

LENOX COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Lenox Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Kurtis Christensen	President	2017
Todd Barker	Vice President	2017
Nicole Hogan	Board Member	2017
Gary Tullberg	Board Member	2015
Kurt Stoaks	Board Member	2015

School Officials

David Henrichs	Superintendent	2015
Paula Horton	Business Manager	2015
Matthew Hanson	Attorney	2015

LENOX COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Lenox 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 Lenox Community School District, Lenox, 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 Lenox Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Emphasis of Matter

As discussed in Note 14 to the financial statements, Lenox 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 the Retiree Health Plan on pages 7 through 16 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lenox Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 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 February 4, 2016 on our consideration of Lenox Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lenox Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 4, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lenox 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 \$4,499,587 in fiscal 2014 to \$4,740,314 in fiscal 2015, while General Fund expenditures increased from \$4,597,107 in fiscal 2014 to \$4,977,903 in fiscal 2015. This resulted in a decrease in the District's General Fund balance from \$1,352,804 at June 30, 2014 to \$1,115,215 at June 30, 2015, a 17.56% decrease during the year.
- The increase in General Fund revenues was attributable to an increase in state revenue sources in fiscal 2015. The increase in expenditures was due primarily to increases in the instructional functional areas.

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 Lenox 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 Lenox 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 Lenox Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

Figure A-1
Lenox Community School District Annual Financial Report

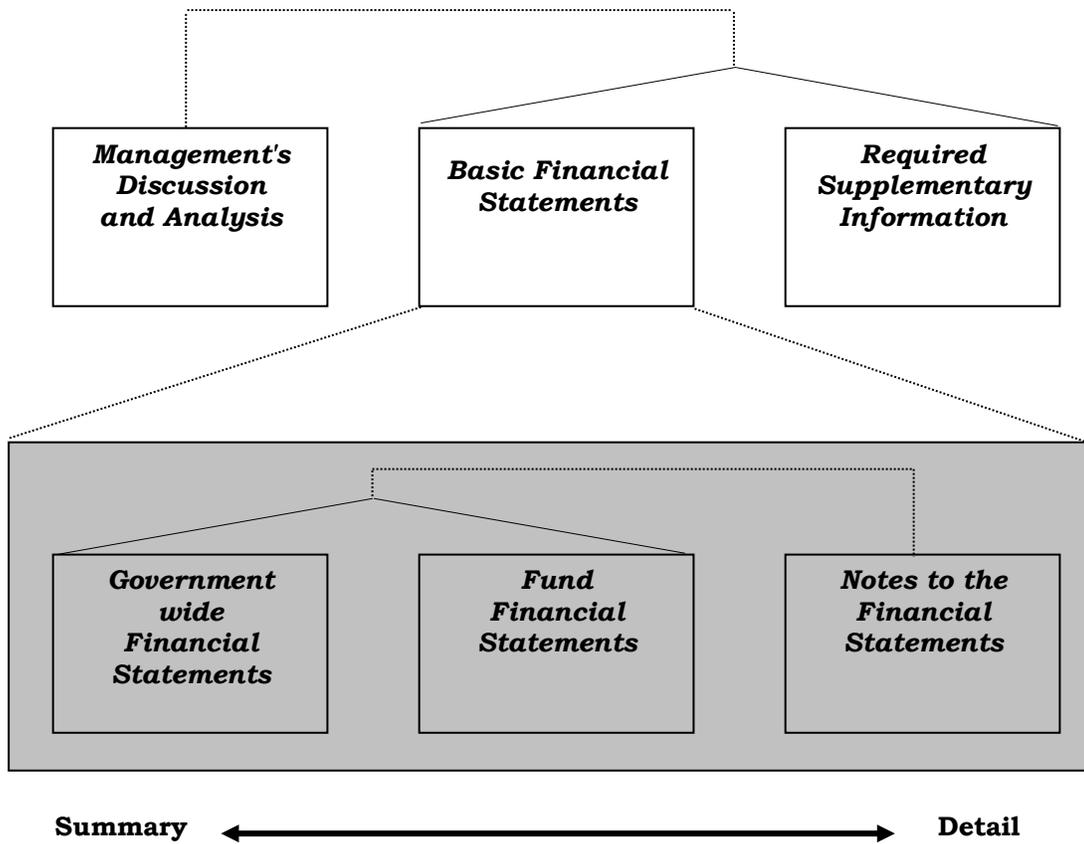


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 Capital Projects Fund.

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise 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 two enterprise funds, the School Nutrition Fund and the Internal Service Fund.

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

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

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2015	June 30, 2014 (Not Restated)	June 30, 2015	June 30, 2014 (Not Restated)	June 30, 2015	June 30, 2014 (Not Restated)	2014-15
Current and other assets	\$ 6,266,309	5,252,721	105,138	100,841	6,371,447	5,353,562	19.01%
Capital assets	5,686,000	5,687,773	48,993	30,332	5,734,993	5,718,105	0.30%
Total assets	11,952,309	10,940,494	154,131	131,173	12,106,440	11,071,667	9.35%
Deferred outflows of resources	310,503	-	9,240	-	319,743	-	100.00%
Long-term liabilities	3,838,518	2,289,196	52,682	-	3,891,200	2,289,196	69.98%
Other liabilities	912,392	550,883	27,007	21,077	939,399	571,960	64.24%
Total liabilities	4,750,910	2,840,079	79,689	21,077	4,830,599	2,861,156	68.83%
Deferred inflows of resources	2,733,410	2,056,000	21,354	-	2,754,764	2,056,000	33.99%
Net position:							
Net investment in capital assets	3,595,416	3,442,773	48,993	30,332	3,644,409	3,473,105	4.93%
Restricted	2,087,310	1,347,350	-	-	2,087,310	1,347,350	54.92%
Unrestricted	(904,234)	1,254,292	13,335	79,764	(890,899)	1,334,056	-166.78%
Total net position	\$ 4,778,492	6,044,415	62,328	110,096	4,840,820	6,154,511	-21.35%

The District’s combined net position decreased by \$1,313,691, or 21.35% over the prior year. A large portion of the District’s net position is the invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less of related debt. The debt related to the invested 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 increased \$739,960, or 54.92% from the prior year. The increase in restricted net position was primarily due to the increase in the Management Levy Fund.

