

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Lawton-Bronson Community School District

Officials

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

(Before September 2011 Electon)

Kevin Grieme	President	2011
Steve Olson	Vice President	2013
Amy Denney	Board Member	2011
Machele Dunning	Board Member	2013
Paul Roberts	Board Member	2011

(After September 2011 Election)

Steve Olson	President	2013
Amy Denney	Vice President	2015
Machele Dunning	Board Member	2013
Shelley Junck	Board Member	2015
Molly Holtz	Board Member	2015

School Officials

Jeffrey Thelander	Superintendent	2012
Kimberly Brouwer	District Secretary/ Business Manager	2012
James Hanks	Attorney	2012

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, 2012, 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 March 1, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 48 be presented to supplement the basic

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

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 two years ended June 30, 2011 (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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,541,656 in fiscal 2011 to \$6,217,034 in fiscal 2012, while General Fund expenditures increased from \$5,491,401 in fiscal 2011 to \$5,722,011 in fiscal 2012. The increase in revenues resulted in an increase in the District's General Fund balance from a deficit balance of \$111,606 in fiscal 2011 to a positive balance of \$383,417 in fiscal 2012.
- The increase in General Fund revenues was attributable to increase in local and state sources in fiscal 2012. The increase in expenditures was due primarily to an increase in the instruction and support services functional areas.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net 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.

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-1
Lawton-Bronson Community School District Annual Financial Report

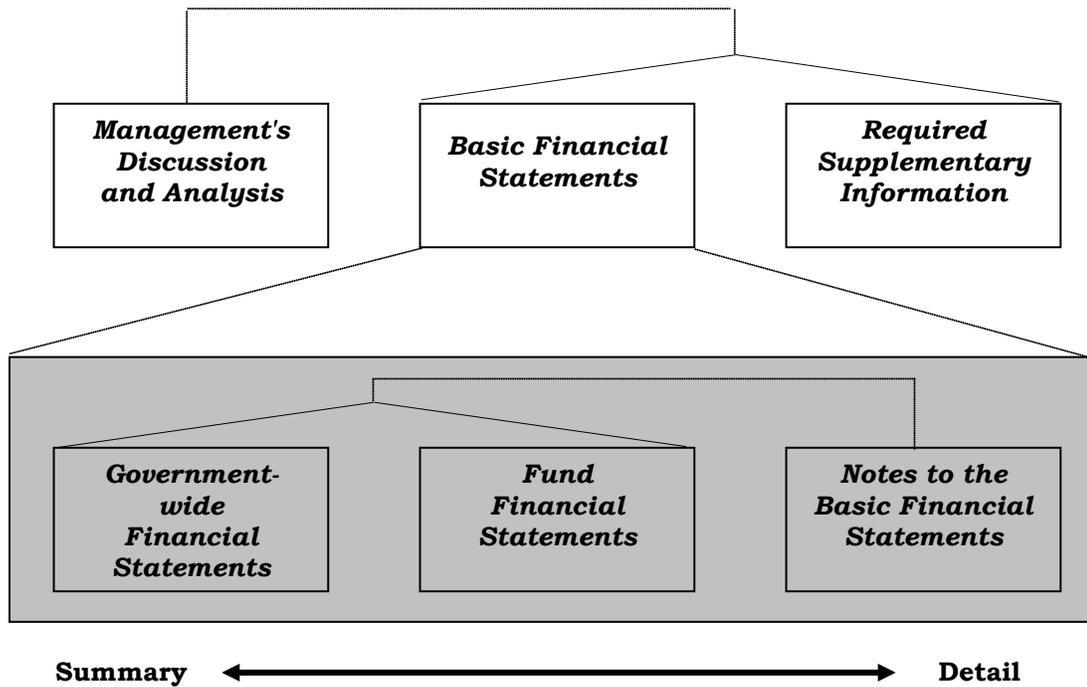


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic 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.

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, 2012 compared to June 30, 2011.

	Figure A-3						
	Condensed Statement of Net Assets						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
June 30,		June 30,		June 30,		June 30,	
2012		2011		2012		2011-12	
Current and other assets	\$ 4,768,690	4,402,913	66,520	23,123	4,835,210	4,426,036	9.24%
Capital assets	14,420,916	14,766,227	251,646	264,331	14,672,562	15,030,558	-2.38%
Total assets	19,189,606	19,169,140	318,166	287,454	19,507,772	19,456,594	0.26%
Long-term obligations	7,818,133	8,304,574	-	-	7,818,133	8,304,574	-5.86%
Other liabilities	3,706,020	3,684,978	11,132	17,240	3,717,152	3,702,218	0.40%
Total liabilities	11,524,153	11,989,552	11,132	17,240	11,535,285	12,006,792	-3.93%
Net assets:							
Invested in capital assets, net of related debt	6,675,916	6,566,227	251,646	264,331	6,927,562	6,830,558	1.42%
Restricted	904,104	993,165	-	-	904,104	993,165	-8.97%
Unrestricted	85,433	(379,804)	55,388	5,883	140,821	(373,921)	137.66%
Total net assets	\$ 7,665,453	7,179,588	307,034	270,214	7,972,487	7,449,802	7.02%

The District's combined net assets increased by \$522,685 or 7.02% 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 decreased \$89,061 or 8.97% over the prior year. The decrease was primarily a result of a decrease 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 \$514,742 or 137.66%. 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, 2012 compared to the year ended June 30, 2011.

