

**CENTRAL LYON COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2015**



**CENTRAL LYON COMMUNITY SCHOOL DISTRICT**  
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CENTRAL LYON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Steve Sieperda	President	2015
Chet DeJong	Vice President	2017
Judy Gacke	Board Member	2015
David Jans	Board Member	2015
Scott Postma	Board Member	2017
<b>School Officials</b>		
Dave Ackerman	Superintendent	Indefinite
Jackie Wells	District Secretary/Treasurer and Business Manager	Indefinite
Randy Waagmeester	Attorney	Indefinite

# GRANT AND WILLIAMS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

[www.grantandwilliams.com](http://www.grantandwilliams.com)

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## Independent Auditor's Report

To the Board of Education of  
Central Lyon 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 Lyon Community School District (District), Rock Rapids, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 Lyon Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 13 to the financial statements, Central Lyon Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinion are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 16 and 46 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lyon Community School District's basic financial statements. The previous audits for June 30, 2006 – 2014 were done by other firms, but were in accordance with the standards referred to in the third paragraph of this report, the financial statements for the years ended June 30, 2006 – 2014 (none of which are presented herein) expressed unmodified or unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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 auditing standards generally accepted in the United States of America. 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 December 30, 2015 on our consideration of Central Lyon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Lyon Community School District's internal control over financial reporting and compliance.

Grant and Williams, Inc.

Grant and Williams, Inc.  
Certified Public Accountants  
Sioux Falls, South Dakota  
December 30, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Central Lyon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 Financial Highlights**

- General Fund revenues increased from \$7,197,968 in fiscal year 2014 to \$7,487,015 in fiscal year 2015, while General Fund expenditures increased from \$7,465,625 in fiscal year 2014 to \$7,877,630 in fiscal 2015. The District's General Fund balance decreased from \$816,333 in fiscal 2014 to \$425,718 in fiscal 2015, a 47.85% decrease. Spending authority has been carefully monitored and must be continued to be monitored for the future financial health of the district.
- The fiscal year 2015 General Fund revenues increase was attributable to increases in state foundation aid. The increase in expenditures was due primarily to an increase in the cost of instruction and support services. As a result, the District funded a portion of the current year General Fund instruction and support services from the carryover fund balance.
- Enrollment declines and a large number of open enrolled out pupils continue to plague the District and create financial burdens now and in the future.

### **Overview of the Financial Statements**

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 Lyon 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 Lyon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- 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 to the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

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

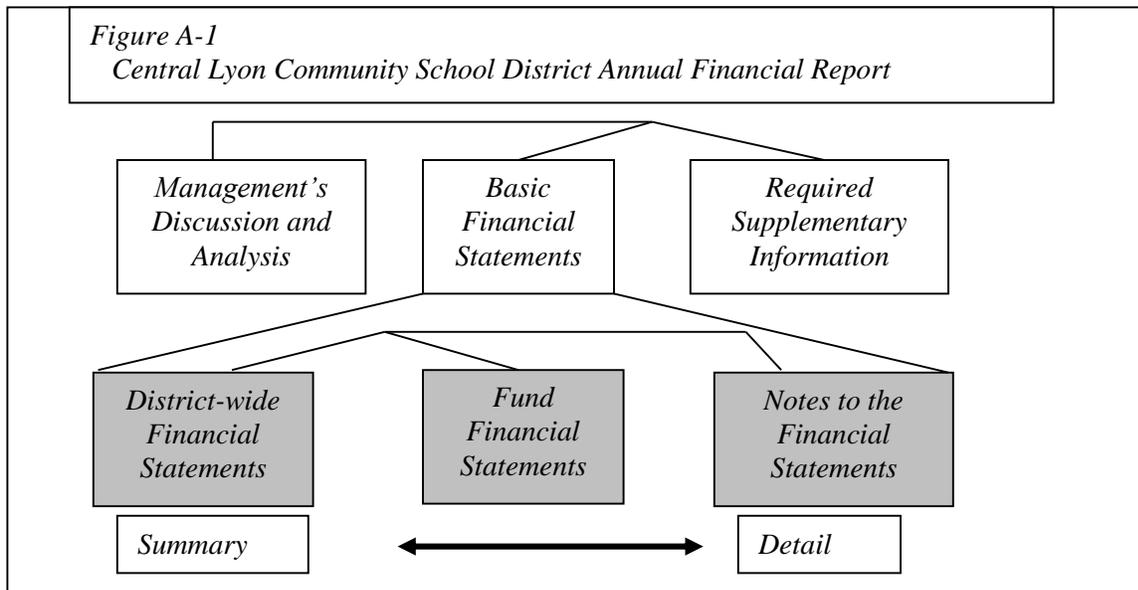


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District which are not proprietary or fiduciary, such as special education and building maintenance.	Activities the district operates similar to private businesses: food services and FFA Property are included here.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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.
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.
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.

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide 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 is an indicator of whether its 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 taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program and FFA property are included here.

### *Fund Financial Statements*

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

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

The District has two kinds of funds:

- *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 funds 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 Fund and the Capital Projects Funds.

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

- *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, a type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information,

such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and FFA Property Fund.

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

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

## 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.

	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		\$	%
	2015	2014	2015	2014	2015	2014	2014-2015	
Current and other assets	\$ 8,139	\$ 6,797	\$ 158	\$ 119	\$ 8,297	\$ 6,916	1,381	19.97%
Capital assets	11,482	9,528	86	89	11,568	9,617	1,951	20.29%
Total assets	19,621	16,325	244	208	19,865	16,533	3,332	20.15%
Deferred outflows of resources	679	-	18	-	697	-	697	100.00%
Long-term liabilities	6,022	450	70	-	6,092	450	5,642	1253.78%
Other Liabilities	970	791	3	3	973	794	179	22.54%
Total liabilities	6,992	1,241	73	3	7,065	1,244	5,821	467.93%
Deferred inflows of resources	4,708	3,589	34	6	4,742	3,595	1,147	31.91%
<b>Net Position</b>								
Net investment in capital assets	8,483	9,309	86	89	8,569	9,398	(829)	(8.82%)
Restricted	3,227	1,571	-	-	3,227	1,571	1,656	105.41%
Unrestricted	(3,110)	615	69	110	(3,041)	725	(3,766)	(519.45%)
Total net position	\$ 8,600	\$ 11,495	\$ 155	\$ 199	\$ 8,755	\$ 11,694	(2,939)	(25.13%)

The District's total net position decreased 25.13%, or approximately \$2,939,000, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, building and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$1,656,000 or 105.41% over the prior year. The increase was primarily due to unspent revenue bond loan for the construction of an addition to the school building and pension liabilities.

