

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Lawton-Bronson Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Kevin Grieme	President	2011
Steve Olson	Vice President	2013
Amy Denney	Board Member	2011
Machele Dunning	Board Member	2013
Paul Roberts	Board Member	2011
<b>School Officials</b>		
Jeffrey Thelander	Superintendent	2011
Kimberly Brouwer	District Secretary/ Business Manager	2011
James Hanks	Attorney	2011

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT**

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Lawton-Bronson Community School District:

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 Lawton-Bronson Community School District, Lawton, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Lawton-Bronson Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2012 on our consideration of the Lawton-Bronson Community School District'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 should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 are not required parts of the

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basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lawton-Bronson Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which is not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Lawton-Bronson 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,065,611 in fiscal 2010 to \$5,541,656 in fiscal 2011, while General Fund expenditures decreased from \$5,493,129 in fiscal 2010 to \$5,491,401 in fiscal 2011. The increase in revenues coupled with the decrease in expenditures resulted in an increase in the District's General Fund balance from a deficit balance of \$161,861 in fiscal 2010 to a deficit balance of \$111,606 in fiscal 2011.
- The increase in General Fund revenues was attributable to increase in local and state sources in fiscal 2011. The decrease in expenditures was due primarily to decrease in the support services functional areas.
- The District's solvency ratio decreased as compared to fiscal 2010. At June 30, 2010 the District's solvency ratio was a negative 6.5% as compared to negative 6.8% at June 30, 2011.

### **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 Lawton-Bronson 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 Lawton-Bronson 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 Lawton-Bronson Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

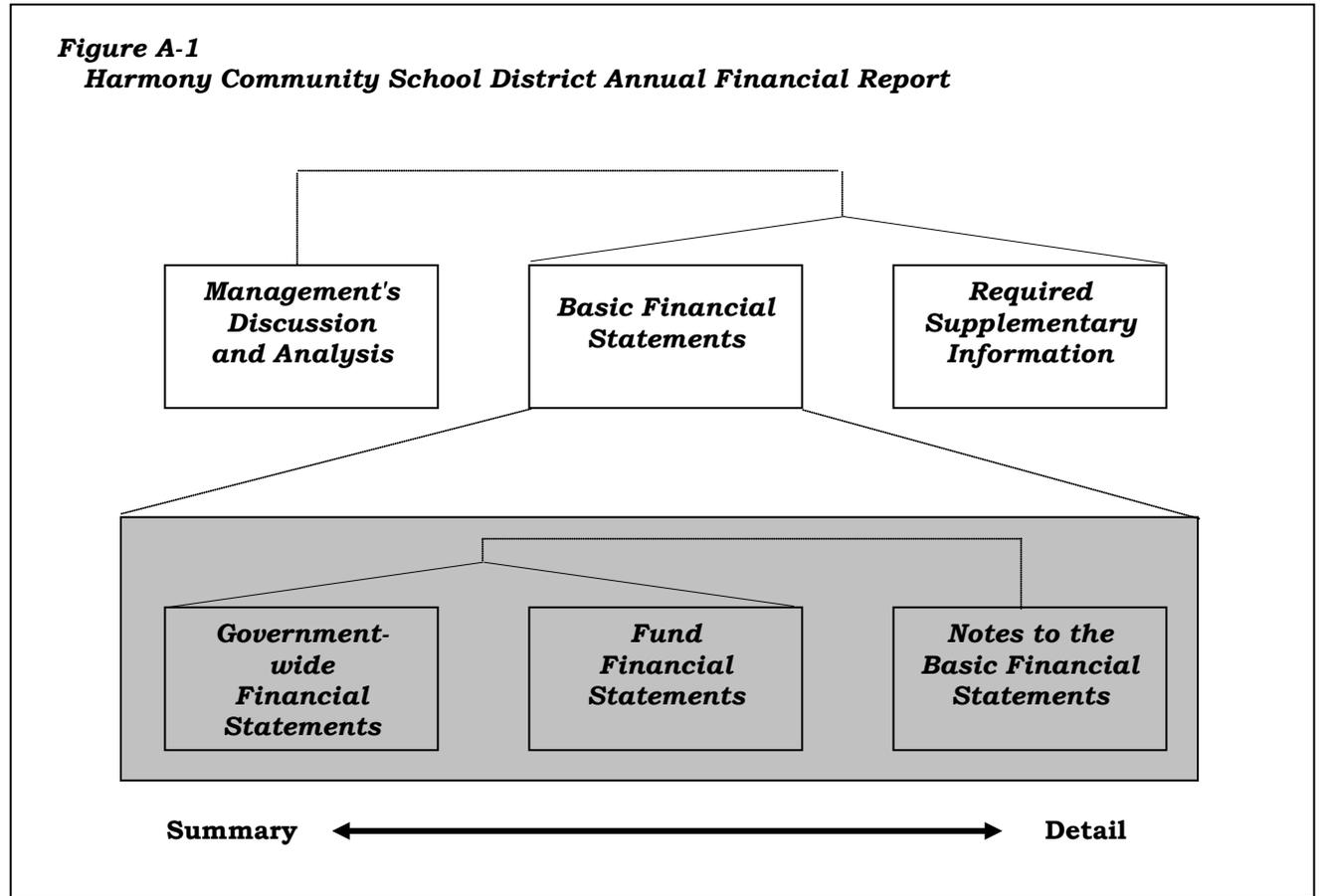


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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 and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of 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 Assets includes all of the District’s assets and liabilities. 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.

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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or 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 by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust fund.

- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 4,402,913	3,810,456	23,123	86,388	4,426,036	3,896,844	13.58%
Capital assets	14,766,227	15,084,904	264,331	279,889	15,030,558	15,364,793	-2.18%
Total assets	19,169,140	18,895,360	287,454	366,277	19,456,594	19,261,637	1.01%
Long-term obligations	8,304,574	8,772,376	0	0	8,304,574	8,772,376	-5.33%
Other liabilities	3,684,978	3,256,782	17,240	171,220	3,702,218	3,428,002	8.00%
Total liabilities	11,989,552	12,029,158	17,240	171,220	12,006,792	12,200,378	-1.59%
Net assets:							
Invested in capital assets, net of related debt	6,566,227	6,449,904	264,331	279,889	6,830,558	6,729,793	1.50%
Restricted	993,165	766,297	0	0	993,165	766,297	29.61%
Unrestricted	(379,804)	(349,999)	5,883	(84,832)	(373,921)	(434,831)	14.01%
Total net assets	\$ 7,179,588	6,866,202	270,214	195,057	7,449,802	7,061,259	5.50%

