

LAKE MILLS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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Lake Mills Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------|---|---------------------|
| Board of Education | | |
| Ryan Joynt | President | 2015 |
| Kathy Christianson | Vice President | 2015 |
| Kristie Smith | Board Member | 2017 |
| Don Knudtson | Board Member | 2017 |
| Wesley Womack | Board Member (Resigned January 2015) | 2015 |
| Teresa Fritz | Board Member (Appointed February 2015) | 2015 |
| School Officials | | |
| Daryl Sherman | Superintendent | 2015 |
| Jennifer Fjelstad | Business Manager/ Board Secretary | 2015 |
| Ahlers & Cooney, PC | Attorney | 2015 |

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
Lake Mills 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 Lake Mills Community School District, Lake Mills, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District as of June 30, 2015 and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Mills Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed an unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2016, on our consideration so Lake Mills Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lake Mills Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lake Mills 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 \$6,465,946 in fiscal year 2014 to \$6,689,368 in fiscal year 2015, while General Fund expenditures increased from \$6,643,803 in fiscal year 2014 to \$7,200,754 in fiscal year 2015. Expenditures outpaced revenues producing a decrease in the District's General Fund balance from \$2,315,403 at June 30, 2014 to \$1,804,017 at June 30, 2015, a 22.09% decrease from the prior year.
- The increase in General Fund revenues was mainly attributable to an increase in state source revenues in fiscal year 2015. The increase in expenditures can be attributed to an increase in negotiated salaries and benefits paid to District employees.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lake Mills 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 Lake Mills Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lake Mills Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds as well as the Capital Projects Accounts.

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

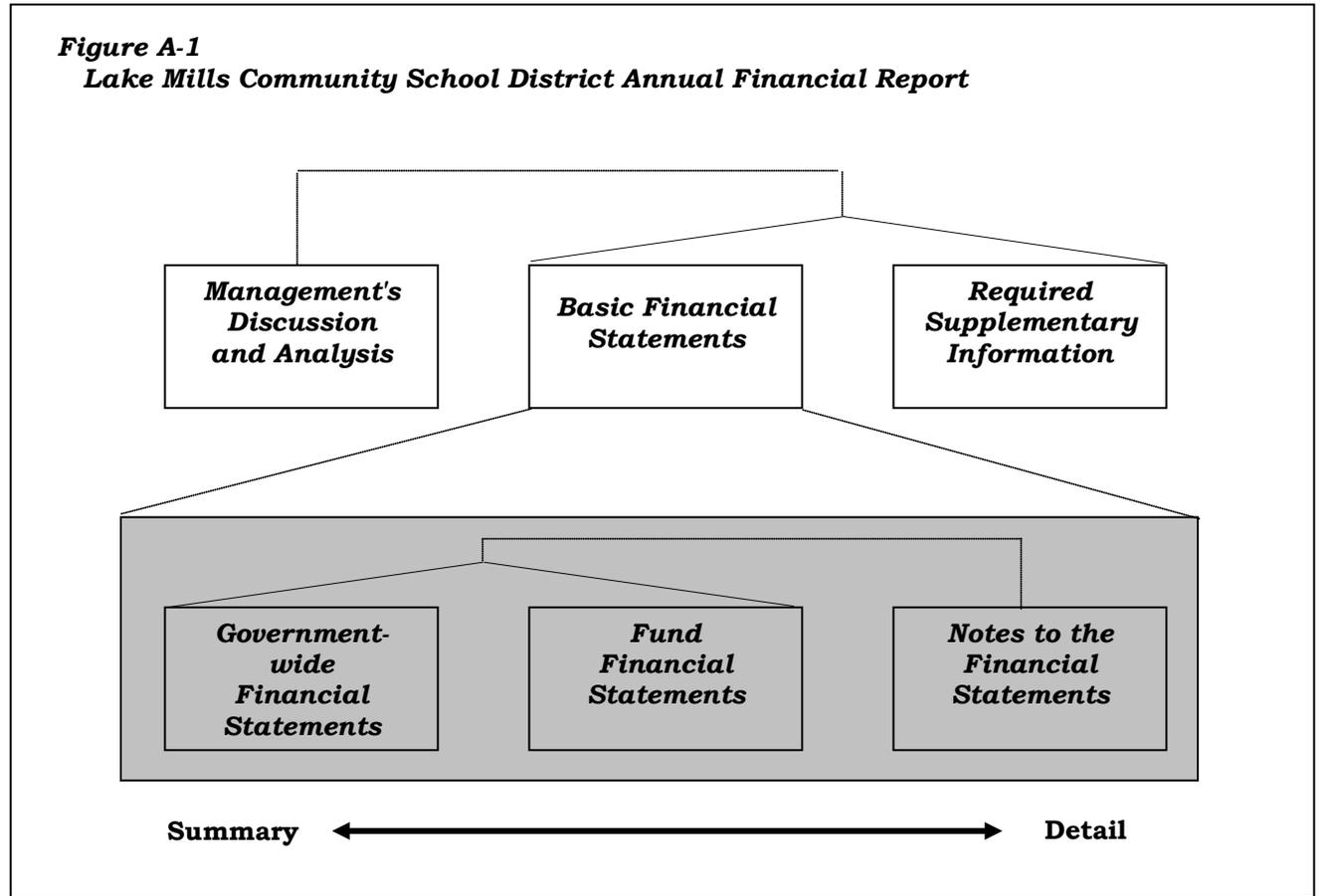


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain moneys on behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net position at June 30, 2015 compared to June 30, 2014.

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|----------------------------------|-------------------------|------------------------|--------------------------|------------------------|----------------|------------------------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2015 | 2014 (Not restated) | 2015 | 2014 (Not restated) | 2015 | 2014 (Not restated) | 2014-15 |
| Current and other assets | \$ 7,112,808 | 8,311,019 | 136,162 | 105,123 | 7,248,970 | 8,416,142 | -13.87% |
| Capital assets | 6,225,902 | 6,136,727 | 50,327 | 55,208 | 6,276,229 | 6,191,935 | 1.36% |
| Total assets | 13,338,710 | 14,447,746 | 186,489 | 160,331 | 13,525,199 | 14,608,077 | -7.41% |
| Deferred outflows of resources | 485,740 | - | 13,663 | - | 499,403 | - | 100.00% |
| Long-term liabilities | 3,013,452 | 2,153,247 | 89,499 | 11,397 | 3,102,951 | 2,164,644 | 43.35% |
| Other liabilities | 921,015 | 966,926 | 23,961 | 24,753 | 944,976 | 991,679 | -4.71% |
| Total liabilities | 3,934,467 | 3,120,173 | 113,460 | 36,150 | 4,047,927 | 3,156,323 | 28.25% |
| Deferred inflows of resources | 3,738,492 | 2,984,931 | 30,270 | - | 3,768,762 | 2,984,931 | 26.26% |
| Net position: | | | | | | | |
| Net investment in capital assets | 5,652,381 | 4,199,176 | 50,327 | 55,208 | 5,702,708 | 4,254,384 | 34.04% |
| Restricted | 1,451,713 | 1,998,082 | - | - | 1,451,713 | 1,998,082 | -27.34% |
| Unrestricted | (952,603) | 2,145,384 | 6,095 | 68,973 | (946,508) | 2,214,357 | -142.74% |
| Total net position | \$ 6,151,491 | 8,342,642 | 56,422 | 124,181 | 6,207,913 | 8,466,823 | -26.68% |