	Figure A-4							Total Change 2011-12
	Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total School District			
2012	2011	2012	2011	2012	2011			
Revenues								
Program revenues:								
Charges for services	\$ 772,773	637,684	294,368	313,648	1,067,141	951,332		12.17%
Operating grants and contributions and restricted interest	815,578	571,687	117,259	128,760	932,837	700,447		33.18%
Capital grants and contributions and restricted interest	23,561	-	1,700	-	25,261	-		100.00%
General revenues:								
Property tax	2,649,310	2,515,300	-	-	2,649,310	2,515,300		5.33%
Income surtax	116,416	114,158	-	-	116,416	114,158		1.98%
Statewide sales, service and use tax	530,652	447,470	-	-	530,652	447,470		18.59%
Unrestricted state grants	2,691,794	2,562,895	-	-	2,691,794	2,562,895		5.03%
Nonspecific federal grants	111,589	64,367	-	-	111,589	64,367		73.36%
Other	19,699	44,357	19	4,268	19,718	48,625		-59.45%
Total revenues	<u>7,731,372</u>	<u>6,957,918</u>	<u>413,346</u>	<u>446,676</u>	<u>8,144,718</u>	<u>7,404,594</u>		<u>10.00%</u>
Program expenses:								
Governmental activities:								
Instruction	4,254,164	3,913,103	60,122	57,075	4,314,286	3,970,178		8.67%
Support services	2,073,606	1,778,579	16,183	16,348	2,089,789	1,794,927		16.43%
Non-instructional programs	-	-	300,221	298,096	300,221	298,096		0.71%
Other expenses	917,737	952,850	-	-	917,737	952,850		-3.69%
Total expenses	<u>7,245,507</u>	<u>6,644,532</u>	<u>376,526</u>	<u>371,519</u>	<u>7,622,033</u>	<u>7,016,051</u>		<u>8.64%</u>
Change in net assets	485,865	313,386	36,820	75,157	522,685	388,543		-34.52%
Net assets beginning of year	<u>7,179,588</u>	<u>6,866,202</u>	<u>270,214</u>	<u>195,057</u>	<u>7,449,802</u>	<u>7,061,259</u>		<u>-5.50%</u>
Net assets end of year	<u>\$ 7,665,453</u>	<u>7,179,588</u>	<u>307,034</u>	<u>270,214</u>	<u>7,972,487</u>	<u>7,449,802</u>		<u>7.02%</u>

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax, unrestricted state grants, and nonspecific federal grants account for 78.90% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.58% of the revenue from business type activities.

The District's total revenues were approximately \$8.14 million of which approximately \$7.73 million was for governmental activities and approximately \$0.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.00% increase in revenues and an 8.64% increase in expenses. Property tax increased by \$134,010 to fund the increase in expenses. The primary increases in expenditures were in the instruction and transportation functional areas.

Governmental Activities

Revenues for governmental activities were \$7,731,372 and expenses were \$7,245,507 for the year ended June 30, 2012.

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, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 4,254,164	3,913,103	8.72%	2,994,140	3,017,438	-0.77%
Support services	2,073,606	1,778,579	16.59%	1,959,593	1,715,714	14.21%
Other expenses	917,737	952,850	-3.69%	679,862	702,009	-3.15%
Totals	<u>\$ 7,245,507</u>	<u>6,644,532</u>	<u>9.04%</u>	<u>5,633,595</u>	<u>5,435,161</u>	<u>3.65%</u>

- The cost financed by users of the District's programs was \$772,773.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$839,139.
- The net cost of governmental activities was financed with \$2,649,310 in property tax, \$116,416 in income surtax, \$530,652 in statewide sales, services and use tax, \$2,691,794 in unrestricted state grants, \$111,589 in nonspecific federal grants, \$3,155 in interest income and \$16,544 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$413,346 and expenses were \$376,526. The District's business type activities include the School Nutrition Fund, the Fitness Center, the Preschool and the Before and After School 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 \$981,642 compared to last year's ending fund balances of \$641,253. The primary reason for the increase in combined fund balance in fiscal 2012 is due to the increases in General Fund and Debt Service 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 \$111,606 in fiscal 2011 to a positive balance of \$383,417 in fiscal 2012. The increase in the General Fund balance is primarily due to an increase in local and state sources compared to the previous year.
- The Debt Service Fund balance increased during the year from a deficit fund balance of \$20,569 in 2011 to a positive fund balance of \$6,457 in 2012. The increase is primarily due to an increase in the transfer for debt relief.

-
- The Capital Projects accounts balance overall decreased from \$666,922 in fiscal 2011 to \$491,226 in fiscal 2012. This was primarily due to an increase in expenditures in the support services and other expenditures functional areas.

Proprietary Fund Highlights

- The School Nutrition Fund net assets increased from \$95,168 at June 30, 2011 to \$115,562 at June 30, 2012, representing an increase of 21.43%. Revenues and expenditures did not vary significantly from the prior year.
- The Fitness Center Fund net assets decreased from \$189,067 at June 30, 2011 to \$183,548 at June 30, 2012, representing a decrease of 2.92%. 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 \$9,623 at June 30, 2011 to a positive \$2,127 at June 30, 2012, representing an increase of 122.10%.
- The Before and After School Fund net assets increased from a deficit \$4,398 at June 30, 2011 to a positive \$5,797 at June 30, 2012, representing an increase of 231.81%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lawton-Bronson Community School District amended its budget one time and increased other expenditures by \$250,000 to reflect additional expenditures.

The District's revenues were \$202,807 more than budgeted revenues, a variance of approximately 2.55%. The District received more local and federal sources 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 other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$14,672,562, 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 \$482,199.