The District's combined net assets increased by \$388,543 or 5.50% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$226,868 or 29.61% over the prior year. The increase was primarily a result of an increase in the carryover balances of state categorical funding as well as increase in the Capital Project accounts.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$60,910 or 14.01%. The increase in unrestricted net assets can be attributed to the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4								
Changes in Net Assets								
	Governmental Activities		Business Type Activities		Total School District		Total Change	2010-11
	2011	2010	2011	2010	2011	2010		
<b>Revenues &amp; Transfers:</b>								
<b>Program revenues:</b>								
Charges for services	\$ 637,684	660,284	313,648	294,687	951,332	954,971		-0.38%
Operating grants and contributions and restricted interest	571,687	1,102,191	128,760	114,013	700,447	1,216,204		-42.41%
Capital grants and contributions and restricted interest	0	1,925	0	0	0	1,925		-100.00%
<b>General revenues:</b>								
Property tax	2,515,300	2,421,966	0	0	2,515,300	2,421,966		3.85%
Income surtax	114,158	111,218	0	0	114,158	111,218		2.64%
Statewide sales, service and use tax	447,470	524,009	0	0	447,470	524,009		-14.61%
Unrestricted state grants	2,562,895	1,861,267	0	0	2,562,895	1,861,267		37.70%
Nonspecific federal grants	64,367	0	0	0	64,367	0		100.00%
Other	44,357	180,711	4,268	9,446	48,625	190,157		-74.43%
Transfers	0	(84,913)	0	84,913	0	0		0.00%
<b>Total revenues &amp; transfers</b>	<b>6,957,918</b>	<b>6,778,658</b>	<b>446,676</b>	<b>503,059</b>	<b>7,404,594</b>	<b>7,281,717</b>		<b>1.69%</b>
<b>Program expenses:</b>								
<b>Governmental activities:</b>								
Instruction	3,913,103	3,919,842	57,075	80,285	3,970,178	4,000,127		-0.75%
Support services	1,778,579	1,777,617	16,348	6,212	1,794,927	1,783,829		0.62%
Non-instructional programs	0	0	298,096	341,721	298,096	341,721		-12.77%
Other expenses	952,850	1,133,946	0	0	952,850	1,133,946		-15.97%
<b>Total expenses</b>	<b>6,644,532</b>	<b>6,831,405</b>	<b>371,519</b>	<b>428,218</b>	<b>7,016,051</b>	<b>7,259,623</b>		<b>-3.36%</b>
<b>Change in net assets</b>	<b>313,386</b>	<b>(52,747)</b>	<b>75,157</b>	<b>74,841</b>	<b>388,543</b>	<b>22,094</b>		<b>-1658.59%</b>
<b>Net assets beginning of year, as restated</b>	<b>6,866,202</b>	<b>6,918,949</b>	<b>195,057</b>	<b>120,216</b>	<b>7,061,259</b>	<b>7,039,165</b>		<b>-0.31%</b>
<b>Net assets end of year</b>	<b>\$ 7,179,588</b>	<b>6,866,202</b>	<b>270,214</b>	<b>195,057</b>	<b>7,449,802</b>	<b>7,061,259</b>		<b>5.50%</b>

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax, unrestricted state grants, and nonspecific federal grants account for 81.98% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.04% of the revenue from business type activities.

The District's total revenues were approximately \$7.41 million of which approximately \$6.96 million was for governmental activities and approximately \$0.45 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.69% increase in revenues and a 3.36% decrease in expenses. Property tax increased by \$93,334 to fund the increase in expenses.

## Governmental Activities

Revenues for governmental activities were \$6,957,918 and expenses were \$6,644,532 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 3,913,103	3,919,842	-0.17%	3,017,438	2,406,226	25.40%
Support services	1,778,579	1,777,617	0.05%	1,715,714	1,768,114	-2.96%
Other expenses	952,850	1,133,946	-15.97%	702,009	892,665	-21.36%
Totals	<u>\$ 6,644,532</u>	<u>6,831,405</u>	<u>-2.74%</u>	<u>5,435,161</u>	<u>5,067,005</u>	<u>7.27%</u>

- The cost financed by users of the District's programs was \$637,684.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$571,687.
- The net cost of governmental activities was financed with \$2,515,300 in property tax, \$114,158 in income surtax, \$447,470 in statewide sales, services and use tax, \$2,562,895 in unrestricted state grants, \$64,367 in nonspecific federal grants, \$3,473 in interest income and \$40,884 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$446,676 and expenses were \$371,519. The District's business type activities include the School Nutrition Fund, the Fitness Center, the Preschool and the Before and After the Bell programs. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$641,253 compared to last year's ending fund balances of \$482,667. The primary reason for the increase in combined fund balance in fiscal 2011 is due to the increases in General Fund and Capital Projects accounts balances.

## Governmental Fund Highlights

- The District's increase in the General Fund financial position is the result of many factors. The General Fund balance increased from a deficit balance of \$161,861 in fiscal 2010 to a deficit balance of \$111,606 in fiscal 2011. The increase in the General Fund balance is primarily due to an increase in local and state sources coupled with a decrease in fund expenditures as compared to the previous year.

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- The Debt Service Fund balance decreased during the year from a fund balance of \$7,396 in 2010 to a fund balance of a deficit \$20,569 in 2011. The decrease is primarily due to the repayment of general obligation bonds.
  - The Capital Projects Fund now includes the Statewide Sales, Services and Use Tax Fund and the Physical Plant and Equipment Levy Fund due to the reclassification by GASB 54. In previous years Physical Plant and Equipment Levy Fund was not part of Capital Projects. The Capital Projects accounts balance overall increased from \$539,776 in fiscal 2010 to \$666,922 in fiscal 2011.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net assets increased from \$63,440 and June 30, 2010 to \$95,168 and June 30, 2011, representing an increase of 50.01%. The increase in fund balance is due to the decrease in expenditures as compared to the previous year.
- The Fitness Center Fund net assets decreased from \$194,897 at June 30, 2010 to \$189,067 at June 30, 2011, representing a decrease of 2.99%. The decrease in fund balance is mainly attributable to depreciation expense taken on the fitness center building and equipment. Fund expenses continue to exceed fund revenues which also contribute to the decrease in fund balance.
- The Preschool Fund net assets increased from a deficit \$46,868 at June 30, 2010 to a deficit \$9,623 at June 30, 2011, representing an increase of 79.47%. The District is considering alternative ways for the fund to be self-sustaining.
- The Before and After the Bell Fund net assets increased from a deficit \$16,412 at June 30, 2010 to a deficit \$4,398 at June 30, 2011, representing an increase of 73.20%. The District is also considering alternative ways for the fund to be self-sustaining.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Lawton-Bronson Community School District amended its budget one time and increased other expenditures by \$137,988 to reflect additional expenditures.

The District's revenues were \$221,413 less than budgeted revenues, a variance of approximately 2.90%. A reduction in local and state sources caused the total amount received to be less than originally anticipated in the budget.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$15,030,558, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$501,522.

The original cost of the District's capital assets was \$19,185,001. Governmental funds account for \$18,656,753 with the remainder of \$528,248 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings decreased from \$14,116,421 at June 30, 2010 to \$13,787,216 at June 30, 2011 as a result of depreciation expense taken during the year.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 283,677	283,677	0	0	283,677	283,677	0.00%
Buildings	13,604,742	13,929,892	182,474	186,529	13,787,216	14,116,421	-2.33%
Land improvements	442,853	437,797	0	0	442,853	437,797	1.15%
Machinery and equipment	434,955	433,538	81,857	93,360	516,812	526,898	-1.91%
Total	\$ 14,766,227	15,084,904	264,331	279,889	15,030,558	15,364,793	-2.18%

### Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$8,304,574 in general obligation bonds and other long-term debt outstanding. This represents a 5.33% decrease from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds payable of \$6,530,000 at June 30, 2011.

The District had outstanding revenue bonds payable of \$1,670,000 at June 30, 2011.

The District also had outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$104,574 at June 30, 2011.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010-11
General obligation bonds	\$ 6,530,000	6,790,000	-3.83%
Revenue bonds	1,670,000	1,845,000	-9.49%
Early retirement	104,574	137,376	-23.88%
<b>Total</b>	<b>\$ 8,304,574</b>	<b>8,772,376</b>	<b>-5.33%</b>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The national recession has had an adverse impact on the state of Iowa's budget for multiple years. This has translated into reduced funding for education. The setting of state aid (allowable growth) has been delayed in recent years due to the uncertainty of the economy. Allowable growth was frozen for fiscal 2012 and set at 2% for fiscal 2013.
- District funding for the general fund is based on enrollment. The District had increased enrollment for fiscal 2012 and decreased enrollment for fiscal 2013. The local economy will have a large impact on enrollment.
- On July 1, 2011, the IPERS increase to 8.07% will increase the Lawton-Bronson Community Schools employer benefit costs during fiscal 2012. An additional increase to 8.67% is anticipated for fiscal year 2013.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kimberly Brouwer, District Board Secretary/Treasurer, Lawton-Bronson Community School District, 100 Tara Way, Lawton, Iowa, 51030.