The District's combined net position decreased by 26.68% or \$2,258,910 from the prior year. The largest portion of the District's net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased \$546,369 or 27.34% from the prior year. The decrease can be attributed to a decrease in the fund balance of the Debt Service Fund due to the depositing of funds in escrow for redemption of the Districts General Obligation Bonds dated March 2006.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirements - decreased \$3,160,865 or 142.74%. 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 \$2,861,456 and \$96,122, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

| Figure A-4 | | | | | | | | |
|---|-------------------------|----------------|--------------------------|----------------|----------------|----------------|--------------|--|
| Changes in Net Position | | | | | | | | |
| | Governmental Activities | | Business Type Activities | | Total District | | Total Change | |
| | June 30, | | June 30, | | June 30, | | June 30, | |
| | 2014 | | 2014 | | 2014 | | | |
| | 2015 | (Not restated) | 2015 | (Not restated) | 2015 | (Not restated) | 2014-15 | |
| Revenues: | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for service | \$ 869,755 | 961,737 | 177,784 | 170,033 | 1,047,539 | 1,131,770 | -7.44% | |
| Operating grants, contributions and restricted interest | 785,118 | 795,154 | 196,301 | 190,966 | 981,419 | 986,120 | -0.48% | |
| Capital grants, contributions and restricted interest | 97,510 | 853,453 | - | - | 97,510 | 853,453 | -88.57% | |
| General revenues: | | | | | | | | |
| Property tax | 2,990,831 | 3,047,571 | - | - | 2,990,831 | 3,047,571 | -1.86% | |
| Income surtax | 324,124 | 396,917 | - | - | 324,124 | 396,917 | -18.34% | |
| Statewide sales, services and use tax | 574,728 | 519,006 | - | - | 574,728 | 519,006 | 10.74% | |
| Unrestricted state grants | 3,009,081 | 2,688,725 | - | - | 3,009,081 | 2,688,725 | 11.91% | |
| Unrestricted investment earnings | 4,116 | 3,162 | 176 | - | 4,292 | 3,162 | 35.74% | |
| Other | 82,417 | 18,173 | 404 | 1,554 | 82,821 | 19,727 | 319.84% | |
| Total revenues | 8,737,680 | 9,283,898 | 374,665 | 362,553 | 9,112,345 | 9,646,451 | -5.54% | |
| Program expenses: | | | | | | | | |
| Instruction | 5,105,775 | 5,063,541 | - | - | 5,105,775 | 5,063,541 | 0.83% | |
| Support services | 2,404,838 | 2,277,422 | - | - | 2,404,838 | 2,277,422 | 5.59% | |
| Non-instructional programs | - | - | 346,302 | 345,641 | 346,302 | 345,641 | 0.19% | |
| Other expenses | 556,762 | 484,500 | - | - | 556,762 | 484,500 | 14.91% | |
| Total expenses | 8,067,375 | 7,825,463 | 346,302 | 345,641 | 8,413,677 | 8,171,104 | 2.97% | |
| Change in net position | 670,305 | 1,458,435 | 28,363 | 16,912 | 698,668 | 1,475,347 | -52.64% | |
| Net position beginning of year, as restated | 5,481,186 | 6,884,207 | 28,059 | 107,269 | 5,509,245 | 6,991,476 | -21.20% | |
| Net position end of year | \$ 6,151,491 | 8,342,642 | 56,422 | 124,181 | 6,207,913 | 8,466,823 | -26.68% | |

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 78.95% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.85% of the revenue from business type activities. The District's total revenues were approximately \$9.11 million, of which approximately \$8.74 million was for governmental activities and \$0.37 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.54% decrease in revenues and a 2.97% increase in expenditures.

Governmental Activities

Revenues for governmental activities were \$8,737,680 and expenses were \$8,067,375.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services 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 | | |
|------------------|------------------------|----------------|-------------------|----------------------|----------------|-------------------|
| | 2014 | | Change 2014-15 | 2014 | | Change 2014-15 |
| | 2015 | (Not restated) | | 2015 | (Not restated) | |
| Instruction | \$ 5,105,775 | 5,063,541 | 0.83% | 3,733,260 | 3,609,016 | 3.44% |
| Support services | 2,404,838 | 2,277,422 | 5.59% | 2,283,145 | 1,356,541 | 68.31% |
| Other expenses | 556,762 | 484,500 | 14.91% | 298,587 | 249,562 | 19.64% |
| Totals | \$ 8,067,375 | 7,825,463 | 3.09% | 6,314,992 | 5,215,119 | 21.09% |

- The cost financed by users of the District's programs was \$869,755.
- Federal and state governments and local sources subsidized certain programs with grants and contributions totaling \$882,628.
- The net cost of governmental activities was financed with \$2,990,831 in property tax, \$324,124 in income surtax, \$574,728 in statewide sales, services and use tax, \$3,009,081 in unrestricted state grants, \$4,116 in interest income and \$82,417 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$374,665 and expenses were \$346,302. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, interest income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,043,853, below last year's ending fund balances of \$4,051,695. The decrease is primarily attributable to the decrease in the Debt Service Fund balance.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$2,315,403 at June 30, 2014 to \$1,804,017 at June 30, 2015. The decrease in the District's General Fund financial position is the product of many factors. An increase in state source revenues during the year resulted in an increase in total revenues. The increase in General Fund expenditures outpaced revenues producing a decrease in the District's General Fund financial position.
- The Capital Projects Fund balance increased from a balance of \$347,419 at June 30, 2014 to \$937,565 at June 30, 2015. This increase can be attributed to a decrease in expenditures compared to the prior year.
- The Debt Service Fund balance decreased from a balance of \$1,074,969 at June 30, 2014 to \$18,730 at June 30, 2015. The decrease can be attributed to payments on the District long term debt.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$28,059, restated as of July 1, 2014, to \$56,422 at June 30, 2015, representing an increase of approximately 101.08%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$139,650 more than budgeted revenues, a variance of 1.56%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functional areas, as well as in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$6,276,229, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.36% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$388,565.

The original cost of the District's capital assets was \$12,157,170. Governmental funds account for \$11,984,764 with the remainder of \$172,406 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. Construction in progress totaled \$1,250,694 reported at June 30, 2014, compared to \$0 reported at June 30, 2015. The decrease was the result of the completion of the Districts Safe Room project during the year, which was then capitalized as part of the Buildings on the District's fixed asset listing.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|-----------------------------------|-------------------------|-----------|--------------------------|--------|----------------|-----------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2014-15 |
| Land | \$ 61,610 | 61,610 | - | - | 61,610 | 61,610 | 0.00% |
| Construction in progress | - | 1,250,694 | - | - | - | 1,250,694 | -100.00% |
| Buildings | 5,206,585 | 3,980,935 | - | - | 5,206,585 | 3,980,935 | 30.79% |
| Improvements other than buildings | 271,584 | 276,026 | - | - | 271,584 | 276,026 | -1.61% |
| Machinery and equipment | 686,123 | 567,462 | 50,327 | 55,208 | 736,450 | 622,670 | 18.27% |
| Total | \$ 6,225,902 | 6,136,727 | 50,327 | 55,208 | 6,276,229 | 6,191,935 | 1.36% |

Long-Term Debt

At June 30, 2015, the District had \$3,102,951 in bonds payable, bus lease payable and other long-term debt outstanding. This represents an increase of 43.35% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had total outstanding general obligation bonds payable from the Debt Service Fund of \$190,000 at June 30, 2015.
- The District had outstanding bus leases payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$383,521 at June 30, 2015.
- The District had a net pension liability of \$2,315,590 at June 30, 2015; \$2,240,333 of this is from governmental activities and \$75,257 from business type activities.
- The District had \$213,840 in net OPEB liability at June 30, 2015, \$199,598 of this is from governmental activities and \$14,242 from business type activities.

Figure A-7
Outstanding Long-Term Obligations

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------|-------------------------|-----------|--------------------------|--------|----------------|-----------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2014-15 |
| General obligation bonds | \$ 190,000 | 1,510,000 | - | - | 190,000 | 1,510,000 | -87.42% |
| Revenue bonds | - | 175,000 | - | - | - | 175,000 | -100.00% |
| Bus lease | 383,521 | 252,551 | - | - | 383,521 | 252,551 | 51.86% |
| Termination benefits | - | 55,961 | - | - | - | 55,961 | -100.00% |
| Net pension liability | 2,240,333 | - | 75,257 | - | 2,315,590 | - | 100.00% |
| Net OPEB liability | 199,598 | 159,735 | 14,242 | 11,397 | 213,840 | 171,132 | 24.96% |
| Total | \$ 3,013,452 | 2,153,247 | 89,499 | 11,397 | 3,102,951 | 2,164,644 | 43.35% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The State of Iowa has set the supplemental state aid for fiscal year 2016 at 1.25%, but has not set the supplemental state aid for fiscal year 2017 and beyond. The District's inability to predict future revenues will continue to have a significant impact on future budget decisions.
- The District continues to receive supplemental income on an annual basis from the Worth County Development Authority (WCDA) which are profits from the casino. The money is to be used for specific purposes as outlined by WCDA.
- The District received significant revenue in the form of tuition received for students open enrolled from Minnesota.

