

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Schedule of the District's Proportionate Share of the Net Pension Liability		48
Schedule of District Contributions		49
Notes to Required Supplementary Information - Pension Liability		50
Schedule of Funding Progress for the Retiree Health Plan		51
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds		
Combining Balance Sheet	1	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	55
Capital Projects Accounts:		
Combining Balance Sheet	3	56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	58
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	59
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	60
Schedule of Expenditures of Federal Awards	8	61
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 <u>Government Auditing Standards</u>		62-63
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		64-65
Schedule of Findings and Questioned Costs		66-70

Lewis Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Dorene Scheffel	President	2017
Robert Hendrix	Vice President	2017
Tracy Bruun	Board Member	2015
Larry Matiyow	Board Member	2015
Rob Livingston	Board Member	2017
Daryl Weilage	Board Member	2017
Ron Stazzoni	Board Member	2015
School Officials		
Dr. Mark Schweer	Superintendent	2015
Dale Kreher	District Secretary/Treasurer and Business Manager	2015
Lynch, Dallas P.C.	Attorney	2015

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 Lewis Central 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 Lewis Central Community School District, Council Bluffs, 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 Lewis Central 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Lewis Central 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 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information 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 Lewis Central 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 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2016 on our consideration of Lewis Central 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 Lewis Central Community School District's internal control over financial reporting and compliance.

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

NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lewis Central 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 \$28,778,422 in fiscal year 2014 to \$29,354,269 in fiscal year 2015, while General Fund expenditures increased from \$29,408,352 in fiscal year 2014 to \$30,585,795 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$7,056,281 at June 30, 2014 to \$5,824,755 at June 30, 2015, a 17.45% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in other local revenues received in fiscal year 2015 as compared to the previous year. The increase in General Fund expenditures was due in part to an increase in negotiated salaries and benefits paid to District employees.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lewis Central 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 Lewis Central 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 Lewis Central Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. 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
Lewis Central Community School District Annual Financial Report

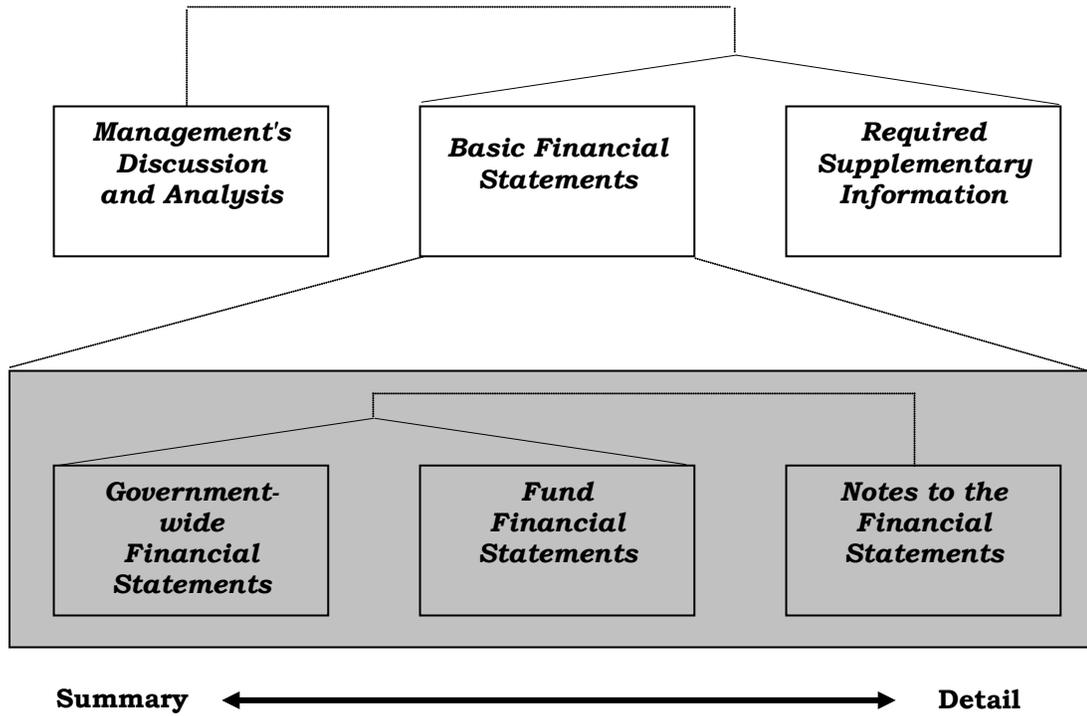


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether 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, day care and swimming pool programs are included here.

Fund Financial Statements

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

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

The District has 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 funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds: the School Nutrition Fund, the Lucky Children Day Care Fund and the Swimming Pool Fund.

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

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

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds through which the District administers and accounts for certain revenue collected for District employee purchases 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 government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 32,642,866	31,409,855	247,816	260,436	32,890,682	31,670,291	3.85%
Capital assets	30,186,084	31,329,907	72,873	110,193	30,258,957	31,440,100	-3.76%
Total assets	62,828,950	62,739,762	320,689	370,629	63,149,639	63,110,391	0.06%
Deferred outflows of resources	2,372,368	-	90,880	-	2,463,248	-	100.00%
Long-term liabilities	17,747,693	9,982,772	460,033	12,611	18,207,726	9,995,383	82.16%
Other liabilities	3,620,662	3,499,945	98,815	127,468	3,719,477	3,627,413	2.54%
Total liabilities	21,368,355	13,482,717	558,848	140,079	21,927,203	13,622,796	60.96%
Deferred inflows of resources	18,051,103	13,319,832	178,080	-	18,229,183	13,319,832	36.86%
Net position:							
Net investment in capital assets	23,546,084	21,776,418	72,873	110,193	23,618,957	21,886,611	7.92%
Restricted	9,794,591	8,129,677	-	-	9,794,591	8,129,677	20.48%
Unrestricted	(7,558,815)	6,031,118	(398,232)	120,357	(7,957,047)	6,151,475	-229.35%
Total net position	\$ 25,781,860	35,937,213	(325,359)	230,550	25,456,501	36,167,763	-29.62%

The District's combined net position decreased by 29.62%, or \$10,711,262, from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$1,664,914, or 20.48% from the prior year. The increase was due in part to the improvement in the Capital Projects Fund balance.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$14,108,522, or 229.35%. The decrease is 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 \$13,518,219 and \$562,039, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District	Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 5,603,783	4,923,848	1,035,455	998,349	6,639,238	5,922,197	12.11%
Operating grants, contributions and restricted interest	2,302,536	2,335,261	820,498	897,119	3,123,034	3,232,380	-3.38%
General revenues:							
Property tax	13,210,933	13,172,964	-	-	13,210,933	13,172,964	0.29%
Income surtax	934,456	837,688	-	-	934,456	837,688	11.55%
Statewide sales, services and use tax	2,424,258	2,257,716	-	-	2,424,258	2,257,716	7.38%
Unrestricted state grants	12,006,670	12,160,545	-	-	12,006,670	12,160,545	-1.27%
Unrestricted investment earnings	747	1,229	-	-	747	1,229	-39.22%
Other	593,733	216,268	16,686	25,562	610,419	241,830	152.42%
Total revenues	37,077,116	35,905,519	1,872,639	1,921,030	38,949,755	37,826,549	2.97%
Program expenses:							
Instruction	21,776,474	21,421,159	15,559	17,918	21,792,033	21,439,077	1.65%
Support services	8,975,764	8,843,674	21,974	16,872	8,997,738	8,860,546	1.55%
Non-instructional programs	-	-	1,828,976	2,048,611	1,828,976	2,048,611	-10.72%
Other expenses	2,962,012	2,994,830	-	-	2,962,012	2,994,830	-1.10%
Total expenses	33,714,250	33,259,663	1,866,509	2,083,401	35,580,759	35,343,064	0.67%
Change in net position	3,362,866	2,645,856	6,130	(162,371)	3,368,996	2,483,485	35.66%
Net position beginning of year, as restated	22,418,994	33,291,357	(331,489)	392,921	22,087,505	33,684,278	-34.43%
Net position end of year	\$ 25,781,860	35,937,213	(325,359)	230,550	25,456,501	36,167,763	-29.62%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants accounted for 77.07% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 99.11% of the revenue from business type activities.