BASIC FINANCIAL STATEMENTS

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,142,776	52,191	1,194,967
Receivables:			
Property tax:			
Delinquent	23,148	0	23,148
Succeeding year	2,625,563	0	2,625,563
Income surtax	112,688	0	112,688
Accounts	58,971	0	58,971
Due from(to) other funds	40,143	(40,143)	0
Due from other governments	373,983	0	373,983
Inventories	0	11,005	11,005
Bond issue costs and discounts	21,303	0	21,303
Capital assets, net of accumulated depreciation:			
Buildings	13,604,742	182,474	13,787,216
Land improvements	726,530	0	726,530
Machinery and equipment	434,955	81,857	516,812
Net OPEB asset	4,338	70	4,408
<b>Total assets</b>	<b>19,169,140</b>	<b>287,454</b>	<b>19,456,594</b>
<b>Liabilities</b>			
Accounts payable	358,262	13,462	371,724
Salaries and benefits payable	529,639	0	529,639
Interest payable	61,647	0	61,647
Deferred revenue:			
Succeeding year property tax	2,625,563	0	2,625,563
Other	109,867	0	109,867
Unearned revenue	0	3,778	3,778
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	270,000	0	270,000
Revenue bonds payable	185,000	0	185,000
Early retirement payable	30,721	0	30,721
Portion due after one year:			
General obligation bonds payable	6,260,000	0	6,260,000
Revenue bonds payable	1,485,000	0	1,485,000
Early retirement payable	73,853	0	73,853
<b>Total liabilities</b>	<b>11,989,552</b>	<b>17,240</b>	<b>12,006,792</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,566,227	264,331	6,830,558
Restricted for:			
Categorical funding	263,837	0	263,837
Student activities	62,406	0	62,406
School infrastructure	603,346	0	603,346
Physical plant & equipment levy	63,576	0	63,576
Unrestricted	(379,804)	5,883	(373,921)
<b>Total net assets</b>	<b>\$ 7,179,588</b>	<b>270,214</b>	<b>7,449,802</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,652,880	309,026	191,761	(2,152,093)	0	(2,152,093)
Special	509,044	55,668	35,792	(417,584)	0	(417,584)
Other	751,179	272,990	30,428	(447,761)	0	(447,761)
	<u>3,913,103</u>	<u>637,684</u>	<u>257,981</u>	<u>(3,017,438)</u>	<u>0</u>	<u>(3,017,438)</u>
Support services:						
Student	167,072	0	0	(167,072)	0	(167,072)
Instructional staff	162,432	0	28,721	(133,711)	0	(133,711)
Administration	532,433	0	4,546	(527,887)	0	(527,887)
Operation and maintenance of plant	546,129	0	21,713	(524,416)	0	(524,416)
Transportation	370,513	0	7,885	(362,628)	0	(362,628)
	<u>1,778,579</u>	<u>0</u>	<u>62,865</u>	<u>(1,715,714)</u>	<u>0</u>	<u>(1,715,714)</u>
Other expenses:						
Long-term debt interest	350,526	0	0	(350,526)	0	(350,526)
AEA flowthrough	246,838	0	250,841	4,003	0	4,003
Depreciation(unallocated)*	355,486	0	0	(355,486)	0	(355,486)
	<u>952,850</u>	<u>0</u>	<u>250,841</u>	<u>(702,009)</u>	<u>0</u>	<u>(702,009)</u>
Total governmental activities	6,644,532	637,684	571,687	(5,435,161)	0	(5,435,161)
Business Type activities:						
Instruction:						
Regular	57,075	0	0	0	(57,075)	(57,075)
Support services:						
Student	10,667	0	0	0	(10,667)	(10,667)
Administration	26	0	0	0	(26)	(26)
Operation and maintenance of plant	5,655	0	0	0	(5,655)	(5,655)
Total support services	<u>16,348</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(73,423)</u>	<u>(73,423)</u>
Non-instructional programs:						
Nutrition services	293,134	204,335	116,972	0	28,173	28,173
Fitness center	4,962	4,300	10,488	0	9,826	9,826
Preschool	0	37,237	0	0	37,237	37,237
Before and after the bell	0	67,776	1,300	0	69,076	69,076
Total non-instructional programs:	<u>298,096</u>	<u>313,648</u>	<u>128,760</u>	<u>0</u>	<u>144,312</u>	<u>144,312</u>
Total business type activities	<u>371,519</u>	<u>313,648</u>	<u>128,760</u>	<u>0</u>	<u>70,889</u>	<u>70,889</u>
Total	\$ <u>7,016,051</u>	<u>951,332</u>	<u>700,447</u>	<u>(5,435,161)</u>	<u>70,889</u>	<u>(5,364,272)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,943,130	0	1,943,130
Debt service				519,137	0	519,137
Capital outlay				53,033	0	53,033
Income surtax				114,158	0	114,158
Statewide sales, services and use tax				447,470	0	447,470
Unrestricted state grants				2,562,895	0	2,562,895
Nonspecific federal grants				64,367	0	64,367
Unrestricted investment earnings				3,473	4,203	7,676
Other				40,884	65	40,949
Total general revenues				<u>5,748,547</u>	<u>4,268</u>	<u>5,752,815</u>
Changes in net assets				313,386	75,157	388,543
Net assets beginning of year				<u>6,866,202</u>	<u>195,057</u>	<u>7,061,259</u>
Net assets end of year				\$ <u>7,179,588</u>	<u>270,214</u>	<u>7,449,802</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor	
				Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 442,454	570,507	714	129,101	1,142,776
Receivables:					
Property tax:					
Delinquent	16,827	482	4,717	1,122	23,148
Succeeding year	1,938,599	55,506	511,458	120,000	2,625,563
Income surtax	112,688	0	0	0	112,688
Due from other funds	41,800	26,000	0	0	67,800
Accounts	58,971	0	0	0	58,971
Due from other governments	294,774	79,209	0	0	373,983
<b>Total assets</b>	<b>\$ 2,906,113</b>	<b>731,704</b>	<b>516,889</b>	<b>250,223</b>	<b>4,404,929</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ 0	0	26,000	1,657	27,657
Accounts payable	326,926	9,276	0	22,060	358,262
Salaries and benefits payable	529,639	0	0	0	529,639
Deferred revenue:					
Succeeding year property tax	1,938,599	55,506	511,458	120,000	2,625,563
Income surtax	112,688	0	0	0	112,688
Other	109,867	0	0	0	109,867
<b>Total liabilities</b>	<b>3,017,719</b>	<b>64,782</b>	<b>537,458</b>	<b>143,717</b>	<b>3,763,676</b>
Fund balances:					
Restricted for:					
Categorical funding	263,837	0	0	0	263,837
Management levy purposes	0	0	0	53,856	53,856
Student activities	0	0	0	62,406	62,406
School infrastructure	0	603,346	0	0	603,346
Physical plant and equipment	0	63,576	0	0	63,576
Unassigned:					
General	(375,443)	0	0	0	(375,443)
Student activities	0	0	0	(9,756)	(9,756)
Debt service	0	0	(20,569)	0	(20,569)
<b>Total fund balances</b>	<b>(111,606)</b>	<b>666,922</b>	<b>(20,569)</b>	<b>106,506</b>	<b>641,253</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,906,113</b>	<b>731,704</b>	<b>516,889</b>	<b>250,223</b>	<b>4,404,929</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$ 641,253
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	14,766,227
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(61,647)
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.	21,303
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	112,688
Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.	4,338
Long-term liabilities, including bonds payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(8,304,574)</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 7,179,588</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,934,487	500,503	519,137	121,331	3,075,458
Tuition	358,473	0	0	0	358,473
Other	102,352	5,592	95	268,134	376,173
Intermediate sources	4,003	0	0	0	4,003
State sources	2,950,879	0	0	0	2,950,879
Federal sources	191,462	0	0	0	191,462
Total revenues	5,541,656	506,095	519,232	389,465	6,956,448
Expenditures:					
Current:					
Instruction:					
Regular	2,659,127	18,685	0	32,730	2,710,542
Special	503,650	0	0	0	503,650
Other	498,566	0	0	252,613	751,179
	3,661,343	18,685	0	285,343	3,965,371
Support services:					
Student	172,523	0	0	0	172,523
Instructional staff	180,018	0	0	5,830	185,848
Administration	495,787	0	0	49,558	545,345
Operation and maintenance of plant	426,285	0	0	32,445	458,730
Transportation	308,607	0	0	7,139	315,746
	1,583,220	0	0	94,972	1,678,192
Other expenditures:					
Facilities acquisitions	0	120,154	0	0	120,154
Long-term debt:					
Principal	0	0	435,000	0	435,000
Interest and fiscal charges	0	0	352,307	0	352,307
AEA flowthrough	246,838	0	0	0	246,838
	246,838	120,154	787,307	0	1,154,299
Total expenditures	5,491,401	138,839	787,307	380,315	6,797,862
Excess(Deficiency) of revenues over(under) expenditures	50,255	367,256	(268,075)	9,150	158,586
Other financing sources(uses):					
Transfer in	0	4,996	240,110	0	245,106
Transfer out	0	(245,106)	0	0	(245,106)
Total other financing sources(uses)	0	(240,110)	240,110	0	0
Net change in fund balances	50,255	127,146	(27,965)	9,150	158,586
Fund balance beginning of year, as restated	(161,861)	539,776	7,396	97,356	482,667
Fund balance end of year	\$ (111,606)	666,922	(20,569)	106,506	641,253