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 the legal requirements – decreased approximately \$3,766,000 or 519.45%. 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 \$3,322,179 and \$83,902, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

	Governmental Activities		Business-type Activities		Total School District		Total Change 2014-2015
	2015	2014	2015	2014	2015	2014	
Revenue							
Program revenue:							
Charges for service	\$ 924	\$ 752	\$ 272	\$ 259	\$ 1,196	\$ 1,011	18.299%
Operating grants, contributions and restricted interest	1,407	1,443	158	147	1,565	1,590	(1.572%)
General revenues:							
Property tax	3,648	3,394	-	-	3,648	3,394	7.484%
Statewide sales and service tax	735	579	-	-	735	579	26.943%
Unrestricted state grants	2,818	2,885	3	3	2,821	2,888	(2.320%)
Other	16	29	-	-	16	29	(44.828%)
Total revenues	<u>9,548</u>	<u>9,082</u>	<u>433</u>	<u>409</u>	<u>9,981</u>	<u>9,491</u>	5.163%
Program expenses:							
Governmental activities:							
Instruction	6,578	6,388	-	-	6,578	6,388	2.974%
Support service	2,189	2,153	-	-	2,189	2,153	1.672%
Non-instructional programs	-	-	393	381	393	381	3.150%
Other expenses	354	335	-	-	354	335	5.672%
Total expenses	<u>9,121</u>	<u>8,876</u>	<u>393</u>	<u>381</u>	<u>9,514</u>	<u>9,257</u>	2.776%
Increase (decrease) in net position	427	206	40	28	467	234	99.573%
Net position beginning of year, as restated	<u>8,173</u>	<u>11,289</u>	<u>115</u>	<u>171</u>	<u>8,288</u>	<u>11,460</u>	(27.679%)
Net position end of year	<u>\$ 8,600</u>	<u>\$ 11,495</u>	<u>\$ 155</u>	<u>\$ 199</u>	<u>\$ 8,755</u>	<u>\$ 11,694</u>	(25.133%)

In fiscal 2015, property tax, statewide sales, service and use tax, and unrestricted state grants account for 75.42% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$9.981 million of which \$9.548 million was for governmental activities and .433 million was for business type activities.

As shown in Figure A-4, the District's as a whole experienced a 5.163% increase in revenues and a 2.776% increase in expenses. Unrestricted state grants decreased approximately \$67,000 and the operating and capital grants, contributions and restricted interest decreased approximately \$25,000. There was an increase in property taxes of \$254,000 and an increase in the statewide sales, service and use tax of \$156,000. The increases in expenses related to increases in the negotiated salaries, benefits for the District.

## Governmental Activities

Revenues for governmental activities were \$9,547,901 and expenses were \$9,120,464. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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 2013-2014	2015	2014	Change 2014-2015
Instruction	\$ 6,578	\$ 6,388	2.97%	\$ 4,867	\$ 4,826	0.85%
Support services	2,188	2,152	1.67%	1,867	1,806	3.38%
Non-instructional programs	-	-	0.00%	-	-	0.00%
Other expenses	354	336	5.36%	55	49	12.24%
Totals	<u>\$ 9,120</u>	<u>\$ 8,876</u>	2.75%	<u>\$ 6,789</u>	<u>\$ 6,681</u>	1.62%

For the year ended June 30, 2015:

- The cost financed by users of the District’s programs was \$923,620.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,407,433.
- The net cost of governmental activities was financed with \$3,648,466 in property, \$734,782 in statewide sales, service and use tax and \$2,817,582 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities were \$431,989 representing a 5.41% increase over the prior year while expenses totaled \$392,493, a 2.88% increase over the prior year. The District’s business type activities include the School Nutrition Fund and FFA Property. Revenue of these activities was comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,448,018, compared to last year’s ending fund balances of \$2,364,795. However, the primary reason for the increase in combined fund balances in fiscal 2015 is due to approximately \$1 million of unexpended revenue bond proceeds received in fiscal year 2015.

## **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. There was growth during the year in State and Federal sources but decreases in property taxes. However, the increase in expenditures required the District to use carryover fund balance to meet its financial obligations during the year. The General Fund balance decreased from \$816,333 to \$425,718 due to the increases in instruction and support services expenditures.
- The Debt Service Fund balance increased from \$5,451 in fiscal 2014 to \$8,081 in fiscal 2015. Revenues decreased from the prior year and expenditures decreased due to the general obligation bonds being paid off in the current year.
- The Capital Projects Fund balance increased from \$1,051,681 in 2014 to \$2,517,647 in 2015. This was mainly due to the sale of \$3,000,000 in revenue bonds during fiscal year 2015 consisting primarily of unexpended bond proceeds which will be expended as the project is completed.

## **Proprietary Fund Highlights**

School Nutrition Fund net position increased from \$76,619 at June 30, 2014 to \$96,874 at June 30, 2015, representing a decrease of approximately 26.43%. For fiscal 2015, the District's salaries and supplies increased from the prior year. However, the District also reflected the related expense for the net pension liability, which caused an overall reduction of net position for the prior year.

## **BUDGETARY HIGHLIGHTS**

The District did not amend its budget during the year, so the original and final budget amounts remain the same.

The District's receipts were \$278,221 more than budgeted receipts, with a variance of 2.868%. The actual state and federal revenues increased during the year over the prior year.

Total expenditures were more than budgeted, due primarily to the District's budget for the Student Activity, Management and Capital Projects Funds. 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 exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded the budget in the instruction, non-instructional programs and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, the District had invested \$11.569 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 20.28% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$568,947.

The original cost of the District's capital assets was \$19.757 million. Governmental funds account for \$19.582 million, with the remainder of \$.175 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings, construction in progress, and furniture and equipment categories. The District purchased laptops, server, security system server, 65 passenger bus, and equipment, replaced carpet and started the additions to the school buildings.

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.00%
Construction in progress	2,310	57			2,310	57	100.00%
Buildings	6,731	7,061	-	-	6,731	7,061	(4.67%)
Improvements other than buildings	794	833	-	-	794	833	(4.68%)
Furniture and Equipment	1,597	1,527	86	89	1,683	1,616	4.15%
Totals	\$ 11,483	\$ 9,529	\$ 86	\$ 89	\$ 11,569	\$ 9,618	20.28%

### Long-Term Debt

At June 30, 2015, the District had \$3,268,000 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 626.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$21.38 million.

The District had total outstanding bonded indebtedness of \$3,000,000 and early retirement of \$268,000 at June 30, 2015.

	Total School District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
	2015	2014	2014-2015
General Obligation Bonds	\$ -	\$ 220	(100.00%)
Capital Notes	3,000	-	100.00%
Early Retirement	268	230	16.52%
	\$ 3,268	\$ 450	626.22%

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

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

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District budgeted enrollment for fiscal year 2014-2015 was 691.5 students. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2014-2015 school year, Central Lyon students who open enroll out to other districts decreased from 56 to 55 students. Because Central Lyon is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District entered into a new two-year bargaining agreement with the Central Lyon Education Teacher Association (CLTA) in May 2014 with an increase 4.4% increase for 2015-15 school-year. Settlements in excess of "new money" or allowable growth in state funding will have a continuing adverse effect of the District's General Fund budget and related fund balance.

## **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 Jackie Wells, Board Secretary/Business Manager at the Central Lyon Community School District, 1105 S. Story St., Rock Rapids, IA 51246 or 712-472-2664.

