



Financial Statements
June 30, 2015

**West Lyon Community
School District 60**

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Name	Title	Term Expires
Board of Education		
Scott Lee	President	September 2017
Gib Van Hill	Vice President	September 2015
Kyle Knobloch	Board Member	September 2017
Derek Knobloch	Board Member	September 2015
Troy Bauder	Board Member	September 2017
School Officials		
Jim Hargens	Superintendent	
Robert Tracy	Secretary/Business Manager	
Lyle Impehoven	Treasurer	
Tom Whorley	Attorney	



Independent Auditor's Report

To the School Board
West Lyon Community School District 60
Inwood, Iowa

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 the West Lyon Community School District 60, Inwood, Iowa (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Emphasis of Matter

As discussed in Notes 1 and 11 to the financial statements, the District has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of district contributions, schedule of the district's proportionate share of the net pension liability and the schedule of funding progress as listed in the table of contents 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The school district officials, combining and individual fund schedules, changes in student activity accounts, schedule of revenues by source and expenditures by function and schedule of findings and responses are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund schedules, changes in student activity accounts, schedule of revenues by source and expenditures by function are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules, changes in student activity accounts, schedule of revenues by source and expenditures by function are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of school district officials and schedule of findings and responses has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2015 on our consideration of West Lyon Community School District 60's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sallee LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota
October 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- The District received non-competitive gaming grant funding from the Lyon County Riverboat Foundation in FY15. The amount received for the fiscal year totaled \$175,569. Similar amounts are expected to be received in future fiscal years.
- The District saw income surtaxes paid decrease by 10.42% from \$501,974 in FY14 to \$449,654 in FY15. This appears to indicate a reduction in profitability of farming in the local economy. Corn prices have dropped substantially in the past year.
- The District's FY15 tax levy was the 17th lowest of 357 schools in the State of Iowa. The total levy rate was \$9.87846 per \$1000 valuation.
- Meals prices were increased 5.26% for students and 0.00% for adults to comply with federal guidelines. Higher food costs were offset by the reduction in man hours as the number of meals served has been lower since the inception of the Healthy, Hunger Free Kids Act.
- GASB 68 calculations had a substantial influence on the district Proprietary Fund retained earnings, and recognition of Long Term Debt. The effect can be seen in Figure A-7.
- The District experienced a decrease in enrollment of 2 students in FY15. This marks the first year with an enrollment decrease in the last six years. Enrollment at the District has increased by 136 students (18.42%) since FY09. Early indications are that the enrollment for FY16 will increase about twenty students. So this trend downward will be short lived.
- General Fund revenues increased from \$8,060,664 in FY14 to \$8,554,961 in FY15. General Fund expenditures increased from \$7,955,570 in FY14 to \$8,188,206 in FY15. The District's General Fund year-end balance increased \$367,806 or 19.89 percent in FY15. The increase in year-end balance was mostly the result of reserves from LCRF grants and the Preschool program, and decreased special ed tuition, transportation fuel costs, and electrical costs related to heating. The increase in expenditures was due primarily to additions to the instructional staff and the increases in wages and benefits.
- The district voted upon and passed a VPPEL for 67 cents per thousand. The proceeds of this new tax will be used to pay the debt on a \$2,200,000 classroom/security entrance addition that was begun in April of 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 Assets and a Statement of Activities. These provide information about the activities of West Lyon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Lyon 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 West Lyon Community School District acts solely as an agent or custodian for the benefit of others.

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 as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District. Because the District did not have Federal Awards of more than \$500,000 in FY15, this schedule is not included in this audit report.

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

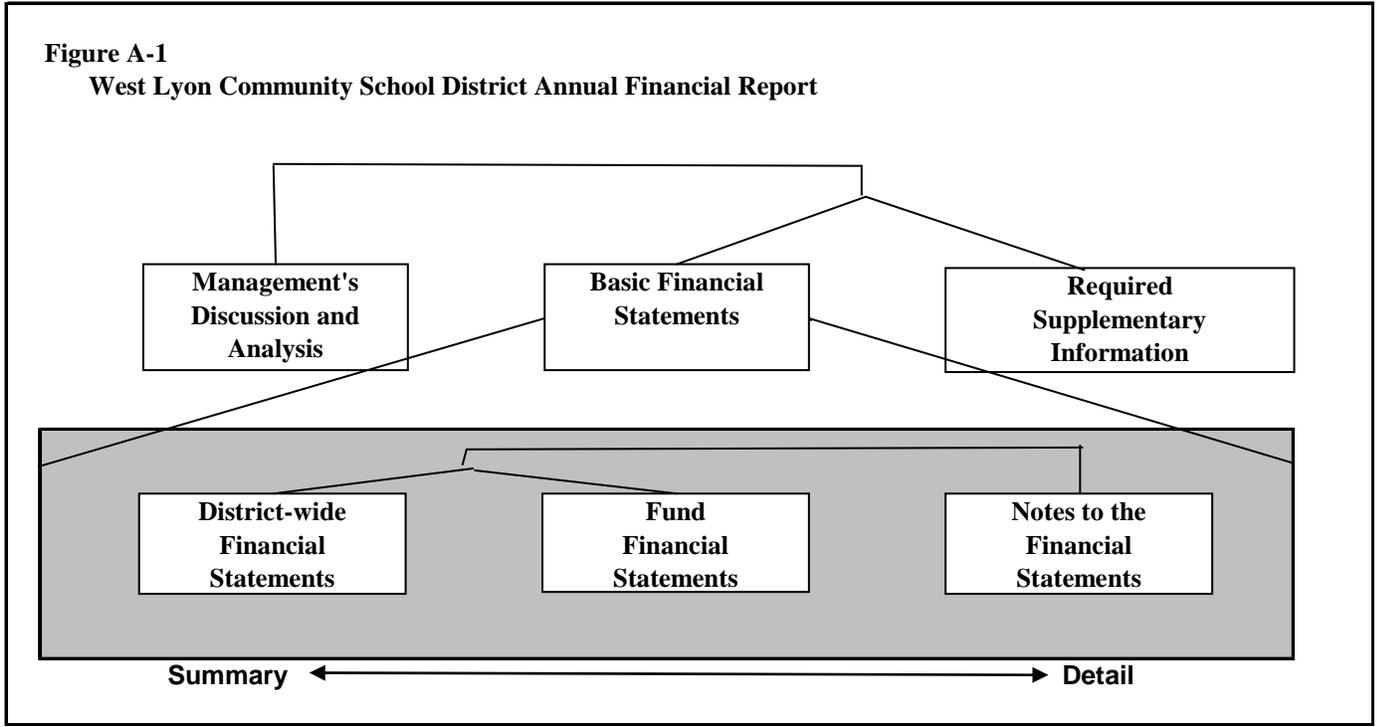


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and 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, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for 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 one Enterprise Fund, the School Nutrition Funds.