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

<b>Net change in fund balances - total governmental funds(page 22)</b>	\$	158,586
 <b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
 Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts for capital outlays and depreciation expense are as follows:		
Capital outlays	\$ 155,001	
Depreciation expense	<u>(473,678)</u>	(318,677)
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		435,000
 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.		
		3,112
 Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		
		(1,331)
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		1,470
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
Early retirement	\$ 32,802	
Other postemployment benefits	<u>2,424</u>	<u>35,226</u>
 <b>Changes in net assets of governmental activities(page 19)</b>	 \$	 <u><u>313,386</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	School Nutrition	Fitness Center	Preschool	Before and After the Bell	Total
Assets					
Current assets:					
Cash and pooled investments	\$ 37,817	11,150	54	3,170	52,191
Inventories	11,005	0	0	0	11,005
Total current assets	48,822	11,150	54	3,170	63,196
Non-current assets:					
Capital assets net of accumulated depreciation:					
Building	0	182,474	0	0	182,474
Machinery and equipment	75,753	6,104	0	0	81,857
Net OPEB asset	70	0	0	0	70
Total non-current assets	75,823	188,578	0	0	264,401
Total assets	124,645	199,728	54	3,170	327,597
Liabilities					
Current liabilities:					
Due to other funds	23,027	0	9,677	7,439	40,143
Accounts payable	2,672	10,661	0	129	13,462
Unearned revenue	3,778	0	0	0	3,778
Total current liabilities	29,477	10,661	9,677	7,568	57,383
Total liabilities	29,477	10,661	9,677	7,568	57,383
Net assets					
Invested in capital assets	75,753	188,578	0	0	264,331
Unrestricted	19,415	489	(9,623)	(4,398)	5,883
Total net assets	\$ 95,168	189,067	(9,623)	(4,398)	270,214

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	School Nutrition	Fitness Center	Preschool	Before and After the Bell	Total
Operating revenue:					
Local sources:					
Charges for services	\$ 204,335	4,300	37,237	67,776	313,648
Donations	0	10,488	0	1,300	11,788
Miscellaneous	3,513	690	0	0	4,203
Total operating revenue:	<u>207,848</u>	<u>15,478</u>	<u>37,237</u>	<u>69,076</u>	<u>329,639</u>
Operating expenses:					
Instruction:					
Regular:					
Salaries	0	0	0	48,596	48,596
Benefits	0	0	0	7,005	7,005
Supplies	0	0	0	859	859
Other	0	0	0	615	615
Total instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,075</u>	<u>57,075</u>
Support services:					
Student:					
Supplies	0	10,667	0	0	10,667
Administration:					
Services	0	26	0	0	26
Operation and maintenance of plant:					
Services	0	921	0	0	921
Supplies	0	4,734	0	0	4,734
Total support services	<u>0</u>	<u>16,348</u>	<u>0</u>	<u>0</u>	<u>16,348</u>
Non-instructional programs:					
Food service operations:					
Salaries	105,089	0	0	0	105,089
Benefits	20,947	0	0	0	20,947
Services	7,543	0	0	0	7,543
Supplies	136,636	0	0	0	136,636
Depreciation	22,882	4,962	0	0	27,844
Other	37	0	0	0	37
Total non-instructional programs	<u>293,134</u>	<u>4,962</u>	<u>0</u>	<u>0</u>	<u>298,096</u>
Total operating expenses:	<u>293,134</u>	<u>21,310</u>	<u>0</u>	<u>57,075</u>	<u>371,519</u>
Operating income (loss)	<u>(85,286)</u>	<u>(5,832)</u>	<u>37,237</u>	<u>12,001</u>	<u>(41,880)</u>
Non-operating revenues:					
State sources	2,819	0	0	0	2,819
Federal sources	114,153	0	0	0	114,153
Interest income	42	2	8	13	65
Total non-operating revenues:	<u>117,014</u>	<u>2</u>	<u>8</u>	<u>13</u>	<u>117,037</u>
Change in net assets	31,728	(5,830)	37,245	12,014	75,157
Net assets beginning of year	<u>63,440</u>	<u>194,897</u>	<u>(46,868)</u>	<u>(16,412)</u>	<u>195,057</u>
Net assets end of year	<u>\$ 95,168</u>	<u>189,067</u>	<u>(9,623)</u>	<u>(4,398)</u>	<u>270,214</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2011

