,851	9,900	134,751
2017	4.99%	25,496	1,273	2.40%	102,980	5,002	128,476	6,275	134,751
2018		-	-	2.40%	105,451	2,531	105,451	2,531	107,982
Total		\$ 49,781	3,757		308,997	14,949	358,778	18,706	377,484

Termination Benefits

The District did not offer a voluntary early retirement incentive to District employees during fiscal year 2015. 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. No early retirement benefits were paid during the year ended June 30, 2015. As of June 30, 2015 there were no outstanding obligations to any retirees.

(6) Pension Plan

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching

age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$564,027.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$3,611,976 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.0892488 percent, which was an increase of 0.000624 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$276,919. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,255	\$ -
Changes of assumptions	159,405	-
Net difference between projected and actual earnings on pension plan investments	-	1,377,504
Changes in proportion and differences between District contributions and proportionate share of contributions	28,125	
District contributions subsequent to the measurement date	564,027	-
Total	<u>\$ 790,812</u>	<u>\$ 1,377,504</u>

\$564,027 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (291,389)
2017	(291,389)
2018	(291,389)
2019	(291,389)
2020	14,836
	<u>\$ (1,150,720)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 6,824,728	\$ 3,611,976	\$ 900,081

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$91,740 for legally required employer contributions and \$61,126 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) 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, 2015, 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		(977)
Adjustment to annual required contribution		<u>3,767</u>
Annual OPEB cost		11,405
Contributions made		<u>(23,003)</u>
Increase in net OPEB obligation		(11,598)
Net OPEB obligation beginning of year		<u>(97,696)</u>
Net OPEB obligation end of year	\$	<u><u>(109,294)</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, 2015.

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
2013	\$ 10,190	318.4%	\$ (77,385)
2014	10,825	287.6%	(97,696)
2015	11,405	202.0%	(109,294)

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$3,040,033 and the ratio of the UAAL to covered payroll was 5.1%. As of June 30, 2015 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.

(8) 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.

(9) 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 \$324,074 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending balances for categorical funding by project as of June 30, 2015 are as follows:

Program	Amount
Teacher Salary Supplement	\$ 45,037
Successful Progression for Early Readers	14,448
Professional Development for Model Core Curriculum	61,472
Professional Development	27,927
Teacher Leadership Grants	1,228
Total	<u>\$ 150,112</u>

(11) 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, 2015, expenditures in the instruction functional area exceeded the amount budgeted.

(12) Deficit Net Position

The District had a deficit net position of \$1,545,731 in governmental activities. A deficit unrestricted net position and total net position of \$77,057 and \$10,059 in the nutrition fund.

(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	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	2,265,455
Invested in capital assets, net of accumulated depreciation	6,244,837	-
Computer lease	-	(358,778)
Income surtax	-	184,144
Deferred outflows of resources	-	773,808
Net pension liability	-	(3,530,707)
Deferred inflows of resources	-	(1,346,510)
Accrued interest payable	-	(1,215)
Net OPEB asset	-	109,294
Net position (Exhibit A)	<u>\$ 6,244,837</u>	<u>(1,904,509)</u>

(14) Accounting Change/Restatement Note

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after

the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 9,933,264	\$ 66,240
Net pension liability at June 30, 2014	(4,905,065)	(112,904)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	520,219	11,974
Net position July 1, 2014, as restated	<u>\$ 5,548,418</u>	<u>\$ (34,690)</u>