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

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 Assets

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	(Not Restated) 2014	2015	(Not Restated) 2014	2015	(Not Restated) 2014	2014- 2015
Current and other assets	\$11,388,827	\$8,197,419	112,675	107,098	\$11,501,502	\$8,304,517	38.50%
Capital assets	6,119,801	5,524,750	35,312	34,870	6,155,113	5,559,620	10.71%
Total assets	17,508,628	13,722,169	147,987	141,968	17,656,615	13,864,137	27.35%
Pension Related Deferred Outflows	633,243	-	15,417	-	648,660	-	100+%
Long-term liabilities	7,722,690	3,030,785	65,410	-	7,788,100	3,030,785	156.97%
Other liabilities	6,731,037	4,321,295	38,504	11,186	6,769,541	4,735,538	42.95%
Total liabilities	14,453,727	7,755,132	103,914	11,186	14,557,641	7,766,318	87.45%
Net assets:							
Invested in capital assets, net of related debt	2,023,023	3,402,888	28,020	31,728	2,051,043	3,434,616	-40.3%
Restricted	4,005,518	2,193,004	31,470	99,054	4,036,988	2,292,058	76.13%
Unrestricted	-2,340,397	371,145	-	-	-2,340,397	371,145	730.6%
Total net assets	\$3,688,144	\$5,967,037	\$59,490	\$130,782	\$3,747,634	\$6,097,819	-38.54%

This section explains the differences between the current and prior year's assets, liabilities, and changes in net position.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established on how they can be used. As noted earlier, the District was forced to use cash reserve local property taxes to fund part of its operations in FY15.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,231,364 and \$79,902, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

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

Figure A-4
Changes in Net Assets

	Government		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	(Not Restated) 2014	2015	(Not Restated) 2014	2015	(Not Restated) 2014	2014-2015
Revenues:							
Program revenues:							
Charges for services	\$ 340,436	\$ 352,079	\$ 215,589	\$ 199,949	\$ 556,025	\$ 552,028	.72%
Operating grants, contributions and restricted interest	1,504,869	1,540,910	159,112	158,813	1,663,981	1,699,723	-2.10%
General Revenues:							
Property tax	3,460,703	3,071,698	-	-	3,460,703	3,071,698	12.66%
Local option sales and income surtaxes	1,297,884	1,268,706	-	-	1,297,884	1,268,706	2.30%
Unrestricted state grants	3,401,983	3,159,017	-	-	3,401,983	3,159,017	7.69%
Unrestricted investment earnings	9,610	7,999	66	60	9,676	8,059	20.06%
Other	117,675	142,390	-	-	117,675	142,390	-17.36%
Total revenues	10,133,160	9,542,799	374,767	358,822	10,507,927	9,901,621	6.12%
Program expenses:							
Government activities:							
Instruction	6,113,930	6,239,572	-	-	6,113,930	6,239,572	-2.01%
Support services	2,440,640	2,057,360	-	-	2,440,640	2,057,360	18.63%
Non-instructional programs	-	-	366,157	348,481	366,157	348,481	5.07%
Other expenses	626,119	539,835	-	-	626,119	539,835	14.13%
Total expenses	9,180,689	8,836,767	366,157	348,481	9,546,846	9,185,248	3.94%
Change in net assets	\$ 952,471	\$ 706,032	\$ 8,610	\$ 10,341	\$ 961,081	\$ 716,373	34.16%

Property taxes, sales taxes and unrestricted state grants account for approximately 80.53% of total revenue for West Lyon CSD. The District's expenses primarily relate to instruction and support services, which account for more than 93.2% of the total expenses.

Governmental Activities

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2015	(Not Restated) 2014	Change 2014-2015	2015	(Not Restated) 2014	Change 2014-2015
Instruction	\$ 6,113,930	\$ 6,239,572	-2.01%	\$ 4,715,222	\$ 4,763,778	-1.02%
Support Services	2,440,640	2,057,360	18.63%	2,368,246	1,986,079	19.24%
Other Expenses	626,119	539,835	15.98%	251,916	193,921	29.91%
Totals	\$ 9,180,689	\$ 8,836,767	3.89%	\$ 7,335,384	\$ 6,943,778	5.64%

- The cost financed by users of the District's programs was \$340,436, down -3.31% from FY14.
- Federal and state grants subsidized certain programs with grants and contributions totaling \$1,540,910, up 12.10% from FY14.
- The net cost of government activities was financed with \$4,758,587 in property and other local taxes (up 9.63% from FY14) and \$3,401,983 in unrestricted state grants (up 7.69% from FY14).

Business Type Activities

Revenues for business type activities were \$374,768 and expenses were \$366,157. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During FY15, the District made a slight increase in meal prices for students and for adults. Meal participation decreased by 85 students per day, since the start of the Healthy, Hunger-Free Kids Act of 2010. To offset this and increased costs for food under the Act, the District reduced man-hours and closely watched food costs. Under GASB 68, the district had to restate its IPERS contribution in the proprietary fund by \$79,902. As a result, the District to experience a slight increase in net assets for business type activities of \$8,610.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Lyon 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 a combined fund balance of \$5,668,403, which is up from last year's ending fund balance of \$3,474,394. The primary reason for the increase in combined fund balances in FY15 is due to an increase in fund balance in the PPEL Fund as a result of unexpended proceeds from Capital Loan Notes taken out for the 2015 construction addressed earlier in this report. The total Capital Projects ending balance increased by \$3,270,493 (174.43%) in FY15.

Governmental Fund Highlights

- The District's General Fund financial position became a little stronger due to the efforts of its Board of Education. As noted above, the combination of increased enrollments for the past six years, reduced costs in tuition, transportation fuel, electricity for heating, and Lyon County Riverboat grants has allowed the District to see its ending Fund Balance increase in FY15.
- The Nonmajor Special Revenue fund balance increased by \$253,259 in FY15.
- The Capital Projects Fund balance decreased by \$242,841 during the FY15 school year, due in large part to increased SAVE revenue. The fund ended the year with a balance of \$1,434,593 consisting of unexpended sales tax revenues reserved for debt service and capital projects.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from June 30, 2014 to June 30, 2015, by \$8,610, representing an increase of 16.92%. State and Federal reimbursement increased for the year due to an increase in federal reimbursement per meal and an increase in the free/reduced price meal population.

BUDGETARY HIGHLIGHTS

Over the course of the year, West Lyon Community School District amended its budget one time, in May of 2015. The District did so to reflect additional revenues and expenditures associated with the daily operation of the school, as well as the revenue and expenditures related to Riverboat Foundation grants and the sale of \$2,200,000 in capital loan notes.

Expenditures were less than budgeted. The District chose to estimate expenses at a high level to ensure that it did not exceed its spending authority. The District, again in May, chose to amend the budget in an amount that would prevent it from exceeding its authorized budget. The certified budget was not exceeded in any functional area for fiscal year 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$6,147,821, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, A-V equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year is \$326,515.

The original cost of the District's equipment was \$11,719,016. Governmental funds accounted for \$11,621,817 of that amount and \$97,199 is accounted for in the Proprietary, School Nutrition Fund.