	School Nutrition	Community Education	Preschool	Before and After the Bell	Total
Cash flows from operating activities:					
Cash received from charges for services	\$ 205,932	4,300	37,237	67,776	315,245
Cash received from miscellaneous operating activities	3,513	11,178	0	1,300	15,991
Cash payments to employees for services	(144,282)	0	0	(55,601)	(199,883)
Cash payments to suppliers for goods or services	(109,220)	(5,742)	0	(1,842)	(116,804)
Net cash provided by(used in) operating activities	<u>(44,057)</u>	<u>9,736</u>	<u>37,237</u>	<u>11,633</u>	<u>14,549</u>
Cash flows from non-capital financing activities:					
Repayments to other funds	(34,539)	0	(42,588)	(32,909)	(110,036)
State grants received	2,819	0	0	0	2,819
Federal grants received	81,728	0	0	0	81,728
Net cash provided by(used in) non-capital financing activities	<u>50,008</u>	<u>0</u>	<u>(42,588)</u>	<u>(32,909)</u>	<u>(25,489)</u>
Cash flows from capital activities:					
Acquisition of assets	(12,286)	0	0	0	(12,286)
Cash flows from investing activities:					
Interest on investment	42	2	8	13	65
Net increase(decrease) in cash and cash equivalents	(6,293)	9,738	(5,343)	(21,263)	(23,161)
Cash and cash equivalents at beginning of year	44,110	1,412	5,397	24,433	75,352
Cash and cash equivalents at end of year	<u>\$ 37,817</u>	<u>11,150</u>	<u>54</u>	<u>3,170</u>	<u>52,191</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (85,286)	(5,832)	37,237	12,001	(41,880)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	32,425	0	0	0	32,425
Depreciation	22,882	4,962	0	0	27,844
(Increase)Decrease in accounts payable	2,571	10,606	0	(368)	12,809
Decrease in salaries and benefits payable	(18,207)	0	0	0	(18,207)
Increase in unearned revenues	1,597	0	0	0	1,597
Decrease in other postemployment benefits	(39)	0	0	0	(39)
Net cash provided by(used in) operating activities	<u>\$ (44,057)</u>	<u>9,736</u>	<u>37,237</u>	<u>11,633</u>	<u>14,549</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$32,425.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 108,501
Liabilities	0
Net assets	
Reserved for scholarships	32,212
Unreserved	76,289
Total net assets	\$ 108,501

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Interest income	\$ 1,275
Deductions:	0
Change in net assets	1,275
Net assets beginning of year	107,226
Net assets end of year	\$ 108,501

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

The Lawton-Bronson Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Lawton and Bronson, Iowa, and the predominate agricultural territory in Woodbury 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, Lawton-Bronson Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Lawton-Bronson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the instruction program area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,323 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	Student Activity	\$ 1,657
Capital Projects: Statewide Sales, Services and Use Tax	Debt Service	26,000
General	Nutrition	23,027
General	Before and After the Bell	7,439
General	Preschool	9,677
Total		<u>\$ 67,800</u>

The Student Activity Fund is repaying the General Fund to close the playground account in the Student Activity Fund.

The Debt Service Fund is repaying the Capital Projects: Statewide Sales, Services and Use Tax Fund for funds borrowed during the year for cash flow purposes.

The Nutrition, Before and After the Bell, and Preschool Funds are repaying the General Fund for salaries and benefits paid in the prior fiscal years.

**(4) Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 240,110
Capital Projects: Elementary Building Projects	Capital Projects: Statewide Sales, Services and Use Tax	4,996
Total		<u>\$ 245,106</u>

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

The transfer from the Capital Projects: Statewide, Sales Services and Use Tax Fund to the Capital Projects: Elementary Building Fund was needed to pay for costs associated with installation of new tornado sirens at the Bronson building.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 283,677	0	0	283,677
Total capital assets not being depreciated	<u>283,677</u>	<u>0</u>	<u>0</u>	<u>283,677</u>
Capital assets being depreciated:				
Buildings	16,238,347	0	0	16,238,347
Land improvements	578,295	35,392	0	613,687
Machinery and equipment	1,401,433	119,609	0	1,521,042
Total capital assets being depreciated	<u>18,218,075</u>	<u>155,001</u>	<u>0</u>	<u>18,373,076</u>
Less accumulated depreciation for:				
Buildings	2,308,455	325,150	0	2,633,605
Land improvements	140,498	30,336	0	170,834
Machinery and equipment	967,895	118,192	0	1,086,087
Total accumulated depreciation	<u>3,416,848</u>	<u>473,678</u>	<u>0</u>	<u>3,890,526</u>
Total capital assets being depreciated, net	<u>14,801,227</u>	<u>(318,677)</u>	<u>0</u>	<u>14,482,550</u>
Governmental activities capital assets, net	<u>\$ 15,084,904</u>	<u>(318,677)</u>	<u>0</u>	<u>14,766,227</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 303,047	12,286	0	315,333
Machinery and equipment	212,915	0	0	212,915
Total capital assets being depreciated	515,962	12,286	0	528,248
Less accumulated depreciation for:				
Buildings	19,375	4,962	0	24,337
Machinery and equipment	216,698	22,882	0	239,580
Total accumulated depreciation	236,073	27,844	0	263,917
Business type activities capital assets, net	\$ 279,889	(15,558)	0	264,331

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				
Special				\$ 21,000
Support services:				
Instructional staff				5,394
Administration				25,613
Operation and maintenance of plant				6,949
Transportation				4,409
				54,827
Unallocated depreciation				118,192
				355,486
Total governmental activities depreciation expense				\$ 473,678
Business Type activities:				
Food services				\$ 27,844

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,790,000	0	260,000	6,530,000	270,000
Revenue bonds	1,845,000	0	175,000	1,670,000	185,000
Early retirement	137,376	0	32,802	104,574	30,721
Total	\$ 8,772,376	0	467,802	8,304,574	485,721

General Obligation Bonds Payable

Details of the District's June 30, 2011 General Obligation bonded debt is as follows:

Year Ending June 30,	Bond issue May 1, 2008			
	Interest Rate	Principal	Interest	Total
2012	4.15	% \$ 270,000	276,158	546,158
2013	4.15	280,000	264,952	544,952
2014	4.15	295,000	253,332	548,332
2015	4.15	305,000	241,090	546,090
2016	4.15	320,000	228,433	548,433
2017-2021	4.15	1,800,000	932,588	2,732,588
2022-2026	4.15-4.35	2,230,000	522,833	2,752,833
2027-2028	4.40-4.45	1,030,000	68,945	1,098,945
Total		<u>\$ 6,530,000</u>	<u>2,788,331</u>	<u>9,318,331</u>

Revenue Bonds Payable

Details of the District's June 30, 2011 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue June 26, 2008			
	Interest Rate	Principal	Interest	Total
2012	3.225	% \$ 185,000	59,502	244,502
2013	3.400	190,000	53,289	243,289
2014	3.525	200,000	46,534	246,534
2015	3.700	200,000	39,309	239,309
2016	3.825	215,000	31,497	246,497
2017-2019	3.925-4.125	680,000	42,136	722,136
Total		<u>\$ 1,670,000</u>	<u>272,267</u>	<u>1,942,267</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,015,000 bonds issued in June 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payment on the bonds, along with the required transfers to the Reserve Account are expected to require 55 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,942,267. For the current year \$175,000 in principal and \$65,110 in interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$447,470.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.

- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account should be transferred to the Reserve Account to build its balance to \$201,500. The \$201,500 shall be held in the Reserve Account solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- d) Any monies in excess after the required transfers to the Sinking Account and Reserve Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have a total of fifteen years of service as a licensed full-time employee. Eligible employees are required to submit an application to the Superintendent before February 1<sup>st</sup> of the year the employee wishes to retire. The application is then submitted to the Board of Directors of the District for approval. Early retirement benefits paid during the year ended June 30, 2011, totaled \$32,802. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the government-wide financial statements representing the District's commitment to fund non-current early retirement of \$104,574.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, 2009 were \$225,097, \$212,056, and \$207,823, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 29 active and 3 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 35,677
Interest on net OPEB obligation	(49)
Adjustment to annual required contribution	(2,249)
Annual OPEB cost (expense)	<u>33,379</u>
Contributions made	<u>(35,842)</u>
Increase in net OPEB obligation	(2,463)
Net OPEB obligation - beginning of year	<u>(1,945)</u>
Net OPEB obligation - end of year	<u><u>\$ (4,408)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 34,932	105.57%	(1,945)
June 30, 2011	33,379	107.38%	(4,408)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$393,214, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$393,214. The covered payroll (annual payroll of active employees covered by the plan) was \$2.761 million, and the ratio of the UAAL to the covered payroll was 14.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the assumption that employees retire at age 62 after 25 years of service.