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 Jennifer Fjelstad, Business Manager/Board Secretary, Lake Mills Community School District, 102 South 4th Avenue East, Lake Mills, Iowa, 50450.

Basic Financial Statements

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments | \$ 3,711,868 | 124,070 | 3,835,938 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 20,175 | - | 20,175 |
| Succeeding year | 2,837,382 | - | 2,837,382 |
| Income surtax | 325,764 | - | 325,764 |
| Accounts | 8,648 | - | 8,648 |
| Due from other funds | 339 | - | 339 |
| Due from other governments | 208,632 | - | 208,632 |
| Inventories | - | 12,092 | 12,092 |
| Capital assets, net of accumulated depreciation | 6,225,902 | 50,327 | 6,276,229 |
| Total assets | 13,338,710 | 186,489 | 13,525,199 |
| Deferred Outflows of Resources | | | |
| Pension related deferred outflows | 485,740 | 13,663 | 499,403 |
| Liabilities | | | |
| Due to other funds | - | 339 | 339 |
| Accounts payable | 114,255 | - | 114,255 |
| Salaries and benefits payable | 791,554 | 16,727 | 808,281 |
| Accrued interest payable | 15,206 | - | 15,206 |
| Unearned revenue | - | 6,895 | 6,895 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds | 190,000 | - | 190,000 |
| Bus lease | 59,822 | - | 59,822 |
| Portion due after one year: | | | |
| Bus lease | 323,699 | - | 323,699 |
| Net pension liability | 2,240,333 | 75,257 | 2,315,590 |
| Net OPEB liability | 199,598 | 14,242 | 213,840 |
| Total liabilities | 3,934,467 | 113,460 | 4,047,927 |
| Deferred Inflows of Resources | | | |
| Unavailable property tax revenues | 2,837,382 | - | 2,837,382 |
| Pension related deferred inflows | 901,110 | 30,270 | 931,380 |
| Total deferred inflows of resources | 3,738,492 | 30,270 | 3,768,762 |
| Net Position | | | |
| Net investment in capital assets | 5,652,381 | 50,327 | 5,702,708 |
| Restricted for: | | | |
| Categorical funding | 227,083 | - | 227,083 |
| Debt service | 3,524 | - | 3,524 |
| Management levy purposes | 153,010 | - | 153,010 |
| Student activities | 130,531 | - | 130,531 |
| School infrastructure | 657,258 | - | 657,258 |
| Physical plant and equipment | 280,307 | - | 280,307 |
| Unrestricted | (952,603) | 6,095 | (946,508) |
| Total net position | \$ 6,151,491 | 56,422 | 6,207,913 |

SEE NOTES TO FINANCIAL STATEMENTS.

**LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---------------------|---------------------------|--|--|---------------------------------|--------------------------------|--------------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Govern- mental Activities | Business Type Activities | Total |
| Functions/Programs: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular | \$ 2,902,072 | 563,294 | 163,500 | - | (2,175,278) | - | (2,175,278) |
| Special | 1,094,485 | 3,176 | 175,155 | - | (916,154) | - | (916,154) |
| Other | 1,109,218 | 289,112 | 178,278 | - | (641,828) | - | (641,828) |
| | <u>5,105,775</u> | <u>855,582</u> | <u>516,933</u> | <u>-</u> | <u>(3,733,260)</u> | <u>-</u> | <u>(3,733,260)</u> |
| Support services: | | | | | | | |
| Student | 72,129 | - | - | - | (72,129) | - | (72,129) |
| Instructional staff | 195,515 | - | 10,010 | - | (185,505) | - | (185,505) |
| Administration | 639,702 | - | - | - | (639,702) | - | (639,702) |
| Operations and maintenance of plant | 1,063,549 | - | - | 97,510 | (966,039) | - | (966,039) |
| Transportation | 433,943 | 14,173 | - | - | (419,770) | - | (419,770) |
| | <u>2,404,838</u> | <u>14,173</u> | <u>10,010</u> | <u>97,510</u> | <u>(2,283,145)</u> | <u>-</u> | <u>(2,283,145)</u> |
| Long-term debt interest | 69,117 | - | - | - | (69,117) | - | (69,117) |
| Other expenditures: | | | | | | | |
| AEA flowthrough | 258,175 | - | 258,175 | - | - | - | - |
| Depreciation(unallocated)* | 229,470 | - | - | - | (229,470) | - | (229,470) |
| | <u>487,645</u> | <u>-</u> | <u>258,175</u> | <u>-</u> | <u>(229,470)</u> | <u>-</u> | <u>(229,470)</u> |
| Total governmental activities | <u>8,067,375</u> | <u>869,755</u> | <u>785,118</u> | <u>97,510</u> | <u>(6,314,992)</u> | <u>-</u> | <u>(6,314,992)</u> |
| Business type activities: | | | | | | | |
| Non-instructional programs: | | | | | | | |
| Food service operations | 346,302 | 177,784 | 196,301 | - | - | 27,783 | 27,783 |
| Total | <u>\$ 8,413,677</u> | <u>1,047,539</u> | <u>981,419</u> | <u>97,510</u> | <u>(6,314,992)</u> | <u>27,783</u> | <u>(6,287,209)</u> |
| General Revenues: | | | | | | | |
| Property tax levied for: | | | | | | | |
| General purposes | | | | \$ 2,264,376 | - | | 2,264,376 |
| Debt service | | | | 612,740 | - | | 612,740 |
| Capital outlay | | | | 113,715 | - | | 113,715 |
| Income surtax | | | | 324,124 | - | | 324,124 |
| Statewide sales, services and use tax | | | | 574,728 | - | | 574,728 |
| Unrestricted state grants | | | | 3,009,081 | - | | 3,009,081 |
| Unrestricted investment earnings | | | | 4,116 | 176 | | 4,292 |
| Other | | | | 82,417 | 404 | | 82,821 |
| Total general revenues | | | | <u>6,985,297</u> | <u>580</u> | | <u>6,985,877</u> |
| Change in net position | | | | 670,305 | 28,363 | | 698,668 |
| Net position beginning of year, as restated | | | | 5,481,186 | 28,059 | | 5,509,245 |
| Net position end of year | | | | <u>\$ 6,151,491</u> | <u>56,422</u> | | <u>6,207,913</u> |

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

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General | Capital Projects | Debt Service | Nonmajor | Total |
|---|---------------------|---------------------|-----------------|----------------|------------------|
| Assets | | | | | |
| Cash and pooled investments | \$ 2,599,681 | 815,449 | 14,620 | 282,118 | 3,711,868 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 13,879 | 763 | 4,110 | 1,423 | 20,175 |
| Succeeding year | 1,974,326 | 436,071 | 241,985 | 185,000 | 2,837,382 |
| Income surtax | 180,980 | 144,784 | - | - | 325,764 |
| Accounts | 173 | 8,475 | - | - | 8,648 |
| Due from other funds | 339 | 24,186 | - | - | 24,525 |
| Due from other governments | 118,934 | 89,698 | - | - | 208,632 |
| Total assets | \$ 4,888,312 | 1,519,426 | 260,715 | 468,541 | 7,136,994 |
| Liabilities, deferred inflows of resources and fund balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 113,249 | 1,006 | - | - | 114,255 |
| Salaries and benefits payable | 791,554 | - | - | - | 791,554 |
| Due to other funds | 24,186 | - | - | - | 24,186 |
| Total liabilities | 928,989 | 1,006 | - | - | 929,995 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues: | | | | | |
| Succeeding year property tax | 1,974,326 | 436,071 | 241,985 | 185,000 | 2,837,382 |
| Income surtax | 180,980 | 144,784 | - | - | 325,764 |
| Total deferred inflows of resources | 2,155,306 | 580,855 | 241,985 | 185,000 | 3,163,146 |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Categorical funding | 227,083 | - | - | - | 227,083 |
| Debt service | - | - | 18,730 | - | 18,730 |
| Management levy purposes | - | - | - | 153,010 | 153,010 |
| Student activities | - | - | - | 130,531 | 130,531 |
| School infrastructure | - | 657,258 | - | - | 657,258 |
| Physical plant and equipment | - | 280,307 | - | - | 280,307 |
| Unassigned | 1,576,934 | - | - | - | 1,576,934 |
| Total fund balances | 1,804,017 | 937,565 | 18,730 | 283,541 | 3,043,853 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 4,888,312 | 1,519,426 | 260,715 | 468,541 | 7,136,994 |