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	2014-2015
Land	\$39,494	\$39,494	\$-	\$-	\$39,494	\$39,494	0.00%
Buildings	5,042,276	4,642,134	-	-	5,042,276	4,642,134	8.62%
Improvements other than buildings	260,288	159,443	-	-	260,288	159,443	63.25%
Furniture and equipment	777,743	683,679	28,020	31,728	805,763	715,407	12.63%
Totals	\$6,119,801	\$5,524,750	\$28,020	\$31,728	\$6,147,821	\$5,556,478	10.64%

Long-term Debt

On June 30, 2015, the District had \$7,722,690 in general obligation and other long-term debt outstanding. This represents an increase from last year when the District had a total of \$3,030,785 in long-term debt. Most of the increase in debt was related to the issuance of Capital Loan Notes (\$2,200,000) and the implementation of GASB 68 (IPERS Net Pension Liability \$2,645,283). The District decreased its obligations under its early retirement policy by \$72,378 in FY15.

In December of 2014, the District's voters authorized the addition of a 67-cent Voter Approved Physical Plant and Equipment Levy to be used to pay for capital loan notes related to a \$2,200,000 construction project. The construction project was for the addition of elementary classrooms and a secured school entrance and nurse's station.

In December 2003, the District's voters authorized the issuance of \$3,800,000 in general obligation bonds to pay for construction of a new gymnasium, locker rooms, band rooms, student commons, restrooms, and the remodeling of a study hall, library, and current gymnasium. In 2012, the District re-financed those bonds in order to save on interest owed/paid. This change will save the District, on average, \$30,000 in interest paid per year. The debt associated with the bond issue represents a substantial part of the District's long-term debt.

The District also has a long-term obligation for early retirement compensation of \$230,407 at the end of fiscal year 2015.

**Figure A-7
Outstanding Long-Term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
GOB and Capital Loan Notes	\$4,095,000	\$2,120,000	93.16%
Early Retirement, Net Pension Liab, and OPEB	<u>3,627,690</u>	<u>910,785</u>	<u>298.30%</u>
Totals	<u><u>\$7,722,690</u></u>	<u><u>\$3,030,785</u></u>	<u><u>154.81%</u></u>

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 affect its financial health in the future:

- The District's enrollment has increased in the past six years. Though the high school enrollment is the smallest on record, the elementary enrollment is the largest since the early 1990s.
- The District passed a VPPEL of 67-cents per thousand. The proceeds of which will be used to make debt payments on the Capital Loan Notes taken out to fund an elementary classroom and secure entrance addition.
- The District negotiates salary and benefits with the West Lyon Education Association (WLEA) on an annual basis. Total package settlements with the WLEA have been at state average.
- The District has a generous Early Retirement incentive. Older staff members have indicated they will take advantage of the District's Early Retirement Policy. This will allow the school to reduce some employee related salary and benefit expenses in the General Fund.
- The District struggles with teacher master contract language that requires the school to pay full family health insurance premiums for instructors who are .80 FTE or greater. This has created a burden on the District and makes its salary schedule somewhat unattractive to new teachers.
- The District continues to look for ways to reduce expenditures. Given local and legislative pressure, the District currently employs a half time Superintendent.
- The productivity on land within the district has gone up substantially in the past few years. Valuations, which are based somewhat more on land productivity rather than value, have increased because of this. The District has also seen increased valuations of nearly \$65,000,000 over a three-year period due to the addition of the Grand Falls Casino on the tax rolls. This increase has been tempered by a Lyon County TIF of 40% on that value to be used for County repair of infrastructure.

- Grand Falls Casino began operations in FY12 and this has had a positive effect on valuations in the District. That said, revenues for the District are student driven and this increase in valuations has had little effect on the over all revenues to the District. But the Casino also funds the Lyon County Riverboat Foundation that provides competitive and non-competitive grants and donations to Lyon County schools. As stated previously, the District received \$175,569 from the Foundation in FY15.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Tracy, District Secretary and Business Manager, West Lyon Community School District, 1787 IA 182 Ave., Inwood, IA 51240.

West Lyon Community School District 60

Exhibit A

Statement of Net Positions

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 6,913,081	\$ 112,675	\$ 7,025,756
Receivables			
Property tax:			
Delinquent	24,728	-	24,728
Succeeding year	3,751,320	-	3,751,320
Income surtax	451,707	-	451,707
Other	1,065	-	1,065
Accrued interest	128	-	128
Due from other governments	246,798	-	246,798
Inventories	-	7,292	7,292
Capital assets, net of accumulated depreciation	6,119,801	28,020	6,147,821
Total assets	17,508,628	147,987	17,656,615
Deferred Outflows of Resources			
Pension related deferred outflows	633,243	15,417	648,660
Liabilities			
Accounts payable	638,164	41	638,205
Salaries and benefits payable	867,936	5,489	873,425
Due to other governments	11,297	-	11,297
Accrued interest payable	1,778	-	1,778
Unearned revenue	-	8,029	8,029
Long-term liabilities			
Due within one year			
General obligation bonds	225,000	-	225,000
Notes	210,000	-	210,000
Early retirement	35,794	-	35,794
Due in more than one year			
General obligation bonds	1,670,000	-	1,670,000
Notes	1,990,000	-	1,990,000
Early retirement	194,613	-	194,613
Net pension liability	2,645,283	65,410	2,710,693
Net OPEB liability	752,000	-	752,000
Total liabilities	9,241,865	78,969	9,320,834
Deferred Inflows of Resources			
Unavailable revenues:			
Succeeding year property tax	3,751,320	-	3,751,320
Income surtax	451,707	-	451,707
Pension related deferred inflows	1,008,835	24,945	1,033,780
Total deferred inflows of resources	5,211,862	24,945	5,236,807

West Lyon Community School District 60

Exhibit A

Statement of Net Positions

June 30, 2015

Net Position			
Net investment in capital assets	\$ 2,023,023	\$ 28,020	\$ 2,051,043
Restricted for:			
Debt service	255,807	-	255,807
Other purposes	554,206	-	554,206
School nutrition	-	31,470	31,470
Management levy purposes	67,920	-	67,920
Student activities	103,430	-	103,430
School infrastructure	1,188,255	-	1,188,255
Physical plant and equipment	1,835,900	-	1,835,900
Unrestricted	<u>(2,340,397)</u>	<u>-</u>	<u>(2,340,397)</u>
Total net position	<u>\$ 3,688,144</u>	<u>\$ 59,490</u>	<u>\$ 3,747,634</u>