The District's total revenues were approximately \$38.95 million, of which approximately \$37.08 million was for governmental activities and approximately \$1.87 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.97% increase in revenues and a 0.67% increase in expenses. The increase in revenues is primarily due to increases in charges for service and other general revenues received as compared to the prior year. The increase in expenses is primarily due to an increase in instructional expenses during fiscal year 2015 as compared to the previous year.

Governmental Activities

Revenues for governmental activities were \$37,077,116 and expenses totaled \$33,714,250 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services 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	\$ 21,776,474	21,421,159	1.66%	14,977,092	15,252,112	-1.80%
Support services	8,975,764	8,843,674	1.49%	8,938,513	8,804,733	1.52%
Other expenses	2,962,012	2,994,830	-1.10%	1,892,326	1,943,709	-2.64%
Totals	\$ 33,714,250	33,259,663	1.37%	25,807,931	26,000,554	-0.74%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$5,603,783.
- Federal and state governments subsidized certain programs with grants along with contributions from local sources totaling \$2,302,536.
- The net cost of governmental activities was financed with \$13,210,933 in property tax, \$934,456 in income surtax, \$2,424,258 in statewide sales, services and use tax, \$12,006,670 in unrestricted state grants, \$747 in investment income, and \$593,733 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015, were \$1,872,639, a decrease of 2.52% from the prior year and expenses totaled \$1,866,509 a decrease of 10.41% from the prior year. The District's business type activities include the School Nutrition Fund, Lucky Children Day Care Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Lewis Central 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 \$14,541,617, above last year's ending fund balances of \$13,975,672. The primary reason for the increase in combined fund balances in fiscal year 2015 is due to the increase in the fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. Increases in federal and other local revenue contributed to an increase in total revenues while an increase in negotiated salaries and benefits paid to District employees contributed to an increase in total expenditures. Despite the increase in revenues, total expenditures still outpaced total revenues resulting in a decrease in fund balance from \$7,056,281 at June 30, 2014 to \$5,824,755 at June 30, 2015.
- The Capital Projects Fund balance increased from \$3,298,104 at June 30, 2014 to \$5,161,562 at June 30, 2015. The increase was due to reduced expenditures required for sinking requirements on the District's revenue bonded indebtedness and an increase in statewide sales, services and use tax revenue received as compared to the prior year.
- The Debt Service Fund balance increased from \$2,655,934 at June 30, 2014 to \$2,680,799 at June 30, 2015. The increase is due to an increase in local tax and state source revenues received as compared to the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a restated deficit net position of \$357,601 at July 1, 2014 to a deficit \$341,262 at June 30, 2015, representing an increase of 4.57%. The primary reason for this increase in net position was a decrease in salaries and benefit expenses incurred as compared to the prior year.

The Lucky Children Day Care Fund net position decreased from a restated net position of \$33,605 at July 1, 2014 to \$27,566 at June 30, 2015, representing a decrease of 17.97%. The decrease in net position was primarily due to a decrease in state revenue sources received as compared to the prior year.

The Swimming Pool Fund net position decreased from a deficit restated net position of \$7,493 at July 1, 2014 to a deficit net position of \$11,663 at June 30, 2015, representing a decrease of 55.65%. The decrease in net position was due to a decrease in charges for service revenue received as compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$431,525 more than budgeted revenues, a variance of 1.12%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, non-instructional programs and other expenditures functional areas as well as in total for the year ended June 30, 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$30,258,957, 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 6 to the financial statements. Depreciation expense for the year was \$1,942,210.

The original cost of the District's capital assets was \$60,086,038. Governmental funds accounted for \$59,146,596 with the remainder of \$939,442 accounted for 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 \$56,829 at June 30, 2015, compared to \$339,416 reported at June 30, 2014. This decrease was a result of the completion of the roofing and office remodel projects during fiscal year 2015.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 500,000	500,000	-	-	500,000	500,000	0.00%
Construction in progress	56,829	339,416	-	-	56,829	339,416	-83.26%
Buildings and improvements	28,963,293	29,899,121	-	-	28,963,293	29,899,121	-3.13%
Machinery and equipment	665,962	591,370	72,873	110,193	738,835	701,563	5.31%
Total	\$ 30,186,084	31,329,907	72,873	110,193	30,258,957	31,440,100	-3.76%

Long-Term Debt

At June 30, 2015, the District had \$18,207,726 in general obligation bonds payable, revenue bonds payable and other long-term debt outstanding. This represents an increase of 82.16% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

- The District had total outstanding general obligation bonded indebtedness of \$3,865,000 at June 30, 2015 payable from the Debt Service Fund.
- The District had total outstanding revenue bonded indebtedness of \$2,775,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total outstanding compensated absences payable from the General Fund of \$121,806 at June 30, 2015.
- The District had a total net pension liability of \$11,091,519 at June 30, 2015, \$10,648,781 of this total is attributed to the District's governmental activities and the remaining \$442,738 is attributed to the District's business type activities.

- The District had a total other postemployment benefits liability of \$354,401 at June 30, 2015, \$337,106 of this total is attributed to the District's governmental activities and the remaining \$17,295 is attributed to the District's business type activities.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014-15	
General obligation bonds	\$ 3,865,000	6,580,000	-	-	3,865,000	6,580,000	-41.26%
Revenue bonds	2,775,000	3,000,000	-	-	2,775,000	3,000,000	-7.50%
Compensated absences	121,806	115,827	-	-	121,806	115,827	5.16%
Net pension liability	10,648,781	-	442,738	-	11,091,519	-	100.00%
Net OPEB liability	337,106	286,945	17,295	12,611	354,401	299,556	18.31%
Totals	\$ 17,747,693	9,982,772	460,033	12,611	18,207,726	9,995,383	82.16%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The upcoming Iowa Legislative session could again prove to be most challenging in respect to the state budget and projected state supplemental aid for future years.
- District Administration continuously monitors the District's revenues and expenditures to keep the District in a healthy financial position.

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 Dale Kreher, Board Secretary/Business Manager, Lewis Central Community School District, 4121 Harry Langdon Blvd, Council Bluffs, Iowa, 51503.