Central Lee Community School District

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, 2015

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,462,501	166,736	5,629,237	6,505,741	6,505,741	(876,504)
Intermediate sources	-	-	-	16,000	16,000	(16,000)
State sources	5,376,238	3,555	5,379,793	4,678,596	4,678,596	701,197
Federal sources	222,508	212,019	434,527	490,000	490,000	(55,473)
Total revenues	11,061,247	382,310	11,443,557	11,690,337	11,690,337	(246,780)
Expenditures/Expenses:						
Instruction	7,373,197	-	7,373,197	7,251,000	7,251,000	(122,197)
Support services	2,889,395	661	2,890,056	3,094,600	3,344,600	454,544
Non-instructional programs	20,386	357,018	377,404	470,200	470,200	92,796
Other expenditures	1,250,591	-	1,250,591	1,478,703	1,478,703	228,112
Total expenditures/expenses	11,533,569	357,679	11,891,248	12,294,503	12,544,503	653,255
Excess(Deficiency) of revenues over(under) expenditures/expenses	(472,322)	24,631	(447,691)	(604,166)	(854,166)	406,475
Other financing sources, net	317,794	-	317,794	154,300	154,300	163,494
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing sources	(154,528)	24,631	(129,897)	(449,866)	(699,866)	569,969
Balances beginning of year, as restated	3,227,929	(34,690)	3,193,239	4,631,345	4,631,345	(1,438,106)
Balances end of year	\$ 3,073,401	(10,059)	3,063,342	4,181,479	3,931,479	(868,137)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as required Supplementary Information in accordance with Governmental Accounting 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, the district adopted one budget amendment, increasing budgeted expenditures by \$250,000.

During the year ended June 30, 2015, expenditures in the instruction functional area exceeded the amount budgeted.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (in thousands)

REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.089249%
District's proportionate share of the net pension liability	\$ 3,611,976
District's covered-employee payroll	\$ 6,316,092
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.19%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
(in thousands)

REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 564	532	497	467	375	384	355	365	320	306
Contributions in relation to the statutorily required contribution	<u>(564)</u>	<u>(532)</u>	<u>(497)</u>	<u>(467)</u>	<u>(375)</u>	<u>(384)</u>	<u>(355)</u>	<u>(365)</u>	<u>(320)</u>	<u>(306)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>								
District's covered-employee payroll	\$ 6,316	5,957	5,732	5,787	5,396	5,525	5,591	6,033	5,565	5,322
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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%
2015	July 1, 2012	-	153,975	153,795	0.0%	3,040,033	5.1%

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, 2015

	Special Revenue	Capital Projects: Statewide Sales, Services and Use Tax	Total Other Nonmajor Funds
	Student Activity		
ASSETS			
Cash and cash equivalents	\$ 194,388	349,693	544,081
Receivables:			
Accounts	-	118,087	118,087
TOTAL ASSETS	\$ 194,388	467,780	662,168
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	4,334	4,334
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
School infrastructure	-	463,446	463,446
Student activities	194,388	-	194,388
Total fund balances	194,388	463,446	657,834
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 194,388	467,780	662,168

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, 2015

	<u>Special Revenue</u>		Capital Projects:	Total
	Student Activity	Debt Service	Statewide Sales, Services and Use Tax	Other Nonmajor Funds
Revenues:				
Local sources:				
Other	287,322	11	955	288,288
State sources	-	-	757,492	757,492
Total revenues	<u>287,322</u>	<u>11</u>	<u>758,447</u>	<u>1,045,780</u>
Expenditures:				
Current:				
Instruction:				
Other	282,131	-	-	282,131
Support services:				
Student transportation	-	-	128,300	128,300
Non-instructional programs	-	-	20,386	20,386
Capital outlay	-	-	660,342	660,342
Long-term debt:				
Principal	-	258,130	-	258,130
Interest	-	8,045	-	8,045
Total expenditures	<u>282,131</u>	<u>266,175</u>	<u>809,028</u>	<u>1,357,334</u>
Excess(Deficiency) of revenues over(under) expenditures	5,191	(266,164)	(50,581)	(311,554)
Other financing sources(uses):				
Transfer in	-	116,271	-	116,271
Transfer out	-	-	(116,271)	(116,271)
Computer lease proceeds	-	-	308,997	308,997
Total other financing sources(uses)	<u>-</u>	<u>116,271</u>	<u>192,726</u>	<u>308,997</u>
Change in fund balances	5,191	(149,893)	142,145	(2,557)
Fund balances beginning of year	<u>189,197</u>	<u>149,893</u>	<u>321,301</u>	<u>660,391</u>
Fund balances end of year	<u>\$ 194,388</u>	<u>-</u>	<u>463,446</u>	<u>657,834</u>