The original cost of the District's capital assets was \$18,655,839. Governmental funds account for \$18,177,371 with the remainder of \$478,468 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment increased from

\$516,812 at June 30, 2011 to \$597,721 at June 30, 2012 as a result of two new school buses purchased during the year.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 283,677	283,677	-	-	283,677	283,677	0.00%
Buildings	13,200,229	13,604,742	178,419	182,474	13,378,648	13,787,216	-2.96%
Land improvements	412,516	442,853	-	-	412,516	442,853	-6.85%
Machinery and equipment	524,494	434,955	73,227	81,857	597,721	516,812	15.66%
Total	\$ 14,420,916	14,766,227	251,646	264,331	14,672,562	15,030,558	-2.38%

Long-Term Debt

At June 30, 2012, the District had long-term debt outstanding of \$7,818,113 in general obligation bonds and other long-term debt outstanding. This represents a 5.86% 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 \$6,260,000 at June 30, 2012.

The District had outstanding revenue bonds payable of \$1,485,000 at June 30, 2012.

The District also had outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$73,113 at June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
General obligation bonds	\$ 6,260,000	6,530,000	-4.13%
Revenue bonds	1,485,000	1,670,000	-11.08%
Early retirement	73,113	104,574	-30.08%
Total	\$ 7,818,113	8,304,574	-5.86%

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:

- Enrollment is steady, with a Transitional Kindergarten-12th grade resident student population of 625 in October, 2012. This is an increase of 4 students from the previous fall. Our kindergarten class of 60 this year and another anticipated large kindergarten class entering in the fall of 2013, gives us confidence that our overall student enrollment will remain stable and could potentially grow. We also have a full pre-school class this year after adding an additional section and we are anticipating another full pre-school next fall. These are

indicators that give us further confidence in short term enrollment stability. Our open enrollment projections for FY14 indicate that we are currently plus four students coming into the district compared to our resident students attending other public districts. This figure is tentative, as things typically change a bit over the summer.

- Comparative data with area districts of similar enrollment size tells us that our staffing per student is on a higher teacher: student ratio. Since personnel costs make up close to $\frac{3}{4}$ of our entire general fund budget, we believe that our staffing costs comparatively, are in a very healthy range. In other words, there is data that demonstrates that our certified staff is not “overstaffed.” If our enrollment remains constant, we have a staffing of teachers that is appropriate for the level of students we serve.
- Our instructional support levy is a concern for future planning. It is due for expiration in FY2014 and it accounts for just over \$140,000 in cash and more importantly, spending authority. It is critical that this levy remain and the district only seeks 5% of the Regular Program District cost to generate it instead of 10%, as typical in many area districts.
- The political nature of allowable growth has a huge impact on the district’s financial future. In the past three years, the district has weathered 2%, 0%, and 2% allowable growth and this is inadequate funding to meet growing costs of employee salaries and benefits, fuel costs, IPERS increases etc. With no allowable growth yet set for FY14, the uncertainty and potential low funding again will impact the district. This is coupled with the looming sequestration at the federal level, which could cut 15% from federal programs such as Title I and IDEA. In some cases spending authority will be lost, and in all federal monies impacted, the difference of what will be cut from district reserves, which are generated by local property tax dollars.
- The impact of the Affordable Health Care act also looms for the district, as does potential costs in an Education Reform Bill that is currently being debated in the Iowa legislature.
- Overall, the positive indicators for the district’s financial future include a projected stability in student enrollment. Potentially negative factors include the uncertainty of allowable growth and the uncertain costs of potentially sweeping changes in a new Education Reform Bill and potential costs of expanded health care.

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, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,545,177	46,543	1,591,720
Receivables:			
Property tax:			
Delinquent	25,043	-	25,043
Succeeding year	2,813,613	-	2,813,613
Income surtax	114,552	-	114,552
Accounts	1,092	1,321	2,413
Due from other funds	6,086	-	6,086
Due from other governments	238,363	7,637	246,000
Inventories	-	10,941	10,941
Bond issue costs and discounts	19,972	-	19,972
Capital assets, net of accumulated depreciation:			
Buildings	13,200,229	178,419	13,378,648
Land improvements	696,193	-	696,193
Machinery and equipment	524,494	73,227	597,721
Net OPEB asset	4,792	78	4,870
Total assets	19,189,606	318,166	19,507,772
Liabilities			
Due to other funds	-	6,086	6,086
Accounts payable	301,317	1,306	302,623
Salaries and benefits payable	532,802	-	532,802
Interest payable	58,288	-	58,288
Deferred revenue:			
Succeeding year property tax	2,813,613	-	2,813,613
Unearned revenue	-	3,740	3,740
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	280,000	-	280,000
Revenue bonds payable	190,000	-	190,000
Early retirement payable	27,521	-	27,521
Portion due after one year:			
General obligation bonds payable	5,980,000	-	5,980,000
Revenue bonds payable	1,295,000	-	1,295,000
Early retirement payable	45,612	-	45,612
Total liabilities	11,524,153	11,132	11,535,285
Net assets			
Invested in capital assets, net of related debt	6,675,916	251,646	6,927,562
Restricted for:			
Categorical funding	352,492	-	352,492
Debt service	207,957	-	207,957
Student activities	53,929	-	53,929
School infrastructure	241,409	-	241,409
Physical plant & equipment levy	48,317	-	48,317
Unrestricted	85,433	55,388	140,821
Total net assets	\$ 7,665,453	307,034	7,972,487