Unrestricted net position - is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$2,224,955, or 166.78%. The decrease 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 \$2,123,749 and \$67,490, 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 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,	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for services	\$ 530,249	725,597	114,296	102,798	644,545	828,395	-22.19%
Operating grants, contributions and restricted interest	577,649	456,112	189,782	187,338	767,431	643,450	19.27%
Capital grants, contributions and restricted interest	-	53,034	-	-	-	53,034	-100.00%
General revenues:							
Property tax	2,067,675	1,711,706	-	-	2,067,675	1,711,706	20.80%
Income surtax	160,993	147,884	-	-	160,993	147,884	8.86%
Statewide sales, services and use tax	417,644	361,543	-	-	417,644	361,543	15.52%
Unrestricted state grants	2,408,808	2,195,284	-	-	2,408,808	2,195,284	9.73%
Unrestricted investment earnings	12,252	8,977	171	141	12,423	9,118	36.25%
Other	13,943	11,940	662	-	14,605	11,940	22.32%
Total revenues	6,189,213	5,672,077	304,911	290,277	6,494,124	5,962,354	8.92%
Program expenses:							
Governmental activities:							
Instructional	3,623,962	3,337,498	-	-	3,623,962	3,337,498	8.58%
Support services	1,596,596	1,301,647	32,175	27,586	1,628,771	1,329,233	22.53%
Non-instructional programs	-	-	253,055	249,337	253,055	249,337	1.49%
Other expenses	372,161	351,732	-	-	372,161	351,732	5.81%
Total expenses	5,592,719	4,990,877	285,230	276,923	5,877,949	5,267,800	11.58%
Change in net position before extraordinary items	596,494	681,200	19,681	13,354	616,175	694,554	-11.28%
Extraordinary items:							
Reorganization settlement	261,332	-	41	-	261,373	-	100.00%
Change in net position	857,826	681,200	19,722	13,354	877,548	694,554	26.35%
Net position beginning of year, as restated	3,920,666	5,363,215	42,606	96,742	3,963,272	5,459,957	-27.41%
Net position end of year	\$ 4,778,492	6,044,415	62,328	110,096	4,840,820	6,154,511	-21.35%

In fiscal 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 81.68% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.73% of the revenue from business type activities.

The District's total revenues were approximately \$6.49 million, of which approximately \$6.19 million was for governmental activities and approximately \$0.30 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.92% increase in revenues and an 11.58% increase in expenses. Statewide sales, services, and use tax increased approximately \$56,101, to fund the increase in expenses. The increase in expenses was primarily related to the increase in instructional functional area.

Governmental Activities

Revenues for governmental activities were \$6,189,213 and expenses were \$5,592,719.

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		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 3,623,962	3,337,498	8.58%	2,720,880	2,344,196	16.07%
Support services	1,596,596	1,301,647	22.66%	1,570,107	1,219,449	28.76%
Other expenses	372,161	351,732	5.81%	193,834	192,489	0.70%
Totals	\$ 5,592,719	4,990,877	12.06%	4,484,821	3,756,134	19.40%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$530,249.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$577,649.
- The net cost of governmental activities was financed with \$2,067,675 in property tax, \$160,993 in income surtax, \$417,644 in statewide sales, services and use tax, \$2,408,808 in unrestricted state grants, \$12,252 in interest income and \$13,943 in other general revenues.

Business Type Activities

Revenues for the District's business type activities during the year ended June 30, 2015 were \$304,911, representing a 5.04% increase over the prior year, while expenses totaled \$285,230, a 3.00% increase over the prior year. 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, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$3,085,925, above last year's ending fund balances of \$2,531,684. The primary reason for the increase in combined fund balances in fiscal year 2014 is the increase in the fund balance of the Management Levy Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$1,352,804 at June 30, 2014 to June 30, 2015 at \$1,115,215. Fiscal year 2015 revenues increased from the prior year, mainly due to increases in state revenue sources. Expenditures during fiscal year 2015 increased from the prior year, with the biggest increases in the instruction functional area. This increase in revenues and expenditures resulted in a 17.56% in fund balance decrease during the year.
- The Management Levy Fund balance increased from \$580,168 to \$906,052 during the year. This was primarily due to reorganization settlement revenues received during the year from the Clearfield Community School District.
- The Capital Projects accounts balance increased from \$552,902 at June 30, 2014 to \$944,175 at June 30, 2015. This was primarily due to reorganization settlement revenues received during the year from the Clearfield Community School District.
- The Debt Service Fund balance increased from \$4,384 to \$87,889 during the year, an increase of 1904.77%. Expenditures decreased from \$351,404 in fiscal 2014 to \$267,995 in fiscal 2015.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated balance of \$42,606 at June 30, 2014 to \$62,328 at June 30, 2015, representing an increase of 46.29%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$135,575 more than budgeted revenues, a variance of 2.15%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5,734,993, 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) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$236,527.

The original cost of the District's capital assets was \$8,337,511. Governmental funds account for \$8,231,935 with the remainder of \$105,576 in the Proprietary, School Nutrition Fund. The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2014, compared to \$177,471 reported at June 30, 2015. This increase resulted from the start of construction of upgrades to the locker rooms and restrooms.

	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	\$ 50,521	50,521	-	-	50,521	50,521	0.00%
Construction in progress	177,471	-	-	-	177,471	-	100.00%
Land improvements	223,416	218,454	-	-	223,416	218,454	2.27%
Buildings	5,027,752	5,145,854	-	-	5,027,752	5,145,854	-2.30%
Machinery and equipment	206,840	272,944	48,993	30,332	255,833	303,276	-15.64%
Total	\$ 5,686,000	5,687,773	48,993	30,332	5,734,993	5,718,105	0.30%

Long-Term Debt

At June 30, 2015, the District had \$3,891,200 in general obligation and other long-term debt outstanding. This represents an increase of 69.98% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had an outstanding balance of \$2,020,000 in general obligation bonds at June 30, 2015.

The District had an outstanding balance of \$62,078 in a bus lease at June 30, 2015.

The District had an outstanding balance of \$8,506 in a mower lease at June 30, 2015.

The District had termination benefits outstanding of \$46,715 at June 30, 2015.

The District had a net pension liability of \$1,710,477 at June 30, 2015, of which \$1,657,795 was attributable to governmental activities and \$52,682 was attributable to business type activities.

The District had a net OPEB liability of \$43,424 at June 30, 2015.

	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
General obligation bonds	\$ 2,020,000	2,245,000	-	-	2,020,000	2,245,000	-10.02%
Bus lease	62,078	-	-	-	62,078	-	100.00%
Mower lease	8,506	-	-	-	8,506	-	100.00%
Termination benefits	46,715	-	-	-	46,715	-	100.00%
Net pension liability	1,657,795	-	52,682	-	1,710,477	-	100.00%
Net OPEB liability	43,424	44,196	-	-	43,424	44,196	-1.75%
Totals	\$ 3,838,518	2,289,196	52,682	-	3,891,200	2,289,196	69.98%

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:

- Certified enrollment and property valuations within the District have increased as a result of the recent dissolution of the Clearfield Community School District.
- The rising costs of health care coverage and the associated fees and penalties with the Affordable Health Care Act will increase the Lenox Community School District's employer benefit costs during fiscal 2016.
- Negotiated wage increases for District staff will increase the Lenox Community School District's payroll costs.
- The unemployment rate in Taylor County decreased from 4.1% in 2013 to 3.8% in 2014.
- The total population in Taylor County decreased 1.7% from 2010-12. However, the population in Lenox increased over 10% during the same time period. Residents of Lenox make up 22.5% of the total population in Taylor County. 39.4% of all taxable sales in Taylor County occur within Lenox. This is due in part to the fact that Lenox has some of the larger employers within the county. These businesses are financially strong, continue to grow, and employ a majority of the community's workforce. 30% of Lenox workers work in Lenox and 45% of Lenox workers work in Taylor County. Some of the larger employers include: Cox Manufacturing, Michael Foods, Precision Pulley & Idler, and the Lenox Community School District.
- However, it should be noted that if one or more of the major employers located within the district should cut back or eliminate operations; the district's financial health would be significantly affected in a negative way.