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 4,214,191	\$ 223,444	\$ 882,606
Special instruction	987,751	-	104,346
Other instruction	911,988	116,192	72,120
	<u>6,113,930</u>	<u>339,636</u>	<u>1,059,072</u>
Support services:			
Student	228,593	-	24,385
Instructional staff	216,781	-	7,800
Administration	595,331	-	-
Operation and maintenance of plant	796,927	800	-
Transportation	603,008	-	39,409
	<u>2,440,640</u>	<u>800</u>	<u>71,594</u>
Other expenditures:			
Facilities acquisition and construction	59,850	-	-
Long-term debt interest and bond issuance costs	11,564	-	-
AEA flowthrough	374,203	-	374,203
Depreciation (unallocated)*	180,502	-	-
	<u>626,119</u>	<u>-</u>	<u>374,203</u>
Total governmental activities	9,180,689	340,436	1,504,869
Business type activities:			
Non-instructional programs:			
Food service operations	366,157	215,589	159,112
Total	<u>\$ 9,546,846</u>	<u>\$ 556,025</u>	<u>\$ 1,663,981</u>
General revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Statewide sales, services and use tax			
Income surtaxes			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year, as restated			
Net position end of year			

*This amount excludes the depreciation included in the direct expenses of the various programs

See Notes to Financial Statements

West Lyon Community School District 60
 Exhibit B
 Statement of Activities
 Year Ended June 30, 2015

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (3,108,141)	\$ -	\$ (3,108,141)
(883,405)	-	(883,405)
(723,676)	-	(723,676)
(4,715,222)	-	(4,715,222)
(204,208)	-	(204,208)
(208,981)	-	(208,981)
(595,331)	-	(595,331)
(796,127)	-	(796,127)
(563,599)	-	(563,599)
(2,368,246)	-	(2,368,246)
(59,850)	-	(59,850)
(11,564)	-	(11,564)
-	-	-
(180,502)	-	(180,502)
(251,916)	-	(251,916)
(7,335,384)	-	(7,335,384)
	8,544	8,544
\$ (7,335,384)	\$ 8,544	\$ (7,326,840)
\$ 3,094,922	\$ -	\$ 3,094,922
8,019	-	8,019
357,762	-	357,762
848,230	-	848,230
449,654	-	449,654
3,401,983	-	3,401,983
9,610	66	9,676
117,675	-	117,675
8,287,855	66	8,287,921
952,471	8,610	961,081
2,735,673	50,880	2,786,553
\$ 3,688,144	\$ 59,490	\$ 3,747,634

West Lyon Community School District 60

Exhibit C

Balance Sheet – Governmental Funds

June 30, 2015

	General	Debt Service	Capital Projects		Nonmajor	Total
			Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy		
Assets						
Cash, cash equivalents and pooled investments	\$ 3,007,050	\$ 9,416	\$ 1,303,845	\$ 2,384,013	\$ 208,757	\$ 6,913,081
Receivables:						
Property tax:						
Delinquent	22,177	53	-	829	1,669	24,728
Succeeding year	3,115,956	1,888	-	378,300	255,176	3,751,320
Income surtax receivable	451,707	-	-	-	-	451,707
Other	15	-	-	-	1,050	1,065
Accrued interest	-	-	128	-	-	128
Due from other governments	116,178	-	130,620	-	-	246,798
Total assets	\$6,713,083	\$ 11,357	\$ 1,434,593	\$ 2,763,142	\$ 466,652	\$11,388,827
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 49,096	\$ -	\$ -	\$ 548,942	\$ 40,126	\$ 638,164
Salaries and benefits payable	867,936	-	-	-	-	867,936
Due to other governments	11,297	-	-	-	-	11,297
Total liabilities	928,329	-	-	548,942	40,126	1,517,397
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	3,115,956	1,888	-	378,300	255,176	3,751,320
Income surtax	451,707	-	-	-	-	451,707
Total deferred inflows of resources	3,567,663	1,888	-	378,300	255,176	4,203,027
Fund Balances:						
Restricted for:						
Debt service	-	9,469	246,338	-	-	255,807
Early literacy	29,576	-	-	-	-	29,576
Professional development	25,697	-	-	-	-	25,697
Salary improvement	264,607	-	-	-	-	264,607
Core curriculum	65,506	-	-	-	-	65,506
Management levy purposes	-	-	-	-	67,920	67,920
Student activities	-	-	-	-	103,430	103,430
School infrastructure	-	-	1,188,255	-	-	1,188,255
Physical plant and equipment	-	-	-	1,835,900	-	1,835,900
Committed for gaming grants	168,820	-	-	-	-	168,820
Unassigned	1,662,885	-	-	-	-	1,662,885
Total fund balances	2,217,091	9,469	1,434,593	1,835,900	171,350	5,668,403
Total liabilities, deferred inflows of resources and fund balances	\$6,713,083	\$ 11,357	\$ 1,434,593	\$ 2,763,142	\$ 466,652	\$11,388,827

West Lyon Community School District 60

Exhibit D

Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position

June 30, 2015

Total fund balances of governmental funds		\$ 5,668,403
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		6,119,801
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(1,778)
Pension related to 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	633,243	
Deferred inflows of resources	<u>(1,008,835)</u>	(375,592)
Long-term liabilities, including bonds, early retirement and OPEB liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(7,722,690)</u>
Net positions of governmental activities		<u><u>\$ 3,688,144</u></u>

West Lyon Community School District 60

Exhibit E

Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds

Year Ended June 30, 2015

	General	Debt Service	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Nonmajor	Total
Revenues:						
Local sources:						
Local tax	\$ 3,544,576	\$ 8,029	\$ 838,443	\$ 124,841	\$ 232,921	\$ 4,748,810
Other	283,720	-	-	132	373,167	657,019
State sources	4,566,172	2	-	38	76	4,566,288
Federal sources	160,493	-	-	-	-	160,493
Total revenues	<u>8,554,961</u>	<u>8,031</u>	<u>838,443</u>	<u>125,011</u>	<u>606,164</u>	<u>10,132,610</u>
Expenditures:						
Instruction:						
Regular	4,167,838	-	-	-	162,689	4,330,527
Special	1,018,444	-	-	-	-	1,018,444
Other	575,917	-	-	-	355,625	931,542
	<u>5,762,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>518,314</u>	<u>6,280,513</u>
Support services:						
Student	235,842	-	-	-	-	235,842
Instructional staff	169,889	-	-	-	-	169,889
Administration	596,488	-	-	-	2,075	598,563
Operation and maintenance of plant	542,159	-	285,916	6,140	51,206	885,421
Transportation	507,426	-	9,836	103,128	22,624	643,014
	<u>2,051,804</u>	<u>-</u>	<u>295,752</u>	<u>109,268</u>	<u>75,905</u>	<u>2,532,729</u>
Other expenditures:						
Facilities acquisition	-	-	59,850	635,547	-	695,397
AEA flowthrough	374,203	-	-	-	-	374,203
Long-term debt:						
Principal	-	225,000	-	-	-	225,000
Interest and fiscal charges	-	22,850	-	-	-	22,850
	<u>374,203</u>	<u>247,850</u>	<u>59,850</u>	<u>635,547</u>	<u>-</u>	<u>1,317,450</u>
Total expenditures	<u>8,188,206</u>	<u>247,850</u>	<u>355,602</u>	<u>744,815</u>	<u>594,219</u>	<u>10,130,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>366,755</u>	<u>(239,819)</u>	<u>482,841</u>	<u>(619,804)</u>	<u>11,945</u>	<u>1,918</u>
Other financing sources (uses):						
Sale of equipment	1,051	-	-	-	-	1,051
Transfer in	-	240,000	-	-	-	240,000
Transfer out	-	-	(240,000)	-	-	(240,000)
Capital note issued	-	-	-	2,190,500	-	2,190,500
Total other financing sources (uses)	<u>1,051</u>	<u>240,000</u>	<u>(240,000)</u>	<u>2,190,500</u>	<u>-</u>	<u>2,191,551</u>
Net change in fund balances	367,806	181	242,841	1,570,696	11,945	2,193,469
Fund balances beginning of year	<u>1,849,285</u>	<u>9,288</u>	<u>1,191,752</u>	<u>265,204</u>	<u>159,405</u>	<u>3,474,934</u>
Fund balances end of year	<u>\$ 2,217,091</u>	<u>\$ 9,469</u>	<u>\$ 1,434,593</u>	<u>\$ 1,835,900</u>	<u>\$ 171,350</u>	<u>\$ 5,668,403</u>