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,811,714	338,556	331,382	-	(2,141,776)	-	(2,141,776)
Special	607,654	144,903	94,986	-	(367,765)	-	(367,765)
Other	834,796	289,217	60,980	-	(484,599)	-	(484,599)
	<u>4,254,164</u>	<u>772,676</u>	<u>487,348</u>	<u>-</u>	<u>(2,994,140)</u>	<u>-</u>	<u>(2,994,140)</u>
Support services:							
Student	220,064	-	26,395	-	(193,669)	-	(193,669)
Instructional staff	266,166	-	50,180	-	(215,986)	-	(215,986)
Administration	726,302	-	-	-	(726,302)	-	(726,302)
Operation and maintenance of plant	504,416	-	-	23,561	(480,855)	-	(480,855)
Transportation	356,658	97	13,780	-	(342,781)	-	(342,781)
	<u>2,073,606</u>	<u>97</u>	<u>90,355</u>	<u>23,561</u>	<u>(1,959,593)</u>	<u>-</u>	<u>(1,959,593)</u>
Non-instructional programs:							
Food service operations	-	-	-	-	-	-	-
Community service operations	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term debt interest	334,132	-	-	-	(334,132)	-	(334,132)
Other expenses:							
AEA flowthrough	237,875	-	237,875	-	-	-	-
Depreciation(unallocated)*	345,730	-	-	-	(345,730)	-	(345,730)
	<u>583,605</u>	<u>-</u>	<u>237,875</u>	<u>-</u>	<u>(345,730)</u>	<u>-</u>	<u>(345,730)</u>
Total governmental activities	7,245,507	772,773	815,578	23,561	(5,633,595)	-	(5,633,595)
Business Type activities:							
Instruction:							
Regular	60,122	-	-	-	-	(60,122)	(60,122)
Support services:							
Student	1,057	-	-	-	-	(1,057)	(1,057)
Administration	30	-	-	-	-	(30)	(30)
Operation and maintenance of plant	15,031	-	-	-	-	(15,031)	(15,031)
Transportation	65	-	-	-	-	(65)	(65)
Total support services	16,183	-	-	-	-	(76,305)	(76,305)
Non-instructional programs:							
Nutrition services	295,258	199,697	114,719	1,700	-	20,858	20,858
Fitness center	4,963	4,105	580	-	-	(278)	(278)
Preschool	-	22,626	-	-	-	22,626	22,626
Before and after the bell	-	67,940	1,960	-	-	69,900	69,900
Total non-instructional programs:	300,221	294,368	117,259	1,700	-	113,106	113,106
Total business type activities	376,526	294,368	117,259	1,700	-	36,801	36,801
Total	\$ 7,622,033	1,067,141	932,837	25,261	(5,633,595)	36,801	(5,596,794)
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,079,901	-	2,079,901
Debt service					513,664	-	513,664
Capital outlay					55,745	-	55,745
Income surtax					116,416	-	116,416
Statewide sales, services and use tax					530,652	-	530,652
Unrestricted state grants					2,691,794	-	2,691,794
Nonspecific federal grants					111,589	-	111,589
Unrestricted investment earnings					3,155	19	3,174
Other					16,544	-	16,544
Total general revenues					6,119,460	19	6,119,479
Changes in net assets					485,865	36,820	522,685
Net assets beginning of year					7,179,588	270,214	7,449,802
Net assets end of year					\$ 7,665,453	307,034	7,972,487

* 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, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,020,299	411,762	1,657	111,459	1,545,177
Receivables:					
Property tax:					
Delinquent	18,573	521	4,800	1,149	25,043
Succeeding year	2,165,944	59,716	445,453	142,500	2,813,613
Income surtax	114,552	-	-	-	114,552
Due from other funds	6,888	-	-	2,044	8,932
Accounts	1,092	-	-	-	1,092
Due from other governments	154,109	84,254	-	-	238,363
Total assets	\$ 3,481,457	556,253	451,910	257,152	4,746,772
Liabilities and Fund Balances					
Liabilities:					
Due to other funds	\$ 2,044	-	-	802	2,846
Accounts payable	282,698	5,311	-	13,308	301,317
Salaries and benefits payable	532,802	-	-	-	532,802
Deferred revenue:					
Succeeding year property tax	2,165,944	59,716	445,453	142,500	2,813,613
Income surtax	114,552	-	-	-	114,552
Total liabilities	3,098,040	65,027	445,453	156,610	3,765,130
Fund balances:					
Restricted for:					
Categorical funding	352,492	-	-	-	352,492
Debt service	-	201,500	6,457	-	207,957
Management levy purposes	-	-	-	54,315	54,315
Student activities	-	-	-	53,929	53,929
School infrastructure	-	241,409	-	-	241,409
Physical plant and equipment	-	48,317	-	-	48,317
Unassigned:					
General	30,925	-	-	-	30,925
Student activities	-	-	-	(7,702)	(7,702)
Total fund balances	383,417	491,226	6,457	100,542	981,642
Total liabilities and fund balances	\$ 3,481,457	556,253	451,910	257,152	4,746,772

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, 2012

Total fund balances of governmental funds(page 20) \$ 981,642

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 14,420,916

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. (58,288)

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. 19,972

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 114,552

Other postemployment benefits are not yet available to finance expenditures of the current fiscal period. 4,792

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. (7,818,133)

Net assets of governmental activities(page 18) \$ 7,665,453

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, 2012

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,073,726	586,397	513,664	120,727	3,294,514
Tuition	475,951	-	-	-	475,951
Other	44,649	1,043	20	272,896	318,608
State sources	3,368,527	-	-	-	3,368,527
Federal sources	248,347	23,561	-	-	271,908
Total revenues	6,211,200	611,001	513,684	393,623	7,729,508
Expenditures:					
Current:					
Instruction:					
Regular	2,706,416	35,128	-	30,317	2,771,861
Special	558,868	-	-	-	558,868
Other	501,409	-	-	257,257	758,666
	3,766,693	35,128	-	287,574	4,089,395
Support services:					
Student	176,664	-	-	-	176,664
Instructional staff	184,277	-	-	13,877	198,154
Administration	548,984	-	-	59,168	608,152
Operation and maintenance of plant	428,817	-	-	30,850	459,667
Transportation	378,701	175,964	-	7,704	562,369
	1,717,443	175,964	-	111,599	2,005,006
Capital outlay	-	325,353	-	-	325,353
Long-term debt:					
Principal	-	-	455,000	-	455,000
Interest and fiscal charges	-	-	336,160	-	336,160
	-	-	791,160	-	791,160
Other expenditures:					
AEA flowthrough	237,875	-	-	-	237,875
Total expenditures	5,722,011	536,445	791,160	399,173	7,448,789
Excess(Deficiency) of revenues over(under) expenditures	489,189	74,556	(277,476)	(5,550)	280,719
Other financing sources(uses):					
Transfer in	414	1,330	304,502	-	306,246
Transfer out	-	(305,832)	-	(414)	(306,246)
Insurance proceeds	-	54,250	-	-	54,250
Issuance costs on bonds	5,420	-	-	-	5,420
	5,834	(250,252)	304,502	(414)	59,670
Total other financing sources(uses)	495,023	(175,696)	27,026	(5,964)	340,389
Net change in fund balances	(111,606)	666,922	(20,569)	106,506	641,253
Fund balance beginning of year	\$ 383,417	491,226	6,457	100,542	981,642
Fund balance end of year					