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2015

| | | |
|---|------------------|----------------------------|
| Total fund balances of governmental funds(page 20) | | \$ 3,043,853 |
| <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | | 6,225,902 |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current period. | | 325,764 |
| 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. | | (15,206) |
| 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 | \$ 485,740 | |
| Deferred inflows of resources | <u>(901,110)</u> | (415,370) |
| Long-term liabilities, including general obligation bonds payable, bus lease payable, net pension liability, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | <u>(3,013,452)</u> |
| Net position of governmental activities(page 18) | | <u>\$ 6,151,491</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

| | General | Capital Projects | Debt Service | Nonmajor | Total |
|--|---------------------|---------------------|------------------|----------------|------------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 2,215,097 | 274,954 | 612,740 | 210,518 | 3,313,309 |
| Tuition | 556,723 | - | - | - | 556,723 |
| Other | 236,000 | 44,706 | 3,053 | 264,616 | 548,375 |
| State sources | 3,376,317 | 580,955 | 7,730 | 2,455 | 3,967,457 |
| Federal sources | 302,009 | 48,161 | - | - | 350,170 |
| Total revenues | <u>6,686,146</u> | <u>948,776</u> | <u>623,523</u> | <u>477,589</u> | <u>8,736,034</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,023,813 | - | - | 44,255 | 3,068,068 |
| Special | 1,130,554 | - | - | - | 1,130,554 |
| Other | 805,510 | - | - | 248,696 | 1,054,206 |
| | <u>4,959,877</u> | <u>-</u> | <u>-</u> | <u>292,951</u> | <u>5,252,828</u> |
| Support services: | | | | | |
| Student | 81,025 | - | - | - | 81,025 |
| Instructional staff | 246,025 | - | - | - | 246,025 |
| Administration | 672,498 | - | - | - | 672,498 |
| Operation and maintenance of plant | 650,010 | - | - | 215,001 | 865,011 |
| Transportation | 333,144 | 214,651 | - | - | 547,795 |
| | <u>1,982,702</u> | <u>214,651</u> | <u>-</u> | <u>215,001</u> | <u>2,412,354</u> |
| Capital outlay | - | 397,624 | - | - | 397,624 |
| Long-term debt: | | | | | |
| Principal | - | - | 1,528,251 | - | 1,528,251 |
| Interest and fiscal charges | - | - | 70,562 | - | 70,562 |
| | <u>-</u> | <u>-</u> | <u>1,598,813</u> | <u>-</u> | <u>1,598,813</u> |
| Other expenditures: | | | | | |
| AEA flowthrough | 258,175 | - | - | - | 258,175 |
| Total expenditures | <u>7,200,754</u> | <u>612,275</u> | <u>1,598,813</u> | <u>507,952</u> | <u>9,919,794</u> |
| Excess(Deficiency) of revenues over(under) expenditures | (514,608) | 336,501 | (975,290) | (30,363) | (1,183,760) |
| Other financing sources(uses): | | | | | |
| Sale of equipment | 3,222 | - | - | - | 3,222 |
| Proceeds from capital lease | - | 164,221 | - | - | 164,221 |
| Transfer in | - | 120,008 | 39,059 | - | 159,067 |
| Transfer out | - | (39,059) | (120,008) | - | (159,067) |
| Insurance proceeds | - | 8,475 | - | - | 8,475 |
| Total other financing sources(uses) | <u>3,222</u> | <u>253,645</u> | <u>(80,949)</u> | <u>-</u> | <u>175,918</u> |
| Change in fund balances | (511,386) | 590,146 | (1,056,239) | (30,363) | (1,007,842) |
| Fund balances beginning of year | <u>2,315,403</u> | <u>347,419</u> | <u>1,074,969</u> | <u>313,904</u> | <u>4,051,695</u> |
| Fund balances end of year | <u>\$ 1,804,017</u> | <u>937,565</u> | <u>18,730</u> | <u>283,541</u> | <u>3,043,853</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds(page 22) \$ (1,007,842)

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

Capital outlay 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:

| | | |
|----------------------|------------------|--------|
| Capital outlay | \$ 470,181 | |
| Depreciation expense | <u>(381,006)</u> | 89,175 |

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

| | | |
|--------|------------------|-----------|
| Issued | (164,221) | |
| Repaid | <u>1,528,251</u> | 1,364,030 |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,445

Income surtax and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. 1,646

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. 362,521

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.

| | | |
|-------------------------------|-----------------|------------------|
| Termination benefits | 55,961 | |
| Pension expense | (156,768) | |
| Other postemployment benefits | <u>(39,863)</u> | <u>(140,670)</u> |

Change in net position of governmental activities(page 19) \$ 670,305

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

| | Enterprise: School Nutrition |
|---|------------------------------------|
| Assets | |
| Current assets: | |
| Cash and pooled investments | \$ 124,070 |
| Inventories | 12,092 |
| Total current assets | 136,162 |
| Noncurrent assets: | |
| Capital assets, net of accumulated depreciation | 50,327 |
| Total assets | 186,489 |
| Deferred Outflows of Resources | |
| Pension related deferred outflows | 13,663 |
| Liabilities | |
| Current liabilities: | |
| Due to other funds | 339 |
| Salaries and benefits payable | 16,727 |
| Unearned revenue | 6,895 |
| Total current liabilities | 23,961 |
| Noncurrent liabilities | |
| Net pension liability | 75,257 |
| Net OPEB liability | 14,242 |
| Total noncurrent liabilities | 89,499 |
| Total liabilities | 113,460 |
| Deferred Inflows of Resources | |
| Pension related deferred inflows | 30,270 |
| Net Position | |
| Net investment in capital assets | 50,327 |
| Unrestricted | 6,095 |
| Total net position | \$ 56,422 |

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2015

| | Enterprise: School Nutrition |
|---|------------------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ 177,784 |
| Miscellaneous | 404 |
| Total operating revenues | 178,188 |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | 119,595 |
| Benefits | 40,581 |
| Services | 1,978 |
| Supplies | 176,570 |
| Other | 19 |
| Depreciation | 7,559 |
| Total operating expenses | 346,302 |
| Operating loss | (168,114) |
| Non-operating revenues: | |
| State sources | 3,462 |
| Federal sources | 192,839 |
| Interest income | 176 |
| Total non-operating revenues | 196,477 |
| Change in net position | 28,363 |
| Net position beginning of year, as restated | 28,059 |
| Net position end of year | \$ 56,422 |

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

| | Enterprise: School Nutrition |
|---|------------------------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 179,783 |
| Cash received from miscellaneous | 404 |
| Cash paid to employees for services | (164,556) |
| Cash paid to suppliers for goods or services | (143,748) |
| Net cash used in operating activities | (128,117) |
| Cash flows from non-capital financing activities: | |
| Borrowings from general fund | 339 |
| State grants received | 3,462 |
| Federal grants received | 157,817 |
| Net cash provided by non-capital financing activities | 161,618 |
| Cash flows from capital and related financing activities: | |
| Purchase of capital assets | (2,678) |
| Cash flows from investing activities: | |
| Interest on investments | 176 |
| Net increase in cash and pooled investments | 30,999 |
| Cash and pooled investments at beginning of year | 93,071 |
| Cash and pooled investments at end of year | \$ 124,070 |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (168,114) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Commodities consumed | 35,022 |
| Depreciation | 7,559 |
| Increase in inventories | (40) |
| Decrease in accounts payable | (163) |
| Decrease in salaries and benefits payable | (2,967) |
| Increase in unearned revenue | 1,999 |
| Decrease in net pension liability | (31,953) |
| Increase in deferred outflows of resources | (2,575) |
| Increase in deferred inflows of resources | 30,270 |
| Increase in net OPEB liability | 2,845 |
| Net cash used in operating activities | \$ (128,117) |

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$35,022 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

| | Private Purpose Trust | Agency |
|--------------------------------|--------------------------|--------|
| | Scholarship | |
| Assets | | |
| Cash and pooled investments | \$ 278,019 | 11,832 |
| Liabilities | | |
| Accounts payable | - | 53 |
| Due to other groups | - | 11,779 |
| | - | 11,832 |
| Net Position | | |
| Held in trust for scholarships | \$ 278,019 | - |

SEE NOTES TO FINANCIAL STATEMENTS.

