

LISBON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis (MD&A)		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
Notes to Financial Statements		27-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Schedule of the District's Proportionate Share of the Net Pension Liability		47
Schedule of District Contributions		48
Notes to Required Supplementary Information - Pension Liability		49-50
Discrete Component Unit Financial Statements:		
Schedule of Net Position - Cash Basis - Component Unit		51
Schedule of Support, Revenues and Expenses and Changes in Net Position - Cash Basis - Component Unit		52
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 Student Activity Accounts	5	58
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	6	59
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>		60-61
Schedule of Findings		62-67

Lisbon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Allan Mallie	President	2017
David Prasil	Vice President	2017
Eric Krob	Board Member	2015
Mark Smith	Board Member	2015
Ann Cannon	Board Member	2015

School Officials

Pat Hocking	Superintendent	2015
Laurie Maher	Business Manager/ Board Secretary	2015
Ahlers & Cooney, P.C.	Attorney	2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Lisbon 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 Lisbon Community School District, Lisbon, Iowa 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 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.

The financial statements of Lisbon Community School District Foundation have not been audited, and we were not engaged to audit the Lisbon Community School District Foundation financial statements as part of our audit of the Lisbon Community School District Community School District's basic financial statements. The Lisbon Community School District Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Lisbon Community School District Foundation's financial statements and because we did not apply any auditing procedures to the Lisbon Community School District Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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.

Members American Institute & Iowa Society of Certified Public Accountants

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

Emphasis of Matter

As discussed in Note 9 to the financial statements, Lisbon Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for Retiree Health Plan and the combining statements for the discretely presented component units on pages 7 through 16 and 44 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lisbon 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 eight years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 23, 2016 on our consideration so Lisbon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lisbon Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 23, 2016
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,358,372 in fiscal 2014 to \$6,963,437 in fiscal 2015, while General Fund expenditures decreased from \$6,955,578 in fiscal 2014 to \$6,808,457 in fiscal 2015. This resulted in an increase in the District's General Fund balance from \$782,466 at June 30, 2014 to a balance of \$937,446 at June 30, 2015, representing a increase of 19.81%.
- The increase in General Fund revenues was attributable to increases in state source revenues in fiscal 2015. The decrease in expenditures can be attributed to the decrease in expenditures in the support services functional area.
- The District's solvency ratio (unassigned/general fund revenues) increased as compared to fiscal 2014. At June 30, 2014 the District's solvency ratio was 10.09% as compared to 11.61% at June 30, 2015.

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 Lisbon 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 Lisbon 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 Lisbon 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 and the financial statements for the discretely presented component unit.

Supplementary Information provides detailed information about the non-major governmental funds.

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

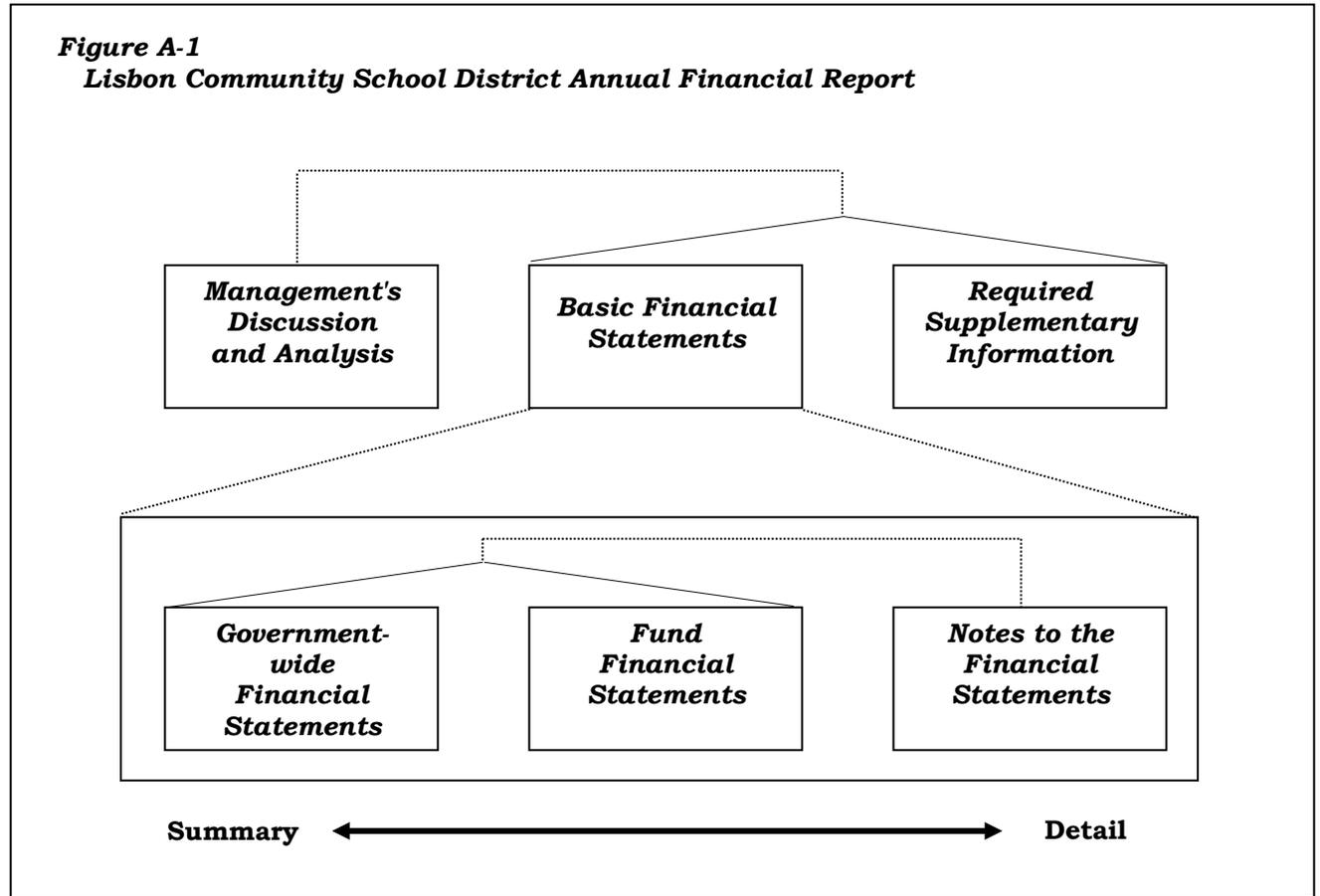


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
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
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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or 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 three categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and LECC (Daycare) program are included here.
- *Component unit:* This includes the activities of the Lisbon Community School District Foundation. The District receives significant financial benefits from the Foundation although they are legally separate entities.

Fund Financial Statements

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

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

The District has two kinds of funds:

- 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, Management Levy Fund, Student Activity, Capital Projects, and Debt Service 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 two enterprise funds, the School Nutrition Fund and LECC (Daycare) Fund. Currently, the District has one Internal Service Fund which contains revenues and expenditures related to employees' flex spending program.