**(9) Risk Management**

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

**(10) 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 \$246,838 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Deficit Fund Balance/Net Assets**

At June 30, 2011, the Preschool Fund had deficit unrestricted net assets of \$9,623 and the Before and After the Bell Fund had deficit unrestricted net assets of \$4,398. There were negative unassigned balances in the Activity fund of \$9,756, General Fund

of \$375,443, and Debt Service Fund of \$20,569. The District also had a deficit unrestricted net assets balance in the governmental activities of \$379,804.

**(12) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the instructional programs function exceeded the amount budgeted.

**(13) Operating Leases**

The District is committed under seven non-cancellable operating leases for copiers used in the District. During the year ended June 30, 2011, expenditures for these operating leases was \$8,595. The schedule of payments for the operating lease is as follows:

Year Ending June 30,	Amount
2012	\$ 5,847
2013	4,385
Total	<u>\$ 10,232</u>

**(14) Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 9,421
Talented and gifted	104,674
Dropout and Dropout Prevention	13,936
Teacher salary supplement	35,180
Professional development	40,614
Professional development, model core curriculum	16,284
Beginning teacher mentoring	490
Market factor incentives	1,358
Statewide voluntary preschool	41,880
Total	<u>\$ 263,837</u>

**(15) Anticipatory Warrant**

On August 17, 2010, the District entered into an agreement with First Trust and Savings Bank of Merville, Iowa to provide for the issuance of a \$300,000 warrant in anticipation of General Fund tax receipts. The following shows anticipatory warrant activity during the year:

Warrant Date	Final Warrant Maturity	Interest Rates	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Paid
8/17/10	11/17/10	15.00%	\$ 0	300,000	300,000	0	1,174

**(16) Accounting Change/Restatement**

Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Elementary Building	Baseball Field Project	Statewide Sales Services and Use Tax	Total	Special Revenue, Physical Plant and Equipment Levy
Balance June 30, 2010, as previously reported	\$ (1,549)	855	514,606	513,912	25,864
Change in fund type classification per implementation of GASB statement No. 54	0	0	0	25,864	(25,864)
Balances July 1, 2010, as restated	\$ (1,549)	855	514,606	539,776	0

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 3,810,104	329,704	4,139,808	4,208,362	4,208,362	(68,554)
Intermediate sources	4,003	0	4,003	5,000	5,000	(997)
State sources	2,950,879	2,819	2,953,698	3,146,675	3,146,675	(192,977)
Federal sources	191,462	114,153	305,615	264,500	264,500	41,115
Total revenues	<u>6,956,448</u>	<u>446,676</u>	<u>7,403,124</u>	<u>7,624,537</u>	<u>7,624,537</u>	<u>(221,413)</u>
<b>Expenditures/Expenses:</b>						
Instruction	3,965,371	57,075	4,022,446	3,923,694	3,923,694	(98,752)
Support services	1,678,192	16,348	1,694,540	1,962,196	1,962,196	267,656
Non-instructional programs	0	298,096	298,096	310,000	310,000	11,904
Other expenditures	1,154,299	0	1,154,299	1,037,012	1,175,000	20,701
Total expenditures/expenses	<u>6,797,862</u>	<u>371,519</u>	<u>7,169,381</u>	<u>7,232,902</u>	<u>7,370,890</u>	<u>201,509</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	158,586	75,157	233,743	391,635	253,647	(19,904)
Balance beginning of year	<u>482,667</u>	<u>195,057</u>	<u>677,724</u>	<u>702,205</u>	<u>702,205</u>	<u>(24,481)</u>
Balance end of year	<u>\$ 641,253</u>	<u>270,214</u>	<u>911,467</u>	<u>1,093,840</u>	<u>955,852</u>	<u>(44,385)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$137,988.

During the year ended June 30, 2011, expenditures in the instructional program function exceeded the amount budgeted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 393	\$ 393	0.0%	\$ 2,617	15.0%
2011	July 1, 2009	\$ -	\$ 393	\$ 393	0.0%	\$ 2,761	14.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 52,734	76,367	129,101
Receivables:			
Property tax:			
Delinquent	1,122	0	1,122
Succeeding year	120,000	0	120,000
Total assets	\$ 173,856	76,367	250,223
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ 0	1,657	1,657
Accounts payable	0	22,060	22,060
Deferred revenue:			
Succeeding year property tax	120,000	0	120,000
Total liabilities	120,000	23,717	143,717
Fund Balances:			
Restricted for:			
Management levy purposes	53,856	0	53,856
Student activities	0	62,406	62,406
Unassigned:			
Student activities	0	(9,756)	(9,756)
Total fund balances	53,856	52,650	106,506
Total liabilities and fund balances	\$ 173,856	76,367	250,223

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 121,331	0	121,331
Other	9,686	258,448	268,134
Total revenues	<u>131,017</u>	<u>258,448</u>	<u>389,465</u>
Expenditures			
Current:			
Instruction:			
Regular	32,730	0	32,730
Other	0	252,613	252,613
Support services:			
Instructional staff	0	5,830	5,830
Administration	49,558	0	49,558
Operation and maintenance of plant	32,445	0	32,445
Transportation	7,139	0	7,139
Total expenditures	<u>121,872</u>	<u>258,443</u>	<u>380,315</u>
Net change in fund balances	9,145	5	9,150
Fund balance beginning of year, as restated	<u>44,711</u>	<u>52,645</u>	<u>97,356</u>
Fund balance end of year	<u>\$ 53,856</u>	<u>52,650</u>	<u>106,506</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects				Total
	Elementary Building	Baseball Field Project	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets					
Cash and pooled investments	\$ 24	1,312	504,415	64,756	570,507
Receivables:					
Property tax:					
Delinquent	0	0	0	482	482
Succeeding year	0	0	0	55,506	55,506
Due from other funds	0	0	26,000	0	26,000
Due from other governments	0	0	79,209	0	79,209
Total assets	\$ 24	1,312	609,624	120,744	731,704
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	0	6	7,608	1,662	9,276
Deferred revenue:					
Succeeding year property tax	0	0	0	55,506	55,506
Total liabilities	0	6	7,608	57,168	64,782
Fund balances:					
Restricted for:					
School infrastructure	24	1,306	602,016	0	603,346
Physical plant and equipment	0	0	0	63,576	63,576
Total fund balances	24	1,306	602,016	63,576	666,922
Total liabilities and fund balances	\$ 24	1,312	609,624	120,744	731,704

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects				Total
	Elementary Building	Baseball Field Project	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:					
Local sources:					
Local tax	\$ 0	0	447,470	53,033	500,503
Other	0	457	1,771	3,364	5,592
Total revenues	0	457	449,241	56,397	506,095
Expenditures:					
Current:					
Instruction:					
Regular	0	0	0	18,685	18,685
Other expenditures:					
Facilities acquisitions	3,423	6	116,725	0	120,154
Total expenditures	3,423	6	116,725	18,685	138,839
Excess(Deficiency) of revenues over(under) expenditures	(3,423)	451	332,516	37,712	367,256
Other financing sources(uses):					
Transfer in	4,996	0	0	0	4,996
Transfer out	0	0	(245,106)	0	(245,106)
Total other financing sources(uses)	4,996	0	(245,106)	0	(240,110)
Net change in fund balances	1,573	451	87,410	37,712	127,146
Fund balance beginning of year, as restated	(1,549)	855	514,606	25,864	539,776
Fund balance end of year	\$ 24	1,306	602,016	63,576	666,922