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

| | <u>Private Purpose Trust</u> | <u>Scholarship</u> |
|--------------------------------|----------------------------------|--------------------|
| Additions: | | |
| Interest | \$ 1,389 | |
| Donations | <u>1,500</u> | |
| Total additions | <u>2,889</u> | |
| Deductions: | | |
| Instruction: | | |
| Regular: | | |
| Scholarships awarded | | <u>19,420</u> |
| Change in net position | (16,531) | |
| Net position beginning of year | <u>294,550</u> | |
| Net position end of year | <u>\$ 278,019</u> | |

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Lake Mills Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the city of Lake Mills, Iowa, and the predominate agricultural territory in Winnebago and Worth Counties. 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, Lake Mills 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 Lake Mills Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

Net investment 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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 District reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

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

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary 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 cash is received by the District.

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

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

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

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

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

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

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

Cash, 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

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

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

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 5,000 |
| Buildings | 5,000 |
| Land improvements | 5,000 |
| Intangibles | 50,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 5,000 |

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

| Asset Class | Estimated Useful Lives |
|-------------------------|------------------------|
| Buildings | 50 years |
| Land improvements | 5-25 years |
| Intangibles | 3-10 years |
| Machinery and equipment | 3-15 years |

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

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on 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.

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.

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 the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budget in the instruction and other expenditures functional areas.

(2) Cash and Pooled Investments

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

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--|---------------------|------------------|
| General | School Nutrition | \$ 339 |
| Capital Projects: Physical Plant and Equipment Levy | General | <u>24,186</u> |
| Total | | <u>\$ 24,525</u> |

The School Nutrition Fund is repaying the General Fund for revenues incorrectly recorded in the prior year.

The General Fund is repaying the Capital Projects: Physical Plant and Equipment Levy Fund for revenues incorrectly recorded in the prior year.

(4) Interfund Transfers

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

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--|--|-------------------|
| Debt Service | Capital Projects: Statewide Sales, Services and Use Tax | \$ 39,059 |
| Capital Projects: Statewide Sales, Services and Use Tax | Debt Service | <u>120,008</u> |
| Total | | <u>\$ 159,067</u> |

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was to pay principal and interest on the District's bus leases.

The transfer from the Debt Service Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was to return the reserve associated with the revenue bond paid off during the year.

(5) Capital Assets

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

| | <u>Balance Beginning of Year</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance End of Year</u> |
|--|--|------------------|------------------|------------------------------------|
| Business type activities: | | | | |
| Machinery and equipment | \$ 169,728 | 2,678 | - | 172,406 |
| Less accumulated depreciation | 114,520 | 7,559 | - | 122,079 |
| Business type activities capital assets, net | <u>\$ 55,208</u> | <u>(4,881)</u> | <u>-</u> | <u>50,327</u> |

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 61,610 | - | - | 61,610 |
| Construction in progress | 1,250,694 | 64,254 | 1,314,948 | - |
| Total capital assets not being depreciated | <u>1,312,304</u> | <u>64,254</u> | <u>1,314,948</u> | <u>61,610</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 8,038,168 | 1,415,541 | - | 9,453,709 |
| Land improvements | 639,312 | 35,137 | - | 674,449 |
| Machinery and equipment | 1,774,999 | 270,197 | 250,200 | 1,794,996 |
| Total capital assets being depreciated | <u>10,452,479</u> | <u>1,720,875</u> | <u>250,200</u> | <u>11,923,154</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 4,057,233 | 189,891 | - | 4,247,124 |
| Land improvements | 363,286 | 39,579 | - | 402,865 |
| Machinery and equipment | 1,207,537 | 151,536 | 250,200 | 1,108,873 |
| Total accumulated depreciation | <u>5,628,056</u> | <u>381,006</u> | <u>250,200</u> | <u>5,758,862</u> |
| Total capital assets being depreciated, net | <u>4,824,423</u> | <u>1,339,869</u> | <u>-</u> | <u>6,164,292</u> |
| Governmental activities capital assets, net | <u>\$ 6,136,727</u> | <u>1,404,123</u> | <u>1,314,948</u> | <u>6,225,902</u> |

Depreciation expense was charged by the District as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| Instruction: | |
| Regular | \$ 815 |
| Other | 1,630 |
| Support services: | |
| Instructional staff | 5,300 |
| Administration | 13,312 |
| Operation and maintenance of plant | 8,794 |
| Transportation | <u>121,685</u> |
| | 151,536 |
| Unallocated depreciation | <u>229,470</u> |
| Total governmental activities depreciation expense | <u>\$ 381,006</u> |
| Business type activities: | |
| Food service operations | <u>\$ 7,559</u> |

(6) **Long-Term Liabilities**

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

| | Balance Beginning of Year Restated | Additions | Deletions | Balance End of Year | Due Within One Year |
|----------------------------------|---|----------------|------------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 1,510,000 | - | 1,320,000 | 190,000 | 190,000 |
| Revenue bonds | 175,000 | - | 175,000 | - | - |
| Bus lease | 252,551 | 164,221 | 33,251 | 383,521 | 59,822 |
| Termination benefits | 55,961 | - | 55,961 | - | - |
| Net pension liability | 3,191,550 | - | 951,217 | 2,240,333 | - |
| Net OPEB liability | 159,735 | 39,863 | - | 199,598 | - |
| Total | <u>\$ 5,344,797</u> | <u>204,084</u> | <u>2,535,429</u> | <u>3,013,452</u> | <u>249,822</u> |
| Business type activities: | | | | | |
| Net pension liability | \$ 107,210 | - | 31,953 | 75,257 | - |
| Net OPEB liability | 11,397 | 2,845 | - | 14,242 | - |
| Total | <u>\$ 118,607</u> | <u>2,845</u> | <u>31,953</u> | <u>89,499</u> | <u>-</u> |

General Obligation Bonds

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

| Year Ended June 30, | Bond Issue March 1, 2006 | | | |
|---------------------------|--------------------------|------------|----------|---------|
| | Interest Rates | Principal | Interest | Total |
| 2016 | 4.00% | \$ 190,000 | 51,485 | 241,485 |

Bus Lease

On December 15, 2013 the District entered into a lease for three buses from De Lage Landen Public Finance LLC with an annual interest rate of 2.30%. Principal and interest will be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

On August 22, 2014 the District entered into a lease for two buses from De Lage Landen Public Finance LLC with an annual interest rate of 2.78%. Principal and interest will be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund as follows:

| Year Ended June 30, | Bus Lease Issue December 15, 2013 | | | Bus Lease Issue August 22, 2014 | | | Total | | |
|---------------------------|-----------------------------------|-------------------|--------------|---------------------------------|-------------------|---------------|----------------|---------------|----------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 2016 | 2.30% | \$ 34,015 | 5,044 | 2.78% | \$ 25,807 | 4,565 | 59,822 | 9,609 | 69,431 |
| 2017 | 2.30 | 185,285 | 4,262 | 2.78 | 26,524 | 3,848 | 211,809 | 8,110 | 219,919 |
| 2018 | | - | - | 2.78 | 111,890 | 3,111 | 111,890 | 3,111 | 115,001 |
| | | <u>\$ 219,300</u> | <u>9,306</u> | | <u>\$ 164,221</u> | <u>11,524</u> | <u>383,521</u> | <u>20,830</u> | <u>404,351</u> |

(7) Bond Defeasement

As part of the District's budgeting process, the District's Board of Directors approved an additional debt service levy tax to advance refund a portion of the general obligation bonds issued March 1, 2006. The additional property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which will be used to pay \$1,085,000 in principal when the bonds become callable on May 1, 2016. As a result, \$1,085,000 of the 2006 Series bonds are considered to be defeased and the liability for those bonds has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the escrow account is insufficient to pay the refunded bonds. At June 30, 2015, \$1,085,000 of such bonds are outstanding. The economic savings from this bond refunding is \$136,385.