BASIC FINANCIAL STATEMENTS

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 15,495,391	216,406	15,711,797
Receivables:			
Property tax:			
Delinquent	89,289	-	89,289
Succeeding year	13,767,917	-	13,767,917
Income surtax	800,223	-	800,223
Accounts	9,620	-	9,620
Due from other governments	2,436,332	-	2,436,332
Inventories	-	31,410	31,410
Prepaid items	44,094	-	44,094
Capital assets, net of accumulated depreciation	30,186,084	72,873	30,258,957
TOTAL ASSETS	62,828,950	320,689	63,149,639
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	2,372,368	90,880	2,463,248
LIABILITIES			
Accounts payable	362,864	20,284	383,148
Salaries and benefits payable	3,170,245	52,674	3,222,919
Accrued interest payable	87,553	-	87,553
Unearned revenue	-	25,857	25,857
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	1,135,000	-	1,135,000
Revenue bonds payable	190,000	-	190,000
Compensated absences payable	121,806	-	121,806
Portion due after one year:			
General obligation bonds payable	2,730,000	-	2,730,000
Revenue bonds payable	2,585,000	-	2,585,000
Net pension liability	10,648,781	442,738	11,091,519
Net OPEB liability	337,106	17,295	354,401
TOTAL LIABILITIES	21,368,355	558,848	21,927,203
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	13,767,917	-	13,767,917
Pension related deferred inflows	4,283,186	178,080	4,461,266
TOTAL DEFERRED INFLOWS OF RESOURCES	18,051,103	178,080	18,229,183
NET POSITION			
Net investment in capital assets	23,546,084	72,873	23,618,957
Restricted for:			
Categorical funding	1,209,376	-	1,209,376
Debt service	2,593,246	-	2,593,246
Management levy purposes	729,213	-	729,213
Student activities	101,194	-	101,194
School infrastructure	3,092,476	-	3,092,476
Physical plant and equipment	2,069,086	-	2,069,086
Unrestricted	(7,558,815)	(398,232)	(7,957,047)
TOTAL NET POSITION	\$ 25,781,860	(325,359)	25,456,501

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL 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, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 14,277,189	3,855,899	128,641	(10,292,649)	-	(10,292,649)
Special	3,953,818	948,354	423,152	(2,582,312)	-	(2,582,312)
Other	3,545,467	799,530	643,806	(2,102,131)	-	(2,102,131)
	<u>21,776,474</u>	<u>5,603,783</u>	<u>1,195,599</u>	<u>(14,977,092)</u>	-	<u>(14,977,092)</u>
Support services:						
Student	759,529	-	233	(759,296)	-	(759,296)
Instructional staff	1,648,962	-	-	(1,648,962)	-	(1,648,962)
Administration	2,313,725	-	-	(2,313,725)	-	(2,313,725)
Operation and maintenance of plant	2,835,120	-	-	(2,835,120)	-	(2,835,120)
Transportation	1,418,428	-	37,018	(1,381,410)	-	(1,381,410)
	<u>8,975,764</u>	-	<u>37,251</u>	<u>(8,938,513)</u>	-	<u>(8,938,513)</u>
Long-term debt interest	351,272	-	-	(351,272)	-	(351,272)
Other expenses:						
AEA flowthrough	1,069,686	-	1,069,686	-	-	-
Depreciation(unallocated)*	1,541,054	-	-	(1,541,054)	-	(1,541,054)
	<u>2,610,740</u>	-	<u>1,069,686</u>	<u>(1,541,054)</u>	-	<u>(1,541,054)</u>
Total governmental activities	<u>33,714,250</u>	<u>5,603,783</u>	<u>2,302,536</u>	<u>(25,807,931)</u>	-	<u>(25,807,931)</u>
Business Type activities:						
Instruction:						
Other	15,559	11,389	-	-	(4,170)	(4,170)
Support services:						
Administration	111	-	-	-	(111)	(111)
Operation and maintenance of plant	20,909	-	-	-	(20,909)	(20,909)
Transportation	954	-	-	-	(954)	(954)
Non-instructional programs:						
Food service operations	1,568,289	751,446	820,498	-	3,655	3,655
Other enterprise operations	260,687	272,620	-	-	11,933	11,933
Total business type activities	<u>1,866,509</u>	<u>1,035,455</u>	<u>820,498</u>	-	<u>(10,556)</u>	<u>(10,556)</u>
Total	<u>\$ 35,580,759</u>	<u>6,639,238</u>	<u>3,123,034</u>	<u>(25,807,931)</u>	<u>(10,556)</u>	<u>(25,818,487)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 9,360,273	-	9,360,273
Debt service				2,946,248	-	2,946,248
Capital outlay				904,412	-	904,412
Income surtax				934,456	-	934,456
Statewide sales, services and use tax				2,424,258	-	2,424,258
Unrestricted state grants				12,006,670	-	12,006,670
Unrestricted investment earnings				747	-	747
Other general revenues				593,733	16,686	610,419
Total general revenues				<u>29,170,797</u>	<u>16,686</u>	<u>29,187,483</u>
Change in net position				3,362,866	6,130	3,368,996
Net position beginning of year, as restated				<u>22,418,994</u>	<u>(331,489)</u>	<u>22,087,505</u>
Net position end of year				<u>\$ 25,781,860</u>	<u>(325,359)</u>	<u>25,456,501</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 7,160,263	4,830,107	2,661,927	843,094	15,495,391
Receivables:					
Property tax:					
Delinquent	60,936	5,801	18,872	3,680	89,289
Succeeding year	9,528,399	938,174	2,738,344	563,000	13,767,917
Income surtax	800,223	-	-	-	800,223
Accounts	9,620	-	-	-	9,620
Due from other governments	2,061,286	375,046	-	-	2,436,332
Prepaid items	-	-	-	44,094	44,094
TOTAL ASSETS	\$ 19,620,727	6,149,128	5,419,143	1,453,868	32,642,866
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 299,808	49,392	-	13,664	362,864
Salaries and benefits payable	3,167,542	-	-	2,703	3,170,245
Total liabilities	3,467,350	49,392	-	16,367	3,533,109
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	9,528,399	938,174	2,738,344	563,000	13,767,917
Income surtax	800,223	-	-	-	800,223
Total deferred inflows of resources	10,328,622	938,174	2,738,344	563,000	14,568,140
Fund balances:					
Nonspendable	-	-	-	44,094	44,094
Restricted for:					
Categorical funding	1,209,376	-	-	-	1,209,376
Debt service	-	-	2,680,799	-	2,680,799
Management levy purposes	-	-	-	729,213	729,213
Student activities	-	-	-	101,194	101,194
School infrastructure	-	3,092,476	-	-	3,092,476
Physical plant and equipment	-	2,069,086	-	-	2,069,086
Unassigned	4,615,379	-	-	-	4,615,379
Total fund balances	5,824,755	5,161,562	2,680,799	874,501	14,541,617
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,620,727	6,149,128	5,419,143	1,453,868	32,642,866

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL 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)	\$	14,541,617
 <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 report as assets in the governmental funds.		30,186,084
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.		(87,553)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		800,223
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	\$ 2,372,368	
Deferred inflows of resources	<u>(4,283,186)</u>	(1,910,818)
Long-term liabilities, including bonds payable, compensated absences payable, other postemployment benefits payable and the net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(17,747,693)</u>
Net position of governmental activities(page 18)	\$	<u><u>25,781,860</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 9,674,171	904,412	2,946,248	530,787	14,055,618
Tuition	4,684,379	-	-	-	4,684,379
Other	840,862	5	19	756,166	1,597,052
Intermediate sources	8,188	-	-	-	8,188
State sources	13,262,745	2,441,608	52,254	10,189	15,766,796
Federal sources	875,312	-	-	-	875,312
Total revenues	<u>29,345,657</u>	<u>3,346,025</u>	<u>2,998,521</u>	<u>1,297,142</u>	<u>36,987,345</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	14,596,918	-	-	191,472	14,788,390
Special	3,902,319	-	-	-	3,902,319
Other	2,811,056	-	-	728,124	3,539,180
	<u>21,310,293</u>	<u>-</u>	<u>-</u>	<u>919,596</u>	<u>22,229,889</u>
Support services:					
Student	713,929	-	-	-	713,929
Instructional staff	1,614,040	-	-	-	1,614,040
Administration	2,318,508	-	3,350	23,319	2,345,177
Operation and maintenance of plant	2,518,850	-	-	332,292	2,851,142
Transportation	1,040,489	275,003	-	112,787	1,428,279
	<u>8,205,816</u>	<u>275,003</u>	<u>3,350</u>	<u>468,398</u>	<u>8,952,567</u>
Capital outlay	-	878,105	-	-	878,105
Long-term debt:					
Principal	-	-	2,940,000	-	2,940,000
Interest and fiscal charges	-	-	359,765	-	359,765
	<u>-</u>	<u>-</u>	<u>3,299,765</u>	<u>-</u>	<u>3,299,765</u>
Other expenditures:					
AEA flowthrough	1,069,686	-	-	-	1,069,686
Total expenditures	<u>30,585,795</u>	<u>1,153,108</u>	<u>3,303,115</u>	<u>1,387,994</u>	<u>36,430,012</u>
Excess(Deficiency) of revenues over(under) expenditures	(1,240,138)	2,192,917	(304,594)	(90,852)	557,333
Other financing sources(uses):					
Transfer in	-	300,000	329,459	-	629,459
Transfer out	-	(629,459)	-	-	(629,459)
Sale of equipment	4,552	-	-	-	4,552
Insurance proceeds	4,060	-	-	-	4,060
Total other financing sources(uses)	<u>8,612</u>	<u>(329,459)</u>	<u>329,459</u>	<u>-</u>	<u>8,612</u>
Change in fund balances	(1,231,526)	1,863,458	24,865	(90,852)	565,945
Fund balances beginning of year	<u>7,056,281</u>	<u>3,298,104</u>	<u>2,655,934</u>	<u>965,353</u>	<u>13,975,672</u>
Fund balances end of year	<u>\$ 5,824,755</u>	<u>5,161,562</u>	<u>2,680,799</u>	<u>874,501</u>	<u>14,541,617</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL 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) \$ 565,945