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 Paula Horton, District Secretary, Lenox Community School District, 600 South Locust, Lenox, Iowa, 50851.

BASIC FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,613,833	96,397	3,710,230
Receivables:			
Property tax:			
Delinquent	31,626	-	31,626
Succeeding year	2,101,175	-	2,101,175
Income surtax	158,027	-	158,027
Accounts	3,574	50	3,624
Due from other governments	328,716	-	328,716
Due from funds	29,358	38	29,396
Inventories	-	8,653	8,653
Capital assets, net of accumulated depreciation	5,686,000	48,993	5,734,993
Total assets	11,952,309	154,131	12,106,440
Deferred Outflows of Resources			
Pension related deferred outflows	310,503	9,240	319,743
Liabilities			
Due to other funds	29,396	-	29,396
Accounts payable	351,959	266	352,225
Salaries and benefits payable	525,907	24,257	550,164
Interest payable	5,130	-	5,130
Unearned revenue	-	2,484	2,484
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	230,000	-	230,000
Bus lease payable	62,078	-	62,078
Mower lease payable	2,770	-	2,770
Termination benefits payable	46,715	-	46,715
Portion due after one year:			
General obligation bonds payable	1,790,000	-	1,790,000
Mower lease payable	5,736	-	5,736
Net pension liability	1,657,795	52,682	1,710,477
Net OPEB liability	43,424	-	43,424
Total liabilities	4,750,910	79,689	4,830,599
Deferred Inflows of Resources			
Pension related deferred inflows	632,235	21,354	653,589
Unavailable property tax revenue	2,101,175	-	2,101,175
Total deferred inflows of resources	2,733,410	21,354	2,754,764
Net Position			
Net investment in capital assets	3,595,416	48,993	3,644,409
Restricted for:			
Categorical funding	168,445	-	168,445
Management levy purposes	859,337	-	859,337
School infrastructure	590,621	-	590,621
Physical plant and equipment	353,554	-	353,554
Debt service	82,759	-	82,759
Student activities	32,594	-	32,594
Unrestricted	(904,234)	13,335	(890,899)
Total net position	\$ 4,778,492	62,328	4,840,820

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,280,457	241,475	161,056	(1,877,926)	-	(1,877,926)
Special	563,889	188,951	24,208	(350,730)	-	(350,730)
Other	779,616	99,823	187,569	(492,224)	-	(492,224)
	<u>3,623,962</u>	<u>530,249</u>	<u>372,833</u>	<u>(2,720,880)</u>	<u>-</u>	<u>(2,720,880)</u>
Support services:						
Student	98,837	-	-	(98,837)	-	(98,837)
Instructional	161,848	-	7,046	(154,802)	-	(154,802)
Administration	485,287	-	19,443	(465,844)	-	(465,844)
Operation and maintenance of plant	555,207	-	-	(555,207)	-	(555,207)
Transportation	295,417	-	-	(295,417)	-	(295,417)
	<u>1,596,596</u>	<u>-</u>	<u>26,489</u>	<u>(1,570,107)</u>	<u>-</u>	<u>(1,570,107)</u>
Long-term debt interest	44,813	-	-	(44,813)	-	(44,813)
Other expenses:						
AEA flowthrough	178,327	-	178,327	-	-	-
Depreciation(unallocated)*	149,021	-	-	(149,021)	-	(149,021)
	<u>327,348</u>	<u>-</u>	<u>178,327</u>	<u>(149,021)</u>	<u>-</u>	<u>(149,021)</u>
Total governmental activities	<u>5,592,719</u>	<u>530,249</u>	<u>577,649</u>	<u>(4,484,821)</u>	<u>-</u>	<u>(4,484,821)</u>
Business type activities:						
Support services:						
Administration	32,175	-	-	-	(32,175)	(32,175)
Non-instructional programs:						
Food service operations	253,055	114,296	189,782	-	51,023	51,023
Total business type activities	<u>285,230</u>	<u>114,296</u>	<u>189,782</u>	<u>-</u>	<u>18,848</u>	<u>18,848</u>
Total	<u>\$ 5,877,949</u>	<u>644,545</u>	<u>767,431</u>	<u>(4,484,821)</u>	<u>18,848</u>	<u>(4,465,973)</u>
General Revenues:						
Local tax levied for:						
General purposes				\$ 1,504,997	-	1,504,997
Capital outlay				214,033	-	214,033
Debt service				348,645	-	348,645
Income surtax				160,993	-	160,993
Statewide sales, services and use tax				417,644	-	417,644
Unrestricted state grants				2,408,808	-	2,408,808
Unrestricted investment earnings				12,252	171	12,423
Other				13,943	662	14,605
Total general revenues				<u>5,081,315</u>	<u>833</u>	<u>5,082,148</u>
Change in net position before extraordinary items				596,494	19,681	616,175
Extraordinary items:						
Reorganization settlement				261,332	41	261,373
Change in net position				857,826	19,722	877,548
Net position beginning of year, as restated				3,920,666	42,606	3,963,272
Net position end of year				<u>\$ 4,778,492</u>	<u>62,328</u>	<u>4,840,820</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Assets						
Cash and pooled investments	\$ 1,609,622	871,815	1,003,828	82,475	32,173	3,599,913
Receivables:						
Property tax:						
Delinquent	18,365	4,879	2,968	5,414	-	31,626
Succeeding year	1,266,195	275,000	200,535	359,445	-	2,101,175
Income surtax	131,689	-	26,338	-	-	158,027
Accounts	2,684	-	-	-	890	3,574
Due from other funds	-	29,358	-	-	-	29,358
Due from other governments	262,171	-	66,545	-	-	328,716
Total assets	\$ 3,290,726	1,181,052	1,300,214	447,334	33,063	6,252,389
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Due to other funds	\$ 29,396	-	-	-	-	29,396
Accounts payable	222,324	-	129,166	-	469	351,959
Salaries and benefits payable	525,907	-	-	-	-	525,907
Total liabilities	777,627	-	129,166	-	469	907,262
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,266,195	275,000	200,535	359,445	-	2,101,175
Income surtax	131,689	-	26,338	-	-	158,027
Total deferred inflows of resources	1,397,884	275,000	226,873	359,445	-	2,259,202
Fund balances:						
Restricted for:						
Categorical funding	168,445	-	-	-	-	168,445
Management levy purposes	-	906,052	-	-	-	906,052
School infrastructure	-	-	590,621	-	-	590,621
Physical plant and equipment	-	-	353,554	-	-	353,554
Debt service	-	-	-	87,889	-	87,889
Student activities	-	-	-	-	32,594	32,594
Unassigned	946,770	-	-	-	-	946,770
Total fund balances	1,115,215	906,052	944,175	87,889	32,594	3,085,925
Total liabilities, deferred inflows of resources and fund balances	\$ 3,290,726	1,181,052	1,300,214	447,334	33,063	6,252,389