## **BASIC FINANCIAL STATEMENTS**

**Central Lyon Community School District**

Central Lyon Community School District  
Statement of Net Position  
Year Ended June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Totals
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 4,123,460	\$ 103,875	\$ 4,227,335
Receivables:			
Property tax:			
Delinquent	36,651	-	36,651
Succeeding year	3,343,416	-	3,343,416
Local option sales taxes	151,977	-	151,977
Accounts	168,649	-	168,649
Accrued interest:			
Other	83	-	83
Due from other governments	314,325	-	314,325
Inventories	-	53,252	53,252
Capital assets, net of accumulated depreciation	11,482,645	86,261	11,568,906
<b>Total assets</b>	<b>19,621,206</b>	<b>243,388</b>	<b>19,864,594</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	679,296	17,718	697,014
<b>Liabilities</b>			
Accounts payable	212,909	14	212,923
Salaries and benefits payable	701,724	3,108	704,832
Accrued interest payable	7,241	-	7,241
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	180,000	-	180,000
Early retirement	70,000	-	70,000
Compensated absences	48,171	-	48,171
Portion due after one year:			
General obligation bonds payable	2,820,000	-	2,820,000
Early retirement	198,000	-	198,000
Net pension liability	2,754,187	69,558	2,823,745
<b>Total liabilities</b>	<b>6,992,232</b>	<b>72,680</b>	<b>7,064,912</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	3,343,416	-	3,343,416
Pension related deferred inflows	1,050,368	26,527	1,076,895
Other	314,325	7,093	321,418
	4,708,109	33,620	4,741,729
<b>Net Position</b>			
Net investment in capital assets	8,482,645	86,261	8,568,906
Restricted for:			
Categorical funding	269,946		269,946
Public education & recreation levy	212,646	-	212,646
Physical plant and equipment levy	191,936	-	191,936
Other special revenue purposes	226,456	-	226,456
Capital projects	2,325,711	-	2,325,711
Unrestricted	(3,109,179)	68,545	(3,040,634)
<b>Total net position</b>	<b>\$ 8,600,161</b>	<b>\$ 154,806</b>	<b>\$ 8,754,967</b>

See notes to financial statements.

Central Lyon Community School District  
Statement of Activities  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 4,440,800	\$ 224,511	\$ 672,022	\$ -
Special instruction	1,042,024	-	107,236	-
Other instruction	1,095,277	688,679	18,777	-
	<u>6,578,101</u>	<u>913,190</u>	<u>798,035</u>	<u>-</u>
Support services:				
Student services	102,685	-	85,650	-
Instructional staff services	364,815	-	-	-
Administration services	731,290	-	3,220	-
Operation and maintenance of plant services	720,473	10,430	187,607	-
Transportation services	269,234	-	34,102	-
	<u>2,188,497</u>	<u>10,430</u>	<u>310,579</u>	<u>-</u>
Non-instructional programs				
Other expenses:				
Long-term debt interest	63,757	-	8,710	-
AEA flow through	290,109	-	290,109	-
	<u>353,866</u>	<u>-</u>	<u>298,819</u>	<u>-</u>
Total governmental activities	9,120,464	923,620	1,407,433	-
<b>Business type activities:</b>				
Non-instructional programs:				
Food service and FFA operations	392,493	271,581	160,308	-
Total	<u>\$ 9,512,957</u>	<u>\$ 1,195,201</u>	<u>\$ 1,567,741</u>	<u>\$ -</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$ (3,544,267)	\$ -	\$ (3,544,267)
(934,788)	-	(934,788)
(387,821)	-	(387,821)
(4,866,876)	-	(4,866,876)
(17,035)	-	(17,035)
(364,815)	-	(364,815)
(728,070)	-	(728,070)
(522,436)	-	(522,436)
(235,132)	-	(235,132)
(1,867,488)	-	(1,867,488)
-	-	-
(55,047)	-	(55,047)
-	-	-
(55,047)	-	(55,047)
(6,789,411)	-	(6,789,411)
-	39,396	39,396
(6,789,411)	39,396	(6,750,015)
3,132,441	-	3,132,441
229,546	-	229,546
286,479	-	286,479
734,782	-	734,782
2,817,582	-	2,817,582
9,031	100	9,131
6,987	-	6,987
7,216,848	100	7,216,948
427,437	39,496	466,933
8,172,724	115,310	8,288,034
\$ 8,600,161	\$ 154,806	\$ 8,754,967

Central Lyon Community School District  
Balance Sheet – Governmental Funds  
June 30, 2015

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments:					
Other	\$ 1,156,591	\$ 5,595	\$ 2,395,837	\$ 565,437	\$ 4,123,460
Receivables:					
Property tax:					
Delinquent	29,926	2,486	2,743	1,496	36,651
Succeeding year	2,951,193	-	258,430	133,793	3,343,416
Local option sales taxes	-	-	151,977	-	151,977
Accounts	168,649	-	-	-	168,649
Accrued interest:					
Other	-	-	-	83	83
Due from other governments	314,325	-	-	-	314,325
Total assets	<u>4,620,684</u>	<u>8,081</u>	<u>2,808,987</u>	<u>700,809</u>	<u>8,138,561</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	227,724	-	32,910	444	261,078
Salaries and benefits payable	701,724	-	-	70,000	771,724
Total liabilities	<u>929,448</u>	<u>-</u>	<u>32,910</u>	<u>70,444</u>	<u>1,032,802</u>
Deferred Inflows of Resources					
Unavailable revenue:					
Succeeding year property tax	2,951,193	-	258,430	133,793	3,343,416
Other	314,325	-	-	-	314,325
Total deferred Inflows of resource	<u>3,265,518</u>	<u>-</u>	<u>258,430</u>	<u>133,793</u>	<u>3,657,741</u>
Fund balances:					
Restricted for:					
Categorical funding	269,946	-	-	-	269,946
Debt service	-	8,081	-	-	8,081
Management levy	-	-	-	57,470	57,470
Student activities	-	-	-	226,456	226,456
School infrastructure	-	-	2,325,711	-	2,325,711
Public education and recreation levy	-	-	-	212,646	212,646
Physical plant and equipment	-	-	191,936	-	191,936
Unassigned	155,772	-	-	-	155,772
Total fund balances	<u>425,718</u>	<u>8,081</u>	<u>2,517,647</u>	<u>496,572</u>	<u>3,448,018</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,620,684</u>	<u>\$ 8,081</u>	<u>\$ 2,808,987</u>	<u>\$ 700,809</u>	<u>\$ 8,138,561</u>

See notes to financial statements.

Central Lyon Community School District  
 Reconciliation of the Balance Sheet – Governmental  
 Funds to the Statement of Net Position  
 June 30, 2015

Exhibit D

<b>Total fund balances of governmental funds (page 22)</b>	\$ 3,448,018
<b>Amounts reported for governmental activities in the Statements of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental	11,482,645
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.	(7,241)
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	\$ 679,296
Deferred inflows of resources	<u>(1,050,368)</u> (371,072)
Long-term liabilities, including bonds and notes payable, compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,952,189)</u>
<b>Net position of governmental activities (page 19)</b>	<u><u>\$ 8,600,161</u></u>

See notes to financial statements.