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

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

Capital outlay	\$ 761,067	
Depreciation expense	<u>(1,904,890)</u>	(1,143,823)

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. 2,940,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 8,493

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 89,771

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. 1,786,681

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.

Compensated absences	(5,979)	
Pension expense	(828,061)	
Other postemployment benefits	<u>(50,161)</u>	<u>(884,201)</u>

Change in net position of governmental activities(page 19) \$ 3,362,866

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activities - Enterprise Funds			
	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 55,745	166,778	-	222,523
Due from other funds	6,427	-	-	6,427
Inventories	31,410	-	-	31,410
Total current assets	93,582	166,778	-	260,360
Noncurrent assets:				
Capital assets, net of accumulated depreciation	72,873	-	-	72,873
TOTAL ASSETS	166,455	166,778	-	333,233
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	72,828	18,037	15	90,880
LIABILITIES				
Current liabilities:				
Excess warrants over bank balance	-	-	6,117	6,117
Due to other funds	-	6,427	-	6,427
Accounts payable	8,017	12,107	160	20,284
Salaries and benefits payable	30,923	16,741	5,010	52,674
Unearned revenue	25,857	-	-	25,857
Total current liabilities	64,797	35,275	11,287	111,359
Noncurrent liabilities:				
Net pension liability	357,116	85,343	279	442,738
Net OPEB liability	14,991	2,304	-	17,295
Total noncurrent liabilities	372,107	87,647	279	460,033
TOTAL LIABILITIES	436,904	122,922	11,566	571,392
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	143,641	34,327	112	178,080
NET POSITION				
Net investment in capital assets	72,873	-	-	72,873
Unrestricted	(414,135)	27,566	(11,663)	(398,232)
TOTAL NET POSITION	\$ (341,262)	27,566	(11,663)	(325,359)

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities - Enterprise Funds			
	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 751,446	272,620	11,389	1,035,455
Miscellaneous	16,686	-	-	16,686
	<u>768,132</u>	<u>272,620</u>	<u>11,389</u>	<u>1,052,141</u>
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	-	14,158	14,158
Benefits	-	-	1,104	1,104
Supplies	-	-	297	297
Total instruction	<u>-</u>	<u>-</u>	<u>15,559</u>	<u>15,559</u>
Support services:				
Administration:				
Services	-	111	-	111
Operation and maintenance of plant:				
Services	16,109	4,800	-	20,909
Transportation:				
Supplies	-	954	-	954
Total support services	<u>16,109</u>	<u>5,865</u>	<u>-</u>	<u>21,974</u>
Non-instructional programs:				
Food service operations:				
Salaries	549,862	8,626	-	558,488
Benefits	159,465	3,481	-	162,946
Services	6,806	-	-	6,806
Supplies	802,729	-	-	802,729
Depreciation	37,320	-	-	37,320
	<u>1,556,182</u>	<u>12,107</u>	<u>-</u>	<u>1,568,289</u>
Other enterprise operations:				
Salaries	-	183,966	-	183,966
Benefits	-	31,357	-	31,357
Services	-	136	-	136
Supplies	-	45,228	-	45,228
	<u>-</u>	<u>260,687</u>	<u>-</u>	<u>260,687</u>
Total non-instructional programs	<u>1,556,182</u>	<u>272,794</u>	<u>-</u>	<u>1,828,976</u>
TOTAL OPERATING EXPENSES	<u>1,572,291</u>	<u>278,659</u>	<u>15,559</u>	<u>1,866,509</u>
OPERATING LOSS	<u>(804,159)</u>	<u>(6,039)</u>	<u>(4,170)</u>	<u>(814,368)</u>
NON-OPERATING REVENUES:				
State sources	11,232	-	-	11,232
Federal sources	809,266	-	-	809,266
TOTAL NON-OPERATING REVENUES	<u>820,498</u>	<u>-</u>	<u>-</u>	<u>820,498</u>
Change in net position	16,339	(6,039)	(4,170)	6,130
Net position beginning of year, as restated	<u>(357,601)</u>	<u>33,605</u>	<u>(7,493)</u>	<u>(331,489)</u>
Net position end of year	<u>\$ (341,262)</u>	<u>27,566</u>	<u>(11,663)</u>	<u>(325,359)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	Business Type Activities - Enterprise Funds			
	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
Cash flows from operating activities:				
Cash received from operating activities	\$ 730,875	272,620	12,865	1,016,360
Cash received from miscellaneous	16,686	-	-	16,686
Cash payments to employees for services	(728,112)	(242,455)	(16,530)	(987,097)
Cash payments to suppliers for goods or services	(715,783)	(51,840)	(137)	(767,760)
Net cash used in operating activities	<u>(696,334)</u>	<u>(21,675)</u>	<u>(3,802)</u>	<u>(721,811)</u>
Cash flows from non-capital financing activities:				
State grants received	11,232	-	-	11,232
Federal grants received	694,862	-	-	694,862
Interfund borrowings(repaysments)	(161,296)	6,427	(2,315)	(157,184)
Net cash provided by(used in) non-capital financing activities	<u>544,798</u>	<u>6,427</u>	<u>(2,315)</u>	<u>548,910</u>
Net decrease in cash and pooled investments	(151,536)	(15,248)	(6,117)	(172,901)
Cash and pooled investments beginning of year	207,281	182,026	-	389,307
Cash and pooled investments end of year	<u>\$ 55,745</u>	<u>166,778</u>	<u>(6,117)</u>	<u>216,406</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (804,159)	(6,039)	(4,170)	(814,368)
Adjustments to reconcile operating loss to net used in operating activities:				
Commodities used	114,404	-	-	114,404
Depreciation	37,320	-	-	37,320
Increase in inventories	(4,573)	-	-	(4,573)
Decrease in accounts receivable	-	-	1,476	1,476
Increase(Decrease) in accounts payable	30	(611)	160	(421)
Increase(Decrease) in salaries and benefits payable	2,963	(9,334)	(1,290)	(7,661)
Decrease in unearned revenue	(20,571)	-	-	(20,571)
Decrease in net pension liability	(148,847)	(35,572)	(116)	(184,535)
(Increase)Decrease in deferred outflows of resources	(20,210)	(5,462)	26	(25,646)
Increase in deferred inflows of resources	143,641	34,327	112	178,080
Increase in other postemployment benefits	3,668	1,016	-	4,684
Net cash used in operating activities	<u>\$ (696,334)</u>	<u>(21,675)</u>	<u>(3,802)</u>	<u>(721,811)</u>

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$114,404.