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

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	\$ 5,925,600	5,829,903	174,779	245,355	6,100,379	6,075,258	0.41%
Capital assets	11,827,796	11,834,940	76,278	73,373	11,904,074	11,908,313	-0.04%
Total assets	17,753,396	17,664,843	251,057	318,728	18,004,453	17,983,571	0.12%
Deferred outflows of resources	556,507	-	85,879	-	642,386	-	100.00%
Long-term liabilities	8,372,399	6,497,412	358,236	30,836	8,730,635	6,528,248	33.74%
Other liabilities	872,285	836,111	78,941	50,650	951,226	886,761	7.27%
Total liabilities	9,244,684	7,333,523	437,177	81,486	9,681,861	7,415,009	30.57%
Deferred inflows of resources	3,355,115	2,407,328	120,851	-	3,475,966	2,407,328	44.39%
Net position:							
Net investment in capital assets	6,177,796	5,599,940	76,278	73,373	6,254,074	5,673,313	10.24%
Restricted	1,520,258	1,677,864	-	-	1,520,258	1,677,864	-9.39%
Unrestricted	(1,987,950)	646,188	(297,370)	163,869	(2,285,320)	810,057	-382.12%
Total net position	\$ 5,710,104	7,923,992	(221,092)	237,242	5,489,012	8,161,234	-32.74%

The District's combined net position decreased by \$2,672,222, or 32.99% from the prior year. The largest portion of the District's net position is invested in capital assets, net of related debt (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$157,606 or 9.39% from the prior year. The decrease in restricted net position is mainly attributable to the decrease in fund balance of the Capital Projects Accounts.

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 \$3,095,377 or 382.12%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,563,802 and \$374,316, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Position

	Governmental Activities		Business Type Activities		Total District	Total Change	
	June 30, 2014		June 30, 2014		June 30, 2014	June 30, 2014-15	
	2015	(Not restated)	2015	(Not restated)	2015	(Not restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 845,924	732,862	971,866	957,356	1,817,790	1,690,218	7.55%
Operating grants, contributions and restricted interest	564,200	560,583	153,123	149,952	717,323	710,535	0.96%
General revenues:							
Property tax	2,427,869	2,260,850	-	-	2,427,869	2,260,850	7.39%
Income surtax	152,486	136,245	-	-	152,486	136,245	11.92%
Statewide sales, services and use tax	660,548	591,216	-	-	660,548	591,216	11.73%
Unrestricted state grants	3,876,621	3,638,724	-	-	3,876,621	3,638,724	6.54%
Unrestricted investment earnings	3,976	4,668	397	544	4,373	5,212	-16.10%
Other	167,451	75,108	-	-	167,451	75,108	122.95%
Total revenues	8,699,075	8,000,256	1,125,386	1,107,852	9,824,461	9,108,108	7.87%
Program expenses:							
Instructional	5,355,737	5,002,498	-	-	5,355,737	5,002,498	7.06%
Support services	2,124,493	2,309,291	800	800	2,125,293	2,310,091	-8.00%
Non-instructional programs	-	-	1,221,354	1,126,578	1,221,354	1,126,578	8.41%
Other expenses	856,181	839,730	-	-	856,181	839,730	1.96%
Total expenses	8,336,411	8,151,519	1,222,154	1,127,378	9,558,565	9,278,897	3.01%
Excess(Deficiency) of revenues over(under) expenditures	362,664	(151,263)	(96,768)	(19,526)	265,896	(170,789)	-255.69%
Transfers	(12,750)	-	12,750	-	-	-	0.00%
Change in net position	349,914	(151,263)	(84,018)	(19,526)	265,896	(170,789)	-255.69%
Net position beginning of year, as restated	5,360,190	8,075,255	(137,074)	256,768	5,223,116	8,332,023	-37.31%
Net position end of year	\$ 5,710,104	7,923,992	(221,092)	237,242	5,489,012	8,161,234	-32.74%

In fiscal 2015, property tax, income surtax, and statewide sales, services and use tax and unrestricted state grants account for 81.82% of the revenue from governmental activities while charges for service and operating grants and contributions and restricted interest account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$9.82 million of which approximately \$8.70 million was for governmental activities and approximately \$1.12 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.87% increase in revenues and a 3.01% increase in expenses. Charges for service increased \$127,572 and property tax increased \$167,019. The increase in expenses is mainly attributable to the increase in instruction expenses incurred compared to the prior year.

Governmental Activities

Revenues for governmental activities were \$8,699,075 and expenses were \$8,336,411 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 as compared to the year ended June 30, 2014.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-15	2015	2014 (Not restated)	Change 2014-15
Instruction	\$ 5,355,737	5,002,498	7.06%	4,223,679	3,967,236	6.46%
Support services	2,124,493	2,309,291	-8.00%	2,124,493	2,309,291	-8.00%
Other expenses	856,181	839,730	1.96%	578,115	581,547	-0.59%
Totals	\$ 8,336,411	8,151,519	2.27%	6,926,287	6,858,074	0.99%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$845,924.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$564,200.
- The net cost of governmental activities was financed with \$2,427,869 in property tax, \$152,486 in income surtax, \$660,548 in statewide sales, service and use tax, \$3,876,621 in unrestricted state grants, \$3,976 in interest income and \$167,451 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$1,125,386 and expenses were \$1,122,154 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund and the LECC (Daycare) Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Lisbon 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 \$2,490,957 this is below last year's ending fund balances of \$2,564,315. The main reason for the decrease in overall fund balance can be attributed to the decrease in fund balance for the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. An increase in state source revenues during the year resulted in an increase in revenues. Expenditures decreased during the year from decreased expenses in the support services functional area. The General Fund ending fund balance increased from \$782,466 at June 30, 2014 to \$937,446 at June 30, 2015.
- The Capital Projects Fund balance decreased from a balance of \$733,889 at June 30, 2014 to \$520,199 at June 30, 2015. The decrease was a result of the continued capital outlay expenditure for miscellaneous building upkeep and remodel projects.
- The Debt Service Fund balance increased from \$641,058 at June 30, 2014 to \$641,777 at June 30, 2015. This increase was the result of revenues exceeding expenditures for the repayment of long term debt during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$20,663 restated at July 1, 2014 to \$12,382 at June 30, 2015, representing a decrease of 40.08%. The School Daycare Fund (LECC) net position decreased from deficit \$157,737 restated at July 1, 2014 to a deficit \$233,474 at June 30, 2015, representing a decrease of 48.01%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$88,650 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in local source revenues than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures at a higher rate than will be needed on an annual basis. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and non-instructional programs functional areas during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$11,904,074, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.04% from last year. More detailed information about capital assets is available in Note 7 to the financial statements. Depreciation expense for the year was \$416,838.

The original cost of the District's capital assets was \$17,094,693. Governmental Activities account for \$16,909,615, with \$185,078 accounted for in the District's Business Type Activities.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$423,991 at June 30, 2014 compared to \$582,101 at June 30, 2015. The increase is related to a new playground installed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 468,991	468,991	-	-	468,991	468,991	0.00%
Buildings	10,585,566	10,802,632	-	-	10,585,566	10,802,632	-2.01%
Land improvements	582,101	423,991	-	-	582,101	423,991	37.29%
Machinery and equipment	191,138	139,326	76,278	73,373	267,416	212,699	25.73%
Total	\$ 11,827,796	11,834,940	76,278	73,373	11,904,074	11,908,313	-0.04%

Long-Term Debt

At June 30, 2015, the District had \$8,730,635 in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of approximately 33.74% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

- The District had outstanding general obligation bonds of \$925,000 at June 30, 2015 payable from the Debt Service Fund.
- The District had outstanding revenue bonds of \$4,725,000 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had outstanding computer lease payable of \$324,955 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had outstanding termination benefits of \$94,708 payable from the Special Revenue, Management Fund at June 30, 2015.
- The District had \$29,807 in Compensated Absences payable at June 30, 2015. The General Fund is responsible for paying \$9,744 while the School Nutrition Fund is responsible for paying \$127 and the School Daycare Fund (LECC) is responsible for paying \$19,936.
- The District had a total net pension liability of \$2,487,344 as of June 30, 2015. \$2,170,456 of this total is attributable to the governmental activities and the remaining \$316,888 is attributable to the business type activities of the District.
- The District also had a total net OPEB liability of \$143,821 as of June 30, 2015. \$122,536 of this total is attributable to the governmental activities and the remaining \$21,285 is attributable to the business type activities of the District.