Central Lyon Community School District  
Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2015

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Revenues:</b>					
<b>Local sources:</b>					
Local tax	\$ 3,031,291	\$ 229,546	\$ 253,288	\$ 134,342	\$ 3,648,467
Tuition	140,783	-	-	-	140,783
Other	286,243	185	11,552	697,191	995,171
Intermediate sources	290,109	-	-	-	290,109
State sources	3,513,119	-	734,782	-	4,247,901
Federal sources	225,470	-	-	-	225,470
<b>Total Revenues</b>	<b>7,487,015</b>	<b>229,731</b>	<b>999,622</b>	<b>831,533</b>	<b>9,547,901</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular instruction	4,108,101	-	60,560	70,000	4,238,661
Special instruction	1,075,442	-	-	-	1,075,442
Other instruction	488,154	-	-	623,682	1,111,836
	<b>5,671,697</b>	<b>-</b>	<b>60,560</b>	<b>693,682</b>	<b>6,425,939</b>
<b>Support services:</b>					
Student services	105,883	-	-	-	105,883
Instructional staff services	253,026	-	-	-	253,026
Administration services	752,592	-	-	-	752,592
Operation and maintenance of plant services	565,852	-	54,538	132,609	752,999
Transportation services	238,471	-	82,000	-	320,471
	<b>1,915,824</b>	<b>-</b>	<b>136,538</b>	<b>132,609</b>	<b>2,184,971</b>
Non-instructional programs	-	-	-	-	-
<b>Other expenditures:</b>					
Facilities acquisition	-	-	2,237,216	-	2,237,216
Long-term debt interest	-	57,066	49,377	-	106,443
AEA flow through	290,109	-	-	-	290,109
	<b>290,109</b>	<b>57,066</b>	<b>2,286,593</b>	<b>-</b>	<b>2,633,768</b>
<b>Total expenditures</b>	<b>7,877,630</b>	<b>57,066</b>	<b>2,483,691</b>	<b>826,291</b>	<b>11,244,678</b>
Excess (deficiency) of revenues over (under) expenditures	(390,615)	172,665	(1,484,069)	5,242	(1,696,777)
<b>Other financing sources (uses):</b>					
Operating transfers in (out)	-	49,965	(49,965)	-	-
General obligation bonds	-	(220,000)	-	-	(220,000)
Revenue bonds issued	-	-	3,000,000	-	3,000,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(170,035)</b>	<b>2,950,035</b>	<b>-</b>	<b>2,780,000</b>
Net change in fund balances	(390,615)	2,630	1,465,966	5,242	1,083,223
Fund balances beginning of year, as restated	816,333	5,451	1,051,681	491,330	2,364,795
<b>Fund balances end of year</b>	<b>\$ 425,718</b>	<b>\$ 8,081</b>	<b>\$ 2,517,647</b>	<b>\$ 496,572</b>	<b>\$ 3,448,018</b>

See notes to financial statements.

Central Lyon 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

Exhibit F

**Net change in fund balance - total governmental funds (page 24)** \$ 1,083,223

**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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	2,520,351	
Depreciation expense	<u>(566,366)</u>	1,953,985

Proceeds from issuing long-term liabilities provided 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 repayments exceeded issues, as follows:

Issued	(3,000,000)	
Repaid	<u>220,000</u>	(2,780,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(6,691)

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

427,250

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:

Compensated absences	(559)	
Pension expense	(229,771)	
Early retirement	<u>(20,000)</u>	<u>(250,330)</u>

**Change in net position of governmental activities (page 21)** \$ 427,437

See notes to financial statements.

Central Lyon Community School District  
Statement of Net Position - Proprietary Funds  
June 30, 2015

	School Nutrition	FFA Property	Proprietary Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 94,804	\$ 9,071	\$ 103,875
Inventories	4,377	48,875	53,252
Capital assets, net of accumulated depreciation	86,261	-	86,261
<b>Total assets</b>	<b>185,442</b>	<b>57,946</b>	<b>243,388</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	17,718	-	17,718
<b>Liabilities</b>			
Accounts payable	-	14	14
Salaries and benefits payable	3,108	-	3,108
Net pension liability	69,558	-	69,558
<b>Total Liabilities</b>	<b>72,666</b>	<b>14</b>	<b>72,680</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue:			
Pension related deferred inflows	26,527	-	26,527
Other	7,093	-	7,093
<b>Total deferred inflows of resources</b>	<b>33,620</b>	<b>-</b>	<b>33,620</b>
<b>Net Position</b>			
Net investment in capital assets	86,261	-	86,261
Unrestricted	10,613	57,932	68,545
<b>Total Net Position</b>	<b>\$ 96,874</b>	<b>\$ 57,932</b>	<b>\$ 154,806</b>

See notes to financial statements.

Central Lyon Community School District  
Statement of Revenues, Expenditures and Changes in Fund Net Position -Proprietary Funds  
Year Ended June 30, 2015

Exhibit H

	School Nutrition	FFA Property	Proprietary Totals
Operating revenues:			
Local sources:			
Charges for service	\$ 239,921	\$ 31,660	\$ 271,581
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	128,135	-	128,135
Benefits	15,303	-	15,303
Purchased services	24,789	-	24,789
Supplies	209,266	12,419	221,685
Depreciation	2,581	-	2,581
Total operating expenses	380,074	12,419	392,493
Operating (loss) Income	(140,153)	19,241	(120,912)
Non-operating revenues:			
State sources	2,755	-	2,755
Federal sources	157,553	-	157,553
Interest income	100	-	100
Total non-operating revenues	160,408	-	160,408
Change in net position	20,255	19,241	39,496
Net position beginning of year, as restated	76,619	38,691	115,310
Net position end of year	\$ 96,874	\$ 57,932	\$ 154,806

See notes to financial statements.

Central Lyon Community School District  
Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2015

Exhibit I

	School Nutrition	FFA Property	Proprietary Totals
<b>Cash flows from operating activities:</b>			
Cash received from sale of lunches and breakfasts	\$ 240,874	\$ -	\$ 240,874
Cash received from miscellaneous services	-	31,660	31,660
Cash paid to employees for services	(148,267)	-	(148,267)
Cash paid to suppliers for goods or services	(205,128)	(22,845)	(227,973)
Net cash used by operating activities	<u>(112,521)</u>	<u>8,815</u>	<u>(103,706)</u>
<b>Cash flows from non-capital financing activities:</b>			
State grants received	2,755	-	2,755
Federal grants received	130,018	-	130,018
Net cash provided by non-capital financing activities	<u>132,773</u>	<u>-</u>	<u>132,773</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	100	-	100
Net increase (decrease) in cash and cash equivalents	20,352	8,815	29,167
Cash and cash equivalents beginning of year	74,452	256	74,708
Cash and cash equivalents end of year	<u>\$ 94,804</u>	<u>\$ 9,071</u>	<u>\$ 103,875</u>
<b>Reconciliation of operating loss to net cash used by operating activities</b>			
Operating (loss) income	\$ (140,153)	\$ 19,241	\$ (120,912)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Commodities used	27,535	-	27,535
Depreciation	2,581	-	2,581
(Increase) decrease in inventories	1,691	(10,250)	(8,559)
Increase (decrease) in accounts payable	(299)	(176)	(475)
Increase (decrease) in deferred revenue	953	-	953
Increase (decrease) in net pension liability	(5,535)	-	(5,535)
Increase (decrease) in salaries and benefits payable	706	-	706
Net cash used in operating activities	<u>\$ (112,521)</u>	<u>\$ 8,815</u>	<u>\$ (103,706)</u>

**Non-cash investing, capital and financing activities:**

See notes to financial statements.

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2015

(1) **Summary of Significant Accounting Policies**

The Central Lyon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Rock Rapids and Doon, Iowa, and the predominant agricultural territory in Central Lyon 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 Lyon 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 District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the 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 the following categories:

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources 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 is 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 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

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2015

financial statements. All remaining governmental funds are aggregated and reported as 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 main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

The District's major proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District. The other proprietary fund is the FFA Property Fund which is used to account for the FFA cattle raising operations.