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,  
 STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Dollars for scholars	\$ 3,081	1,826	3,516	1,391
Elementary yearbook	3,682	1,440	2,951	2,171
Student council	679	2,795	3,111	363
Industrial technology	464	9,414	9,561	317
Family consumer science	5	812	721	96
Drama and speech	882	1,015	1,647	250
Elementary playground equipment	10,000	10	10,010	0
Vocal Music	1,508	19,821	17,042	4,287
Instrumental music	2,504	5,648	2,785	5,367
Drill team	2,742	30,751	31,398	2,095
Elementary music	494	1,700	931	1,263
Show choir	(739)	1,524	776	9
Yearbook	598	10,882	2,699	8,781
Cheerleaders	2,753	10,340	10,060	3,033
National honor society	1,078	341	597	822
Class of 2010	59	0	59	0
Class of 2011	1,948	1,391	3,339	0
Class of 2012	1,697	1,725	1,411	2,011
Class of 2013	647	4,362	2,205	2,804
Class of 2014	0	441	48	393
Junior high	1,901	7,437	9,338	0
HS athletics	2,673	2,950	1,964	3,659
Wrestling	0	4,692	4,692	0
HS football	(1,195)	41,052	46,931	(7,074)
Girls basketball	3,632	13,280	11,142	5,770
Track	202	3,103	3,515	(210)
Girls volleyball	2,525	5,663	3,968	4,220
Boys basketball	2,589	11,930	11,552	2,967
Boys baseball	33	11,027	11,592	(532)
Girls softball	567	10,507	8,001	3,073
Miscellaneous	642	0	0	642
Activity tickets	120	7,224	7,304	40
Elementary building	3,953	27,597	24,968	6,582
Contingency	885	91	2,916	(1,940)
Library	36	5,657	5,693	0
<b>Total</b>	<b>\$ 52,645</b>	<b>258,448</b>	<b>258,443</b>	<b>52,650</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS  
 JUNE 30, 2011

	Andrus Scholarship Fund	Teacher's Memorial Scholarship	Shoemaker Scholarship Fund	Other Scholarships	Total
<b>Assets</b>					
Cash and pooled investments	\$ 67,921	6,565	33,446	569	108,501
<b>Liabilities</b>					
	0	0	0	0	0
<b>Net Assets</b>					
Reserved for scholarships	0	5,896	26,316	0	32,212
Unreserved	67,921	669	7,130	569	76,289
Total net assets	\$ 67,921	6,565	33,446	569	108,501

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN PRIVATE-PURPOSE TRUST FUND,  
 SCHOLARSHIP ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Andrus Scholarship Fund	Teacher's Memorial Scholarship	Shoemaker Scholarship Fund	Other Scholarships	Total
Additions:					
Interest income	\$ 570	119	581	5	1,275
Deductions:					
	0	0	0	0	0
Net change in net assets	570	119	581	5	1,275
Net assets beginning of year	67,351	6,446	32,865	564	107,226
Net assets end of year	\$ 67,921	6,565	33,446	569	108,501

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,075,458	2,945,975	2,971,929	2,786,311	2,471,965	2,223,894	2,179,574	2,143,277
Tuition	358,473	333,479	367,377	382,909	280,918	225,742	274,359	276,825
Other	376,173	542,933	563,834	660,877	650,662	529,519	308,038	246,383
Intermediate sources	4,003	4,229	0	0	0	0	0	0
State sources	2,950,879	2,468,163	3,081,649	3,022,660	2,796,166	2,607,387	2,354,530	2,389,082
Federal sources	191,462	457,574	143,264	136,261	134,070	163,665	129,821	202,799
<b>Total</b>	<b>\$ 6,956,448</b>	<b>6,752,353</b>	<b>7,128,053</b>	<b>6,989,018</b>	<b>6,333,781</b>	<b>5,750,207</b>	<b>5,246,322</b>	<b>5,258,366</b>
Expenditures:								
Instruction:								
Regular	\$ 2,710,542	2,701,092	2,756,153	2,509,918	2,498,452	2,212,621	2,183,741	2,101,693
Special	503,650	470,689	486,105	614,365	535,445	452,323	397,406	392,970
Other	751,179	773,687	619,570	577,951	504,123	449,844	452,576	449,997
Support services:								
Student	172,523	159,227	149,934	147,969	153,304	173,868	153,510	118,405
Instructional staff	185,848	249,372	182,556	171,789	165,191	184,969	61,286	50,096
Administration	545,345	571,684	587,668	647,296	571,524	570,536	470,249	570,554
Operation and maintenance of plant	458,730	422,498	457,126	451,017	427,015	353,394	403,515	364,018
Transportation	315,746	324,671	364,220	302,418	475,415	325,478	250,777	224,607
Other expenditures:								
Facilities acquisitions	120,154	1,992,527	7,538,683	1,101,113	327,700	190,632	133,838	78,417
Long-term debt:								
Principal	435,000	420,000	240,000	2,900,000	250,000	235,000	225,000	40
Interest and fiscal charges	352,307	367,638	362,660	197,273	163,860	176,080	187,820	198,079
AEA flow-through	246,838	239,356	220,023	210,904	194,268	175,489	169,052	167,090
<b>Total</b>	<b>\$ 6,797,862</b>	<b>8,692,441</b>	<b>13,964,698</b>	<b>9,832,013</b>	<b>6,266,297</b>	<b>5,500,234</b>	<b>5,088,770</b>	<b>4,715,966</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

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

To the Board of Education of the  
Lawton-Bronson Community School District:

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 Lawton-Bronson Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Finding, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-11 and I-C-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawton-Bronson Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Finding.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lawton-Bronson Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Finding. While we have expressed our conclusions on the District's responses, we did not audit Lawton-Bronson Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lawton-Bronson Community School District and other parties to whom Lawton-Bronson Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2012

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, control of the Board President's signature stamp and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We realize segregation of duties will never be 100%. We cannot afford to add additional staff but will work to better separate duties so that the same person is not responsible for all duties. The District is exploring the potential of utilizing part of an existing para professional's job duties to include assisting the activities director. If that happens, this position could improve our segregation of duties.

Conclusion - Response accepted.

I-B-11 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

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

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will use pre-numbered tickets. Cash will be reconciled before submitting the cash to the administrator on duty.

Conclusion - Response accepted.

I-C-11 Receipting Procedures - We noted that sponsors of student organizations were collecting money from individuals, fundraising events and other revenue fees. These collections are turned into the office for receipting, depositing and posting only after the event or fundraising drive is completed. When the money is turned into the office there does not appear to be supporting documentation for the money collected that later could be used for reconciliation uses. We noted that once collected at the office, these were handled in a comparable manner as receipts directly delivered to the office, where receipts are given and deposited. The copies of the receipts issued at the buildings are provided to the central office for posting and reconciling the bank statement. There does not appear to be controls in place to document monies collected and turned in from sponsors to be reconciled to the actual deposit.

Recommendation - The district actually maintains multiple layers of receipting from, sponsors, to the building office, to the central office. When sponsors or fundraising chairpersons submit money to the office for multiple previously collected receipts, they should provide documentation of their receipts. This documentation should be used when reconciling deposits to receipts.

Response - The District will work to develop a reconciliation form that the entire district will use when submitting monies to be deposited into accounts.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-11 Nutrition Procedures - We noted during the audit that the commodity food listing was not priced out using commodity values provided by the Department of Education and therefore the amount of inventory was under reported on the Balance Sheet.