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 (Not restated)	2014-15
General obligation bonds	\$ 925,000	1,265,000	-	-	925,000	1,265,000	-26.88%
Revenue bonds	4,725,000	4,970,000	-	-	4,725,000	4,970,000	-4.93%
Computer lease	324,955	-	-	-	324,955	-	100.00%
Termination benefits	94,708	139,826	-	-	94,708	139,826	-32.27%
Compensated absences	9,744	15,772	20,063	12,282	29,807	28,054	6.25%
Net pension liability	2,170,456	-	316,888	-	2,487,344	-	100.00%
Net OPEB liability	122,536	106,814	21,285	18,554	143,821	125,368	14.72%
Total	\$ 8,372,399	6,497,412	358,236	30,836	8,730,635	6,528,248	33.74%

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 Lisbon School District will continue to focus on attracting students through the continued growth of the LECC (Lisbon Early Childcare Center), 4-year-old state funded Preschool, additional class offerings at the secondary level, and sharing opportunities with other districts. The prospect of decreased supplemental state aid could have a negative impact on General Fund revenues, as the cost of salaries and benefits continues to increase.

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 Laurie Maher, Business Manager/Board Secretary, Lisbon Community School District, PO Box 839, 235 West School Street, Lisbon, Iowa, 52253-0839.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		Component Unit	
	Govern- mental Activities	Business Type Activities	Total	Lisbon Community School District Foundation
ASSETS				
Cash and pooled investments	\$ 2,992,937	154,865	3,147,802	286,849
Receivables:				
Property tax:				
Delinquent	15,448	-	15,448	-
Succeeding year	2,527,365	-	2,527,365	-
Income surtax	133,638	-	133,638	-
Accounts	38,780	-	38,780	-
Due from other governments	217,432	9,421	226,853	-
Inventories	-	10,493	10,493	-
Capital assets, net of accumulated depreciation	11,827,796	76,278	11,904,074	-
TOTAL ASSETS	17,753,396	251,057	18,004,453	286,849
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	556,507	85,879	642,386	-
LIABILITIES				
Accounts payable	273,624	16,624	290,248	-
Salaries and benefits payable	498,874	59,301	558,175	-
Unearned revenue	-	3,016	3,016	-
Accrued interest payable	99,787	-	99,787	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	150,000	-	150,000	-
Revenue bonds payable	250,000	-	250,000	-
Computer lease payable	106,107	-	106,107	-
Termination benefits payable	45,118	-	45,118	-
Compensated absences	9,744	20,063	29,807	-
Portion due after one year:				
General obligation bonds payable	775,000	-	775,000	-
Revenue bonds payable	4,475,000	-	4,475,000	-
Computer lease payable	218,848	-	218,848	-
Termination benefits payable	49,590	-	49,590	-
Net pension liability	2,170,456	316,888	2,487,344	-
Net OPEB liability	122,536	21,285	143,821	-
TOTAL LIABILITIES	9,244,684	437,177	9,681,861	-
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	827,750	120,851	948,601	-
Unavailable property tax revenue	2,527,365	-	2,527,365	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,355,115	120,851	3,475,966	-
NET POSITION				
Net investment in capital assets	6,177,796	76,278	6,254,074	-
Restricted for:				
Scholarships	-	-	-	60,013
Categorical funding	161,242	-	161,242	-
Debt service	541,990	-	541,990	-
Management levy purposes	265,059	-	265,059	-
Student activities	31,768	-	31,768	-
School infrastructure	457,220	-	457,220	-
Physical plant and equipment	62,979	-	62,979	-
Unrestricted	(1,987,950)	(297,370)	(2,285,320)	226,836
TOTAL NET POSITION	\$ 5,710,104	(221,092)	5,489,012	286,849

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Lisbon Community School District Foundation
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Primary Government			
				Govern- mental Activities	Business Type Activities	Total	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,063,804	531,613	27,503	(3,504,688)	-	(3,504,688)	-
Special	757,992	123,909	43,987	(590,096)	-	(590,096)	-
Other	533,941	190,402	214,644	(128,895)	-	(128,895)	-
	<u>5,355,737</u>	<u>845,924</u>	<u>286,134</u>	<u>(4,223,679)</u>	<u>-</u>	<u>(4,223,679)</u>	<u>-</u>
Support services:							
Student	173,080	-	-	(173,080)	-	(173,080)	-
Instructional staff	198,967	-	-	(198,967)	-	(198,967)	-
Administration	776,731	-	-	(776,731)	-	(776,731)	-
Operation and maintenance of plant	681,109	-	-	(681,109)	-	(681,109)	-
Transportation	294,606	-	-	(294,606)	-	(294,606)	-
	<u>2,124,493</u>	<u>-</u>	<u>-</u>	<u>(2,124,493)</u>	<u>-</u>	<u>(2,124,493)</u>	<u>-</u>
Long-term debt interest	238,471	-	-	(238,471)	-	(238,471)	-
Other expenditures:							
AEA flowthrough	278,066	-	278,066	-	-	-	-
Depreciation(unallocated)*	339,644	-	-	(339,644)	-	(339,644)	-
	<u>617,710</u>	<u>-</u>	<u>278,066</u>	<u>(339,644)</u>	<u>-</u>	<u>(339,644)</u>	<u>-</u>
Total governmental activities	<u>8,336,411</u>	<u>845,924</u>	<u>564,200</u>	<u>(6,926,287)</u>	<u>-</u>	<u>(6,926,287)</u>	<u>-</u>
Business Type activities:							
Support services:							
Operation and maintenance of plant	800	-	-	-	(800)	(800)	-
Non-instructional programs:							
Food service operations	405,658	263,657	121,729	-	(20,272)	(20,272)	-
Community service operations	815,696	708,209	31,394	-	(76,093)	(76,093)	-
Total non-instructional programs:	<u>1,221,354</u>	<u>971,866</u>	<u>153,123</u>	<u>-</u>	<u>(96,365)</u>	<u>(96,365)</u>	<u>-</u>
Total business type activities	<u>1,222,154</u>	<u>971,866</u>	<u>153,123</u>	<u>-</u>	<u>(97,165)</u>	<u>(97,165)</u>	<u>-</u>
Total primary government	\$ <u>9,558,565</u>	<u>1,817,790</u>	<u>717,323</u>	<u>(6,926,287)</u>	<u>(97,165)</u>	<u>(7,023,452)</u>	<u>-</u>
Total component unit	\$ <u>23,620</u>	<u>-</u>	<u>20,966</u>				<u>(2,654)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes				\$ 1,886,204	-	1,886,204	-
Debt service				395,180	-	395,180	-
Capital outlay				146,485	-	146,485	-
Income surtax				152,486	-	152,486	-
Statewide sales, services and use tax				660,548	-	660,548	-
Unrestricted state grants				3,876,621	-	3,876,621	-
Unrestricted investment earnings				3,976	397	4,373	4,268
Unrealized gain on investments				-	-	-	4,296
Realized gain on investments				-	-	-	982
Other				167,451	-	167,451	685
Transfers				(12,750)	12,750	-	-
Total general revenues and transfers				<u>7,276,201</u>	<u>13,147</u>	<u>7,289,348</u>	<u>10,231</u>
Change in net position				349,914	(84,018)	265,896	7,577
Net position beginning of year, as restated				<u>5,360,190</u>	<u>(137,074)</u>	<u>5,223,116</u>	<u>279,272</u>
Net position end of year				\$ <u>5,710,104</u>	<u>(221,092)</u>	<u>5,489,012</u>	<u>286,849</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,524,074	455,613	639,299	372,809	2,991,795
Receivables:					
Property tax:					
Delinquent	10,501	919	2,478	1,550	15,448
Succeeding year	1,977,771	150,513	189,081	210,000	2,527,365
Income surtax	133,638	-	-	-	133,638
Accounts	8,056	-	-	30,724	38,780
Due from other governments	114,538	102,894	-	-	217,432
TOTAL ASSETS	\$ 3,768,578	709,939	830,858	615,083	5,924,458
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 220,925	39,227	-	13,472	273,624
Salaries and benefits payable	498,798	-	-	76	498,874
Total liabilities	719,723	39,227	-	13,548	772,498
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	1,977,771	150,513	189,081	210,000	2,527,365
Income surtax	133,638	-	-	-	133,638
Total deferred inflows of resources	2,111,409	150,513	189,081	210,000	2,661,003
Fund balances:					
Restricted for:					
Categorical funding	161,242	-	-	-	161,242
Debt service	-	-	641,777	-	641,777
Management levy purposes	-	-	-	359,767	359,767
Student activities	-	-	-	31,768	31,768
School infrastructure	-	457,220	-	-	457,220
Physical plant and equipment	-	62,979	-	-	62,979
Unassigned	776,204	-	-	-	776,204
Total fund balances	937,446	520,199	641,777	391,535	2,490,957
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,768,578	709,939	830,858	615,083	5,924,458