C. Measurement Focus and Basis of Accounting

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

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

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 the 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 positions available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

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

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

Property Tax Receivable – Property tax in governmental funds is 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 become 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 becomes 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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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

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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 one year.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (in Years)
Buildings	50
Improvements other than buildings	20 - 50
Furniture and equipment:	5 - 15

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.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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 Inflow of Resources – Deferred inflow of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources

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(revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflow 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 classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, the expenditures did not exceed the amounts budgeted.

(2) **Cash, Cash Equivalents and Pooled Investments**

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

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$135,442.85 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor’s Financial Services.

(3) **Interfund Transfers**

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

Transfer to:	Transfer from Account:	Amount
Debt Service	Local Option Sales	\$ 49,965
		\$ 49,965

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

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**(4) Categorical Funding**

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

Program	Amount
Statewide Voluntary Four-Year-Old Preschool Program	\$ 180,869
Teacher Salary Improvement	159
Early Literacy	26,270
Professional Development for ICC	29,641
TLC Planning Grant	4,142
Educator Quality, Professional Development	14,741
	<u>\$ 269,946</u>

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 51,000	\$ -	\$ -	\$ 51,000
Construction in progress	56,964	2,253,373	-	2,310,337
Total capital assets not being depreciated	<u>107,964</u>	<u>2,253,373</u>	<u>-</u>	<u>2,361,337</u>
Capital assets being depreciated:				
Buildings	12,725,562	-	-	12,725,562
Improvements other than buildings	1,343,525	46,717	25,866	1,364,376
Furniture and equipment	2,885,100	272,865	26,738	3,131,227
Total capital assets being depreciated	<u>16,954,187</u>	<u>319,582</u>	<u>52,604</u>	<u>17,221,165</u>
Less accumulated depreciation for:				
Buildings	5,664,362	330,671	-	5,995,033
Improvements other than buildings	510,400	60,335	-	570,735
Furniture and equipment	1,358,729	175,360	-	1,534,089
Total accumulated depreciation	<u>7,533,491</u>	<u>566,366</u>	<u>-</u>	<u>8,099,857</u>
Total capital assets being depreciated, net	<u>9,420,696</u>	<u>(246,784)</u>	<u>52,604</u>	<u>9,121,308</u>
Governmental activities capital assets, net	<u>\$ 9,528,660</u>	<u>\$ 2,006,589</u>	<u>\$ 52,604</u>	<u>\$ 11,482,645</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 175,485	\$ -	\$ -	\$ 175,485
less accumulated depreciation	86,643	2,581	-	89,224
Business type activities capital assets, net	<u>\$ 88,842</u>	<u>\$ (2,581)</u>	<u>\$ -</u>	<u>\$ 86,261</u>

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Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 403,498

Support services:

Instructional staff 118,113

Operation and maintenance of plant 10,697

Transportation 34,058

566,366

Unallocated

-

Total depreciation expense - governmental activities \$ 566,366

Business type activities:

Food service operations \$ 2,581

**(6) Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2015, is as follows:

**LONG - TERMLIABILITIES**

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 220,000	\$ -	\$ 220,000	\$ -	\$ -
Capital notes	-	3,000,000	-	3,000,000	180,000
Net pension liability	3,727,984		973,797	2,754,187	-
Early retirement	230,000	90,000	52,000	268,000	70,000
Compensated absences	40,992	48,169	40,992	48,169	48,169
<b>Total</b>	<u>\$ 4,218,976</u>	<u>\$ 3,138,169</u>	<u>\$ 1,286,789</u>	<u>\$ 6,070,356</u>	<u>\$ 298,169</u>
Business type activities:					
Net pension liability	\$ 94,151	\$ -	\$ 24,593	\$ 69,558	\$ -

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Details of the District's June 30, 2015, general obligation bonded and capital lease indebtedness are as follows:

Year	School Infrastructure Sales, Services & Use Tax Revenue Bonds, Series 2014			Total
	Ending June 30,	Interest Rate	Principal	
2016	1.000%	\$ 180,000	\$ 86,895	\$ 266,895
2017	1.350%	185,000	85,095	270,095
2018	1.700%	190,000	82,598	272,598
2019	2.050%	195,000	79,368	274,368
2020	2.400%	200,000	75,370	275,370
2021	2.750%	205,000	70,570	275,570
2022	3.000%	210,000	64,933	274,933
2023	3.150%	215,000	58,633	273,633
2024	3.300%	220,000	51,860	271,860
2025	3.450%	225,000	44,600	269,600
2026	3.600%	235,000	36,838	271,838
2027	3.750%	240,000	28,378	268,378
2028	3.850%	245,000	19,378	264,378
2029	3.900%	255,000	9,945	264,945
Total		\$ 3,000,000	\$ 794,458	\$ 3,794,458

During the year ended June 30, 2015, the District made principal and interest payments totaling \$276,564.63 under the agreements.

**(7) 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, IA, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

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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 benefits 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 \$438,588.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions – At June 30, 2015, the District reported a liability of \$2,823,745 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 proportion was 0.069772 percent, which was an increase of 0.002267 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$235,574. At June 30, 2015, the District Reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,689	\$ -
Changes of assumptions	124,618	-
Net difference between projected and actual earnings on pension plan investments	-	1,076,895
Changes in proportion and differences between District contributions and proportionate share of contributions	103,678	-
District contributions subsequent to the measurement date	438,029	-
Total	\$ 697,014	\$ 1,076,895

\$438,029 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	\$ (208,713)
2017	(208,713)
2018	(208,713)
2019	(208,713)
2020	16,943
Total	\$ (817,909)

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, 2015)	3.00 percent
Salary increases (effective June 30, 2015)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan 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 rate of return by the target asset allocation percentage and by adding expected inflation.

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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	100%	

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	5,335,386	2,823,745	703,659

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](http://www.ipers.org).

Payables to the Pension Plan – At June 30, 2015, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The District offers a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 115 active and 11 retired members in the plan. Retired participants must be 55 or older at retirement.

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 33,178
Interest on Net OPEB Obligation	1,305
Adjustment to annual required contribution	<u>(1,157)</u>
Annual OPEB Cost	33,326
Contributions made	<u>-</u>
Increase in Net OPEB Obligation	33,326
Net OPEB obligation-beginning of year	<u>70,920</u>
Net OPEB obligation-end of year	<u><u>\$ 104,246</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

For the year ended June 30, 2015, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0 or 0.0% of the premium costs.

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 33,326	0%	\$ 29,000
2013	33,326	0%	37,594
2014	33,326	0%	70,920
2015	33,326	0%	104,246

**Funding 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 \$291,820, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$291,820. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,726,552 and the ratio of the UAAL to covered payroll was 6.17%. 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 Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial statements, presents the multiyear trend information whether

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the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial 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 July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 5.00%. The ultimate medical trend rate is 5.00%. An inflation rate of 0% is assumed for the purpose of this computation.

Life expectancy by gender comes from the *Life Expectancy* Table from National Center for Health Statistics updated in 2008. Employees are assumed to retire at the latest of age 60 or the eligibility age. Table 1 of GASB 45 paragraph 35(b) is used to assign the probability of remaining employed until assumed retirement age.

Projected claim costs of the medical plan are \$927 per month for retirees less than age 65 and not available for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized over the maximum allowable period of 60 years on an open basis.