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

Response - The District will work to price out food inventory correctly at the end of the year. The nutrition director, superintendent and superintendent's secretary will meet on an annual basis to make sure that inventory is priced correctly.

Conclusion - Response accepted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011 exceeded the amounts budgeted in the instruction program functions.

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

Response - The District will monitor spending within all functions and will amend the budget when necessary.

Conclusion - Response accepted.

- II-B-11 Questionable Disbursements - We noted during our audit that the District wrote checks for the purchase of gift cards to give to students as sales incentives as top sellers for fundraisers. Giving gift cards to students as incentive prizes does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply.

Response - The District will no longer allow the purchases of gift cards for rewards. Instead, we will, if at all, give incentives to an entire group of top sellers and not just individuals.

Conclusion - Response accepted.

**Meal Money for state tournaments** - We noted disbursements from the Student Activity Fund for student meals at state tournament events. Students received a specified amount of cash without documentation as to the amount or which students received the money. Students were not required to submit receipts for purchases made. There was no documentation of any unused funds being returned to the District.

Recommendation - Better internal controls would be for the District to maintain a sign-off sheet showing which students received meal money as well as the amount given. The District should require that meal receipts and any unused funds be returned to the Central Office after the event unless the amount has been approved as a de minimis meal allowance.

Response - It is the Athletic Director's and accounts manager's recommendation to eliminate any cash given for meal money for fiscal year 2013. Until then, cash given will be signed for and the sponsor will be told to return any unused cash and receipts upon their arrival back at school.

Conclusion - Response accepted.

- II-C-11 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.

However, we noted during our audit that reimbursements to employees for travel expenses had no detailed receipts attached for supporting documentation. According to

District Board policy 401.11, employees that seek reimbursement of expenses must attach a detailed receipt to the claim form otherwise the expense becomes the employees' expense.

Recommendation - The District should review Board Policy 401.11 with employees to ensure that receipts for all reimbursable expenses are attached for supporting documentation.

Response - The District will review the policy with employees and enforce the policy as written.

Conclusion - Response accepted.

II-D-11 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin Mills, Girls Basketball Coach Spouse owns All-Star Logowear	Supplies	\$9,879
Liz Hanna, High School Secretary Daughter consulted for dance routines	Services	\$900

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the girls basketball coach and high school secretary does not appear to represent a conflict of interest.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa

Response - Board minutes will be completed and sent to the paper in a timely fashion. A separate email folder will be maintained to keep all minutes sent to the paper.

Conclusion - Response accepted.

II-G-11 Certified Enrollment - No variance in the certified enrollment data certified to the Iowa Department of Education were noted.

II-H-11 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax - According to the District's revenue purpose statement, statewide sales, services and use tax money can be spent for PPEL type expenditures. According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. Therefore, statewide sales, services and use tax expenditures have the same \$500 per unit of equipment restriction as PPEL expenditures.

We noted during our audit that the District purchased desks and tables for a total of \$4,557. The price per item for the desks and tables was under the \$500 per unit of equipment restriction as mentioned above.

Recommendation - The District should review the revenue purpose statement for use of statewide sales, services and use tax as well as Chapter 298.3 of the Code of Iowa with regard to allowable expenditures from PPEL Fund to avoid noncompliance. The District should make a corrective transfer to the statewide sales, services and use tax fund from the General Fund for \$4,557.

Response - The General Fund had expenditures that would have been allowable from statewide sales, services and use tax fund and feel that a corrective transfer is not necessary.

Conclusion - Response accepted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these presorting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning Balance		\$	514,606
Revenues/transfers in:			
Sales tax revenues	\$	447,470	
Other local revenues		1,771	449,241
			<u>963,847</u>
Ependitures/transfers out:			
School infrastructure:	\$	12,472	
Equipment		4,416	
Other		99,837	
Transfers to other funds:			
Debt service fund		240,110	
Other transfers		4,996	361,831
			<u>361,831</u>
Ending Balance		\$	<u>602,016</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-11 Financial Condition - We noted during our audit that the Preschool Fund had deficit unrestricted net assets of \$9,623 and the Before and After the Bell Fund had deficit unrestricted net assets of \$4,398. The District had a deficit unrestricted net assets balance in the governmental activities of \$379,804. The District also had four individual Student Activity Fund accounts with deficits totaling \$9,756. The General Fund had a deficit unassigned fund balance of \$375, 443 and the Debt Service had a deficit unassigned fund balance of \$20,569.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - The District will continue to monitor all fund balances and work to eliminate all negative balances.

Conclusion - Response accepted.

II-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations that have been outstanding for over a year.

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

Response - The District will follow this recommendation.

Conclusion - Response accepted.

II-O-11 Authorized Check Signatures - We noted during our audit instances of checks being signed by the superintendent and superintendent's secretary in the Student Activity Fund and the Nutrition Fund. We also noted that the activities director was signing checks in the Student Activity Fund. We also noted instances of checks not being signed by the Board Secretary.

Recommendation - The District's Board Secretary is required to sign all checks to be in compliance with 291.8 Code of Iowa. The Board President shall sign all checks to be in compliance with 291.1 Code of Iowa; however, the Board President may designate an authorized signer to sign in his/her absence that is not the District's Board Secretary. The District should review this process and make necessary changes to ensure all checks are signed in compliance with Chapters 291.1 and 291.8 of the Code of Iowa.

Response - The District will review procedures and make certain all checks have two signatures in the future.

Conclusion - Response accepted.

II-P-11 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. However, we noted expenditures which do not appear to be related to cocurricular or extracurricular activities.

We noted the purchases of books, projectors/document cameras and coffee supplies for the teacher lounge in the Lawton-Bronson Elementary Building account in the Student Activity Fund. These items do not appear to be extra-curricular or co-curricular in nature.

Recommendation - The District should review the propriety of expenditures that are approved in the Student Activity Fund to ensure recording in the proper fund. The expenditures mentioned appear to be instructional or administrative and are more appropriate from the General Fund.

Response - Fundraising monies that were placed in the Elementary Activity Account have been moved to the General Fund, and with that all educational expenses will be taken from the General Fund.

Conclusion - Response accepted.

- II-Q-11 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. The interfund loans outstanding as of June 30, 2011 are in Note 3, pages 35 and 36.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year end financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - As of the opinion date of this audit, all interfunds have been resolved except for the Before and After the Bell Fund and the Preschool Fund. The District is aware of the declaratory order issued by the Department of Education and is working to develop a five year plan to eliminate the interfund payable for the Before and After the Bell Fund and a two year plan to eliminate the interfund payable for the Preschool Fund.

Conclusion - Response acknowledged.

- II-R-11 Physical Plant and Equipment Levy Fund (PPEL) - We noted during our audit that the District recorded \$3,325 from the sale of radiators and miscellaneous materials into the Physical Plant and Equipment Levy Fund. According to Chapter 297.22 of the Code of Iowa, these items are not considered as real property and the proceeds should have been recorded in the General Fund.

Recommendation - The District should review Chapter 297.22 of the Code of Iowa and make necessary adjustments to comply in the future. A corrective transfer of \$3,325 should be made from the PPEL Fund to the General Fund.

Response - The District had expenditures from the PPEL Fund that would have been allowable from the General Fund. The District believes that a corrective transfer is not necessary.

Conclusion - Response acknowledged; however, the District should make a revenue recognition adjustment for \$3,325 to reflect the sale of equipment that was recorded in the General Fund as well as the expenditures that were expended from the General Fund.