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON 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)	\$	2,490,957
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		11,827,796
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,142
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal year, and, therefore, is recognized as deferred inflows of resources in the governmental funds.		133,638
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(99,787)
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	\$ 556,507	
Deferred inflows of resources	<u>(827,750)</u>	(271,243)
Long-term liabilities, including bonds payable, termination benefits, compensated absences, net pension liability and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(8,372,399)</u>
Net position of governmental activities (page 18)	\$	<u><u>5,710,104</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON 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	\$ 1,781,457	146,485	395,180	242,230	2,565,352
Tuition	655,522	-	-	-	655,522
Other	88,147	72,024	230	203,938	364,339
State sources	4,328,850	660,548	-	-	4,989,398
Federal sources	109,461	-	-	-	109,461
TOTAL REVENUES	6,963,437	879,057	395,410	446,168	8,684,072
EXPENDITURES:					
Current:					
Instruction:					
Regular	3,566,972	435,000	-	75,118	4,077,090
Special	763,133	-	-	-	763,133
Other	339,426	-	-	196,715	536,141
	4,669,531	435,000	-	271,833	5,376,364
Support services:					
Student	175,305	-	-	-	175,305
Instructional staff	210,483	-	-	-	210,483
Administration	650,192	-	-	133,372	783,564
Operation and maintenance of plant	587,317	44,624	-	46,793	678,734
Transportation	237,563	120,012	-	9,537	367,112
	1,860,860	164,636	-	189,702	2,215,198
Capital outlay	-	390,407	-	-	390,407
Long-term debt:					
Principal	-	-	695,045	-	695,045
Interest and fiscal charges	-	-	237,350	-	237,350
	-	-	932,395	-	932,395
Other expenditures:					
AEA flowthrough	278,066	-	-	-	278,066
TOTAL EXPENDITURES	6,808,457	990,043	932,395	461,535	9,192,430
Excess(Deficiency) of revenues over(under) expenditures	154,980	(110,986)	(536,985)	(15,367)	(508,358)
Other financing sources(uses):					
Transfer in	-	-	537,704	-	537,704
Transfer out	-	(537,704)	-	-	(537,704)
Computer lease proceeds	-	435,000	-	-	435,000
Total other financing sources(uses)	-	(102,704)	537,704	-	435,000
Change in fund balances	154,980	(213,690)	719	(15,367)	(73,358)
Fund balance beginning of year	782,466	733,889	641,058	406,902	2,564,315
Fund balance end of year	\$ 937,446	520,199	641,777	391,535	2,490,957

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON 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) \$ (73,358)

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. Depreciation expense and capital outlays in the current year, are as follows:

Capital outlays	\$ 399,849	
Depreciation expense	<u>(406,993)</u>	(7,144)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (1,038)

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 15,003

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

Issued	\$ (435,000)	
Repaid	<u>695,045</u>	260,045

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,121)

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. 313,453

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

Termination benefits	\$ 45,118	
Pension expense	(191,350)	
Compensated absences	6,028	
Other postemployment benefits	<u>(15,722)</u>	<u>(155,926)</u>

Change in net position of governmental activities(page 19) \$ 349,914

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	LECCEC (Daycare)	Total	
ASSETS				
Current assets:				
Cash and pooled investments	\$ 3,970	150,895	154,865	1,142
Due from other governments	6,305	3,116	9,421	-
Inventories	9,581	912	10,493	-
Total current assets	19,856	154,923	174,779	1,142
Non-current assets:				
Capital assets:				
Capital assets, net of accumulated depreciation	69,252	7,026	76,278	-
TOTAL ASSETS	89,108	161,949	251,057	1,142
DEFERRED OUTFLOWS OF RESOURCES				
Pension related deferred outflows	16,510	69,369	85,879	-
LIABILITIES				
Current liabilities:				
Accounts payable	824	15,800	16,624	-
Salaries and benefits payable	1,226	58,075	59,301	-
Unearned revenue	3,016	-	3,016	-
Total current liabilities	5,066	73,875	78,941	-
Long-term liabilities:				
Compensated absences	127	19,936	20,063	-
Net pension liability	59,697	257,191	316,888	-
Net OPEB liability	5,580	15,705	21,285	-
Total long-term liabilities	65,404	292,832	358,236	-
TOTAL LIABILITIES	70,470	366,707	437,177	-
DEFERRED INFLOWS OF RESOURCES				
Pension related deferred inflows	22,766	98,085	120,851	-
NET POSITION				
Net investment in capital assets	69,252	7,026	76,278	-
Unrestricted	(56,870)	(240,500)	(297,370)	1,142
TOTAL NET POSITION	\$ 12,382	(233,474)	(221,092)	1,142

SEE NOTES TO FINANCIAL STATEMENTS.