**(9) Termination Benefits**

The District has offered a voluntary early retirement plans to its employees.

During the 2012-2013 year a voluntary early retirement plan was offered. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2012. The benefit shall be \$30,000 paid as a Health Reimbursement Arrangement (HRA) account in \$10,000 increments paid by June 30 for three consecutive years. There was one participant who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2015 totaled \$10,000. The policy requires benefits be paid in three equal installments with the third payment will be paid July 1, 2015 of \$10,000.

During the 2013-2014 year a voluntary early retirement plan was offered. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2013. The benefit shall be \$30,000 paid as a Health Reimbursement Arrangement (HRA) account in \$6,000 increments paid by June 30 for five consecutive years. There were seven participants who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2015 totaled \$42,000. The remaining installments will be paid July 1, 2015, July 1, 2016, July 1, 2017, and July 1, 2018 of \$6,000 each year for each retiree.

During the 2014-2015 year a voluntary early retirement plan was offered. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2014. The benefit shall be \$30,000 paid as a Health Reimbursement Arrangement (HRA) account in \$6,000 increments paid by June 30 for five consecutive years. There were three participants who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2015 totaled \$18,000. The policy requires benefits be paid in five equal installments beginning July 1, 2015. The remaining installments will be paid July 1, 2016, July 1, 2017, July 1, 2018, and July 1, 2019 of \$6,000 each year for each retiree.

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2015

At June 30, 2015, the District has obligations to eight participants with a total liability of \$268,000. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$52,000.

Early Retirement Required Payments	
Year Ending June 30,	Amount
2015	\$ 70,000
2016	60,000
2017	60,000
2018	60,000
2019	18,000
	\$ 268,000

**(10) Risk Management**

Central Lyon 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.

**(11) 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 \$290,109 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.

**(12) Operating Lease Agreement**

The District entered into a three-year operating lease agreement for three copiers on August 19, 2013. Payments are made monthly of \$829.70 and will end September 2016 with total payments in the current year of \$9,956. The future minimum rental payments required under the above operating lease as of June 30, 2015 is \$11,615.80.

**(13) Accounting Change / Restatement**

The 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:

Central Lyon Community School District  
Notes to Financial Statements  
June 30, 2015

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 11,494,903	\$ 199,212
Net pension liability at June 30, 2014	(3,727,984)	(94,151)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	405,805	10,249
Net position July 1, 2014, as restated	\$ 8,172,724	\$ 115,310

**(14) Construction Commitment**

On October 28, 2014 the District approved the bidding participant finance package for the school's infrastructure sales, services and use tax revenue bonds, series 2015. The District also approved the construction bid for an addition to the School from Hoogendoorn Construction Inc. with a base bid of \$3,456,000 and addendums of \$42,400 for a total of \$3,498,400. The construction started in the spring of 2015 and was completed in the fall of 2015.

**Central Lyon Community School District**

## **Required Supplementary Information**

Central Lyon Community School District  
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
 Budget and Actual - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 4,784,421	\$ 271,681	\$ 5,056,102
Intermediate sources	-	-	-
State sources	4,538,010	2,755	4,540,765
Federal sources	225,470	157,553	383,023
Total revenues	<u>9,547,901</u>	<u>431,989</u>	<u>9,979,890</u>
Expenditures:			
Instruction	6,425,939	-	6,425,939
Support services	2,184,971	10,455	2,195,426
Non-instructional programs	-	382,038	382,038
Other expenditures	2,633,768	-	2,633,768
Total expenditures	<u>11,244,678</u>	<u>392,493</u>	<u>11,637,171</u>
Excess of revenues under expenditures	<u>(1,696,777)</u>	<u>39,496</u>	<u>(1,657,281)</u>
Other financing sources, net	<u>2,780,000</u>	<u>-</u>	<u>2,780,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	1,083,223	39,496	1,122,719
Balances beginning of year	<u>2,364,795</u>	<u>115,310</u>	<u>2,480,105</u>
Balances end of year	<u>\$ 3,448,018</u>	<u>\$ 154,806</u>	<u>\$ 3,602,824</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
\$ 5,460,667	\$ 5,460,667	\$ (404,565)
-	-	-
3,870,002	3,870,002	670,763
371,000	371,000	12,023
<u>9,701,669</u>	<u>9,701,669</u>	<u>278,221</u>
6,340,000	6,340,000	85,939
2,350,000	2,350,000	(154,574)
375,000	375,000	7,038
1,440,250	1,440,250	1,193,518
<u>10,505,250</u>	<u>10,505,250</u>	<u>1,131,921</u>
<u>(803,581)</u>	<u>(803,581)</u>	<u>(853,700)</u>
<u>12,500</u>	<u>12,500</u>	<u>2,767,500</u>
(791,081)	(791,081)	1,913,800
<u>1,870,479</u>	<u>1,870,479</u>	<u>609,626</u>
<u>\$ 1,079,398</u>	<u>\$ 1,079,398</u>	<u>\$ 2,523,426</u>

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

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

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Central Lyon Community School District  
Schedule of the District's Proportionate Share of the Pension Liability  
Iowa Public Employees' Retirement System  
Last Fiscal Year\*  
Required Supplementary Information

	2015
District's proportion of the net pension liability	0.069772%
District's proportion share of the net pension liability	\$ 2,823,745
District's covered-employee payroll	\$ 4,653,363
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.68%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

See accompanying independent auditor's report

Central Lyon Community School District  
Schedule of District Contributions  
Iowa Public Employees' Retirement System  
Last Ten Fiscal Year  
(In Thousands)  
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 422	\$ 416	\$ 379	\$ 334
Contribution in relation to the statutorily required contribution	<u>(422)</u>	<u>(416)</u>	<u>(379)</u>	<u>(334)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,727	\$ 4,653	\$ 4,366	\$ 4,113
Contributions as percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.06%

See accompanying independent auditor's report

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 288	\$ 263	\$ 242	\$ 222	\$ 186	\$ 197
<u>(288)</u>	<u>(263)</u>	<u>(242)</u>	<u>(222)</u>	<u>(186)</u>	<u>(197)</u>
<u>\$ -</u>					
\$ 4,142	\$ 3,955	\$ 3,812	\$ 3,661	\$ 3,429	\$ 3,360
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Central Lyon 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 and 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.