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX 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)	\$	3,085,925
 <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.		5,686,000
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		158,027
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		13,920
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.		(5,130)
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	\$ 310,503	
Deferred inflows of resources	<u>(632,235)</u>	(321,732)
Long-term liabilities, including general obligation bonds payable, lease payables, termination benefits payable, net pension liability and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		<u>(3,838,518)</u>
Net position of governmental activities (page 18)	\$	<u><u>4,778,492</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activities	Total
Revenues:						
Local sources:						
Local tax	\$ 1,306,996	312,145	214,033	348,645	-	2,181,819
Tuition	344,060	-	-	-	-	344,060
Other	236,125	9,273	2,022	202	99,824	347,446
State sources	2,663,815	2,389	419,098	2,653	-	3,087,955
Federal sources	181,084	-	-	-	-	181,084
Total revenues	4,732,080	323,807	635,153	351,500	99,824	6,142,364
Expenditures:						
Current:						
Instruction:						
Regular	2,243,037	24,520	40,662	-	-	2,308,219
Special	573,854	-	-	-	-	573,854
Other	687,854	-	-	-	108,656	796,510
	3,504,745	24,520	40,662	-	108,656	3,678,583
Support services:						
Student	103,261	-	-	-	-	103,261
Instructional	155,008	-	-	-	-	155,008
Administration	503,427	5,047	-	-	-	508,474
Operation and maintenance of plant	359,583	57,737	11,486	-	-	428,806
Transportation	147,468	16,219	83,649	-	-	247,336
	1,268,747	79,003	95,135	-	-	1,442,885
Capital outlay	-	-	360,483	-	-	360,483
Long-term debt:						
Principal	-	-	-	225,000	-	225,000
Interest and fiscal charges	-	-	-	42,995	-	42,995
	-	-	-	267,995	-	267,995
Other expenditures:						
AEA flowthrough	178,327	-	-	-	-	178,327
Total expenditures	4,951,819	103,523	496,280	267,995	108,656	5,928,273
Excess(Deficiency) of revenues over(under) expenditures	(219,739)	220,284	138,873	83,505	(8,832)	214,091
Other financing sources(uses):						
Reorganization settlement	(26,084)	105,600	181,816	-	-	261,332
Proceeds from bus lease	-	-	62,078	-	-	62,078
Proceeds from mower lease	-	-	8,506	-	-	8,506
Sale of equipment	8,234	-	-	-	-	8,234
Total other financing sources(uses):	(17,850)	105,600	252,400	-	-	340,150
Change in fund balances	(237,589)	325,884	391,273	83,505	(8,832)	554,241
Fund balances beginning of year	1,352,804	580,168	552,902	4,384	41,426	2,531,684
Fund balances end of year	\$ 1,115,215	906,052	944,175	87,889	32,594	3,085,925

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX 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) \$ 554,241

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

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

Capital outlay	\$ 229,861	
Depreciation expense	<u>(231,634)</u>	(1,773)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 46,849

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.

Issued	(70,584)	
Repaid	<u>225,000</u>	154,416

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. (1,818)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 7,632

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. 259,027

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	(46,715)	
Pension expense	(114,805)	
Other postemployment benefits	<u>772</u>	<u>(160,748)</u>

Change in net position of governmental activities (page 19) \$ 857,826

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
Assets		
Current assets:		
Cash and pooled investments	\$ 96,397	13,920
Accounts receivable	50	-
Due from other funds	38	-
Inventories	8,653	-
Total current assets	105,138	13,920
Noncurrent assets:		
Capital assets, net of accumulated depreciation	48,993	-
Total assets	154,131	13,920
Deferred Outflows of Resources		
Pension related deferred outflows	9,240	-
Liabilities		
Current liabilities:		
Accounts payable	266	-
Salaries and benefits payable	24,257	-
Unearned revenue	2,484	-
Total current liabilities	27,007	-
Noncurrent liabilities:		
Net pension liability	52,682	-
Total liabilities	79,689	-
Deferred Inflows of Resources		
Pension related deferred inflows	21,354	-
Net Position		
Net investment in capital assets	48,993	-
Unrestricted	13,335	13,920
Total net position	\$ 62,328	13,920

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenue:		
Local sources:		
Charges for services	\$ 114,296	26,265
Miscellaneous	662	-
Total operating revenue	<u>114,958</u>	<u>26,265</u>
Operating expenses:		
Current:		
Instruction:		
Benefits	-	18,642
Support services:		
Administration:		
Salaries	26,229	-
Benefits	5,946	-
	<u>32,175</u>	-
Non-instructional programs:		
Food service operations:		
Salaries	70,688	-
Benefits	14,647	-
Services	1,195	-
Supplies	161,521	-
Other	111	-
Depreciation	4,893	-
	<u>253,055</u>	-
Total operating expenses	<u>285,230</u>	<u>18,642</u>
Operating income(loss)	<u>(170,272)</u>	<u>7,623</u>
Non-operating revenues:		
State sources	2,804	-
Federal sources	186,978	-
Interest income	171	9
Total non-operating revenues	<u>189,953</u>	<u>9</u>
Change in net position before other financing sources	19,681	7,632
Other financing sources:		
Reorganization settlement	41	-
Change in net position	19,722	7,632
Net position beginning of year, as restated	<u>42,606</u>	<u>6,288</u>
Net position end of year	<u>\$ 62,328</u>	<u>13,920</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 114,727	-
Cash received from miscellaneous sources	662	26,265
Cash payments to employees for services	(114,529)	(18,642)
Cash payments to suppliers for goods or services	(140,019)	-
Net cash provided by(used in) operating activities	<u>(139,159)</u>	<u>7,623</u>
Cash flows from non-capital financing activities:		
Reorganization settlement	41	
Borrowings from General Fund	38	-
State grants received	2,804	-
Federal grants received	164,462	-
Net cash provided by non-capital financing activities	<u>167,345</u>	<u>-</u>
Cash flows from investing financing activities:		
Interest on investments	171	9
Cash flows from capital financing activities		
Purchase of assets	<u>(23,554)</u>	<u>-</u>
Net increase in cash and cash equivalents	4,803	7,632
Cash and cash equivalents beginning of year	<u>91,594</u>	<u>6,288</u>
Cash and cash equivalents end of year	<u>\$ 96,397</u>	<u>13,920</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (170,272)	7,623
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	22,516	-
Depreciation	4,893	-
Decrease in inventories	314	-
Decrease in accounts receivable	154	-
Decrease in accounts payable	(22)	-
Increase in salaries and benefits payable	5,675	-
Increase in unearned revenue	277	-
Decrease in net pension liability	(22,570)	-
Increase in deferred outflows of resources	(1,478)	-
Increase in deferred inflows of resources	21,354	-
Net cash provided by(used in) operating activities	<u>\$ (139,159)</u>	<u>7,623</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$22,516 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2015