LISBON 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			Governmental Activities: Internal Service Fund
	School Nutrition	LECC (Daycare)	Total	
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 263,657	708,209	971,866	-
Miscellaneous	-	-	-	10,569
TOTAL OPERATING REVENUES	263,657	708,209	971,866	10,569
OPERATING EXPENSES:				
Support services:				
Operation and maintenance of plant:				
Services	800	-	800	-
Non-instructional programs:				
Food service operations:				
Salaries	117,583	-	117,583	-
Benefits	46,327	-	46,327	-
Supplies	232,695	-	232,695	-
Depreciation	9,053	-	9,053	-
	405,658	-	405,658	-
Community service operations:				
Salaries	-	497,424	497,424	-
Benefits	-	182,508	182,508	-
Supplies	-	134,972	134,972	-
Depreciation	-	792	792	-
	-	815,696	815,696	-
Other enterprise operations:				
Benefits	-	-	-	11,609
Total non-instructional programs	405,658	815,696	1,221,354	11,609
TOTAL OPERATING EXPENSES	406,458	815,696	1,222,154	11,609
OPERATING LOSS	(142,801)	(107,487)	(250,288)	(1,040)
NON-OPERATING REVENUES:				
State sources	2,573	-	2,573	-
Federal sources	119,156	31,394	150,550	-
Interest on investments	41	356	397	2
TOTAL NON-OPERATING REVENUES	121,770	31,750	153,520	2
Deficiency of revenues under expenditures	(21,031)	(75,737)	(96,768)	(1,038)
OTHER FINANCING SOURCES:				
Contributed capital	12,750	-	12,750	-
Change in net position	(8,281)	(75,737)	(84,018)	(1,038)
Net position beginning of year, as restated	20,663	(157,737)	(137,074)	2,180
Net position end of year	\$ 12,382	(233,474)	(221,092)	1,142

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Funds			Governmental Activities:
	School Nutrition	LECC (Daycare)	Total	Internal Service Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 265,208	-	265,208	-
Cash received from daycare services	-	708,209	708,209	-
Cash received from miscellaneous	-	-	-	10,569
Cash payments to employees for services	(166,752)	(678,918)	(845,670)	(11,609)
Cash payments to suppliers for goods or services	(216,477)	(118,702)	(335,179)	-
Net cash used in operating activities	(118,021)	(89,411)	(207,432)	(1,040)
Cash flows from non-capital financing activities:				
Interfund borrowings	8,501	(12,363)	(3,862)	-
State grants received	2,573	-	2,573	-
Federal grants received	92,353	31,660	124,013	-
Net cash provided by non-capital financing activities	103,427	19,297	122,724	-
Cash flows from investing activities:				
Interest on investments	41	356	397	2
Net decrease in cash and pooled investments	(14,553)	(69,758)	(84,311)	(1,038)
Cash and pooled investments beginning of year	18,523	220,653	239,176	2,180
Cash and pooled investments end of year	\$ 3,970	150,895	154,865	1,142
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (142,801)	(107,487)	(250,288)	(1,040)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities consumed	20,498	-	20,498	-
Depreciation	9,053	792	9,845	-
Decrease(Increase) in inventories	(4,304)	470	(3,834)	-
Increase in accounts payable	824	15,800	16,624	-
Increase in salaries and benefits payable	1,226	8,890	10,116	-
(Decrease)Increase in compensated absences payable	(222)	8,003	7,781	-
Decrease in net pension liability	(19,614)	(84,505)	(104,119)	-
Increase in deferred outflows of resources	(7,714)	(31,474)	(39,188)	-
Increase in deferred inflows of resources	22,766	98,085	120,851	-
Increase in unearned revenue	1,551	-	1,551	-
Increase in other postemployment benefits	716	2,015	2,731	-
Net cash used in operating activities	\$ (118,021)	(89,411)	(207,432)	(1,040)

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$20,498.

During the year ended June 30, 2015, the School Nutrition Fund received \$12,750 in capital contributions from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

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

(1) Summary of Significant Accounting Policies

The Lisbon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Lisbon, Iowa, and the predominate agricultural territory in Linn, Cedar, Jones, and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lisbon 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.

These financial statements present the Lisbon Community School District (the primary government) and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

The Lisbon Community School District Foundation was created to raise money through contributions and fundraisers to benefit the District. The Foundation is a separate legal entity with its own accounting records and board of trustees. The trustees are elected for 3-year terms from nominations submitted by the Board of Education of the District. The Foundation does not produce separately prepared financial statements. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation is accounted for as a governmental fund in these financial statements.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jones, Johnson, Cedar and Linn County Assessors' Conference Boards.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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 non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

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

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

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts. The District reports the following major governmental funds:

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

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

The District reports the following major proprietary funds:

The LECC (Daycare) Fund is used to account for child care services provided by the District.

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

The District reports the following other proprietary fund:

The Internal Service Fund is used to account for the employee flex spending plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the 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 assets available to finance the program. It is the District’s policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Years of Useful Life
Buildings	10-50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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.

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The District's deposits in bank 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. As of the year ended June 30, 2015, the District had no investments.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 537,704</u>

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

(4) Long-Term Liabilities

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

	Restated Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 1,265,000	-	340,000	925,000	150,000
Revenue bonds	4,970,000	-	245,000	4,725,000	250,000
Computer lease	-	435,000	110,045	324,955	106,107
Termination benefits	139,826	-	45,118	94,708	45,118
Compensated absences	15,772	9,744	15,772	9,744	9,744
Net pension liability	2,883,599	-	713,143	2,170,456	-
Net OPEB liability	106,814	15,722	-	122,536	-
Total	<u>\$ 9,381,011</u>	<u>460,466</u>	<u>1,469,078</u>	<u>8,372,399</u>	<u>560,969</u>
Business Type Activities:					
Compensated absences	\$ 12,282	20,063	12,282	20,063	20,063
Net pension liability	421,007	-	104,119	316,888	-
Net OPEB liability	18,554	2,731	-	21,285	-
Total	<u>\$ 451,843</u>	<u>22,794</u>	<u>116,401</u>	<u>358,236</u>	<u>20,063</u>

General Obligation Bonds Payable

During the District’s fiscal year 2015 budgeting process the District approved an additional debt service tax levy to advance refund \$195,000 of the principal of the May 1, 2003 general obligation bond issuance. This additional levy was used to call \$105,000 in principal of the May 1, 2022 and \$90,000 of the May 1, 2021 bond payments. The savings from this surplus levy are \$54,825. Details of the District’s June 30, 2015 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond issue dated May 1, 2003				
	Interest Rates		Principal	Interest	Total
2016	4.00	% \$	150,000	44,800	194,800
2017	4.00		160,000	38,800	198,800
2018	4.00		165,000	32,400	197,400
2019	4.10		170,000	26,445	196,445
2020	4.20		180,000	19,950	199,950
2021	4.20		100,000	17,200	117,200
Total			<u>\$ 925,000</u>	<u>179,595</u>	<u>1,104,595</u>

Revenue Bond Payable

Details of the District’s June 30, 2015 revenue bonds indebtedness are as follows:

Year Ending June 30,	Bond issue dated July 1, 2011				
	Interest Rates		Principal	Interest	Total
2016	2.50	% \$	250,000	174,340	424,340
2017	2.75		255,000	168,090	423,090
2018	2.75		260,000	161,078	421,078
2019	3.00		270,000	153,928	423,928
2020	3.25		280,000	145,828	425,828
2021-2025	3.25-3.85		1,535,000	576,240	2,111,240
2026-2030	4.0-4.25		1,875,000	245,663	2,120,663
Total			<u>\$ 4,725,000</u>	<u>1,625,166</u>	<u>6,350,166</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$5,540,000 of bonds dated July 1, 2011. The bonds were issued for the purpose of school infrastructure. 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 over 64 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,350,166. For the current year, principal of \$245,000 and interest of \$180,465 was paid on the bonds and total statewide sales, services and use tax revenues were \$660,548.