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2015

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
	<u>Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and pooled investments	\$ 547	2,859
LIABILITIES		
Accounts payable	-	67
Due to other groups	-	2,792
Total liabilities	-	2,859
NET POSITION		
Held in trust for scholarships	\$ 547	-

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>4,450</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>4,650</u>
Change in net position	(200)
Net position beginning of year	<u>747</u>
Net position end of year	<u>\$ 547</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

The Lewis Central 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 Council Bluffs, Iowa, and the predominantly agricultural territory in Pottawattamie and Mills 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lewis Central 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 Lewis Central 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 Pottawattamie and Mills 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 service.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding principal balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position consists of net position not meeting the definition of the 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 Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District also reports the following nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund, Lucky Children Day Care Fund and Swimming Pool Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Lucky Children Day Care Fund is used to account for the day care services of the District. The Swimming Pool Fund is used to account for the swimming pool services of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 Funds 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 non-operating revenues and expenses.

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balance 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.

For purpose 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 Taxes - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 recorded as revenue until the year for which it is levied.

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

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

Inventories - Inventories are valued a 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.

Prepaid Items - The District prepaid insurance expense for July 2015 from the Special Revenue, Management Levy Fund relating to the District’s flood insurance.

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	\$ 2,500
Buildings and improvements	2,500
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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 and improvements	20-50
Intangibles	5-12
Machinery and equipment	5-12

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

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2015, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2015.

Unearned Revenues - 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently is recorded as a liability in the government-wide statement of net position. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015.

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collectible within the current period or 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 receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include prepaid insurance.

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functional areas as well as in total.

Note 2. Deposits and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers

acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$13,265,376 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & 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
Enterprise: School Nutrition	Enterprise: Lucky Children Day Care	\$ 6,427

The Enterprise: Lucky Children Day Care Fund is repaying the Enterprise: School Nutrition Fund food supplies purchased during fiscal year 2015.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 329,459
Capital Projects: Construction Total	Capital Projects: Statewide Sales, Services and Use Tax	300,000
		<u>\$ 629,459</u>

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

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Construction was to pay for construction costs incurred by the District.

Note 5. Categorical Funding

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

Program	Amount
Weighted at-risk programs	\$ 201,483
Gifted and talented programs	217,638
Returning dropouts and dropout prevention programs	20,711
Beginning teacher mentoring and induction program	1,361
Market factor	1,962
Teacher salary supplement	97,204
Beginning administrator mentoring and induction program	2,250
Textbook aid for nonpublic students	3,259
Professional development for model core curriculum	122,888
Professional development	103,806
Four-year-old preschool state aid	424,223
Successful progression for early readers	12,591
Total	<u>\$ 1,209,376</u>

Note 6. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction in progress	339,416	322,639	605,226	56,829
Total capital assets not being depreciated	839,416	322,639	605,226	556,829
Capital assets being depreciated:				
Buildings and improvements	52,543,312	605,226	-	53,148,538
Machinery and equipment	5,186,060	438,428	183,259	5,441,229
Total capital assets being depreciated	57,729,372	1,043,654	183,259	58,589,767
Less accumulated depreciation for:				
Buildings and improvements	22,644,191	1,541,054	-	24,185,245
Machinery and equipment	4,594,690	363,836	183,259	4,775,267
Total accumulated depreciation	27,238,881	1,904,890	183,259	28,960,512
Total capital assets being depreciated, net	30,490,491	(861,236)	-	29,629,255
Governmental activities capital assets, net	\$ 31,329,907	(538,597)	605,226	30,186,084
Business type activities:				
Machinery and equipment	\$ 939,442	-	-	939,442
Less accumulated depreciation	829,249	37,320	-	866,569
Business type activities capital assets, net	\$ 110,193	(37,320)	-	72,873
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular			\$	22,948
Other				29,640
Support services:				
Instructional staff				5,110
Administration				12,643
Operation and maintenance of plant				68,023
Transportation				225,472
				363,836
Unallocated depreciation				1,541,054
Total governmental activities depreciation expense			\$	1,904,890
Business type activities:				
Food service operations			\$	37,320

Note 7. Long-Term Debt

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

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,580,000	-	2,715,000	3,865,000	1,135,000
Revenue bonds	3,000,000	-	225,000	2,775,000	190,000
Compensated absences	115,827	121,806	115,827	121,806	121,806
Net pension liability	15,087,221	-	4,438,440	10,648,781	-
Net OPEB liability	286,945	50,161	-	337,106	-
Total	\$ 25,069,993	171,967	7,494,267	17,747,693	1,446,806
Business type activities:					
Net pension liability	\$ 627,273	-	184,535	442,738	-
Net OPEB liability	12,611	4,684	-	17,295	-
Total	\$ 639,884	4,684	184,535	460,033	-

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 April 1, 2008			Bond Issue of April 1, 2011			Total		
	Interest Rate	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	3.57	% \$ 935,000	47,482	2.00	% \$ 200,000	114,040	1,135,000	161,522	1,296,522
2017	3.57	395,000	14,102	2.10	200,000	110,040	595,000	124,142	719,142
2018	-	-	-	2.40	185,000	105,840	185,000	105,840	290,840
2019	-	-	-	3.00	1,265,000	58,500	1,265,000	58,500	1,323,500
2020	-	-	-	3.00	685,000	20,550	685,000	20,550	705,550
Total		\$ 1,330,000	61,584		\$ 2,535,000	408,970	3,865,000	470,554	4,335,554

Revenue Bonds Payable

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2011				
	Interest Rate	Principal	Interest	Total	
2016	2.25	% \$ 190,000	99,790	289,790	
2017	2.40	140,000	95,972	235,972	
2018	2.60	140,000	92,473	232,473	
2019	2.90	145,000	88,551	233,551	
2020	3.15	150,000	84,084	234,084	
2021-2025	3.40-4.00	815,000	336,723	1,151,723	
2026-2030	4.10-4.45	1,195,000	155,802	1,350,802	
Total		\$ 2,775,000	953,395	3,728,395	

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,245,000 bonds issued June 1, 2011. The bonds were issued for the purpose of financing a portion of the costs of an addition to Titan Hills Elementary and to defease prior revenue bond issuances. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However,

the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 12 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$3,728,395. For the current year, \$225,000 in principal and \$104,459 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$2,424,258.

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

- a) A separate bond reserve fund will be maintained in the amount of \$516,696 to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.
- b) The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- c) Principal and interest payments are required each month from the statewide sales, services and use tax revenues.

Note 8. Bond Defeasement - Revenue Bonds

On June 1, 2011, the District issued \$6,245,000 in revenue bonds, of which \$4,485,467 was used by the District to finance capital construction projects. The remaining \$1,759,533 of the June 1, 2011 bond issuance along with the \$1,000,000 bond reserve from the revenue bonds dated May 3, 2006 and the \$100,000 from the bond reserve from the revenue bonds dated August 14, 2009 along with \$173,806 in cash were placed in an irrevocable escrow account.

The proceeds in the irrevocable escrow account were invested in U.S Government obligations which were certified to be sufficient to pay all principal and interest on the refunded bonds dated May 3, 2006 and August 14, 2009. The new refunding bonds were added to the appropriate financial statements and schedules. The District remained contingently liable in the remote possibility the account was insufficient to pay the refunding bonds. After the principal and interest on all of the outstanding bonds had been paid, any remaining funds in the escrow account, together with any interest thereon, were returned to the District.