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ <u>103</u>
Liabilities	
Due to other groups	\$ <u>103</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Lenox Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Lenox, Iowa, and the predominate agricultural territory in Adams, Ringgold, Taylor and Union 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, Lenox 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 Lenox Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams, Ringgold, Taylor and Union Counties 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 the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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 that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in 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 Management Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's flex health insurance plan.

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

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

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

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	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

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

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.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net pension that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current 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.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

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

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

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

Note 3. Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Management Fund	General Fund	\$ 29,358
Nutrition Fund	General Fund	38
Total		<u>\$ 29,396</u>

The General Fund is repaying the Management Fund and the Nutrition Fund as a part of the Clearfield Community School District dissolution settlement.

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,521	-	-	50,521
Construction in progress	-	177,471	-	177,471
Total capital assets not being depreciated	<u>50,521</u>	<u>177,471</u>	<u>-</u>	<u>227,992</u>
Capital assets being depreciated:				
Buildings	6,728,875	18,245	-	6,747,120
Land improvements	235,851	17,636	-	253,487
Machinery and equipment	1,053,627	16,509	66,800	1,003,336
Total capital assets being depreciated	<u>8,018,353</u>	<u>52,390</u>	<u>66,800</u>	<u>8,003,943</u>
Less accumulated depreciation for:				
Buildings	1,583,021	136,347	-	1,719,368
Land improvements	17,397	12,674	-	30,071
Machinery and equipment	780,683	82,613	66,800	796,496
Total accumulated depreciation	<u>2,381,101</u>	<u>231,634</u>	<u>66,800</u>	<u>2,545,935</u>
Total capital assets being depreciated, net	<u>5,637,252</u>	<u>(179,244)</u>	<u>-</u>	<u>5,458,008</u>
Governmental activities capital assets, net	<u>\$ 5,687,773</u>	<u>(1,773)</u>	<u>-</u>	<u>5,686,000</u>
Business type activities:				
Machinery and equipment	\$ 85,731	23,554	3,709	105,576
Less accumulated depreciation	55,399	4,893	3,709	56,583
Business type activities capital assets, net	<u>\$ 30,332</u>	<u>18,661</u>	<u>-</u>	<u>48,993</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 23,415
Special	1,601
Support services:	
Instructional staff	10,746
Administration	1,139
Operation and maintenance of plant	2,080
Transportation	43,632
Unallocated depreciation	<u>149,021</u>
Total governmental activities depreciation expense	<u>\$ 231,634</u>
Business type activities:	
Food service operations	<u>\$ 4,893</u>

Note 5. 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	\$ 2,245,000	-	225,000	2,020,000	230,000
Bus lease	-	62,078	-	62,078	62,078
Mower lease	-	8,506	-	8,506	2,770
Termination benefits	-	46,715	-	46,715	46,715
Net pension liability	2,368,010	-	710,215	1,657,795	-
Net OPEB liability	44,196	-	772	43,424	-
Total	\$ 4,657,206	117,299	935,987	3,838,518	341,563
Business type activities:					
Net pension liability	75,252	-	22,570	52,682	-
Total	\$ 75,252	-	22,570	52,682	-

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of December 8, 2011			
	Interest Rates	Principal	Interest	Total
2016	1.05	% \$ 230,000	37,945	267,945
2017	1.30	235,000	35,530	270,530
2018	1.55	245,000	32,475	277,475
2019	1.80	250,000	28,678	278,678
2020	2.00	255,000	24,178	279,178
2020-2023	2.20-2.55	805,000	39,447	844,447
Total		\$ 2,020,000	198,253	2,218,253

Bus Lease Payable

Details of the District's June 30, 2015 bus lease indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Fund is as follows:

Year Ending June 30,	Bus Lease Issue of August 11, 2014			
	Interest Rates	Principal	Interest	Total
2016	2.68	% \$ 62,078	1,911	63,989

Mower Lease Payable

Details of the District's June 30, 2015 mower lease indebtedness payable from the Capital Projects: Physical Plant and Equipment Levy is as follows:

Year Ending June 30,	Mower Lease Issue of March 23, 2015			
	Interest Rates	Principal	Interest	Total
2016	2.35	% \$ 2,770	210	2,980
2017	2.35	2,835	145	2,980
2018	2.35	2,901	78	2,979
Total		\$ 8,506	433	8,939

Termination Benefits

The District offered a voluntary early retirement plan for employees for fiscal year 2015. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

An employee granted early retirement received an incentive payment equal to 1% for each year of service of his/her salary amount of the final contracted year of employment, up to a maximum of \$10,000. The payment was made in July 2015. At June 30, 2015, the District has obligations to three participants with a total liability of \$46,715.

Note 6. Pension Plan

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

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general 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 \$265,369.

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 \$1,710,477 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 0.042264 percent, which was a decrease of 0.000887 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$118,453. 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	\$ 18,590	\$ -
Changes of assumptions	75,487	-
Net difference between projected and actual earnings on pension plan investments	-	652,327
Changes in proportion and differences between District contributions and proportionate share of contributions	-	40,965
District contributions subsequent to the measurement date	265,369	-
Total	\$ 359,446	\$ 693,292

\$265,369 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	\$ (150,672)
2017	(150,672)
2018	(150,672)
2019	(150,672)
2020	3,475
	<u>\$ (599,213)</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-percentagepoint 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	\$ 3,231,897	\$ 1,710,477	\$ 426,240

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 \$49,130 for legally required employer contributions and \$32,735 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and vision benefits for employees, retirees and their spouses. There are 49 active and 3 retired members in the plan. Retirees must be age 55 or older at age of retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 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	\$ 27,000
Interest on net OPEB obligation	1,989
Adjustment to annual required contribution	(1,761)
Annual OPEB cost	<u>27,228</u>
Contributions made	<u>(28,000)</u>
Increase in net OPEB obligation	(772)
Net OPEB obligation beginning of year	<u>44,196</u>
Net OPEB obligation end of year	<u><u>\$ 43,424</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 \$28,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 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	26,803	108.20%	38,000
2014	27,196	77.22%	44,196
2015	27,228	102.84%	43,424

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 \$251,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$251,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,996,338 and the ratio of the UAAL to covered payroll was 12.57%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District’s funding policy. The projected annual health care cost trend rate is 10.00% for the year ended June 30, 2015 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2023 of 5.00%.