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

- a) \$425,865 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirement of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

Details of the District’s June 30, 2015 computer lease indebtedness are as follows:

Year Ending June 30,	Computer lease issue dated March 24, 2014				
	Interest Rates		Principal	Interest	Total
2016	2.07	% \$	106,107	6,727	112,834
2017	2.07		108,303	4,530	112,833
2018	2.07		110,545	2,288	112,833
			<u>\$ 324,955</u>	<u>13,545</u>	<u>338,500</u>

Termination Benefits

For the fiscal year ending June 30, 2014, the District offered a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have completed twenty years of continuous service to the District. The maximum number of eligible employees that can retire under the District’s early retirement plan in any year is four employees, which is determined on a seniority basis. Employees must complete an application which is required to be approved by the Board of Education.

Early retirement benefits are equal to 50% of current base salary to be paid in four equal payments over four consecutive years. Eligible employees can participate in the District’s health insurance policy but must pay the cost.

At June 30, 2015, the District has obligations to six participants with a total liability of \$94,708. The cost of early retirement benefits paid during the year ended June 30, 2015, totaled \$45,118.

(5) 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 \$363,846.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,487,344 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 0.061460 percent, which was an increase of 0.003010 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$219,287. 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	\$ 27,033	\$ -
Changes of assumptions	109,772	-
Net difference between projected and actual earnings on pension plan investments	-	948,601
Changes in proportion and differences between District contributions and proportionate share of contributions	141,735	-
District contributions subsequent to the measurement date	363,846	-
Total	\$ 642,386	\$ 948,601

\$363,846 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	\$ (172,071)
2017	(172,071)
2018	(172,071)
2019	(172,071)
2020	18,223
	<u>\$ (670,061)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,699,767	\$ 2,487,344	\$ 619,830

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 \$59,798 for legally required employer contributions and \$39,843 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(6) 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 \$278,066 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.

(7) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 468,991	-	-	468,991
Total capital assets not being depreciated	468,991	-	-	468,991
Capital assets being depreciated:				
Buildings	14,543,891	83,644	-	14,627,535
Land improvements	608,921	197,044	-	805,965
Machinery and equipment	887,963	119,161	-	1,007,124
Total capital assets being depreciated	16,040,775	399,849	-	16,440,624
Less accumulated depreciation for:				
Buildings	3,741,259	300,710	-	4,041,969
Land improvements	184,930	38,934	-	223,864
Machinery and equipment	748,637	67,349	-	815,986
Total accumulated depreciation	4,674,826	406,993	-	5,081,819
Total capital assets being depreciated, net	11,365,949	(7,144)	-	11,358,805
Governmental activities capital assets, net	\$ 11,834,940	(7,144)	-	11,827,796
Business type activities:				
Machinery and equipment	\$ 172,328	12,750	-	185,078
Less accumulated depreciation	98,955	9,845	-	108,800
Business-type activities capital assets, net	\$ 73,373	2,905	-	76,278

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Other	\$	1,360
Support service:		
Operation and maintenance of plant		25,770
Transportation		40,219
		<u>67,349</u>
Unallocated depreciation		<u>339,644</u>
Total governmental activities depreciation expense	\$	<u>406,993</u>
Business type activities:		
Food service operations	\$	9,053
Community service operations		792
		<u>9,845</u>
Total business-type activities depreciation expense	\$	<u>9,845</u>

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 92 active and 6 retired members in the plan. Retired participants must be age 55 or older at retirement and have twenty or more years of continuous service to the District.

The medical/prescription drug benefit, which is a partially self-funded medical plan, is administered by 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 of the District (ARC), 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 June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	80,000
Interest on net OPEB obligation		5,642
Adjustment to annual required contribution		(5,189)
Annual OPEB cost		<u>80,453</u>
Contributions made		<u>(62,000)</u>
Increase in net OPEB obligation		18,453
Net OPEB obligation - beginning of year		<u>125,368</u>
Net OPEB obligation - end of year	\$	<u>143,821</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2015.

For the year ended, June 30, 2015, the District contributed \$62,000 to the medical plan. Plan members eligible for benefits contributed \$45,000, or 42.06% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	80,000	64.65%	\$ 102,000
2014	80,368	70.92%	125,368
2015	80,453	77.06%	143,821

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$604,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$604,000. The

covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.511 million, and the ratio of the UAAL to the covered payroll was 17.20%. 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 healthcare 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 the Financial Statements, will present 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 that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District’s funding policy. The projected annual health care trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement assumptions were developed on the average retirement age of pension eligible retirees over the past five years. This valuation assumes a retirement age of 62 for all future retirees.

Projected claim costs of the medical plan are shown in the chart below for retirees less than age 65.

Deductible Plan 200	Deductible Plan 500	Deductible Plan 1000
\$1,391.67	\$1,306.67	\$1,077.50

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) 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		
		School Nutrition	LECC (Daycare)	Total
Net position June 30, 2014, as previously reported	\$ 7,923,992	\$ 91,178	146,064	237,242
Net pension liability at June 30, 2014	(2,883,599)	(79,311)	(341,696)	(421,007)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	319,797	8,796	37,895	46,691
Net position July 1, 2014, as restated	<u>\$ 5,360,190</u>	<u>\$ 20,663</u>	<u>(157,737)</u>	<u>(137,074)</u>

(10) Categorical Funding

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

Program	Amount
Gifted and talented	\$ 29,387
Four-year-old preschool state aid	51,370
Teacher salary supplement	53,414
Home school assistance program	15,305
Professional development for model core curriculum	4,360
Teacher leadership grants	7,406
Total	<u>\$ 161,242</u>

(11) Detailed Reconciliation of Governmental Fund Balances to Net Position

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

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund Balance (Exhibit C)	\$ -	359,767	641,777	776,204
Capital assets, net of accumulated depreciation	11,827,796	-	-	-
General obligation bond capitalized indebtedness	(925,000)	-	-	-
Revenue bond capitalized indebtedness	(4,725,000)	-	-	-
Computer lease indebtedness	-	-	-	(324,955)
Termination benefits	-	(94,708)	-	-
Accrued interest payable	-	-	(99,787)	-
Compensated absences	-	-	-	(9,744)
Net OPEB liability	-	-	-	(122,536)
Income surtax	-	-	-	133,638
Net pension liability	-	-	-	(2,170,456)
Pension related deferred outflows	-	-	-	556,507
Pension related deferred inflows	-	-	-	(827,750)
Internal service fund	-	-	-	1,142
Net position (Exhibit A)	<u>\$ 6,177,796</u>	<u>265,059</u>	<u>541,990</u>	<u>(1,987,950)</u>

(12) Deficit Net Position

At June 30, 2015, the District had a deficit unrestricted net position of \$1,987,950 in the governmental activities. At June 30, 2015, the District had a deficit unrestricted net position in the School Nutrition Fund of \$56,870. The District also had a deficit unrestricted net position in the LECCEC (Daycare) Fund of \$240,500 and a deficit total net position of \$233,474.