West Lyon Community School District 60

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
to the Statement of Activities
Year Ended June 30, 2015

Net change in fund balances - total governmental funds \$ 2,193,469

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 exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 918,858	
Depreciation expense	<u>(323,807)</u>	595,051

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 Positions. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Positions.

Issued	(2,200,000)	
Repaid	<u>225,000</u>	(1,975,000)

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

84

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

423,495

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 government funds, as follows:

Early retirement	72,378	
Pension expenses	(213,006)	
Other postemployment benefits	<u>(144,000)</u>	<u>(284,628)</u>

Change in net position of governmental activities \$ 952,471

West Lyon Community School District 60

Exhibit G

Statement of Net Position

Proprietary Fund

June 30, 2015

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 112,675
Accounts receivable	-
Inventories	7,292
Capital assets, net of accumulated depreciation	28,020
Total assets	<u>147,987</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>15,417</u>
Liabilities	
Accounts payable	41
Salaries and benefits payable	5,489
Unearned revenue	8,029
Net pension liability	65,410
Total liabilities	<u>78,969</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>24,945</u>
Net Position	
Invested in capital assets	28,020
Restricted for school nutrition	<u>31,470</u>
Total net position	<u>\$ 59,490</u>

West Lyon Community School District 60
 Exhibit H
 Statement of Revenues, Expenses and Changes in Fund Net Positions
 Proprietary Fund
 Year Ended June 30, 2015

	School Nutrition
Operating revenues:	
Local sources:	
Sale of lunches	\$ 213,997
Miscellaneous	1,592
Total operating revenues	215,589
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	137,546
Supplies	190,985
Other	5,076
Depreciation	3,708
Federal food commodities used	28,842
Total operating expenses	366,157
Operating loss	(150,568)
Non-operating revenues:	
State sources	3,732
Federal sources	155,380
Interest income	66
Total non-operating revenues	159,178
Change in net position	8,610
Net position beginning of year, as restated	50,880
Net position end of year	\$ 59,490

West Lyon Community School District 60

Exhibit I

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2015

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 215,945
Cash received from miscellaneous operating activities	1,592
Cash paid to employees for services	(142,087)
Cash paid to suppliers for goods or services	(200,209)
Net cash used by operating activities	(124,759)
Cash flows from non-capital financing activities:	
State grants received	3,732
Federal grants received	126,538
Net cash provided by non-capital financing activities	130,270
Cash flows from capital and related financing activity	
Purchase of property and equipment	-
Cash flows from investing activity	
Interest on investments	66
Net decrease in cash and cash equivalents	5,577
Cash and cash equivalents at beginning of year	107,098
Cash and cash equivalents at end of year	\$ 112,675
Reconciliation of operating loss to net cash used by	
Operating activities:	
Operating loss	\$ (150,568)
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	3,708
Commodities used	28,842
Change in inventories	(4,150)
Change in accounts payable	2
Change in salaries and benefits payable	423
Change in deferred revenue	1,948
Change in net pension liability	(24,130)
Change in deferred outflows of resourced	(5,779)
Change in deferred inflows of resources	24,945
Net cash used by operating activities	\$ (124,759)

Note 1 - Summary of Significant Accounting Policies

The West Lyon Community School District 60 (District) is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Inwood, Larchwood, Lester and Alford, Iowa and the predominate agricultural territory surrounding such in Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, West Lyon Community School District 60 has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The West Lyon Community School District 60 has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Statements

The Statement of Net Position and the Statement of Activities report information on all the activities of the District. For the most part, the effect of the 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 assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net positions. Net positions are reported in three categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The restricted for other, as stated in the balance sheet of the governmental funds statement, are to be used for professional development, salary improvement, the District's at-risk program and core curriculum program.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when 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 are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted net position and then unrestricted.

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 the Enterprise Fund 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. Other Significant Accounting Policies

Cash, Cash Equivalents and Pooled Investments

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

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

Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% 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 tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Income Surtax

Income surtax in governmental funds is accounted for using the modified accrual basis of accounting. Income surtax is levied as part of the instructional support program (ISP). The District’s surtax rate is 10% which is applied to income taxes residing in the District. The income surtax receivable represents income 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. Although the receivable has been recorded, the related revenue is unearned in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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.

As of June 30, 2015, the due from other governments consisted of the following:

Due from	Amount
State	\$ 185,042
Federal	61,756
	\$ 246,798

Inventories

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

Capital Assets

Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Positions. 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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20-50
Furniture and equipment	5-15

Deferred Outflow of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period 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 before the end of the employer's reporting period.

Salaries and Benefits Payable

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

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 Positions.

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.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of July 1, 2014, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 11 and the additional disclosures required by these standards are included in Note 6.

Deferred Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and income surtax receivables not collected within sixty days after year end and the change in the net pension liability not included in pension expense reported in the government-wide statement of net position.

Fund Balance:

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

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is the school board, through an ordinance or resolution. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same action it employed to commit those amounts.

- Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The school board has the authority to assign a fund balance.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District did not approve a specific amount to maintain as a minimum unassigned general fund balance. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

E. Budgets and Budgetary Accounting

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

Note 2 - Cash, Cash Equivalents and Pooled Investments

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust (ISJIT) Direct Government Obligations Portfolio which are valued at an amortized cost of \$16,833. The ISJIT is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pools shares.

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

The following is considered the most significant risk associated with deposits:

- Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

The following is a reconciliation of cash and investments as shown on the financial statements:

Cash deposits and petty cash	\$	6,808,923
Certificates of deposit		<u>200,000</u>
Cash and cash equivalents		7,008,923
Investment in ISJIT		<u>16,833</u>
		<u><u>\$ 7,025,756</u></u>

Note 3 - Interfund Transfer

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	<u><u>\$ 240,000</u></u>

Transfers to the Debt Service Fund are for the principal and interest payments of the general obligation bond.