Mortality rates are from the RP-2000 table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plans C48W and C77W are \$988 and \$888, respectively, per month for retirees less than age 65. The salary increase rate was assumed to be 3.50% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 8. Risk Management

Lenox Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. 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 \$178,327 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home School Assitance Program	\$ 17,267
At-Risk Supplemental Weighting	11,018
Gifted and Talented Programs	23,810
Returning Dropouts and Dropout Prevention Programs	41,414
Beginning Teacher Mentoring and Induction Program	287
Teacher Salary Supplement	14,725
Four-year-old Preschool State Aid	4,075
Successful Progression for Early Readers	8,906
Professional Development for Model Core Curriculum	35,681
Professional Development	8,610
Teacher Leadership Grants	2,652
Total	<u>\$ 168,445</u>

Note 11. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	906,052	87,889	946,770
Capital assets, net of accumulated depreciation	5,686,000	-	-	-
General obligation bond capitalized indebtedness	(2,020,000)	-	-	-
Bus lease capitalized indebtedness	(62,078)	-	-	-
Mower lease capitalized indebtedness	(8,506)	-	-	-
Termination benefits	-	(46,715)	-	-
Accrued interest payable	-	-	(5,130)	-
Internal service fund balance	-	-	-	13,920
Net OPEB liability	-	-	-	(43,424)
Income surtax	-	-	-	158,027
Net pension liability	-	-	-	(1,657,795)
Pension related deferred outflows of resources	-	-	-	310,503
Pension related deferred inflows of resources	-	-	-	(632,235)
Net position (Exhibit A)	<u>\$ 3,595,416</u>	<u>859,337</u>	<u>82,759</u>	<u>(904,234)</u>

Note 12. Construction Commitment

The District has entered into various contracts totaling \$200,250 for upgrades to the locker rooms and restrooms. As of June 30, 2015, construction costs of \$177,471 has been incurred against the various contracts and the remainder of the contracts will be paid as work on the projects progresses.

Note 13. Deficit Balances

At June 30, 2015, the District’s governmental activities had a deficit unrestricted net position of \$904,234 at June 30, 2015.

Note 14. Accounting Change/Restatement

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 6,044,415	\$ 110,096
Net pension liability at June 30, 2014	(2,368,010)	(75,252)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	244,261	7,762
Net position July 1, 2014, as restated	<u>\$ 3,920,666</u>	<u>\$ 42,606</u>

Note 15. Extraordinary Items/Reorganization Settlement

On September 17, 2013 voters of the Clearfield Community School District voted to dissolve the District effective July 1, 2014. Fund balances of the District were divided between Bedford, Diagonal, Lenox and Mount Ayr Community School Districts.

The allocation of the Clearfield Community School District’s June 30, 2014 fund balances by fund to other districts per the recommendation of the Iowa Department of Management are as follows:

School District	Percentage Allocation Per DOM	General Fund	Management Levy	Statewide Sales, Services and Use Tax	Property Plant and Equipment Levy	Nutrition Fund	Total Received
Bedford	5.00%	\$ (2,608.35)	10,559.95	15,643.40	2,538.25	3.75	\$ 26,137.00
Diagonal	15.00%	(7,825.05)	31,679.85	46,930.20	7,614.75	11.25	78,411.00
Lenox	50.00%	(26,083.50)	105,599.50	156,434.00	25,382.50	40.52	261,373.02
Mount Ayr	30.00%	(15,650.10)	63,359.70	93,860.40	15,229.50	22.50	156,822.00
Total		<u>\$ (52,167.00)</u>	<u>211,199.00</u>	<u>312,868.00</u>	<u>50,765.00</u>	<u>78.02</u>	<u>522,743.02</u>

LENOX COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,873,325	115,129	2,988,454	2,747,983	2,747,983	240,471
State sources	3,087,955	2,804	3,090,759	3,213,717	3,213,717	(122,958)
Federal sources	181,084	186,978	368,062	350,000	350,000	18,062
Total revenues	6,142,364	304,911	6,447,275	6,311,700	6,311,700	135,575
Expenditures/Expenses:						
Instruction	3,678,583	-	3,678,583	4,400,000	4,400,000	721,417
Support services	1,442,885	32,175	1,475,060	2,250,000	2,250,000	774,940
Non-instructional programs	-	253,055	253,055	470,000	470,000	216,945
Other expenditures	806,805	-	806,805	984,055	984,055	177,250
Total expenditures/expenses	5,928,273	285,230	6,213,503	8,104,055	8,104,055	1,890,552
Excess(Deficiency) of revenues over(under) expenditures/expenses	214,091	19,681	233,772	(1,792,355)	(1,792,355)	2,026,127
Other financing sources, net	340,150	41	340,191	-	-	340,191
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	554,241	19,722	573,963	(1,792,355)	(1,792,355)	2,366,318
Balances beginning of year	2,531,684	42,606	2,574,290	1,453,708	1,453,708	1,120,582
Balances end of year	\$ 3,085,925	62,328	3,148,253	(338,647)	(338,647)	3,486,900

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LENOX 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 functional 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.

LENOX 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	-	\$ 199,000	199,000	0.00%	\$ 1,645,298	12.10%
2011	July 1, 2009	-	199,000	199,000	0.00%	1,480,335	13.44%
2012	July 1, 2009	-	199,000	199,000	0.00%	1,543,078	12.90%
2013	July 1, 2012	-	251,000	251,000	0.00%	1,804,383	13.91%
2014	July 1, 2012	-	251,000	251,000	0.00%	1,895,131	13.24%
2015	July 1, 2012	-	251,000	251,000	0.00%	1,996,338	12.57%

See Note 7 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.

LENOX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR*
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.042264%
District's proportionate share of the net pension liability	\$ 1,710,477
District's covered-employee payroll	\$ 2,971,664
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.56%
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: Only the current fiscal year is being presented using a June 30, 2014 measurement date because 10-year data is not yet available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LENOX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 265,370	252,063	241,972	211,918	170,463	168,057	155,915	140,749	124,998	120,949
Contributions in relation to the statutorily required contribution	(265,370)	(252,063)	(241,972)	(211,918)	(170,463)	(168,057)	(155,915)	(140,749)	(124,998)	(120,949)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,971,664	2,822,654	2,790,911	2,625,998	2,452,705	2,418,086	2,455,354	2,326,430	2,173,878	2,103,461
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.

LENOX 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.