(8) Pension Plan

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

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

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

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

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

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

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

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$372,045.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,315,590 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.057216 percent, which was a decrease of 0.001045 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$162,034. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 25,166 | \$ - |
| Changes of assumptions | 102,192 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 883,099 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 48,281 |
| District contributions subsequent to the measurement date | 372,045 | - |
| Total | <u>\$ 499,403</u> | <u>\$ 931,380</u> |

\$372,045 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 | \$ (202,299) |
| 2017 | (202,299) |
| 2018 | (202,299) |
| 2019 | (202,299) |
| 2020 | 5,174 |
| | <u>\$ (804,022)</u> |

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|--------------------------|----------------------------|--------------------------|
| District's proportionate share of the net pension liability | \$ 4,375,242 | \$ 2,315,590 | \$ 577,030 |

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$54,171 for legally required employer contributions and \$36,094 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 77 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. Some participants in the District’s early retirement program receive contributions toward health insurance premiums resulting in an explicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 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 | \$ | 63,920 |
| Interest on net OPEB obligation | | 4,278 |
| Adjustment to annual required contribution | | (11,306) |
| Annual OPEB cost | | <u>56,892</u> |
| Contributions made | | <u>(14,184)</u> |
| Increase in net OPEB obligation | | 42,708 |
| Net OPEB obligation beginning of year | | <u>171,132</u> |
| Net OPEB obligation end of year | \$ | <u><u>213,840</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015. For the year ended June 30, 2015, the District contributed \$14,184 to the medical plan.

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:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2013 | \$ 56,263 | 30.23% | \$ 131,808 |
| 2014 | 53,803 | 26.91 | 171,132 |
| 2015 | 56,892 | 24.93 | 213,840 |

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$417,251, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$417,251. The covered payroll (annual payroll of active employees covered by the plan) was \$4,033,563 and the ratio of the UAAL to covered payroll was 10.3%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members to 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 long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The health cost trend rate is 6%.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based upon sample rates varying by age and employee type. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$678,487.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Lake Mills 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 \$258,175 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) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in both the instruction and other expenditures functional areas exceeded the amounts budgeted and the District exceeded the budget in total.

(13) Deficit Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$952,603 in the governmental activities.

(14) Prospective Accounting Change

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> |
|---|------------------------------------|-------------------------------------|
| Net position June 30, 2014, as previously reported | \$ 8,342,642 | \$ 124,181 |
| Net pension liability at June 30, 2014 | (3,191,550) | (107,210) |
| Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date | 330,094 | 11,088 |
| Net position July 1, 2014, as restated | <u>\$ 5,481,186</u> | <u>\$ 28,059</u> |

(15) Categorical Funding

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

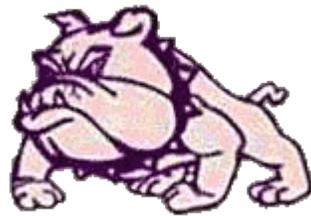
| <u>Program</u> | <u>Amount</u> |
|--|-------------------|
| Limited english proficient | \$ 28,975 |
| Home school assistance program | 686 |
| Gifted and talented programs | 94,955 |
| Iowa early intervention block grant | 38,804 |
| Four-year-old preschool state aid | 49,125 |
| Teacher salary supplement | 688 |
| Successful progression for early readers | 9,573 |
| Teacher leadership grant | 4,277 |
| Total | <u>\$ 227,083</u> |

(16) Reconciliation of Governmental Fund Balances to Net Position

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

| | <u>Net Investment in Capital Assets</u> | <u>Debt Service</u> | <u>Unassigned/ Unrestricted</u> |
|--|---|-------------------------|-------------------------------------|
| Fund balance (Exhibit C) | \$ - | 18,730 | 1,576,934 |
| Capital assets, net of accumulated depreciation | 6,225,902 | - | - |
| General obligation bond capitalized indebtedness | (190,000) | - | - |
| Bus lease capitalized indebtedness | (383,521) | - | - |
| Income Surtax | - | - | 325,764 |
| Accrued interest payable | - | (15,206) | - |
| Pension related deferred outflows | - | - | 485,740 |
| Net pension liability | - | - | (2,240,333) |
| Pension related deferred inflows | - | - | (901,110) |
| Net OPEB liability | - | - | (199,598) |
| Net position (Exhibit A) | <u>\$ 5,652,381</u> | <u>3,524</u> | <u>(952,603)</u> |

Lake Mills Community School District



Required Supplementary Information

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

| | Governmental | Proprietary | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|--|---------------------|----------------|-------------------|------------------|------------------|--------------------------------|
| | Funds | Fund | | Original | Final | |
| | Actual | Actual | | | | |
| Revenues: | | | | | | |
| Local sources | \$ 4,418,407 | 178,364 | 4,596,771 | 5,084,550 | 5,084,550 | (487,779) |
| State sources | 3,967,457 | 3,462 | 3,970,919 | 3,491,451 | 3,491,451 | 479,468 |
| Federal sources | 350,170 | 192,839 | 543,009 | 395,048 | 395,048 | 147,961 |
| Total revenues | <u>8,736,034</u> | <u>374,665</u> | <u>9,110,699</u> | <u>8,971,049</u> | <u>8,971,049</u> | <u>139,650</u> |
| Expenditures/expenses: | | | | | | |
| Instruction | 5,252,828 | - | 5,252,828 | 4,604,089 | 4,604,089 | (648,739) |
| Support services | 2,412,354 | - | 2,412,354 | 2,530,506 | 2,530,506 | 118,152 |
| Non-instructional programs | - | 346,302 | 346,302 | 400,000 | 400,000 | 53,698 |
| Other expenditures | 2,254,612 | - | 2,254,612 | 1,684,856 | 1,684,856 | (569,756) |
| Total expenditures/expenses | <u>9,919,794</u> | <u>346,302</u> | <u>10,266,096</u> | <u>9,219,451</u> | <u>9,219,451</u> | <u>(1,046,645)</u> |
| Excess(Deficiency) of revenues over(under) expenditures/expenses | (1,183,760) | 28,363 | (1,155,397) | (248,402) | (248,402) | (906,995) |
| Other financing sources, net | <u>175,918</u> | - | <u>175,918</u> | - | - | <u>175,918</u> |
| Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses | (1,007,842) | 28,363 | (979,479) | (248,402) | (248,402) | (731,077) |
| Fund balances beginning of year, as restated | <u>4,051,695</u> | <u>28,059</u> | <u>4,079,754</u> | <u>3,236,126</u> | <u>3,236,126</u> | <u>843,628</u> |
| Fund balances end of year | <u>\$ 3,043,853</u> | <u>56,422</u> | <u>3,100,275</u> | <u>2,987,724</u> | <u>2,987,724</u> | <u>112,551</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted and the District exceeded the budget in total.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 (IN THOUSANDS)
 REQUIRED SUPPLEMENTARY INFORMATION

| | 2015 |
|--|-----------|
| District's proportion of the net pension liability | 0.057216% |
| District's proportionate share of the net pension liability | \$ 2,316 |
| District's covered-employee payroll | \$ 4,166 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 55.59% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Statutorily required contribution | \$ 372 | 340 | 327 | 289 | 242 | 247 | 242 | 212 | 199 | 189 |
| Contributions in relation to the statutorily required contribution | (372) | (340) | (327) | (289) | (242) | (247) | (242) | (212) | (199) | (189) |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | \$ 4,166 | 3,807 | 3,772 | 3,581 | 3,482 | 3,554 | 3,811 | 3,504 | 3,461 | 3,287 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.67% | 8.07% | 6.95% | 6.95% | 6.35% | 6.05% | 5.75% | 5.75% |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