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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 340,389

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are 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, depreciation expense and loss on disposal of assets are as follows:

Capital outlays	\$ 236,472	
Depreciation expense	(469,019)	
Loss on disposal of capital assets	(112,764)	(345,311)

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. 455,000

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. 3,359

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. 1,864

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	\$ 31,441	
Other postemployment benefits	454	31,895

Changes in net assets of governmental activities(page 19) \$ 485,865

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	School Nutrition	Fitness Center	Preschool	Before and After School	Total
Assets					
Current assets:					
Cash and pooled investments	\$ 34,847	289	2,127	9,280	46,543
Accounts receivable	39	-	-	1,282	1,321
Due from other governments	7,637	-	-	-	7,637
Inventories	10,941	-	-	-	10,941
Total current assets	<u>53,464</u>	<u>289</u>	<u>2,127</u>	<u>10,562</u>	<u>66,442</u>
Non-current assets:					
Capital assets net of accumulated depreciation:					
Building	-	178,419	-	-	178,419
Machinery and equipment	68,031	5,196	-	-	73,227
Net OPEB asset	78	-	-	-	78
Total non-current assets	<u>68,109</u>	<u>183,615</u>	<u>-</u>	<u>-</u>	<u>251,724</u>
Total assets	<u>121,573</u>	<u>183,904</u>	<u>2,127</u>	<u>10,562</u>	<u>318,166</u>
Liabilities					
Current liabilities:					
Due to other funds	1,744	-	-	4,342	6,086
Accounts payable	527	356	-	423	1,306
Unearned revenue	3,740	-	-	-	3,740
Total current liabilities	<u>6,011</u>	<u>356</u>	<u>-</u>	<u>4,765</u>	<u>11,132</u>
Total liabilities	<u>6,011</u>	<u>356</u>	<u>-</u>	<u>4,765</u>	<u>11,132</u>
Net assets					
Invested in capital assets	68,031	183,615	-	-	251,646
Unrestricted	47,531	(67)	2,127	5,797	55,388
Total net assets	<u>\$ 115,562</u>	<u>183,548</u>	<u>2,127</u>	<u>5,797</u>	<u>307,034</u>

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, 2012

	School Nutrition	Fitness Center	Preschool	Before and After School	Total
Operating revenue:					
Local sources:					
Charges for services	\$ 199,697	4,105	22,626	67,940	294,368
Donations	-	580	-	1,960	2,540
Total operating revenue:	199,697	4,685	22,626	69,900	296,908
Operating expenses:					
Instruction:					
Regular:					
Salaries	-	-	-	50,814	50,814
Benefits	-	-	-	7,647	7,647
Supplies	480	-	-	1,181	1,661
Total instruction	480	-	-	59,642	60,122
Support services:					
Student:					
Supplies	-	1,057	-	-	1,057
Administration:					
Other	-	30	-	-	30
Operation and maintenance of plant:					
Salaries	-	-	5,190	-	5,190
Benefits	-	-	2,247	-	2,247
Services	-	1,353	507	-	1,860
Supplies	-	2,801	2,933	-	5,734
Transportation:					
Salaries	-	-	-	60	60
Benefits	-	-	-	5	5
Total support services	-	5,241	10,877	65	16,183
Non-instructional programs:					
Food service operations:					
Salaries	113,092	-	-	-	113,092
Benefits	22,309	-	-	-	22,309
Services	8,147	-	-	-	8,147
Supplies	141,286	-	-	-	141,286
Depreciation	8,217	4,963	-	-	13,180
Other	1,002	-	-	-	1,002
Total non-instructional programs	294,053	4,963	-	-	299,016
Total operating expenses:	294,533	10,204	10,877	59,707	375,321
Operating income(loss)	(94,836)	(5,519)	11,749	10,193	(78,413)
Non-operating revenues(expenses):					
State sources	2,913	-	-	-	2,913
Federal sources	111,806	-	-	-	111,806
Interest income	16	-	1	2	19
Loss on asset disposal	(1,205)	-	-	-	(1,205)
Total non-operating revenues(expenses):	113,530	-	1	2	113,533
Change in net assets before other financing sources	18,694	(5,519)	11,750	10,195	35,120
Other financing sources:					
Capital contributions	1,700	-	-	-	1,700
Change in net assets	20,394	(5,519)	11,750	10,195	36,820
Net assets beginning of year	95,168	189,067	(9,623)	(4,398)	270,214
Net assets end of year	\$ 115,562	183,548	2,127	5,797	307,034