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

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

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

SUPPLEMENTARY INFORMATION

LENOX COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 653,242	350,586	1,003,828
Receivables:			
Property tax:			
Delinquent	-	2,968	2,968
Succeeding year	-	200,535	200,535
Income surtax	-	26,338	26,338
Due from other governments	66,545	-	66,545
Total assets	\$ 719,787	580,427	1,300,214
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 129,166	-	129,166
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	200,535	200,535
Income surtax	-	26,338	26,338
Total deferred inflows of resources	-	226,873	226,873
Fund balances:			
Restricted for:			
School infrastructure	590,621	-	590,621
Physical plant and equipment	-	353,554	353,554
Total fund balances	590,621	353,554	944,175
Total liabilities, deferred inflows of resources and fund balances	\$ 719,787	580,427	1,300,214

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	214,033	214,033
Other	1,502	520	2,022
State sources	417,644	1,454	419,098
Total revenues	<u>419,146</u>	<u>216,007</u>	<u>635,153</u>
Expenditures:			
Current:			
Instruction:			
Regular	40,662	-	40,662
Support services:			
Operation and maintenance of plant	-	11,486	11,486
Transportation	78,649	5,000	83,649
Capital outlay	340,429	20,054	360,483
Total expenditures	<u>459,740</u>	<u>36,540</u>	<u>496,280</u>
Excess(Deficiency) of revenues over(under) expenditures	(40,594)	179,467	138,873
Other financing sources:			
Reorganization settlement	156,434	25,382	181,816
Proceeds from bus lease	62,078	-	62,078
Proceeds from mower lease	-	8,506	8,506
Total other financing sources	<u>218,512</u>	<u>33,888</u>	<u>252,400</u>
Change in fund balances	177,918	213,355	391,273
Fund balances beginning of year	<u>412,703</u>	<u>140,199</u>	<u>552,902</u>
Fund balances end of year	<u>\$ 590,621</u>	<u>353,554</u>	<u>944,175</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LENOX 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	Intrafund Transfers	Balance End of Year
Athletics:					
General athletics	\$ -	6,424	1,241	(5,183)	-
Football	3,589	6,525	8,453	(1,038)	623
Volleyball	1,645	3,301	3,008	(1,211)	727
Cross Country	35	32	174	107	-
Boys Basketball	865	4,183	3,367	(1,021)	660
Girls Basketball	744	5,212	3,575	(1,521)	860
Wrestling	-	4,062	5,430	1,368	-
Girls Track	-	-	2,508	2,508	-
Boys Track	-	-	2,103	2,103	-
Golf	-	7	808	801	-
HS Baseball	-	3,890	3,954	71	7
JH Baseball	208	367	1,102	527	-
HS Softball	-	4,168	4,985	817	-
JH Softball	51	483	1,642	1,108	-
Weight Room	-	-	44	44	-
Bowling	-	233	844	611	-
	<u>7,137</u>	<u>38,887</u>	<u>43,238</u>	<u>91</u>	<u>2,877</u>
Band/Vocal:					
HS Music	7,687	5,010	6,312	(12)	6,373
Uniform Fees	1,785	275	388	-	1,672
Music Supplies	132	240	266	-	106
	<u>9,604</u>	<u>5,525</u>	<u>6,966</u>	<u>(12)</u>	<u>8,151</u>
Clubs/Organizations:					
Peer Helpers	464	-	374	-	90
Football Cheerleaders	871	1,953	1,655	(2)	1,167
Basketball Cheerleaders	765	133	-	(2)	896
Wrestling Cheerleaders	1,183	603	-	(2)	1,784
Student Council	921	1,102	1,247	-	776
National Honor Society	-	-	394	394	-
Annual Staff	6,316	393	2,602	50	4,038
Drama Club	-	1,373	2,527	1,154	-
Explorer's	31	-	-	(31)	-
FFA	-	7,922	5,216	(137)	2,569
FCCLA	2,429	8,572	9,738	-	1,263
	<u>12,980</u>	<u>22,051</u>	<u>23,753</u>	<u>1,424</u>	<u>12,583</u>
Class Accounts:					
Class of 2015	6,797	6,753	12,160	(1,390)	-
Class of 2016	408	24,343	20,204	36	4,583
Class of 2017	129	130	20	-	239
Class of 2018	89	220	42	-	267
Class of 2019	8	69	12	-	65
Class of 2020	-	27	-	-	27
	<u>7,431</u>	<u>31,542</u>	<u>32,438</u>	<u>(1,354)</u>	<u>5,181</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Schedule 3

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Elementary Activities:					
Memory Book	1,564	1,515	2,022	-	1,057
Student Council	954	-	-	-	954
Activities	119	-	119	(119)	-
Music	1,492	173	19	-	1,646
	<u>4,129</u>	<u>1,688</u>	<u>2,160</u>	<u>(119)</u>	<u>3,657</u>
Miscellaneous:					
Interest	-	131	-	(131)	-
JH Stand	-	-	101	101	-
Immunizations	145	-	-	-	145
	<u>145</u>	<u>131</u>	<u>101</u>	<u>(30)</u>	<u>145</u>
Total	<u>\$ 41,426</u>	<u>99,824</u>	<u>108,656</u>	<u>-</u>	<u>32,594</u>

LENOX 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
Assets				
Cash and pooled investments	\$ 103	-	-	103
Liabilities				
Due to other groups	\$ 103	-	-	103

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LENOX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
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	\$ 2,181,819	1,851,754	2,254,303	2,114,464	2,030,721	1,868,655	1,808,919	1,686,714	1,662,237	1,511,553
Tuition	344,060	532,385	486,195	453,729	413,349	396,671	413,829	280,851	232,997	266,652
Other	347,446	215,726	204,643	234,025	219,815	179,006	214,314	195,874	181,662	179,838
State sources	3,087,955	2,849,516	2,512,601	2,411,872	2,211,580	1,898,824	2,081,653	1,935,997	1,791,182	1,480,172
Federal sources	181,084	214,860	452,249	506,260	263,906	427,481	251,920	186,369	203,138	234,946
Total	\$ 6,142,364	5,664,241	5,909,991	5,720,350	5,139,371	4,770,637	4,770,635	4,285,805	4,071,216	3,673,161
Expenditures:										
Instruction:										
Regular	\$ 2,308,219	2,133,048	1,938,212	1,836,834	1,657,073	1,547,437	1,548,294	1,416,919	1,350,985	1,391,226
Special	573,854	447,488	508,032	544,130	567,189	602,155	607,413	540,657	512,822	518,138
Other	796,510	770,473	742,725	683,728	674,797	667,017	618,859	607,099	585,730	563,521
Support services:										
Student	103,261	99,994	92,511	89,896	87,895	84,340	78,757	74,729	19,286	15,072
Instructional	155,008	154,241	162,984	136,323	125,208	169,903	237,112	122,746	91,206	92,947
Administration	508,474	507,000	498,144	488,641	438,151	439,463	424,755	397,302	372,026	350,216
Operation and maintenance of plant	428,806	382,100	405,041	391,577	369,663	345,991	314,591	309,951	279,666	253,494
Transportation	247,336	225,728	233,138	256,545	204,009	114,696	109,200	133,060	157,560	94,760
Capital outlay	360,483	355,106	719,114	362,894	118,647	302,373	26,140	54,388	176,067	277,080
Long-term debt:										
Principal	225,000	302,650	2,640,000	265,000	255,000	250,000	235,000	225,000	220,000	140,000
Interest and fiscal charges	42,995	48,754	137,950	126,271	113,007	120,262	129,862	139,748	149,313	154,835
Other expenditures:										
AEA flow-through	178,327	159,243	154,981	145,017	159,796	148,880	131,964	115,808	112,369	105,645
Total	\$ 5,928,273	5,585,825	8,232,832	5,326,856	4,770,435	4,792,517	4,461,947	4,137,407	4,027,030	3,956,934