West Lyon Community School District 60
Notes to Financial Statements
June 30, 2015

Note 4 - Capital Assets

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

<u>Governmental Activities:</u>	<u>Balance 06/30/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance 06/30/15</u>
Capital assets not being depreciated:					
Land	\$ 39,494	\$ -	\$ -	\$ -	\$ 39,494
Construction in progress	-	645,047	-	-	645,047
Total capital assets not being depreciated	<u>39,494</u>	<u>645,047</u>	<u>-</u>	<u>-</u>	<u>684,541</u>
Capital assets being depreciated:					
Buildings	7,323,136	28,516	-	-	7,351,652
Improvements other than buildings	570,991	-	-	-	570,991
Machinery and equipment	3,657,334	245,295	203,455	(43,465)	3,655,709
Total capital assets being depreciated	<u>11,551,461</u>	<u>273,811</u>	<u>203,455</u>	<u>(43,465)</u>	<u>11,578,352</u>
Less accumulated depreciation for:					
Buildings	2,802,608	151,815	-	-	2,954,423
Improvements other than buildings	291,728	18,975	-	-	310,703
Machinery and equipment	2,971,869	153,017	203,455	(43,465)	2,877,966
Total accumulated depreciation	<u>6,066,205</u>	<u>323,807</u>	<u>203,455</u>	<u>(43,465)</u>	<u>6,143,092</u>
Total capital assets being depreciated, net	<u>5,485,256</u>	<u>(49,996)</u>	<u>-</u>	<u>-</u>	<u>5,435,260</u>
Governmental activities capital assets, net	<u>\$ 5,524,750</u>	<u>\$ 595,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,119,801</u>
<u>Business Type Activities:</u>	<u>Balance 06/30/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance 06/30/15</u>
Furniture and equipment	\$ 97,199	\$ -	\$ -	\$ 43,465	\$ 140,664
Less accumulated depreciation	<u>65,471</u>	<u>3,708</u>	<u>-</u>	<u>43,465</u>	<u>112,644</u>
Business type activities capital assets, net	<u>\$ 31,728</u>	<u>\$ 3,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,020</u>

Depreciation expense for the year ended June 30, 2015 was charged to the following functions/programs:

Governmental activities:	
Instruction:	\$ -
Support services:	
Instructional staff	51,539
Administration	15,242
Operation and maintenance of plant	4,573
Transportation	71,951
	<u>143,305</u>
Unallocated	180,502
Total depreciation expense - governmental activities	<u>\$ 323,807</u>
Business type activities:	
Food service operations	<u>\$ 3,708</u>

Note 5 - Long-Term Liabilities

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

	Restated Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Due in One Year
Governmental activities:					
General obligation bonds	\$ 2,120,000	\$ -	\$ 225,000	\$ 1,895,000	\$ 225,000
G.O. Capital loan note	-	2,200,000	-	2,200,000	210,000
Early retirement	302,785	-	72,378	230,407	35,794
Net pension liability	3,621,122	-	975,839	2,645,283	-
Net OPEB liability	608,000	200,000	56,000	752,000	-
	<u>\$ 6,651,907</u>	<u>\$ 2,400,000</u>	<u>\$ 1,329,217</u>	<u>\$ 7,722,690</u>	<u>\$ 470,794</u>
	Restated Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Due in One Year
Business type activities:					
Net pension liability	<u>\$ 89,540</u>	<u>\$ -</u>	<u>\$ 24,130</u>	<u>\$ 65,410</u>	<u>\$ -</u>

Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy. At June 30, 2015, the District has obligations to nine participants with a total liability of \$230,407. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$72,378.

General Obligation Bonds

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

Year Ending June 30,	Issued of December 4, 2012		
	Interest Rates	Principal	Interest
2016	0.45%	\$ 225,000	\$ 21,337
2017	0.55%	230,000	20,100
2018	0.70%	230,000	18,490
2019	0.85%	235,000	16,535
2020	1.00%	235,000	14,185
2021-2023	1.20-1.70%	740,000	23,740
		<u>\$ 1,895,000</u>	<u>\$ 114,388</u>

The only general obligation bond outstanding was issued on December 4, 2012 the District issued \$2,560,000 in General Obligation Bonds to refund \$2,505,000 of outstanding 2004 Series Bond. The bond matures on June 1 in each of the years, in the respective principal amounts and bear interest payable semiannually. The bonds final maturity is June 2023, but the District reserves the rights to call and redeem part or all of the bonds maturing after June 1, 2018.

General Obligation Capital Loan Note

Details of the District’s June 30, 2015 general obligation capital loan indebtedness are as follows:

Year Ending June 30,	Issued June 23, 2015		
	Interest Rates	Principal	Series 2015 Interest
2016	0.62%	\$ 210,000	\$ 29,342
2017	0.87%	210,000	32,930
2018	1.17%	210,000	31,040
2019	1.32%	215,000	28,520
2020	1.47%	215,000	25,618
2021-2025	1.62-2.17%	1,140,000	70,924
		<u>\$ 2,200,000</u>	<u>\$ 218,374</u>

On June 23, 2015, the District issued \$2,200,000 in General Obligation School Capital Loan Notes, Series 2015 to provide funds to add two kindergarten rooms, two preschool rooms and other office and security improvements. Principal is due on the note on May 1 in each of the years, in the respective principal amounts and bear interest payable semiannually from the Capital Projects, Physical Plant and Equipment Levy Fund. The notes final maturity is May 2025.

Note 6 - Pension Plan

Plan Description

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

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

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 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 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 \$433,725.

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 \$2,710,693 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 0.0669789 percent, which was an increase of 0.001442 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$218,273. 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	\$ 29,460	\$ -
Changes of assumptions	119,629	-
Net difference between projected and actual earnings on pension plan investments		1,033,780
Changes in proportion and differences between District contributions and proportionate share of contributions	65,846	-
District contributions subsequent to the measurement date	433,725	-
Total	\$ 648,660	\$ 1,033,780

\$433,725 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,			
2016		\$	(208,227)
2017			(208,227)
2018			(208,227)
2019			(208,227)
2020			14,061
			14,061
Total		\$	(818,847)

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 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>
U.S. equity	23%	6.31
Non U.S. 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 other real assets	5%	1.92
Other real assets	2%	6.27
Cash	1%	(0.69)
Total	<u>100%</u>	

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 5,121,779	\$ 2,710,693	\$ 675,487

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2015, the District reported payables to the defined benefit pension plan of \$54,569 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7 - Other Postemployment Benefits (OPEB)

Plan Description – All employees are allowed upon meeting the eligibility requirements under Chapter 509A.13 Group Insurance for Public Employee of the Code of Iowa, to participate in the District’s health insurance plan after retirement. This plan covers active and retired employees who have reached age 55. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an OPEB liability. The retiree health plan does not issue a publicly available financial report.

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 (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 (or funding excess) over a period of thirty years.