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	School Nutrition	Fitness Center	Preschool	Before and After School	Total
Cash flows from operating activities:					
Cash received from charges for services	\$ 199,620	4,685	22,626	66,658	293,589
Cash received from donations	-	-	-	1,960	1,960
Cash payments to employees for services	(135,409)	-	(7,437)	(58,526)	(201,372)
Cash payments to suppliers for goods or services	(126,942)	(15,546)	(3,440)	(887)	(146,815)
Net cash provided by(used in) operating activities	(62,731)	(10,861)	11,749	9,205	(52,638)
Cash flows from non-capital financing activities:					
Repayments to other funds	(21,283)	-	(9,677)	(3,097)	(34,057)
State grants received	2,913	-	-	-	2,913
Federal grants received	78,115	-	-	-	78,115
Net cash provided by(used in) non-capital financing activities	59,745	-	(9,677)	(3,097)	46,971
Cash flows from investing activities:					
Interest on investment	16	-	1	2	19
Net increase(decrease) in cash and cash equivalents	(2,970)	(10,861)	2,073	6,110	(5,648)
Cash and cash equivalents at beginning of year	37,817	11,150	54	3,170	52,191
Cash and cash equivalents at end of year	\$ 34,847	289	2,127	9,280	46,543
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (94,836)	(5,519)	11,749	10,193	(78,413)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	26,054	-	-	-	26,054
Depreciation	8,217	4,963	-	-	13,180
Decrease in inventories	64	-	-	-	64
Increase in accounts receivable	(39)	-	-	(1,282)	(1,321)
Increase(Decrease) in accounts payable	(2,145)	(10,305)	-	294	(12,156)
Decrease in unearned revenues	(38)	-	-	-	(38)
Decrease in other postemployment benefits	(8)	-	-	-	(8)
Net cash provided by(used in) operating activities	\$ (62,731)	(10,861)	11,749	9,205	(52,638)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$26,054.

During the year ended June 30, 2012, the Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund valued at \$1,700.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 105,509</u>
Liabilities	<u>-</u>
Net assets	
Restricted for scholarships	<u><u>\$ 105,509</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Interest income	\$ 1,008
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	4,000
Change in net assets	(2,992)
Net assets beginning of year	108,501
Net assets end of year	\$ 105,509

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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(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 and construction of capital facilities and other capital assets.

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

The District reports the following nonmajor proprietary funds:

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

The second District proprietary fund is the Fitness Center Fund. This fund is used to account for the operations of the fitness center that is used by employees of the District as well as members of the community.

The District also reports the Preschool Fund and the Before and After School Fund. These two funds are used to account for the revenues and expenses related to the pre-kindergarten children and after school programs of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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, 2012, District expenditures in the other expenditures function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$14,413 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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Student Activity	\$ 802
General	Nutrition	1,744
General	Fitness Center	4,342
Student Activity	General	<u>2,044</u>
Total		<u>\$ 8,932</u>

The Student Activity Fund is repaying the General Fund for a computer purchased from EMPI Incorporated that was inadvertently paid from the General Fund.

The Nutrition and Fitness Center Funds are repaying the General Fund for salaries and benefits paid in the prior fiscal years.

The General Fund is repaying the Student Activity Fund for Activity Fund accounts that were closed in error.

(4) Transfers

The detail of transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 304,502
Capital Projects: Statewide Sales, Services and Use Tax	Capital Projects: Elementary Building Projects	24
Capital Projects: Physical Plant and Equipment Levy	Capital Projects: Baseball Field	1,306
General	Student Activity	<u>414</u>
Total		<u><u>\$ 306,246</u></u>

A transfer of \$244,502 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 remaining transfer amount of \$60,000 from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed to pay part of the principal on the District's general obligation bond indebtedness.

The transfer from the Capital Projects: Elementary Building Projects to the Capital Projects: Statewide Sales, Services and Use Tax Fund was needed to close the Capital Projects: Elementary Building Fund.

The transfer from the Capital Projects: Baseball Field Project to the Capital Projects: Physical Plant and Equipment Levy Fund was needed to close the Capital Projects: Baseball Field Project Fund.

The transfer from the Student Activity Fund to the General Fund was needed to transfer the balance of accounts in the Student Activity Fund that are more appropriately handled in the General Fund.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 283,677	-	-	283,677
Total capital assets not being depreciated	<u>283,677</u>	<u>-</u>	<u>-</u>	<u>283,677</u>
Capital assets being depreciated:				
Buildings	16,238,347	-	524,841	15,713,506
Land improvements	613,687	-	-	613,687
Machinery and equipment	1,521,042	236,472	191,013	1,566,501
Total capital assets being depreciated	<u>18,373,076</u>	<u>236,472</u>	<u>715,854</u>	<u>17,893,694</u>
Less accumulated depreciation for:				
Buildings	2,633,605	315,393	435,721	2,513,277
Land improvements	170,834	30,337	-	201,171
Machinery and equipment	1,086,087	123,289	167,369	1,042,007
Total accumulated depreciation	<u>3,890,526</u>	<u>469,019</u>	<u>603,090</u>	<u>3,756,455</u>
Total capital assets being depreciated, net	<u>14,482,550</u>	<u>(232,547)</u>	<u>112,764</u>	<u>14,137,239</u>
Governmental activities capital assets, net	<u>\$ 14,766,227</u>	<u>(232,547)</u>	<u>112,764</u>	<u>14,420,916</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 202,749	-	-	202,749
Machinery and equipment	325,499	1,700	51,480	275,719
Total capital assets being depreciated	<u>528,248</u>	<u>1,700</u>	<u>51,480</u>	<u>478,468</u>
Less accumulated depreciation for:				
Buildings	20,275	4,055	-	24,330
Machinery and equipment	243,642	9,125	50,275	202,492
Total accumulated depreciation	<u>263,917</u>	<u>13,180</u>	<u>50,275</u>	<u>226,822</u>
Business type activities capital assets, net	<u>\$ 264,331</u>	<u>(11,480)</u>	<u>1,205</u>	<u>251,646</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular				
Special				\$ 25,051
Support services:				5,469
Instructional staff				
Administration				25,614
Operation and maintenance of plant				6,455
Transportation				5,192
				<u>55,508</u>
Unallocated depreciation				123,289
				<u>345,730</u>
Total governmental activities depreciation expense				<u>\$ 469,019</u>
Business Type activities:				
Food services				\$ 13,180
				<u>\$ 13,180</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,530,000	-	270,000	6,260,000	280,000
Revenue bonds	1,670,000	-	185,000	1,485,000	190,000
Early retirement	104,574	-	31,441	73,133	27,521
Total	\$ 8,304,574	-	486,441	7,818,133	497,521