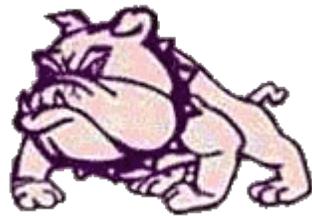
LAKE MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 2010 | July 1, 2009 | - | \$ 355,000 | \$ 355,000 | 0.0% | \$ 3,040,000 | 11.7% |
| 2011 | July 1, 2009 | - | 355,000 | 355,000 | 0.0 | 2,940,000 | 12.1 |
| 2012 | July 1, 2009 | - | 355,000 | 355,000 | 0.0 | 3,402,186 | 10.4 |
| 2013 | July 1, 2012 | - | 448,222 | 448,222 | 0.0 | 3,732,716 | 12.0 |
| 2014 | July 1, 2012 | - | 430,285 | 430,285 | 0.0 | 3,695,843 | 11.6 |
| 2015 | July 1, 2012 | - | 417,251 | 417,251 | 0.0 | 4,033,563 | 10.3 |

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Lake Mills Community School District



Supplementary Information

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

| | Special Revenue | | |
|---|---------------------|--------------------|----------------|
| | Student Activity | Management Levy | Total |
| Assets | | | |
| Cash and pooled investments | \$ 130,531 | 151,587 | 282,118 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 1,423 | 1,423 |
| Succeeding year | - | 185,000 | 185,000 |
| Total assets | \$ 130,531 | 338,010 | 468,541 |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities | \$ - | - | - |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | - | 185,000 | 185,000 |
| Fund balances: | | | |
| Restricted for: | | | |
| Management levy purposes | - | 153,010 | 153,010 |
| Student activities | 130,531 | - | 130,531 |
| Total fund balances | 130,531 | 153,010 | 283,541 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 130,531 | 338,010 | 468,541 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

| | Special Revenue | | |
|------------------------------------|---------------------|--------------------|----------------|
| | Student Activity | Management Levy | Total |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ - | 210,518 | 210,518 |
| Other | 257,091 | 7,525 | 264,616 |
| State sources | - | 2,455 | 2,455 |
| Total revenues | <u>257,091</u> | <u>220,498</u> | <u>477,589</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | - | 44,255 | 44,255 |
| Other | 248,696 | - | 248,696 |
| Support services: | | | |
| Operation and maintenance of plant | - | 215,001 | 215,001 |
| Total expenditures | <u>248,696</u> | <u>259,256</u> | <u>507,952</u> |
| Change in fund balances | 8,395 | (38,758) | (30,363) |
| Fund balances beginning of year | <u>122,136</u> | <u>191,768</u> | <u>313,904</u> |
| Fund balances end of year | <u>\$ 130,531</u> | <u>153,010</u> | <u>283,541</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

| | Capital Projects | | |
|---|--|--|------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash and pooled investments | \$ 567,560 | 247,889 | 815,449 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 763 | 763 |
| Succeeding year | - | 436,071 | 436,071 |
| Income surtax | - | 144,784 | 144,784 |
| Accounts | - | 8,475 | 8,475 |
| Due from other funds | - | 24,186 | 24,186 |
| Due from other governments | 89,698 | - | 89,698 |
| Total assets | \$ 657,258 | 862,168 | 1,519,426 |
| Liabilities, deferred inflows of resources and fund balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | 1,006 | 1,006 |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | - | 436,071 | 436,071 |
| Income surtax | - | 144,784 | 144,784 |
| Total deferred inflows of resources | - | 580,855 | 580,855 |
| Fund Balances: | | | |
| Restricted for: | | | |
| School infrastructure | 657,258 | - | 657,258 |
| Physical plant and equipment | - | 280,307 | 280,307 |
| Total fund balances | 657,258 | 280,307 | 937,565 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 657,258 | 862,168 | 1,519,426 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

| | Capital Projects | | Total |
|--------------------------------------|--|--|----------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ - | 274,954 | 274,954 |
| Other | 99 | 44,607 | 44,706 |
| State sources | 579,520 | 1,435 | 580,955 |
| Federal sources | 35,943 | 12,218 | 48,161 |
| Total revenues | 615,562 | 333,214 | 948,776 |
| Expenditures: | | | |
| Current: | | | |
| Support services: | | | |
| Transportation | 214,651 | - | 214,651 |
| Capital outlay | 128,943 | 268,681 | 397,624 |
| Total expenditures | 343,594 | 268,681 | 612,275 |
| Excess of revenues over expenditures | 271,968 | 64,533 | 336,501 |
| Other financing sources(uses): | | | |
| Transfer out | (39,059) | - | (39,059) |
| Transfer in | 120,008 | - | 120,008 |
| Capital lease proceeds | 164,221 | - | 164,221 |
| Insurance proceeds | - | 8,475 | 8,475 |
| Total other financing sources(uses) | 245,170 | 8,475 | 253,645 |
| Change in fund balances | 517,138 | 73,008 | 590,146 |
| Fund balances beginning year | 140,120 | 207,299 | 347,419 |
| Fund balances end of year | \$ 657,258 | 280,307 | 937,565 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2015

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Balance End of Year |
|------------------------|---------------------------------|----------|-------------------|---------------------------|
| School musical/play | \$ 1,339 | 2,381 | 2,246 | 1,474 |
| Vocal | 7,144 | 1,979 | 2,698 | 6,425 |
| MS Speech club | 3,060 | 750 | - | 3,810 |
| HS Speech club | 938 | 4,154 | 2,931 | 2,161 |
| Band fundraising | 25,013 | 55,542 | 63,948 | 16,607 |
| Concert band | 8,628 | 7,595 | 7,677 | 8,546 |
| Jazz band | 1,727 | - | - | 1,727 |
| Volleyball | - | 890 | 890 | - |
| Cross country | - | 480 | 480 | - |
| Cheerleaders | - | 310 | 310 | - |
| Boys basketball | - | 120 | 120 | - |
| Baseball | - | 180 | 180 | - |
| Boys track | - | 1,515 | 1,515 | - |
| Wrestling | - | 2,538 | 2,538 | - |
| Girls basketball | - | 600 | 600 | - |
| Softball | - | 250 | 250 | - |
| Girls track | - | 1,305 | 1,305 | - |
| Athletics | 30,385 | 119,929 | 110,166 | 40,148 |
| MS Student council | 4,381 | 2,959 | 1,455 | 5,885 |
| HS Student council | 2,332 | 5,125 | 2,227 | 5,230 |
| FFA | 2,925 | 34,717 | 31,376 | 6,266 |
| FCCLA | 409 | 1,037 | 1,426 | 20 |
| Science club | 2,891 | 750 | 112 | 3,529 |
| Spanish club | 52 | - | - | 52 |
| Jr./Sr. prom | 3,297 | 2,520 | 2,327 | 3,490 |
| HS Annual | 673 | 9,087 | 9,760 | - |
| Activity fund projects | 26,942 | 378 | 2,159 | 25,161 |
| Total | \$ 122,136 | 257,091 | 248,696 | 130,531 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2015