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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
<u>High School:</u>					
All School Play	\$ 4,481	677	775	-	4,383
Drama Club	1,679	1,265	1,423	-	1,521
Quiz Bowl	15	-	-	-	15
Yearbook	524	3,335	5,046	1,200	13
Milk Machine	4,126	1,750	2,111	-	3,765
Art Club	1,020	185	168	-	1,037
Pep Club	99	-	-	-	99
AFS Club	13,689	4,102	3,693	-	14,098
Student Council	7,301	5,953	4,941	-	8,313
Spanish Club	583	2,430	1,939	-	1,074
Science Club	399	-	-	-	399
Computer Club	163	-	-	-	163
FFA	20,819	51,741	45,323	-	27,237
FCCLA Group	2,122	9,746	8,727	-	3,141
National Honor Society	575	614	968	-	221
Class of 2015	204	340	482	-	62
Class of 2016	10	10,591	10,482	-	119
Class of 2017	25	-	-	-	25
Class of 2018	652	-	-	-	652
Post Prom Activities	328	127	127	-	328
SAEP-Entrepreneurship	57,860	17,729	9,577	-	66,012
Athletics	991	3,280	7,253	3,000	18
Athletic Activities	5,374	9,958	7,379	(2,600)	5,353
Concessions	974	39,315	25,934	(13,900)	455
Golf	1,177	515	1,653	500	539
Cross Country	21	598	1,174	700	145
Soccer	535	2,657	2,867	-	325
Boys Basketball	4,991	6,374	7,317	-	4,048
Football	2,323	13,542	20,123	5,000	742
Baseball	1,010	4,057	3,328	-	1,739
Boys Track	3,269	731	6,414	3,400	986
Girls Basketball	5,181	11,662	11,436	-	5,407
Volleyball	6,532	10,158	6,918	-	9,772
Softball	1,878	3,478	5,232	-	124
Girls Track	53	686	3,844	3,900	795
Cheerleaders	1,630	1,557	2,787	-	400
Dance Team	1,715	9,544	9,547	-	1,712
HS Student Activities	1,611	1,164	1,375	(900)	500
Renaissance Program	3,163	7,101	9,668	-	596
S.A.D.D	239	-	-	-	239
P.B.I.S.	1,000	-	405	-	595

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schedule 3

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
<u>Middle School:</u>					
MS Student Council	3,912	6,125	6,434	-	3,603
MS Student Activities	3,862	22,393	22,531	(1,600)	2,124
Athletic Resale	89	1,695	1,754	150	180
MS Football	2,861	2,763	3,802	-	1,822
MS Soccer	-	1,893	2,213	500	180
MS Volleyball	1,932	3,870	1,504	-	4,298
MS Girls Basketball	586	1,072	934	-	724
MS Boys Basketball	849	1,832	1,233	-	1,448
MS Girls Track	293	1,032	1,145	-	180
MS Boys Track	305	292	421	-	176
MS Softball	1,139	656	2,709	1,100	186
MS Baseball	1,473	1,006	1,386	-	1,093
MS Cross Country	23	-	-	-	23
Academic Booster Club	1,089	2,022	2,795	-	316
<u>Elementary School:</u>					
Special Olympics	90	-	-	-	90
Special Needs Field Trips	2,828	655	-	-	3,483
Art Club K8	5,135	1,872	1,040	-	5,967
T.A.G. Club	230	-	-	-	230
Elementary Student Activities	1,853	480	1,621	50	762
Interest Account	307	702	173	(500)	336
Total	<u>\$ 189,197</u>	<u>287,322</u>	<u>282,131</u>	<u>-</u>	<u>194,388</u>