General Obligation Bonds Payable

Details of the District's June 30, 2012 General Obligation bonded debt is as follows:

Year Ending June 30,	Bond issue May 1, 2008			
	Interest Rate	Principal	Interest	Total
2013	4.150	% \$ 280,000	264,952	544,952
2014	4.150	295,000	253,332	548,332
2015	4.150	305,000	241,090	546,090
2016	4.150	320,000	228,433	548,433
2017	4.150	330,000	215,152	545,152
2018-2022	4.150	1,880,000	857,889	2,737,889
2023-2027	4.200-4.400	2,325,000	427,963	2,752,963
2028	4.450	525,000	23,362	548,362
Total		\$ 6,260,000	2,512,173	8,772,173

Revenue Bonds Payable

Details of the District's June 30, 2012 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue June 26, 2008			
	Interest Rate	Principal	Interest	Total
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	3.925	220,000	23,067	243,067
2018-2019	4.025-4.125	460,000	19,069	479,069
Total		\$ 1,485,000	212,765	1,697,765

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 \$1,697,765. For the current year \$185,000 in principal and \$59,502 in interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$530,652.

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 1st 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, 2012, totaled \$31,441. 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 \$73,133.

(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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, 2010 were \$272,241, \$225,097, and \$212,056, 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 36,455
Interest on net OPEB obligation	(110)
Adjustment to annual required contribution	(2,639)
Annual OPEB cost	<u>33,706</u>
Contributions made	<u>(34,168)</u>
Increase in net OPEB obligation	(462)
Net OPEB obligation - beginning of year	<u>(4,408)</u>
Net OPEB obligation - end of year	<u><u>\$ (4,870)</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, 2012.

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, 2012 are summarized as follows:

Year Ended Fiscal Year June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 34,932	105.57%	(1,945)
2011	33,379	107.38%	(4,408)
2012	33,706	101.37%	(4,870)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$2.793 million, and the ratio of the UAAL to the covered payroll was 14.1%. As of June 30, 2012, 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 \$237,875 for the year ended June 30, 2012 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, 2012, there was a negative unassigned balance in the Student Activity Fund of \$7,702.

(12) Operating Leases

The District is committed under seven non-cancellable operating leases for copiers used in the District. During the year ended June 30, 2012, expenditures for these operating leases was \$5,847. The schedule of payments for the operating lease is as follows:

Year Ending June 30,	Amount
2013	\$ 4,385

(13) Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 9,603
Talented and gifted	120,844
Modified allowable growth for dropouts and dropout prevention	27,939
Teacher salary supplement	38,758
Professional development	50,425
Professional development, model core curriculum	9,786
Beginning teacher mentoring	142
Statewide voluntary preschool program grants	7,835
Four-year-old preschool state aid	87,160
Total	<u>\$ 352,492</u>

(14) Anticipatory Warrant

On August 11, 2011 and August 19, 2011, the District entered into agreements with First Trust and Savings Bank of Merville, Iowa to provide for the issuance of a \$450,000 in anticipatory warrants in anticipation of General Fund tax receipts. Anticipatory warrant activity for the year ended June 30, 2012 is as follows:

Warrant Date	Final	Interest Rates	Balance			Balance	
	Warrant Maturity		Beginning of Year	Advances Received	Advances Repaid	End of Year	Interest Paid
8/11/11	11/11/11	4.000%	\$ -	150,000	150,000	-	1,101
8/19/11	11/16/11	4.000%	-	300,000	300,000	-	1,940
			<u>\$ -</u>	<u>450,000</u>	<u>450,000</u>	<u>-</u>	<u>3,041</u>

(15) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2012, the District exceeded its budgeted amounts in the other expenditures function.

(16) Beginning Balance Reclassification

On July 1, 2011 the beginning balances for depreciable cost and depreciation taken for the buildings in the business type activities were \$315,333 and \$24,337 respectively. The amounts that should have been reported for beginning balances for depreciable cost and depreciation taken for buildings in the business type activities were actually \$202,749 and \$20,275 respectively.

Also, the July 1, 2011 beginning balances for depreciable cost and depreciation taken for business type activities machinery and equipment were \$212,915 and \$239,580 respectively. The amounts that should have been reported for beginning balances for depreciable cost and depreciation taken for business type activities machinery and equipment were actually \$325,499 and \$243,642 respectively.

The changes to the July 1, 2011 beginning balances for depreciable cost and corresponding depreciation taken have been made to the business type activities as shown in Note 5 of the financial statements. The result of the changes made had no effect to the net capital assets reported at July 1, 2011 of \$264,331.

The reclassification of the beginning balances is to show business type activities machinery and equipment assets which were incorrectly recorded as buildings in the prior years.