At June 30, 2015, \$0 of the bonds dated May 3, 2006 and \$0 of the bonds dated August 14, 2009 were outstanding. Defeasement of principal was \$18,571 and interest was \$60 for these bonds.

Note 9. Surplus Levy

During the year ended June 30, 2014, the District levied an additional \$1.36869 per \$1,000 of taxable valuation and the amount of surplus levy totaled \$1,432,750. This amount was used to advance refund \$1,430,000 of outstanding general obligation bonds dated April 1, 2011. The property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay \$815,000 in principal of bonds maturing May 1, 2021, \$615,000 in principal of bonds maturing May 1, 2020 and the corresponding interest when the bonds become callable on May 1, 2018. The \$1,430,000 in principal has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2014, \$1,430,000 of such bonds are outstanding.

On March 17, 2014, as part of the District's fiscal year 2015 budgeting process, the District's Board of Directors approved an additional debt service levy tax to refund \$1,625,000 in principal of the general obligation bonds issued April 1, 2008. The District will levied an additional \$1.47745 per \$1,000 taxable valuation for fiscal year 2015.

During the year ended June 30, 2015, the additional amount of debt service levy tax totaled \$1,626,412. This amount was used to refund \$1,625,000, \$1,040,000 in principal of bonds maturing May 1, 2018 and \$585,000 in principal of bonds maturing May 1, 2017, of outstanding general obligation bonds dated April 1, 2008. The \$1,625,000 in principal has been removed from the appropriate financial statements and schedules. The economic savings from this bond refunding was \$153,153.

Note 10. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 423 active and 52 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit 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 that, 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	\$ 137,796
Interest on net OPEB obligation	13,480
Adjustment to annual required contribution	<u>(18,390)</u>
Annual OPEB cost	132,886
Contributions made	<u>(78,041)</u>
Increase in net OPEB obligation	54,845
Net OPEB obligation beginning of year	299,556
Net OPEB obligation end of year	<u><u>\$ 354,401</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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 \$78,041 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 133,379	56.6%	\$ 256,270
2014	133,107	67.5%	299,556
2015	132,886	58.7%	354,401

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,166,098 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,166,098. The covered payroll (annual payroll of active employees covered by the plan) was \$15,070,129, and the ratio of the UAAL to covered payroll was 7.7%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 5%.

Mortality rates are from the RP2014 Mortality Tables with Scale MP-2014, applied on a gender-specific basis. Annual retirement probabilities were developed from sample rates varying by age and employee type. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11. 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 \$1,853,211.

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 \$11,091,519 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 0.274062 percent, which was a decrease of 0.003481 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$862,490. 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	\$ 120,543	\$ -
Changes of assumptions	489,494	-
Net difference between projected and actual earnings on pension plan investments	-	4,299,986
Changes in proportion and differences between District contributions and proportionate share of contributions	-	161,280
District contributions subsequent to the measurement date	1,853,211	-
Total	<u>\$ 2,463,248</u>	<u>\$ 4,461,266</u>

\$1,853,211 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	\$ (970,147)
2017	(970,147)
2018	(970,147)
2019	(970,147)
2020	29,359
	<u>\$ (3,851,229)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 20,957,113	\$ 11,091,519	\$ 2,763,935

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 \$219,936 for legally required employer contributions and \$146,542 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 12. Risk Management

Lewis Central 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 13. 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 \$1,069,686 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 14. Detailed Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	2,680,799	4,615,379
Capital assets	30,186,084	-	-
General obligation bond capitalized indebtedness	(3,865,000)	-	-
Revenue bond capitalized indebtedness	(2,775,000)	-	-
Income surtax	-	-	800,223
Accrued interest payable	-	(87,553)	-
Nonspendable balance	-	-	44,094
Compensated absences payable	-	-	(121,806)
Pension related deferred outflows	-	-	2,372,368
Net pension liability	-	-	(10,648,781)
Pension related deferred inflows	-	-	(4,283,186)
Net OPEB liability	-	-	(337,106)
Net position (Exhibit A)	\$ 23,546,084	2,593,246	(7,558,815)

Note 15. 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:

	Governmental Activities	Business Type Activities				Total
		School Nutrition	Lucky Children Day Care	Swimming Pool		
Net position June 30, 2014, as previously reported	\$ 35,937,213	\$ 95,744	141,945	(7,139)	230,550	
Net pension liability at June 30, 2014	(15,087,221)	(505,963)	(120,915)	(395)	(627,273)	
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	1,569,002	52,618	12,575	41	65,234	
Net position July 1, 2014, as restated	\$ 22,418,994	\$ (357,601)	33,605	(7,493)	(331,489)	

Note 16. Deficit Balances

At June 30, 2015, the District had the following deficit balances: the School Nutrition Fund had deficit unrestricted net position of \$414,135 and deficit total net position of \$341,262. The Swimming Pool Fund had deficit unrestricted and total net position of \$11,663. The District had deficit unrestricted net position of \$398,232 and deficit total net position of \$325,359 in its business type activities and the District had deficit unrestricted net position of \$7,558,815 in its governmental activities.

Note 17. Budget Over Expenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budgeted amounts. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functional areas, as well as in total.

Note 18. Construction Commitment

The District has entered into various contracts for miscellaneous building improvements. As of June 30, 2015, costs of \$56,289 have been incurred against these contracts. The balance will be paid as work on each project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

LEWIS CENTRAL 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	Budgeted Amounts		Final to Actual Variance
	Funds Actual	Funds Actual		Original	Final	
Revenues:						
Local sources	\$ 20,337,049	1,052,141	21,389,190	22,939,624	22,939,624	(1,550,434)
Intermediate sources	8,188	-	8,188	275,000	275,000	(266,812)
State sources	15,766,796	11,232	15,778,028	13,688,835	13,688,835	2,089,193
Federal sources	875,312	809,266	1,684,578	1,525,000	1,525,000	159,578
Total revenues	<u>36,987,345</u>	<u>1,872,639</u>	<u>38,859,984</u>	<u>38,428,459</u>	<u>38,428,459</u>	<u>431,525</u>
Expenditures/expenses:						
Instruction	22,229,889	15,559	22,245,448	21,061,000	21,061,000	(1,184,448)
Support services	8,952,567	21,974	8,974,541	9,107,350	9,107,350	132,809
Non-instructional programs	-	1,828,976	1,828,976	1,712,800	1,712,800	(116,176)
Other expenditures	5,247,556	-	5,247,556	4,843,512	4,843,512	(404,044)
Total expenditures/expenses	<u>36,430,012</u>	<u>1,866,509</u>	<u>38,296,521</u>	<u>36,724,662</u>	<u>36,724,662</u>	<u>(1,571,859)</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	557,333	6,130	563,463	1,703,797	1,703,797	(1,140,334)
Other financing sources, net	8,612	-	8,612	(1,623,412)	(1,623,412)	1,632,024
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	565,945	6,130	572,075	80,385	80,385	491,690
Balances beginning of year, as restated	<u>13,975,672</u>	<u>(331,489)</u>	<u>13,644,183</u>	<u>14,824,375</u>	<u>14,824,375</u>	<u>(1,180,192)</u>
Balances end of year	<u>\$ 14,541,617</u>	<u>(325,359)</u>	<u>14,216,258</u>	<u>14,904,760</u>	<u>14,904,760</u>	<u>(688,502)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL 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 Government Accounting Standards 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 function, 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.

During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction, non-instructional programs and other expenditures functional areas as well as in total.