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|-------------------------------|---------------------------------|--------------|--------------|---------------------------|
| Elementary Pop Lounge: | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ 665 | 952 | 899 | 718 |
| Liabilities | | | | |
| Accounts payable | 665 | 53 | 665 | 53 |
| Due to other groups | - | 899 | 234 | 665 |
| TOTAL LIABILITIES | \$ 665 | 952 | 899 | 718 |
| Needy Children: | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ 9,950 | 3,221 | 2,057 | 11,114 |
| Liabilities | | | | |
| Due to other groups | \$ 9,950 | 3,221 | 2,057 | 11,114 |
| Total Agency | | | | |
| Assets | | | | |
| Cash and pooled investments | \$ 10,615 | 4,173 | 2,956 | 11,832 |
| Liabilities | | | | |
| Accounts payable | 665 | 53 | 665 | 53 |
| Due to other groups | 9,950 | 4,120 | 2,291 | 11,779 |
| Total liabilities | \$ 10,615 | 4,173 | 2,956 | 11,832 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

| | Modified Accrual Basis | | | | | | | | | |
|------------------------------------|------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Years Ended June 30, | | | | | | | | | |
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | \$ 3,313,309 | 3,409,524 | 3,902,772 | 3,981,956 | 3,800,035 | 3,449,880 | 3,236,331 | 3,192,046 | 3,086,085 | 2,830,933 |
| Tuition | 556,723 | 684,828 | 678,590 | 676,278 | 695,436 | 540,551 | 589,290 | 563,534 | 525,921 | 480,957 |
| Other | 548,375 | 468,729 | 635,433 | 498,949 | 525,139 | 516,026 | 587,772 | 628,369 | 479,492 | 543,506 |
| State sources | 3,967,457 | 3,676,186 | 2,852,001 | 2,834,117 | 2,807,417 | 2,384,387 | 2,961,657 | 2,922,728 | 2,884,346 | 2,712,489 |
| Federal sources | 350,170 | 1,009,667 | 377,757 | 491,889 | 334,753 | 742,250 | 226,313 | 97,124 | 114,999 | 127,528 |
| Total | \$ 8,736,034 | 9,248,934 | 8,446,553 | 8,483,189 | 8,162,780 | 7,633,094 | 7,601,363 | 7,403,801 | 7,090,843 | 6,695,413 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | \$ 3,068,068 | 2,868,916 | 2,824,932 | 2,692,463 | 2,937,323 | 2,634,389 | 2,389,886 | 2,447,555 | 2,385,709 | 2,374,277 |
| Special | 1,130,554 | 957,033 | 786,032 | 709,936 | 640,618 | 695,356 | 715,387 | 751,780 | 689,303 | 720,367 |
| Other | 1,054,206 | 999,453 | 997,848 | 921,575 | 867,257 | 719,114 | 742,431 | 768,307 | 667,442 | 604,643 |
| Support services: | | | | | | | | | | |
| Student | 81,025 | 145,239 | 221,213 | 199,073 | 215,221 | 366,399 | 274,906 | 151,390 | 135,592 | 226,607 |
| Instructional staff | 246,025 | 249,813 | 197,974 | 341,677 | 83,162 | 359,852 | 554,960 | 420,060 | 402,589 | 464,825 |
| Administration | 672,498 | 668,173 | 624,930 | 675,337 | 617,657 | 677,542 | 750,791 | 641,917 | 666,152 | 567,807 |
| Operation and maintenance of plant | 865,011 | 715,304 | 600,235 | 611,626 | 602,250 | 547,711 | 604,200 | 640,498 | 579,160 | 526,950 |
| Transportation | 547,795 | 611,454 | 450,945 | 403,432 | 273,381 | 357,102 | 247,695 | 258,566 | 245,947 | 274,901 |
| Non-instructional programs | - | - | - | - | - | - | - | - | - | 32,369 |
| Capital outlay | 397,624 | 2,082,324 | 434,113 | 263,424 | 188,874 | 314,440 | 357,575 | 504,967 | 3,248,819 | 451,646 |
| Long-term debt: | | | | | | | | | | |
| Principal | 1,528,251 | 405,000 | 395,000 | 375,000 | 365,290 | 350,289 | 335,289 | 325,289 | 170,289 | 155,000 |
| Interest | 70,562 | 82,128 | 99,715 | 115,410 | 130,701 | 144,516 | 157,806 | 171,868 | 188,038 | 57,880 |
| Other expenditures: | | | | | | | | | | |
| AEA flow-through | 258,175 | 234,938 | 224,906 | 231,800 | 260,133 | 254,791 | 224,556 | 212,115 | 209,111 | 201,214 |
| Total | \$ 9,919,794 | 10,019,775 | 7,857,843 | 7,540,753 | 7,181,867 | 7,421,501 | 7,355,482 | 7,294,312 | 9,588,151 | 6,658,486 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

To the Board of Education of the Lake Mills Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2016.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-B-15 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Mills 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.

Lake Mills Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 31, 2016
Newton, Iowa

LAKE MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts, generates or prints checks, authorize wire transfers, signs checks.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - recording, posting and reconciling.
- 4) Payroll - approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 5) Financial reporting - preparing and approving.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) Journal entries - writing, posting and approval.

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

Response - We have improved our segregation of duties from the prior year and will continue to review procedures to look for ways to improve upon.

Conclusion - Response accepted.

I-B-15 Timely Deposits - We noted during our audit instances of deposits that were not made in a timely manner with some checks deposited with dates indicating they had been held for two months prior to depositing.

Recommendation - Due to the amount of time passed from when the money mentioned above was collected to when it was deposited gives the appearance of a breakdown in the District's receipting controls. The District should review procedures and controls relating to the District's receipt process with all District employees who are responsible for collecting, receipting or depositing District funds. The District should also develop procedures to ensure all money which belongs to the District is collected, receipted, and deposited at the appropriate District financial institution in a timely manner.

Response - The district will put additional measures in place to ensure that departments are turning in their deposits to the central office in a timely manner.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 exceeded the budgeted amounts in the instruction and other expenditures functional areas, as well as in total.

Recommendation - The 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 - Having transitioned mid-year to a new accounting program we will use the tools in the new system to monitor the expenditures accurately and file for an amendment in a timely manner if needed.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - Noted the District purchased gift card as part of a summer camp. Giving cash or gift certificates/cards does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to "audit and allow" all bills and the gift card does not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards to be given as prizes, gifts or incentives.

Response - Gift cards are no longer to be purchased under any circumstance.

Conclusion - Response accepted.

II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

| Name, Title and Business Connection | Transaction Description | Amount |
|-------------------------------------|-------------------------|----------|
| Jennifer Fjelstad, Business Manager | | |
| Spouse owns David's Super Foods | Supplies | \$ 2,301 |
| Spouse owns Subway | Food | 662 |
| Melissa Groe, Teacher | | |
| Spouse owns Groe Electric | Electrical Services | 11,355 |
| Dan Rice, Teacher | | |
| Owns Rice Landscaping | Landscaping | 1,154 |

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouses of District employees do not appear to represent a conflict of interest.

According to Attorney General's Opinion dated July 2, 1990 the above transactions with the teacher does not appear to represent a conflict of interest.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - No variances regarding the enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

Recommendation - The District should research the outstanding checks to determine if they should be voided, reissued or submitted to the Great Iowa Treasure Hunt. Once checks have been outstanding for two years, the checks should be submitted to the Treasurer of Iowa as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st.

Response - The District will review the checks and handle appropriately.

Conclusion - Response accepted.

- II-M-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

| | | |
|------------------------------------|------------|-------------------|
| Beginning Balance | | \$ 140,120 |
| Revenues: | | |
| Sales tax revenues | \$ 574,728 | |
| Other local revenues | 99 | |
| Other state revenues | 4,792 | |
| Federal revenues | 35,943 | |
| Transfer from other funds | 120,008 | |
| Capital lease proceeds | 164,221 | 899,791 |
| | | <u>1,039,911</u> |
| Expenditures/transfer out: | | |
| School infrastructure construction | 85,353 | |
| Equipment | 214,651 | |
| Other | 43,590 | |
| Transfer to other funds: | | |
| Debt service fund | 39,059 | 382,653 |
| | | <u>382,653</u> |
| Ending Balance | | <u>\$ 657,258</u> |

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

II-N-15 Financial Condition - The District had deficit unrestricted net position in the District's governmental activities of \$952,603 at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The District will put steps in place to account for the effects of GASB Statements No. 68 and 71.

Conclusion - Response accepted.