Central Lyon Community School District  
Notes to Required Supplementary Information – Pension Liability  
Year Ended June 30, 2015

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 Lyon Community School District  
Schedule of Funding Progress for the Retiree Health Plan  
Required Supplementary Information  
Year ended June 30, 2015

Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 470,000	\$ 470,000	0%	\$ 3,954,642	11.88%
2011	July 1, 2009	-	470,000	470,000	0%	4,142,332	11.35%
2012	July 1, 2009	-	470,000	470,000	0%	4,112,567	11.43%
2013	July 1, 2012	-	291,820	291,820	0%	4,365,987	6.68%
2014	July 1, 2012	-	291,820	291,820	0%	4,653,363	6.27%
2015	July 1, 2012	-	291,820	291,820	0%	4,726,552	6.17%

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

See accompanying independent auditor's report

**Central Lyon Community School District**  
**Supplementary Information**

Central Lyon Community School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

Schedule 1

	Special Revenue Funds			Total
	Management Levy	Student Activity	Public Education & Recreation Levy	
<b>Assets</b>				
Cash and cash equivalents:	\$ 126,688	\$ 226,473	\$ 212,276	\$ 565,437
Receivables:				
Property tax:				
Delinquent	1,126	-	370	1,496
Succeeding year	100,001	-	33,792	133,793
Accrued interest	-	83	-	83
<b>Total assets</b>	227,815	226,556	246,438	700,809
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	344	100	-	444
Salaries and benefits payable	70,000	-	-	70,000
Total liabilities	70,344	100	-	70,444
Deferred Inflows of Resources				
Unavailable revenue:				
Succeeding year property tax	100,001	-	33,792	133,793
Total deferred Inflows of resources	100,001	-	33,792	133,793
Fund equity:				
Restricted for:				
Management Levy	57,470	-	-	57,470
Student activities	-	226,456	-	226,456
Public education and recreation levy	-	-	212,646	212,646
Total fund balances	57,470	226,456	212,646	496,572
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 227,815</b>	<b>\$ 226,556</b>	<b>\$ 246,438</b>	<b>\$ 700,809</b>

See accompanying independent auditor's report.

Central Lyon Community School District  
Combining Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Nonmajor governmental Funds  
Year Ended June 30, 2015

Schedule 2

	Special Revenue Funds			Total
	Management Levy	Student Activity	Public Education & Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 101,150	\$ -	\$ 33,192	\$ 134,342
Other	7,991	689,200	-	697,191
Total revenues	109,141	689,200	33,192	831,533
Expenditures:				
Current:				
Instruction:				
Regular instruction	70,000	-	-	70,000
Other instruction	-	623,682	-	623,682
Support services:				
Operation and maintenance of plant services	132,609	-	-	132,609
Total expenditures	202,609	623,682	-	826,291
Excess (deficiency) of revenues over (under) expenditures	(93,468)	65,518	33,192	5,242
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(93,468)	65,518	33,192	5,242
Fund balances beginning of year	150,938	160,938	179,454	491,330
Fund balances end of year	\$ 57,470	\$ 226,456	\$ 212,646	\$ 496,572

See accompanying independent auditor's report.

Central Lyon Community School District  
Schedule of Changes in Special Revenue Fund - Student Activity Accounts  
Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Interest Income	\$ 5,984	\$ 552	\$ 1,312	\$ 5,224
All School Play	3,329	1,376	989	3,716
Speech	-	1,110	1,110	-
Vocal	-	712	632	80
Band	-	2,839	2,839	-
Historical Plaza	1,760	-	222	1,538
Spanish Mexico Trip	2,931	2,040	3,997	974
Co-Ed Track	-	13,533	12,056	1,477
Co-Ed Golf	-	3,861	3,600	261
Art - Hoppe	690	-	-	690
Boys' Basketball - Summer	720	30,338	17,049	14,009
Football	1,486	30,887	28,195	4,178
Baseball	-	4,903	4,660	243
Baseball Trip	3,736	3,757	1,505	5,988
Wrestling	-	20,456	18,424	2,032
Wrestling Projects Camp	4,271	21,300	9,974	15,597
Girls' Basketball	-	39,817	35,260	4,557
Girls' Basketball - Summer	6,792	5,073	5,804	6,061
Volleyball	-	21,027	17,887	3,140
Softball	-	1,284	1,221	63
Field Trips	565	551	800	316
Pictures-Elementary & MS	1,161	2,823	3,491	493
Ticket/Cash Reserve	513	5,000	5,000	513
Book Orders	579	-	-	579
PCT Account	-	7,300	5,385	1,915
Dance Team	325	292	288	329
Donations	4,314	3,070	4,479	2,905
MS Cross Country	400	-	-	400
Adult Activity Tickets	3,795	5,205	9,000	-
Activity Tickets	40	11,845	11,885	-
Lion's Roar	4,941	4,243	7,953	1,231
Pictures-HS	1,418	968	243	2,143
National Honor Society	-	722	722	-
Middle School Cheerleaders	45	-	45	-
Student Council Scholarship	-	500	500	-
Vending Machine	1,819	2,730	2,547	2,002
Cheerleading	6,054	7,189	12,315	928
Summer Band Lessons	5,344	3,233	-	8,577
D.A.R.E. Program	242	-	-	242
Musical	7	3,926	3,264	669
Class of 2015	1,285	-	1,285	-
Class of 2016	2,779	2,688	3,462	2,005
Class of 2017	-	3,187	28	3,159
FFA	4,618	86,365	79,819	11,164
Scrip Program	-	9,790	9,090	700
Student Council	1,916	1,845	2,916	845

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Middle School Student Council	1,096	4,878	4,198	1,776
Scholarship	500	-	-	500
Concessions	9,291	6,385	4,119	11,557
International Club	303	129	130	302
Testing Services	437	70	70	437
Magazines	-	3,070	2,888	182
Laura Ingalls Wilder Trip	-	855	855	-
Band Trip	1,860	7,367	3,818	5,409
Middle School Band Fundraiser	133	3,816	3,921	28
Title I	844	50	204	690
After Prom	3,446	7,914	7,597	3,763
All Sport Supplies	4,728	41,638	34,147	12,219
Volleyball Project	9,331	10,018	8,938	10,411
After Graduation Party	989	3,714	3,397	1,306
Cross Country Ski	-	1,680	1,680	-
Book Fair	5,554	8,654	6,117	8,091
Robotics Club	-	15,382	14,967	415
NASA Trip	-	2,325	2,305	20
Quiz Bowl	-	140	140	-
EL-MS Fundraiser	16,765	10,331	11,953	15,143
Mock Trial - HS	-	1,193	1,193	-
Mock Trial - TAGMS	-	1,879	1,879	-
Football Project	908	10,468	9,852	1,524
Athletic Union Clinic	8	2,693	1,806	895
Booster Concessions	2,584	56,323	56,407	2,500
Music Booster	5,622	10,671	8,224	8,069
Athletic Booster	13,652	83,189	83,285	13,556
HS Pop Machine	1,576	1,164	727	2,013
Weight Room Fund	1,235	7,982	8,756	461
EL/MS Teachers Lounge	200	-	200	-
EL/MS Care Committee	1,056	540	445	1,151
HS Care Committee	680	-	490	190
HS Teachers Lounge	20	-	20	-
Lion Grant - CL Foundation	4,261	16,345	7,701	12,905
Totals	\$ 160,938	\$ 689,200	\$ 623,682	\$ 226,456

See accompanying independent auditor's report.

Central Lyon Community School District  
Combining Balance Sheet  
Capital Project Accounts  
June 30, 2015

Schedule 4

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and cash equivalents:			
Other	\$ 2,206,644	\$ 189,193	\$ 2,395,837
Receivables:			
Property tax:			
Delinquent	-	2,743	2,743
Succeeding year	-	258,430	258,430
Local option sales taxes	151,977	-	151,977
<b>Total assets</b>	<b>2,358,621</b>	<b>450,366</b>	<b>2,808,987</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	32,910	-	32,910
Total liabilities	32,910	-	32,910
Deferred Inflows of Resources			
Unavailable revenue:			
Succeeding year property tax	-	258,430	258,430
Total deferred Inflows of resources	-	258,430	258,430
Fund equity:			
Restricted for:			
School infrastructure	2,325,711	-	2,325,711
Physical plant and equipment	-	191,936	191,936
Total fund balances	2,325,711	191,936	2,517,647
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,358,621</b>	<b>\$ 450,366</b>	<b>\$ 2,808,987</b>

See accompanying independent auditor's report.