(13) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and non-instructional programs functional area.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,585,213	972,263	4,557,476	5,146,515	5,146,515	(589,039)
State sources	4,989,398	2,573	4,991,971	4,520,093	4,520,093	471,878
Federal sources	109,461	150,550	260,011	231,500	231,500	28,511
Total revenues	<u>8,684,072</u>	<u>1,125,386</u>	<u>9,809,458</u>	<u>9,898,108</u>	<u>9,898,108</u>	<u>(88,650)</u>
Expenditures/Expenses:						
Instruction	5,376,364	-	5,376,364	5,301,076	5,301,076	(75,288)
Support services	2,215,198	800	2,215,998	2,652,720	2,652,720	436,722
Non-instructional programs	-	1,221,354	1,221,354	1,170,000	1,170,000	(51,354)
Other expenditures	1,600,868	-	1,600,868	1,884,359	1,884,359	283,491
Total expenditures/expenses	<u>9,192,430</u>	<u>1,222,154</u>	<u>10,414,584</u>	<u>11,008,155</u>	<u>11,008,155</u>	<u>593,571</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(508,358)	(96,768)	(605,126)	(1,110,047)	(1,110,047)	504,921
Other financing sources, net	435,000	12,750	447,750	-	-	447,750
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(73,358)	(84,018)	(157,376)	(1,110,047)	(1,110,047)	952,671
Balances beginning of year, as restated	2,564,315	(137,074)	2,427,241	2,145,619	2,145,619	281,622
Balances end of year	<u>\$ 2,490,957</u>	<u>(221,092)</u>	<u>2,269,865</u>	<u>1,035,572</u>	<u>1,035,572</u>	<u>1,234,293</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

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

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

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
(IN THOUSANDS)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 346	\$ 346	0.0	% \$ 2,674	12.94 %
2011	July 1, 2009	-	346	346	0.0	2,729	12.68
2012	July 1, 2009	-	346	346	0.0	3,052	11.34
2013	July 1, 2012	-	604	604	0.0	2,705	22.33
2014	July 1, 2012	-	604	604	0.0	3,438	17.57
2015	July 1, 2012	-	604	604	0.0	3,511	17.20

See Note 8 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.

LISBON 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	0.061460%
District's proportionate share of the net pension liability	\$ 2,487,344
District's covered-employee payroll	\$ 4,074,428
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.05%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON 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	\$ 363,846	366,488	327,277	289,441	236,482	229,563	208,150	175,817	161,765	157,154
Contributions in relation to the statutorily required contribution	(363,846)	(366,488)	(327,277)	(289,441)	(236,482)	(229,563)	(208,150)	(175,817)	(161,765)	(157,154)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,074,428	4,104,009	3,774,821	3,586,629	3,402,619	3,303,065	3,277,953	2,906,066	2,813,304	2,733,113
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.

LISBON 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.

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

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

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

LISBON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF NET POSITION - CASH BASIS
 DISCRETE COMPONENT UNIT
 JUNE 30, 2015

	Lisbon Community School District Foundation
Assets	
Cash	\$ 27,251
Certificates of deposit	5,210
Investments	254,388
Total Assets	286,849
 Total Liabilities	 -
 Net Position	
Restricted	60,013
Unrestricted	226,836
Total Net Position	\$ 286,849

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF SUPPORT, REVENUES, EXPENSES AND
CHANGES IN NET POSITION - CASH BASIS
DISCRETE COMPONENT UNIT
YEAR ENDED JUNE 30, 2015

	Lisbon Community School District Foundation		
	Unrestricted	Restricted	Total
	Funds	Funds	
SUPPORT AND REVENUE:			
Interest	\$ 21	1,019	1,040
Dividends	3,228	-	3,228
Donations	20,966	-	20,966
Unrealized gain on investments	4,296	-	4,296
Realized gain on investments	-	982	982
Other	685	-	685
TOTAL SUPPORT AND REVENUE	29,196	2,001	31,197
EXPENSES:			
Administration	978	351	1,329
Investment management	-	58	58
Scholarships	13,820	2,330	16,150
Unrealized loss on investments	-	3,152	3,152
Gifts given	2,000	-	2,000
Other	931	-	931
TOTAL EXPENSES	17,729	5,891	23,620
Change in net position	11,467	(3,890)	7,577
Net position beginning of year	215,369	63,903	279,272
Net position end of year	\$ 226,836	60,013	286,849

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 359,203	13,606	372,809
Receivables:			
Property tax:			
Delinquent	1,550	-	1,550
Succeeding year	210,000	-	210,000
Accounts	-	30,724	30,724
TOTAL ASSETS	\$ 570,753	44,330	615,083
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 986	12,486	13,472
Salaries and benefits payable	-	76	76
Total liabilities	986	12,562	13,548
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	210,000	-	210,000
Fund balances:			
Restricted for:			
Management levy purposes	359,767	-	359,767
Student activities	-	31,768	31,768
Total fund balances	359,767	31,768	391,535
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 570,753	44,330	615,083

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON 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	\$ 242,230	-	242,230
Other	17,493	186,445	203,938
TOTAL REVENUES	259,723	186,445	446,168
EXPENDITURES:			
Current:			
Instruction:			
Regular	75,118	-	75,118
Other	-	196,715	196,715
Support services:			
Administration	133,372	-	133,372
Operation and maintenance of plant	46,793	-	46,793
Transportation	9,537	-	9,537
TOTAL EXPENDITURES	264,820	196,715	461,535
Change in fund balances	(5,097)	(10,270)	(15,367)
Fund balances beginning of year	364,864	42,038	406,902
Fund balances end of year	\$ 359,767	31,768	391,535

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 354,326	101,287	455,613
Receivables:			
Property tax:			
Delinquent	-	919	919
Succeeding year	-	150,513	150,513
Due from other governments	102,894	-	102,894
TOTAL ASSETS	\$ 457,220	252,719	709,939
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	39,227	39,227
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	150,513	150,513
Fund balances:			
Restricted for:			
School infrastructure	457,220	-	457,220
Physical plant and equipment	-	62,979	62,979
Total fund balances	457,220	62,979	520,199
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 457,220	252,719	709,939

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	146,485	146,485
Other	11,430	60,594	72,024
State sources	660,548	-	660,548
TOTAL REVENUES	671,978	207,079	879,057
EXPENDITURES:			
Current:			
Instruction:			
Regular	435,000	-	435,000
Support services:			
Operation and maintenance of plant	-	44,624	44,624
Transportation	112,228	7,784	120,012
	112,228	52,408	164,636
Other expenditures:			
Capital outlay	255,163	135,244	390,407
TOTAL EXPENDITURES	802,391	187,652	990,043
Excess(Deficiency) of revenues over(under) expenditures	(130,413)	19,427	(110,986)
Other financing sources(uses):			
Transfer out	(537,704)	-	(537,704)
Computer lease proceeds	435,000	-	435,000
Total other financing sources(uses)	(102,704)	-	(102,704)
Change in fund balances	(233,117)	19,427	(213,690)
Fund balances beginning of year	690,337	43,552	733,889
Fund balances end of year	\$ 457,220	62,979	520,199

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON 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
Special Account	\$ 1,145	3,012	3,472	685
Cheerleaders	966	-	-	966
Boy's Basketball	1,000	4,779	5,779	-
Boy's Football	1,000	15,483	16,483	-
Boy's Baseball	-	30,228	30,201	27
Boy's Track	-	7,135	7,135	-
Boy's Wrestling	-	15,299	15,299	-
Girl's Basketball	1,000	4,639	5,639	-
Girl's Volleyball	1,000	5,828	6,695	133
Girl's Softball	239	5,139	5,378	-
Girl's Track	-	1,799	1,799	-
Golf	21	937	958	-
Athletics	-	8,323	8,323	-
National Honor Society	-	207	207	-
Speech	-	2,443	2,341	102
Yearbook	10,983	5,450	8,490	7,943
Student Council	2,288	7,896	6,865	3,319
Prom	-	2,800	2,800	-
Concessions	1,035	37,591	34,902	3,724
Dance	858	3,545	4,403	-
Drama	-	2,812	2,462	350
Ski Trip	1,741	-	1,741	-
Band Trip	7,838	5,517	11,868	1,487
Spanish Club	2,163	18	-	2,181
Art Club	176	30	-	206
PTO	1,926	1,504	1,717	1,713
Music Boosters	5,089	14,031	10,188	8,932
Band Uniform Replacement	1,570	-	1,570	-
Total	\$ 42,038	186,445	196,715	31,768