LEWIS CENTRAL 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	0.274062%
District's proportionate share of the net pension liability	\$ 11,091,519
District's covered-employee payroll	\$ 20,752,636
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.45%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL 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	\$ 1,853,211	1,634,496	1,557,718	1,419,130	1,183,339	1,102,686	893,051	885,019	776,193	710,612
Contributions in relation to the statutorily required contribution	(1,853,211)	(1,634,496)	(1,557,718)	(1,419,130)	(1,183,339)	(1,102,686)	(893,051)	(885,019)	(776,193)	(710,612)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 20,752,636	18,303,427	17,966,759	17,585,254	17,026,460	15,865,986	14,063,795	14,628,413	13,499,009	12,358,470
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.

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

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

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

For 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)
2009	July 1, 2008	-	\$ 1,349,054	\$ 1,349,054	0.0%	\$ 13,252,651	10.2%
2010	July 1, 2008	-	1,349,054	1,349,054	0.0%	13,507,340	10.0%
2011	July 1, 2010	-	1,236,411	1,236,411	0.0%	16,839,711	7.3%
2012	July 1, 2010	-	1,236,411	1,236,411	0.0%	17,448,896	7.1%
2013	July 1, 2012	-	1,135,088	1,135,088	0.0%	15,584,870	7.3%
2014	July 1, 2012	-	1,135,088	1,135,088	0.0%	14,405,563	7.9%
2015	July 1, 2014	-	1,166,098	1,166,098	0.0%	15,070,129	7.7%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Lewis
Central

SUPPLEMENTARY INFORMATION

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 727,652	115,442	843,094
Receivables:			
Property tax:			
Delinquent	3,680	-	3,680
Succeeding year	563,000	-	563,000
Prepaid items	44,094	-	44,094
TOTAL ASSETS	\$ 1,338,426	115,442	1,453,868
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,119	11,545	13,664
Salaries and benefits payable	-	2,703	2,703
Total liabilities	2,119	14,248	16,367
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	563,000	-	563,000
Fund balances:			
Nonspendable	44,094	-	44,094
Restricted for:			
Management levy purposes	729,213	-	729,213
Student activities	-	101,194	101,194
Total fund balances	773,307	101,194	874,501
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,338,426	115,442	1,453,868

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 530,787	-	530,787
Other	33,122	723,044	756,166
State sources	10,189	-	10,189
Total revenues	<u>574,098</u>	<u>723,044</u>	<u>1,297,142</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	191,472	-	191,472
Other	-	728,124	728,124
Support services:			
Administration	23,319	-	23,319
Operation and maintenance of plant	332,292	-	332,292
Transportation	112,787	-	112,787
Total expenditures	<u>659,870</u>	<u>728,124</u>	<u>1,387,994</u>
Change in fund balances	(85,772)	(5,080)	(90,852)
Fund balances beginning of year	<u>859,079</u>	<u>106,274</u>	<u>965,353</u>
Fund balances end of year	<u>\$ 773,307</u>	<u>101,194</u>	<u>874,501</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 2,713,558	4,792	2,111,757	4,830,107
Receivables:				
Property tax:				
Delinquent	-	-	5,801	5,801
Succeeding year	-	-	938,174	938,174
Due from other governments	375,046	-	-	375,046
TOTAL ASSETS	\$ 3,088,604	4,792	3,055,732	6,149,128
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	920	48,472	49,392
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	938,174	938,174
Fund balances:				
Restricted for:				
School infrastructure	3,088,604	3,872	-	3,092,476
Physical plant and equipment	-	-	2,069,086	2,069,086
Total fund balances	3,088,604	3,872	2,069,086	5,161,562
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,088,604	4,792	3,055,732	6,149,128

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	904,412	904,412
Other	5	-	-	5
State sources	2,424,258	-	17,350	2,441,608
Total revenues	2,424,263	-	921,762	3,346,025
EXPENDITURES:				
Current:				
Support services:				
Transportation	-	-	275,003	275,003
Capital outlay	-	322,639	555,466	878,105
Total expenditures	-	322,639	830,469	1,153,108
Excess(Deficiency)of revenues over(under) expenditures	2,424,263	(322,639)	91,293	2,192,917
Other financing sources(uses):				
Transfer in	-	300,000	-	300,000
Transfer out	(629,459)	-	-	(629,459)
Total other financing sources(uses)	(629,459)	300,000	-	(329,459)
Change in fund balances	1,794,804	(22,639)	91,293	1,863,458
Fund balances beginning of year	1,293,800	26,511	1,977,793	3,298,104
Fund balances end of year	\$ 3,088,604	3,872	2,069,086	5,161,562

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ACTIVITIES	\$ 15,602	72,517	66,311	21,808
HAWKEYE 10 CONFERENCE	2,088	9,500	6,953	4,635
DRAMA	20	16,014	16,034	-
SPEECH	-	3,259	3,259	-
VOCAL MUSIC	1,244	77,014	74,388	3,870
BAND	22,234	161,424	174,528	9,130
BOYS/GIRLS CROSS COUNTY	100	13,489	13,589	-
BOYS BASKETBALL	-	19,132	19,132	-
FOOTBALL	1,248	52,309	53,557	-
BOYS SOCCER	-	6,859	6,859	-
BASEBALL	5,186	12,374	16,958	602
BOYS TRACK	-	10,607	9,915	692
BOYS TENNIS	-	984	984	-
BOYS GOLF	-	1,861	1,861	-
BOYS SWIM	-	3,181	3,181	-
BOYS BOWLING	-	110	110	-
WRESTLING	-	20,246	20,246	-
GIRLS BASKETBALL	761	9,831	9,535	1,057
VOLLEYBALL	5,662	14,479	17,309	2,832
GIRLS SOCCER	3,892	5,630	5,301	4,221
SOFTBALL	81	11,758	11,839	-
GIRLS TRACK	-	5,993	5,346	647
GIRLS TENNIS	-	971	971	-
GIRLS GOLF	-	2,522	2,522	-
GIRLS SWIM	-	4,271	4,271	-
GIRLS BOWLING	-	107	107	-
FUTURE BUSINESS LEADERS	2,061	12,021	13,649	433
ART CLUB	630	-	-	630
DRAMA CLUB	1,137	1,895	538	2,494
COOKING FOR A CAUSE	238	-	-	238
INDUSTRIAL TECH CLUB	401	5,408	5,599	210
ECOLOGY	324	-	-	324
SPANISH CLUB	33	1,898	1,821	110
SPECIAL OLYMPICS	381	1,060	831	610
ALL CITY	-	13,539	11,074	2,465
CLASS OF 2013	277	-	-	277
CLASS OF 2014	259	-	-	259
CLASS OF 2015	237	310	547	-
CLASS OF 2016	-	6,401	6,401	-
CLASS OF 2017	-	809	-	809
STUDENT COUNCIL	3,176	13,186	14,468	1,894
NATIONAL HONOR SOCIETY	-	996	988	8
CHEERLEADERS	-	26,395	21,042	5,353
DANCE TEAM	6,230	29,679	34,210	1,699
YEARBOOK	6,816	29,825	32,934	3,707
TITAN HILL STUDENT COUNCIL	2,107	3,555	309	5,353
TITAN HILL BETTERMENT	-	1,246	1,246	-
MS BETTERMENT	-	160	160	-
MS VOCAL	3,777	9,775	9,259	4,293
MS BAND	8,951	12,235	14,532	6,654
MS STUDENT COUNCIL	1,591	1,389	1,311	1,669
MS LEADERSHIP	141	5,007	5,066	82
MS YEARBOOK	3,417	4,990	4,631	3,776
MS SCHOLASTICS	5,972	4,823	2,442	8,353
TOTAL	<u>\$ 106,274</u>	<u>723,044</u>	<u>728,124</u>	<u>101,194</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>KREFT POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ -	2,092	2,092	-
LIABILITIES				
Due to other groups	\$ -	2,092	2,092	-
<u>TITAN HILL TEACHERS</u>				
ASSETS				
Cash and pooled investments	\$ 2,116	684	1,012	1,788
LIABILITIES				
Due to other groups	\$ 2,116	684	1,012	1,788
<u>ADMINISTRATION POP</u>				
ASSETS				
Cash and pooled investments	\$ 383	173	379	177
LIABILITIES				
Due to other groups	\$ 383	173	379	177
<u>MS POP - TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 284	874	1,158	-
LIABILITIES				
Due to other groups	\$ 284	874	1,158	-
<u>HS POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 437	3,081	2,624	894
LIABILITIES				
Due to other groups	\$ 437	3,014	2,624	827
Accounts payable	-	67	-	67
TOTAL LIABILITIES	\$ 437	3,081	2,624	894
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 3,220	6,904	7,265	2,859
LIABILITIES				
Due to other groups	\$ 3,220	6,837	7,265	2,792
Accounts payable	-	67	-	67
TOTAL LIABILITIES	\$ 3,220	6,904	7,265	2,859