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

Annual required contribution	\$ 198,000
Interest on net OPEB obligation	14,000
Adjustment to annual required contribution	<u>(12,000)</u>
Annual OPEB cost	200,000
Contributions made	<u>(56,000)</u>
Change in net OPEB obligation	144,000
Net OPEB obligation, beginning of year	<u>608,000</u>
Net OPEB obligation, end of year	<u><u>\$ 752,000</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net Ending OPEB Obligation</u>
06/30/13	\$ 198,000	\$ 56,000	28%	\$ 464,000
06/30/14	198,000	56,000	28%	608,000
06/30/15	198,000	56,000	28%	752,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial liability for benefits was \$1.663 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.663 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3,497,636 and the ratio of the UAAL to the covered payroll was 48 percent.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the notes to the financial statements, presents multiple year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits will be displayed.

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

In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years. Both rates included inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 8 - Risk Management

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

Note 9 - Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$374,203 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

Note 10 - Construction Commitment

The District entered into a contract totaling \$2,040,345 for the construction of an addition to the school. As of June 30, 2015, costs of \$645,047 had been incurred against the project. The estimated cost to complete this project is \$2,200,000, which will be financed with a capital note loan issued on June 23, 2015. The expected completion date is September 2015.

Note 11 - Adoption of a New Standard/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented as of July 1, 2014. 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
Net position June 30, 2014, as previously reported	\$ 5,967,037	\$ 130,782
Net pension liability at June 30, 2014	(3,621,122)	(89,540)
Deferred outflows of resources related to contributions made after the June 30, 2014, measurement date	389,758	9,638
Net position July 1, 2014, as restated	\$ 2,735,673	\$ 50,880



Required Supplementary Information
June 30, 2015

**West Lyon Community
School District 60**

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	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 5,405,829	\$ 215,655	\$ 5,621,484
State sources	4,566,288	3,732	4,570,020
Federal sources	160,493	155,380	315,873
Total	<u>10,132,610</u>	<u>374,767</u>	<u>10,507,377</u>
Expenditures:			
Instruction	6,280,513	-	6,280,513
Support services	2,532,729	5,076	2,537,805
Non-Instructional programs	-	361,081	361,081
Other expenditures	1,317,450	-	1,317,450
Total	<u>10,130,692</u>	<u>366,157</u>	<u>10,496,849</u>
Excess (deficiency) of revenue over (under) expenditures	1,918	8,610	10,528
Other financing sources (uses):			
Interfold transfer in	240,000	-	240,000
Interfold transfer out	(240,000)	-	(240,000)
Capital note issued	2,190,500	-	2,190,500
Other	1,051	-	1,051
Total other financing sources	<u>2,191,551</u>	<u>-</u>	<u>2,191,551</u>
Net change in fund equity	2,193,469	8,610	2,202,079
Balances beginning of year	<u>3,474,934</u>	<u>50,880</u>	<u>3,525,814</u>
Balances end of year	<u>\$ 5,668,403</u>	<u>\$ 59,490</u>	<u>\$ 5,727,893</u>

West Lyon Community School District 60

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All
Governmental Funds and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2015

Budgeted Amounts		Variance with Final Budget - Positive (Negative)
Original	Final	
\$ 4,745,874	\$ 4,745,874	\$ 875,610
5,270,761	5,270,761	(700,741)
310,700	310,700	5,173
10,327,335	10,327,335	180,042
6,548,339	7,010,964	730,451
2,395,292	2,614,092	76,287
408,540	433,540	72,459
647,910	1,647,910	330,460
10,000,081	11,706,506	1,209,657
327,254	(1,379,171)	1,389,699
240,000	240,000	-
(240,000)	(240,000)	-
500	500	2,190,500
500	500	551
500	500	2,191,051
327,754	(1,378,671)	3,580,750
3,525,814	3,525,814	-
\$ 3,853,568	\$ 2,147,143	\$ 3,580,750

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 none of the functions exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

West Lyon Community School District 60
Schedule of the District's Proportionate Share of the Net Pension Liability
June 30, 2015

District's proportion of the net pension liability	0.066980%
District's proportionate share of the net pension liability	\$ 2,710,693
District's covered-employee payroll	\$ 4,517,727
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.00%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.
See accompanying independent auditor's report.

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.

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 433,725	\$ 403,433	\$ 371,476	\$ 329,362
Contributions in relation to the statutorily required contribution	<u>(433,725)</u>	<u>(403,433)</u>	<u>(371,476)</u>	<u>(329,362)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,955,893	\$ 4,517,727	\$ 4,284,614	\$ 4,081,314
Contributions as a percentage of covered-employee payroll	8.75%	8.93%	8.67%	8.07%

See accompanying independent auditor's report

West Lyon Community School District 60
 Schedule of District Contributions
 Last 10 Fiscal Years

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 281,627	\$ 255,501	\$ 233,613	\$ 218,227	\$ 199,287	\$ 199,198
<u>(281,627)</u>	<u>(255,501)</u>	<u>(233,613)</u>	<u>(218,227)</u>	<u>(199,287)</u>	<u>(199,198)</u>
<u><u>\$ -</u></u>					
\$ 4,052,187	\$ 3,842,120	\$ 3,678,945	\$ 3,607,058	\$ 3,465,861	\$ 3,464,313
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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

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

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

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

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

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

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

West Lyon Community School District 60

Schedule of Funding Progress as Required by Statement No. 45 of the Governmental Accounting Standards Board
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/09	\$ -	\$ 2,363,000	\$ 2,363,000	0%	\$ 2,916,040	81%
07/01/12	\$ -	\$ 1,663,000	\$ 1,663,000	0%	\$ 3,497,636	48%

Note to the Schedule of Funding Progress

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The District implemented the standard as of July 1, 2009 and there have been two valuations performed.

Since the last actuarial valuation as of July 1, 2012, the following actuarial assumptions have been changed:

- None.

Since the last actuarial valuation as of July 1, 2012, the following provisions have changed:

- None



Other Supplementary Information
June 30, 2015

**West Lyon Community School
District 60**

West Lyon Community School District 60

Schedule 1

Combining Balance Sheet

Nonmajor Funds

June 30, 2015

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 106,712	\$ 102,045	\$ 208,757
Receivables:			
Property tax:			
Delinquent	-	1,669	1,669
Succeeding year	-	255,176	255,176
Other	1,050	-	1,050
	<u>1,050</u>	<u>-</u>	<u>1,050</u>
Total assets	<u>\$ 107,762</u>	<u>\$ 358,890</u>	<u>\$ 466,652</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	\$ 4,332	\$ 35,794	\$ 40,126
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	255,176	255,176
	<u>-</u>	<u>255,176</u>	<u>255,176</u>
Fund balances			
Restricted for:			
Student activities	103,430	-	103,430
Management levy purposes	-	67,920	67,920
Physical plant and equipment	-	-	-
Total fund balances	<u>103,430</u>	<u>67,920</u>	<u>171,350</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 107,762</u>	<u>\$ 358,890</u>	<u>\$ 466,652</u>