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LISBON 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	\$ 2,565,352	2,394,466	2,942,411	3,098,261	2,971,275	3,035,297	2,720,969	2,527,246	2,013,324	2,027,871
Tuition	655,522	535,027	460,870	376,070	327,475	237,095	273,011	270,870	330,755	284,428
Other	364,339	279,789	332,541	356,614	441,193	338,147	363,247	445,410	239,370	141,164
State sources	4,989,398	4,692,713	3,801,753	3,977,261	3,617,450	3,246,764	3,576,893	3,477,880	2,935,605	2,912,899
Federal sources	109,461	95,632	153,359	565,127	310,040	457,815	147,540	100,189	88,893	104,597
Total	\$ 8,684,072	7,997,627	7,690,934	8,373,333	7,667,433	7,315,118	7,081,660	6,821,595	5,607,947	5,470,959
Expenditures:										
Instruction:										
Regular	\$ 4,077,090	3,638,209	3,505,811	3,171,164	3,430,255	3,085,242	3,035,145	2,972,303	2,550,944	2,420,522
Special	763,133	742,830	713,063	666,228	646,388	541,597	699,861	654,870	673,032	394,806
Other	536,141	529,877	485,289	514,056	528,626	470,692	418,279	393,591	267,208	319,316
Support services:										
Student	175,305	162,396	157,773	133,750	125,921	120,292	112,795	101,531	93,398	73,875
Instructional staff	210,483	402,405	283,643	239,497	180,691	204,964	226,579	191,723	186,819	140,236
Administration	783,564	688,074	699,764	681,283	551,985	609,167	627,982	590,211	599,422	581,296
Operation and maintenance of plant	678,734	692,589	693,549	656,992	602,837	501,126	555,349	445,782	578,955	536,650
Transportation	367,112	230,662	302,607	223,425	223,799	279,528	197,320	187,178	144,258	276,250
Capital outlay	390,407	344,368	1,427,230	4,475,827	504,840	623,246	646,414	212,958	140,142	94,285
Long-term debt:										
Principal	695,045	540,000	635,184	357,991	246,180	120,000	115,000	134,970	128,900	105,000
Interest and fiscal charges	237,350	253,159	268,942	190,282	107,428	89,977	93,715	98,382	102,896	104,114
Other expenditures:										
AEA flow-through	278,066	258,183	243,802	243,885	258,079	257,435	226,561	213,345	191,995	186,036
Total	\$ 9,192,430	8,482,752	9,416,657	11,554,380	7,407,029	6,903,266	6,955,000	6,196,844	5,657,969	5,232,386

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

To the Board of Education of the Lisbon Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lisbon 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 23, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lisbon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lisbon Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lisbon 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 23, 2016
Newton, Iowa

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

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handles petty cash, replenishing petty cash and custody.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - purchasing, handling, counting and maintaining inventory records.
- 4) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 6) Payroll - approval of, and payment of payroll taxes.
- 7) Wire transfers - processing and approving.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - approval and posting.

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

Response - We will continue to look for additional ways to segregate duties in order to maintain the maximum internal controls possible.

Conclusion - Response accepted.

I-B-15 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an admission.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number, times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will review the internal controls that are in place for all activity events and implement additional internal control procedures whenever possible.

Conclusion - Response accepted.

I-C-15 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however, we noted numerous instances of purchase orders being dated after the invoices for purchases made.

Recommendation - The advantage of using a purchase order system is that approval of items purchased is 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's purchase order system will be reviewed and monitored to ensure that purchase orders are being done and expenditures approved prior to ordering.

Conclusion - Response accepted.

I-D-15 Supporting Documentation - We noted during our audit a check written to a vendor without an invoice or statement to be used as supporting documentation.

Recommendation - The District should review its procedures to ensure that all bills are supported, approved and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - Payment procedures will be reviewed to ensure that appropriate invoices and detailed receipts are received prior to issuing checks.

Conclusion - Response accepted.

I-E-15 Negative Lunch Account Balances - It was noted during the audit that the Nutrition Fund is carrying numerous negative student and adult lunch account balances on the books. It was noted that some of the negative accounts appear to be excessive in amount.

Recommendation - The District should review their procedures and policies in regard to negative student lunch account balances. The District should try various collection techniques to collect the balances from the families. Another option would be to give these families a free/reduced lunch application to see if they qualify.

Response - The Lunch account will continue to be monitored to ensure that balances remain in the black.

Conclusion - Response accepted.

II-F-15 Commodity Pricing - We noted during the audit that the commodity food listing was not priced out using the commodity values provided by the Department of Education.

Recommendation - The District should review their procedures to ensure that the commodity food is priced out correctly.

Response - Commodity pricing will be reviewed so that appropriate commodity values are provided to the Department of Education.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the amounts budgeted in the instruction and non-instructional programs functional areas.

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

Response - The district budget will be monitored more closely and amended if needed.

Conclusion - Response accepted.

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

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

II -D-15 Business Transactions - Business transactions between the District and District employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Stoneking, Custodian	Purchased services	\$1,306

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions do not appear to represent a conflict of interest.

II -E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II -F-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner as required by 279.35 of the Code of Iowa. We also noted that the District did not list all official depositories and the maximum amount to be kept at each depository as required by Iowa Code Chapter 12C.2.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa and the District should ensure compliance with Iowa Code Chapter 12C.2 in regards to the official depositories of the District.

Response - An annual depository designation will be added to the annual organizational meeting. Minutes will be published within 2 weeks of each board meeting.

Conclusion - Response accepted.

II -G-15 Certified Enrollment - We noted the enrollment data certified to the Iowa Department of Education was overstated by 2.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion - Response accepted.

- II -H-15 Supplementary Weighting - We noted no variances in the supplementary weighting data certified to the Department of Education.
- II -I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II -J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II -L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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, following information includes the amounts the District reports 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		\$	690,337
Revenues:			
Statewide sales, services and use tax revenue	\$	660,548	
Other revenue		11,430	
Sale of long-term debt		435,000	1,106,978
			<u>1,797,315</u>
Expenditures/Transfers out:			
School infrastructure:			
Equipment	\$	779,806	
School infrastructure construction		16,385	
Other		6,200	
Transfer to other funds:			
Debt service fund		537,704	1,340,095
			<u>1,340,095</u>
Ending balance		\$	<u>457,220</u>

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

- II-M-15 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - Non-certified staff members who also coach will be required to fill out timesheets in order to properly calculate minimum wage and overtime requirements.

Conclusion - Response accepted.

II-N-15 Financial Condition - At June 30, 2015, the District had a deficit unrestricted net position of \$1,987,950 in the governmental activities. At June 30, 2015, the District had a deficit unrestricted net position in the School Nutrition Fund of \$56,870. The District also had a deficit unrestricted net position in the LECCEC (Daycare) Fund of \$240,500 and a deficit total net position of \$233,474. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

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

Response - The District's governmental activities went deficit due to the implementation of GASB Statement No. 68 and No. 71 in fiscal year 2015 which require the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position.

Conclusion - Response accepted.