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 14,055,618	13,973,126	15,725,651	15,322,367	15,112,648	14,716,951	13,802,617	12,012,734	11,416,213	10,665,011
Tuition	4,684,379	4,322,923	4,183,952	3,781,884	3,656,997	3,152,468	2,819,686	2,567,375	2,302,170	1,938,746
Other	1,597,052	906,692	1,338,428	957,659	999,147	1,208,945	1,317,317	1,192,676	1,420,977	1,110,593
Intermediate sources	8,188	117,508	272,520	80,569	240,387	88,783	166,974	155,608	239,875	229,093
State sources	15,766,796	15,731,735	13,013,856	12,605,939	11,854,021	10,434,266	12,117,377	11,714,131	11,333,633	10,367,675
Federal sources	875,312	816,009	885,107	1,212,296	1,246,019	2,593,764	912,784	664,848	740,545	653,052
Total	\$ 36,987,345	35,867,993	35,419,514	33,960,714	33,109,219	32,195,177	31,136,755	28,307,372	27,453,413	24,964,170
Expenditures:										
Instruction:										
Regular	\$ 14,788,390	14,260,793	13,386,418	12,735,513	12,802,697	11,981,129	11,913,549	10,939,785	10,366,844	9,156,257
Special	3,902,319	3,446,399	3,765,874	3,655,438	3,534,639	3,311,190	3,086,613	2,596,845	2,635,120	2,700,906
Other	3,539,180	3,359,467	3,304,333	3,087,133	3,114,119	3,063,055	2,792,197	2,661,627	2,486,610	2,468,092
Support services:										
Student	713,929	671,867	490,628	477,009	464,990	463,517	460,292	435,588	486,726	393,108
Instructional staff	1,614,040	1,421,925	1,601,913	1,615,935	1,279,064	1,114,783	1,005,186	974,157	1,023,152	893,911
Administration	2,345,177	2,342,098	2,212,262	2,179,138	2,015,080	2,024,289	1,993,944	1,927,754	1,717,968	1,580,310
Operation and maintenance of plant	2,851,142	2,880,933	2,700,727	2,554,642	2,652,273	2,695,102	2,769,184	2,666,353	2,741,455	2,437,330
Transportation	1,428,279	1,189,128	1,403,928	1,246,838	1,176,629	971,402	1,151,551	996,484	802,189	1,190,886
Capital outlay	878,105	880,743	1,726,939	3,743,403	416,573	1,455,493	3,887,700	1,554,747	4,874,272	673,836
Long-term debt:										
Principal	2,940,000	4,075,000	2,650,000	960,000	2,875,303	2,733,202	2,544,629	10,774,622	2,385,183	837,926
Interest and other charges	359,765	415,213	477,864	466,307	714,329	708,903	811,659	941,840	1,044,697	921,368
Other expenditures:										
AEA flow-through	1,069,686	1,051,121	996,491	985,731	1,076,998	1,030,352	911,024	826,825	801,445	716,983
Total	\$ 36,430,012	35,994,687	34,717,377	33,707,087	32,122,694	31,552,417	33,327,528	37,296,627	31,365,661	23,970,913

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 15	\$ 134,969
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 15	674,297 *
			<u>809,266</u>
U.S DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 15	<u>342,442</u>
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>24,840 **</u>
ADVANCE PLACEMENT PROGRAM	84.330	FY 15	<u>233</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 15	<u>74,709</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 15	<u>15,445</u>
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES	84.027	FY 15	<u>132,290 **</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 15	<u>19,330</u>
TOTAL			<u><u>\$ 1,418,555</u></u>

* -Includes \$114,404 of non-cash awards.

** - Total for Special Education Cluster (IDEA) is \$157,130.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lewis Central Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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 Lewis Central 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 Lewis Central Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lewis Central 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 Lewis Central Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lewis Central 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 operations 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 for detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-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 II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewis Central 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Lewis Central Community School District's Responses to Findings

Lewis Central Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lewis Central 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 Lewis Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2016
Newton, Iowa

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 Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Lewis Central Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lewis Central Community School District's major federal programs for the year ended June 30, 2015. Lewis Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lewis Central Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lewis Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal program. However, our audit does not provide a legal determination of Lewis Central Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lewis Central Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Lewis Central Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lewis Central Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 8, 2016
Newton, Iowa

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual Programs:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lewis Central Community School District qualified as a low-risk auditee.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited Inc. This training helps in providing instruction as well as promotes networking of other accounting personnel.

Necessary adjustments for proper recognition of amounts of receivables and payables were not being completed accurately by the District until after the District's Certified Annual Report had been filed with the Iowa Department of Education. Adjustments were also needed to the cash balances of District funds for the improper recording of property tax and insurance dividends received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will continue to send their accounting staff to end-of-year training in an effort to provide more reliable financial statements. The District hired a bookkeeper with Iowa School Finance experience to assist with accounting tasks in the Business Office.

Conclusion - Response accepted.

II-B-15 Purchase Orders - We noted during our audit several instances of transactions lacking purchase orders or purchase orders dated after the ordering of goods/services had already taken place in the General Fund and Capital Projects Fund.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will be reviewed and necessary changes made so that all disbursements are approved appropriately.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the instruction, non-instructional programs and other expenditures functional areas as well as in total.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures exceeded the budget.

Response - The District will review Chapter 24.9 of the Code of Iowa and take appropriate action in the future.

Conclusion - Response accepted.

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

IV-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.

IV-D-15 Business Transactions - No business transactions between the District and District officials or employees were noted.

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

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

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

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

IV-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.

IV-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.

IV-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit.

Beginning balance		\$	1,293,800
Revenues:			
Sales tax revenues	\$	2,424,258	
Other local revenue		5	2,424,263
			<u>3,718,063</u>
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund		329,459	
Other transfers		300,000	629,459
			<u>629,459</u>
Ending balance		\$	<u>3,088,604</u>

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

IV-M-15 Financial Condition - At June 30, 2015, the District had the following deficit balances: the School Nutrition Fund had deficit unrestricted net position of \$414,135 and deficit total net position of \$341,262. The Swimming Pool Fund had deficit unrestricted and total net position of \$11,663. The District had deficit unrestricted net position of \$398,232 and deficit total net position of \$325,359 in its business type activities and the District had deficit unrestricted net position of \$7,558,815 in its governmental activities. The primary reason for these deficit balances 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 No. 71 will affect the District's financial moving forward.

Response - The District will take steps to ensure Administration and Board of Education understand accounting changes from GASB Statements No. 68 and No. 71 affect the District's finances moving forward.

Conclusion - Response accepted.

IV-N-15 Checks Outstanding - We noted during our audit that the District had several checks included in the Activity Fund bank reconciliation that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the state Treasurer annually before November 1st.

Response - The District will review Chapter 556.1(10) and 556.11 of the Code of Iowa and take appropriate action.

Conclusion - Response accepted.