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 Lenox Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lenox 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 February 4, 2016.

Internal Control Over Financial Reporting

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 item I-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenox 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 which 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.

Lenox Community School District's Responses to Findings

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

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

February 4, 2016
Newton, Iowa

LENOX 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 internal accounting control 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 - initiating cash receipt transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - recording, depositing, journalizing, posting and reconciling.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - recording, journalizing, posting, reconciling, check preparation and mailing.

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 - The District will review the duties of office employees and segregate duties where possible. However, it is unlikely that the District will be able to segregate duties without hiring additional staff.

Conclusion - Response accepted.

I-B-15 Scholarship Donation - We noted during our audit that the District received a donation from the HomeField insurance company, policy holder for the Marvin Longfellow estate. Upon review of Mr. Longfellow's last will and testament, it appears that the beneficiary of his estate was to be the Bedford Foundation. The Bedford Foundation was then to create a Lillie and Marvin Longfellow Scholarship Fund that would provide one scholarship to a student of the Bedford Community School District and one to a student of the Lenox Community School District each year. It is unclear whether this insurance policy is completely separate from Mr. Longfellow's will.

Recommendation - The District should contact legal counsel to determine if the District was truly a primary beneficiary of the insurance policy. Furthermore, if it is determined that the distribution of the estate was handled correctly and the donation remains in the custody of Lenox Community School District and is to be used for scholarships, the District should then establish a Private Purpose Trust Fund to account for the subsequent activity of the Longfellow Scholarship Fund.

Response - Per discussion with the District's legal counsel, the District believes the distribution of the estate was handled correctly and the donation will remain in the custody of the Lenox Community School District to be used for scholarships. The

District will establish a Private Purpose Trust Fund to account for the subsequent activity of the Longfellow Scholarship Fund that is in the custody of the Lenox Community School District and that is separate from the Bedford Foundation Funds.

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, did not exceed the amounts budgeted in any of the functional areas.

II-B-15 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

II-D-15 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kurt Stoaks, Board Member	Officiating	\$300
Son, Todd Stoaks	Ticket Taker	\$360
Daughter, Tyra Stoaks		
Nicole Hogan, Board Member	Ticket Taker	\$56
Daughter, Makinna Hogan		
Kurtis Christensen, Board Member	Ticket Taker	\$50
Daughter, Lauren Christensen		
David Henrichs, Superintendent	Ticket Taker	\$54
Daughter, Brooke Henrichs	Ticket Taker	\$56
Daughter, Kara Henrichs		
Mike Still, Principal	Officiating	\$110
Daughter, Teya Still		
Joyce Sweeney, Secretary	Repairs	\$895
Spouse, owner of Sweeney Repair		
Allen Dukes, Teacher	Officiating	\$285
Brother, Leroy Dukes	Officiating	\$100
Nephew, Matt Dukes		
Sara Dukes, Teacher	Officiating	\$550
Daughter, Katie Dukes		
Liz Jessen, Teacher	Officiating	\$200
Son, Spencer Brown		
Karl & Candace Peterson, Teachers	Officiating	\$120
Son, Mason Peterson		
Mitch Sorensen, Teacher	DJ Services	\$375
Spouse, part owner of S&S Sound		
Sally Brown, Cook	Painting Services	\$20,000
Part owner of S&R Home Repair		
Darrell Brown Jr., Bus Driver	Bus Repairs	\$6,310
Owner of Countyline Service and Repairs		
Tom Christensen, Coach	Garbage Disposal	\$4,180
Owner of Christensen Sanitation	Officiating	\$140
Brother, Gary Christensen	Officiating	\$615
Brother, Jim Christensen		
Dustin Gordon, Coach	Official	\$320

In accordance with the Attorney General’s opinion dated November 9, 1976, the above transactions with the relatives of board members and employees do not appear to represent a conflict of interest.

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with District employees for services and supplies do 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 ensure 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 - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the 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 filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$ 412,703
Revenues:		
Sales tax revenues	\$ 417,644	
Other local revenues	1,502	
Proceeds from leases	62,078	
Reorganization settlement	156,434	
	637,658	1,050,361
Expenditures:		
School infrastructure construction	127,293	
Equipment	116,427	
Other expenditures	216,020	
	459,740	
Ending Balance		\$ 590,621

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

- II-M-15 Authorized Check Signatures - We noted during our audit a check that only contained the Board President's signature. Chapter 291.1 of the Code of Iowa requires that Board President and the Board Secretary to sign all checks issued. Also, pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board secretary may not designate an individual to sign in her absence.

Recommendation - The District should review their procedures to ensure that the proper signature are on all checks before sending them out, in order to be in compliance with Chapters 291.1 of the Code of Iowa.

Response - The District will review their procedures to ensure that the proper signatures are on all checks before sending them out.

Conclusion - Response accepted.

- II-N-15 Student Activity Fund - During our audit concerns arose about certain accounts within the Student Activity Fund. In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program.

Inactive Accounts - We noted the Elementary Student Council and Immunizations accounts within the Student Activity Fund appear to be inactive accounts.

Recommendation - The District should review these accounts with the Activities Director and determine if the accounts should be closed. The remaining funds should be reallocated amongst the other student activity fund accounts based on recommendations made by the Activities Director and approved by the District's Board of Directors.

Response - The District will review inactive accounts and determine if the accounts should be closed. Any remaining funds will be reallocated amongst the other student activity fund accounts based on recommendations made by the superintendent and approved by the District's Board of Directors.

Conclusion - Response accepted.

- II-O-15 Deficit Accounts - At June 30, 2015, the District's governmental activities had a deficit unrestricted net position of \$904,234 at June 30, 2015. The primary reason for these deficit net positions 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's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. The District's governmental activities net pension liability was \$1,710,477 at June 30, 2015.

Conclusion - Response accepted.