West Lyon Community School District 60

Schedule 2

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Funds

Year Ended June 30, 2015

	<u>Special Revenue</u>		
	<u>Student Activity</u>	<u>Management Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 232,921	\$ 232,921
Other	365,909	7,258	373,167
State sources	-	76	76
Total revenues	<u>365,909</u>	<u>240,255</u>	<u>606,164</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	-	162,689	162,689
Other instruction	355,625	-	355,625
Support services:			
Administration	-	2,075	2,075
Operation and maintenance of plant	-	51,206	51,206
Transportation	-	22,624	22,624
Total expenditures	<u>355,625</u>	<u>238,594</u>	<u>594,219</u>
Excess (deficiency) of revenues over (under) expenditures	10,284	1,661	11,945
Fund balances beginning of year	<u>93,146</u>	<u>66,259</u>	<u>159,405</u>
Fund balances end of year	<u>\$ 103,430</u>	<u>\$ 67,920</u>	<u>\$ 171,350</u>

West Lyon Community School District 60
 Schedule 3
 Schedule of Changes in Student Activity Accounts
 Year Ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
System Wide Athletics	\$ 18,069	\$ 23,709	\$ 15,443	\$ 26,335
Baseball	-	4,933	4,933	-
Softball	-	746	746	-
Golf	-	280	280	-
Track	-	3,159	3,159	-
Volleyball	-	7,180	6,430	750
Football	-	56,326	56,218	108
Basketball	-	20,207	19,125	1,082
Wrestling	51	4,907	4,958	-
Cross Country	297	510	596	211
Vocal Music	1,600	3,452	4,891	161
Student Council	4,601	1,429	1,163	4,867
FFA	42,149	124,421	137,517	29,053
Annual	-	9,261	9,261	-
Class of 2014	113	-	12	101
Class of 2015	1,665	3,305	4,896	74
Class of 2016	2,673	6,060	7,061	1,672
Class of 2017	2,488	44	39	2,493
Class of 2018	962	47	-	1,009
Class of 2019	24	22	39	7
Class of 2020	2,189	24	-	2,213
Industrial Tech	-	1,780	1,730	50
TAG	-	1,040	913	127
Speech	2,500	12,439	12,666	2,273
Library Fund	1,827	714	329	2,212
National Honor Society	1,832	124	133	1,823
Band	1,700	5,647	7,347	-
FLA	2,454	20,134	21,590	998
Spanish Club	-	1,767	1,767	-
Elementary Annual	5,952	52,242	32,383	25,811
	<u>\$ 93,146</u>	<u>\$ 365,909</u>	<u>\$ 355,625</u>	<u>\$ 103,430</u>

West Lyon Community School District 60

Schedule 4

Schedule of Revenues by Source and Expenditures, by Function – Governmental Funds
Years Ended June 30, 2015, 2014, 2013, and 2012

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 4,748,810	\$ 4,327,949	\$ 3,947,884	\$ 3,634,555
Other	657,019	690,742	593,555	571,870
State sources	4,566,288	4,363,762	4,062,737	3,882,773
Federal sources	160,493	157,494	162,690	200,905
Total	<u>\$ 10,132,610</u>	<u>\$ 9,539,947</u>	<u>\$ 8,766,866</u>	<u>\$ 8,290,103</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 4,330,527	\$ 4,306,027	\$ 3,837,879	\$ 3,617,579
Special instruction	1,018,444	996,082	924,681	881,041
Other instruction	931,542	948,960	826,344	851,959
Support services:				
Student services	235,842	169,253	155,551	149,286
Instructional staff services	169,889	80,751	122,717	68,600
Administration services	598,563	567,519	534,162	511,560
Operation and maintenance of plant services	885,421	633,115	644,703	590,787
Transportation services	643,014	776,533	546,459	535,187
Other expenditures:				
Facilities acquisition	695,397	-	122,451	-
Management fund	-	-	-	-
Long-term debt:				
Principal	225,000	220,000	2,950,000	395,000
Interest and fiscal charges	22,850	23,620	69,403	113,469
Bond issuance costs	-	-	30,105	-
AEA flowthrough	374,203	345,914	316,669	294,837
Total	<u>\$ 10,130,692</u>	<u>\$ 9,067,774</u>	<u>\$ 11,081,124</u>	<u>\$ 8,009,305</u>

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

To the School Board
West Lyon Community School District 60
Inwood, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of West Lyon Community School District 60 (District), Inwood, Iowa as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Lyon Community School District 60's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, Finding 2015-A and Finding 2015-B.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Lyon Community School District 60's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 noncompliance that is required to be reported under *Government Auditing Standards*.

Response to Findings

West Lyon Community School District 60's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit West Lyon Community School District 60's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Sioux Falls, South Dakota
October 13, 2015

Part I: Findings Related to the Financial Statements

Significant Deficiencies

Finding 2015-A Segregation of Duties

Condition: The District has a limited number of officer personnel and, accordingly, does not have adequate segregation of duties in certain areas due to this condition.

Criteria: A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Cause: There is a limited amount of office employees involved in the internal control process.

Effect: This deficiency results in a reasonable possibility that the District would not be able to detect misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

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

Response: We will continue to review our procedures and implement additional controls where possible.

Finding 2015-B Preparation of Financial Statements

Condition: The District's internal control system is designed to provide monthly financial statements; however, it does not allow for the preparation of the annual financial statements including notes and disclosures as required by generally accepted accounting policies. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria: Proper controls over financial reporting include an adequate system for recording and processing entries material to the financial statements, as well as the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Cause: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect: Inadequate controls over financial reporting of the District result in the likelihood that the District would not be able to draft the financial statement and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual in an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Response: Management and the Board of Education will review and approve for propriety the draft financial statements, footnotes and schedule of expenditures of federal awards prepared by the auditor. Due to the District's size, we will accept the risk associated with these conditions based on cost and other considerations.

Part II: Other Findings Related to Required Statutory Reporting

IV-A-15 Certified Budget

Disbursements for the year ended June 30, 2015 did not exceed the amount budgeted.

IV-B-15 Questionable Disbursements

We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-15 Travel Expense

No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-15 Business Transactions

No business transactions between the District and District officials or employees were noted.

IV-E-15 Bond Coverage

Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 Board Minutes

We noted no transactions, requiring Board approval, which had not been approved by the Board.

IV-G-15

Certified Enrollment

1. The number of resident public students attending the school district reported to the Iowa Department of Education was overstated. The District's certified enrollment count included one student who removed from their personal residency and placed in Minnesota for the 2014 – 15 school year. The District was unaware of the involuntary placement at the time of certification.

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

Response: We will contact the Iowa Department of Education and the Department of Management to resolve this matter.

IV-H-15

Supplementary Weighting

No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-135

Deposits and Investments

We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-15

Certified Annual Report

The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-15

Categorical Funding

We noted no instances of categorical funding being used to supplant rather than supplement other funds.

IV-L-15

Student Activity Fund

The Student Activity Funds had no deficit balances at June 30, 2015.

IV-M-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.