Central Lyon Community School District  
Combining Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Capital Project Accounts  
Year Ended June 30, 2015

Schedule 5

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 253,288	\$ 253,288
Other	8,525	3,027	11,552
State sources	734,782	-	734,782
Total revenues	743,307	256,315	999,622
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	60,560	60,560
Support services:			
Operation and maintenance of plant services	-	54,538	54,538
Transportation services	-	82,000	82,000
Other expenditures:			
Facilities acquisition	2,212,169	25,047	2,237,216
Total expenditures	2,212,169	222,145	2,434,314
Excess (deficiency) of revenues over (under) expenditures	(1,468,862)	34,170	(1,434,692)
Other financing sources (uses):			
Proceeds from Loans	3,000,000	-	3,000,000
Other expenditures	(49,377)	-	(49,377)
Operating transfers out	(49,965)	-	(49,965)
Total other financing sources (uses)	2,900,658	-	2,900,658
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,431,796	34,170	1,465,966
Fund balances beginning of year	893,915	157,766	1,051,681
Fund balances end of year	\$ 2,325,711	\$ 191,936	\$ 2,517,647

See accompanying independent auditor's report.

Central Lyon Community School District  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Ten Years

	Modified Accrual Basis			
	2015	2014	2013	2012
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,648,467	\$ 3,393,945	\$ 3,889,013	\$ 3,646,812
Tuition	140,783	114,019	94,157	73,976
Other	995,171	845,572	838,415	720,609
Intermediate sources	290,109	285,644	280,047	279,254
State sources	4,247,901	4,174,900	3,505,913	3,605,959
Federal sources	225,470	267,456	233,420	410,164
Total	<u>\$ 9,547,901</u>	<u>\$ 9,081,536</u>	<u>\$ 8,840,965</u>	<u>\$ 8,736,774</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	4,238,661	3,833,491	3,747,957	3,646,126
Special instruction	1,075,442	1,058,822	1,131,993	1,091,570
Other instruction	1,111,836	1,078,904	959,881	894,804
Support services:				
Student services	105,883	68,930	58,028	45,963
Instructional staff services	253,026	234,805	236,768	185,187
Administration services	752,592	693,724	582,903	537,197
Operation and maintenance of plant services	752,999	678,000	682,316	610,509
Transportation services	320,471	382,960	380,358	276,341
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	2,237,216	254,040	275,356	184,177
Long-term debt interest	106,443	17,830	33,154	47,635
AEA flow through	290,109	285,644	280,047	279,254
Total	<u>\$ 11,244,678</u>	<u>\$ 8,587,150</u>	<u>\$ 8,368,761</u>	<u>\$ 7,798,763</u>

See accompanying independent auditor's report.

## Schedule 6

	2011	2010	2009	2008	2007	2006
\$	3,509,119	\$ 3,044,831	\$ 3,007,229	\$ 3,044,518	\$ 3,172,532	\$ 2,820,372
	63,638	135,603	66,362	67,869	75,068	61,414
	835,323	754,445	764,725	865,101	871,648	728,559
	298,195	283,786	255,284	251,512	239,138	221,103
	3,215,266	2,663,954	3,091,758	3,144,637	2,963,719	2,736,897
	351,946	622,796	257,675	167,745	175,968	252,788
\$	8,273,487	\$ 7,505,415	\$ 7,443,033	\$ 7,541,382	\$ 7,498,073	\$ 6,821,133
	3,426,096	3,279,173	2,904,125	2,781,160	2,449,678	2,320,020
	1,091,919	944,806	997,406	835,361	749,445	781,642
	872,839	956,756	910,692	986,904	985,118	889,989
	46,995	47,107	59,196	116,078	112,575	121,286
	245,900	239,413	240,331	216,151	181,289	186,607
	601,139	649,455	654,000	633,045	641,516	669,738
	667,598	562,459	548,928	533,322	514,587	532,040
	260,489	225,469	192,200	285,118	242,262	176,692
	-	-	-	-	-	-
	633,795	168,723	202,433	216,280	37,062	91,995
	61,258	74,220	87,295	99,028	106,853	194,979
	298,195	283,786	255,284	251,512	239,138	221,103
\$	8,206,223	\$ 7,431,367	\$ 7,051,890	\$ 6,953,959	\$ 6,259,523	\$ 6,186,091

# GRANT AND WILLIAMS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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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  
Central Lyon 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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Lyon 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 December 30, 2015.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material 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 weaknesses is a deficiency, or 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-15-A to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Central Lyon 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 Lyon Community School District's Responses to Findings**

Central Lyon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Central Lyon 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Central Lyon 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.

Grant and Williams, Inc.

Grant and Williams, Inc.  
Certified Public Accountants  
Sioux Falls, South Dakota  
December 30, 2015

Central Lyon Community School District  
Schedule of Findings  
Year Ending June 30, 2015

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

I-15-A The School District's internal control structure should be designed to provide for the preparation of the financial statements being audited. The School District requested the external auditors to prepare the financial statements and related note disclosures as part of our regular audit services.

Recommendation – it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and notes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Central Lyon Community School District  
 Schedule of Findings  
 Year Ending June 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting:**

II-15-A Certified Budget – Expenditures for the year ended June 30, 2015, exceeded the certified budgeted amounts in the instruction, non-instructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget for the year ended June 30, 2015.

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

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

Conclusion – Response accepted

II-15-B Questionable Expenditures – No expenditures were noted that might not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-15-C 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-15-D Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Amy Jans, Spouse of Board Member, Owner of Rock Paper Scissors	Purchased supplies	\$12,391.95
David Fields, Employee, Rapid Grow Lawn	Maintenance of Grounds	\$13,950.00
Mark McCarty, Employee McCarty Repair	Vehicle Repair Service	\$11,331.83
Terry VanBerkum, Employee Carpet Layer	Laid carpet in classrooms	\$6,393.87

In accordance with an Attorney General’s opinion dated November 9, 1996, the transactions with Amy Jans, Dave Fields, Mark McCarty, and Terry VanBerkum were subjected to competitive bidding processes.

The three local banks in Rock Rapids that the District has accounts with employ related parties, all transactions with these bank are in the course of normal banking transactions.

II-15-E Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.

II-15-F Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted.

Central Lyon Community School District  
Schedule of Findings  
Year Ending June 30, 2015

- II-15-G Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-15-H Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-15-I Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-15-J Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-15-K Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-15-L Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, service and use tax 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, service and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District’s CAR including adjustments identified during the fiscal year audit:

Beginning balance		\$	541,925
Revenues/transfers in:			
Sales Tax Revenues	\$		734,782
Sale of long-term debt			3,000,000
Other			8,525
			3,743,307
Expenditures/transfers out:			
School infrastrucure constuction	\$		(2,212,168)
Other			(49,377)
Debt service for school infrastructure:			
General obligation debt		(49,965)	(2,311,510)
Ending balance			\$ 1,973,722

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423F.5 of the Code of Iowa.

- II-15-M Deficit Balances – There were no funds with a deficit balance at June 30, 2015.
- II-15-N Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District’s educational program. All accounts reported in the Special Revenue – Student Activity Fund appear to be extracurricular or co-curricular in nature.