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 3,065,297	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
Tuition	2,033,874	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
Other	363,330	400,008	457,942	408,614	416,322	390,494	473,312	533,582	529,619	482,003
State sources	5,376,238	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
Federal sources	222,508	249,733	269,297	247,103	589,418	762,335	357,020	259,263	296,527	268,240
Total	\$ 11,061,247	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
Expenditures:										
Current:										
Instruction:										
Regular	\$ 4,791,843	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
Special	1,323,198	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
Other	1,258,156	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
Support services:										
Student	235,529	286,126	258,150	279,703	254,559	265,913	201,708	299,344	280,908	289,636
Instructional staff	184,523	180,188	182,921	167,681	141,463	234,609	141,679	123,247	235,853	135,997
Administration	1,016,199	999,677	968,741	924,802	896,827	805,339	857,584	961,251	886,861	885,935
Operation and maintenance of plant	785,228	808,298	743,572	687,173	716,388	692,453	683,814	690,085	679,850	686,548
Transportation	667,916	641,227	653,465	642,964	599,749	457,566	470,114	468,759	778,867	324,288
Non-instructional programs	20,386	17,075	1,274	4,398	-	-	-	-	-	-
Capital outlay	660,342	309,930	242,811	607,686	492,895	1,216,428	222,563	166,044	204,456	202,602
Long-term debt:										
Principal	258,130	362,214	382,767	643,543	338,660	109,696	930,281	490,092	441,118	392,590
Interest	8,045	24,878	38,492	73,584	61,211	66,490	63,698	46,625	79,567	97,312
Other expenditures:										
AEA flow-through	324,074	323,122	308,843	311,259	351,004	347,801	321,260	316,552	310,819	289,512
Total	\$ 11,533,569	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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**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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2016

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 deficiencies in internal control we consider to be material and significant weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-15 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. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-B-15 to be a significant deficiency.

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, 2015 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 24, 2016
Newton, Iowa

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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.
- 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 - Receipts and Disbursements for the General, Management, and Schoolhouse Funds are reconciled with the Board Treasurer. The Superintendent of Schools reviews all bank statements for all funds. We will review our control procedures.

Conclusion - Response accepted.

I-B-15 Payment without support - We noted during our audit that reimbursements for meals lacked detailed receipts to support the charges.

Recommendation - The District should review its procedures to ensure that all payments made have detailed supporting documentation to support the purchase.

Response - In the future, we will obtain detailed receipts to support the charges.

Conclusion - Response accepted.

OTHER MATTERS:

I-C-15 Deficit Lunch Account Balances - During our audit we noted multiple negative student lunch account balances on the Districts financial statements at June 30, 2015. 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 - Response: We have taken the following measures to bring all negative lunch account balances back to a positive balance by:

1. Our school communication phone system sends out notifications to parents bi-weekly stating the negative lunch balance and requesting payment.
2. Our building secretaries sent out letters to parents for all negative lunch balances, asking for payment on a monthly basis.
3. The Superintendent's Secretary sent letters to all parents on May 1, 2015, with student lunch accounts in the negative (-\$50.00 or more), requesting payment or communication to set up a payment plan by June 26, 2015. At that time, those accounts will be turned over to the Credit Bureau Services of Iowa, Inc., if no communication or payment was made.

Conclusion - Response accepted.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budgeted amount in the instruction 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 the budget in the future, if necessary.

Conclusion - Response accepted.

II-B-15 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-15 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-15 Business Transactions - - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Heather Fuger, Elementary Principal Owner, DJ Heat	DJ services for Prom	\$ 250
Kim Ensminger, Middle School Principal/DOT Pampered Chef Representative	Supplies - Fundraiser	\$ 1,991

In accordance with an Attorney General's opinion dated November 9, 1976 the transactions do not appear to present a conflict of interest.

II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

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

II-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	321,301
Revenues:			
Sales tax revenues	\$	757,492	
Other local revenues		955	
Computer lease proceeds		308,997	1,067,444
			<u>1,388,745</u>
Expenditures/Transfers out:			
School infrastructure construction	\$	660,342	
Operation and Maintenance		128,300	
Non instructional programs		20,386	
Transferred to other funds:			
Debt service fund		116,271	925,299
			<u>925,299</u>
Ending Balance		\$	<u><u>463,446</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-15 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 Middle school exam fees within the Student Activity Fund. Middle School 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 Middle School exam fees appear to be instructional in nature and revenues and expenditures for instructional purposes are more appropriately handled in the General Fund.

Response - The expenditures for Belin Blank were individual student fees to take explore test. The fees were paid 100% by student/parent. In the future, all fees collected in this manner will be ran through the General Fund.

Conclusion - Response accepted.

II-N-15 Financial Condition - The District had a deficit net unrestricted net position of \$77,087 and a deficit net position of \$10,059 in the Enterprise Fund at June 30, 2015. The District also had a deficit unrestricted governmental activities of \$1,545,731.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial condition.

Response - As per bulleted comment on page 16, the District booked a liability on financial statements associated with the implementation of GASB Statement #68.

Conclusion - Response accepted.