	6/30/2011	Adjustment	Restated 7/1/2011
Business type activities:			
Capital assets being depreciated:			
Buildings	\$ 315,333	(112,584)	202,749
Machinery and equipment	212,915	112,584	325,499
Total capital assets being depreciated	<u>528,248</u>	<u>-</u>	<u>528,248</u>
Less accumulated depreciation for:			
Buildings	24,337	(4,062)	20,275
Machinery and equipment	239,580	4,062	243,642
Total accumulated depreciation	<u>263,917</u>	<u>-</u>	<u>263,917</u>
Business type activities capital assets, net	<u>\$ 264,331</u>	<u>-</u>	<u>264,331</u>

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 4,089,073	296,927	4,386,000	3,909,590	3,909,590	476,410
Intermediate sources	-	-	-	430,000	430,000	(430,000)
State sources	3,368,527	2,913	3,371,440	3,406,757	3,406,757	(35,317)
Federal sources	271,908	111,806	383,714	192,000	192,000	191,714
Total revenues	7,729,508	411,646	8,141,154	7,938,347	7,938,347	202,807
Expenditures/Expenses:						
Instruction	4,089,395	60,122	4,149,517	4,304,000	4,304,000	154,483
Support services	2,005,006	16,183	2,021,189	2,337,500	2,337,500	316,311
Non-instructional programs	-	300,221	300,221	350,000	350,000	49,779
Other expenditures	1,354,388	-	1,354,388	1,053,764	1,303,764	(50,624)
Total expenditures/expenses	7,448,789	376,526	7,825,315	8,045,264	8,295,264	469,949
Excess(Deficiency) of revenues over(under) expenditures/expenses	280,719	35,120	315,839	(106,917)	(356,917)	672,756
Other financing sources, net	59,670	1,700	61,370	-	-	-
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	340,389	36,820	377,209	(106,917)	(356,917)	672,756
Balance beginning of year	641,253	270,214	911,467	674,126	674,126	237,341
Balance end of year	\$ 981,642	307,034	1,288,676	567,209	317,209	910,097

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 \$250,000.

During the year ended June 30, 2012, expenditures in the other expenditures 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)	UAAL as a
			Accrued 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%
2012	July 1, 2009	\$ -	\$ 393	\$ 393	0.0%	\$ 2,793	14.1%

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.

SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Manage- ment Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 53,166	58,293	111,459
Receivables:			
Property tax:			
Delinquent	1,149	-	1,149
Succeeding year	142,500	-	142,500
Due from other funds	-	2,044	2,044
Total assets	\$ 196,815	60,337	257,152
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ -	802	802
Accounts payable	-	13,308	13,308
Deferred revenue:			
Succeeding year property tax	142,500	-	142,500
Total liabilities	142,500	14,110	156,610
Fund Balances:			
Restricted for:			
Management levy purposes	54,315	-	54,315
Student activities	-	53,929	53,929
Unassigned:			
Student activities	-	(7,702)	(7,702)
Total fund balances	54,315	46,227	100,542
Total liabilities and fund balances	\$ 196,815	60,337	257,152

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, 2012

	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 120,727	-	120,727
Other	7,771	265,125	272,896
Total revenues	128,498	265,125	393,623
Expenditures			
Current:			
Instruction:			
Regular	30,317	-	30,317
Other	-	257,257	257,257
Support services:			
Instructional staff	-	13,877	13,877
Administration	59,168	-	59,168
Operation and maintenance of plant	30,850	-	30,850
Transportation	7,704	-	7,704
Total expenditures	128,039	271,134	399,173
Excess(Deficiency) of revenues over(under) expenditures	459	(6,009)	(5,550)
Other financing uses:			
Transfer out	-	(414)	(414)
Net change in fund balances	459	(6,423)	(5,964)
Fund balance beginning of year	53,856	52,650	106,506
Fund balance end of year	\$ 54,315	46,227	100,542

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 363,966	47,796	411,762
Receivables:			
Property tax:			
Delinquent	-	521	521
Succeeding year	-	59,716	59,716
Due from other governments	84,254	-	84,254
Total assets	\$ 448,220	108,033	556,253
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	5,311	-	5,311
Deferred revenue:			
Succeeding year property tax	-	59,716	59,716
Total liabilities	5,311	59,716	65,027
Fund balances:			
Restricted for:			
Debt service	201,500	-	201,500
School infrastructure	241,409	-	241,409
Physical plant and equipment	-	48,317	48,317
Total fund balances	442,909	48,317	491,226
Total liabilities and fund balances	\$ 448,220	108,033	556,253

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, 2012

	Capital Projects				
	Elementary Building Project	Baseball Field Project	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:					
Local sources:					
Local tax	\$ -	-	530,652	55,745	586,397
Other	-	-	1,026	17	1,043
Federal sources	-	-	-	23,561	23,561
Total revenues	-	-	531,678	79,323	611,001
Expenditures:					
Current:					
Instruction:					
Regular	-	-	-	35,128	35,128
Support services:					
Transportation	-	-	86,460	89,504	175,964
Capital outlays	-	-	299,847	25,506	325,353
Total expenditures	-	-	386,307	150,138	536,445
Excess(Deficiency) of revenues over(under) expenditures	-	-	145,371	(70,815)	74,556
Other financing sources(uses):					
Transfer in	-	-	24	1,306	1,330
Transfer out	(24)	(1,306)	(304,502)	-	(305,832)
Insurance proceeds	-	-	-	54,250	54,250
Total other financing sources(uses)	(24)	(1,306)	(304,478)	55,556	(250,252)
Net change in fund balances	(24)	(1,306)	(159,107)	(15,259)	(175,696)
Fund balance beginning of year	24	1,306	602,016	63,576	666,922
Fund balance end of year	\$ -	-	442,909	48,317	491,226

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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Dollars for scholars	\$ 1,391	3,541	4,892	-	40
Elementary yearbook	2,171	1,380	1,361	-	2,190
Student council	363	2,993	3,102	-	254
Industrial technology	317	-	413	96	-
Family consumer science	96	-	-	(96)	-
Drama and speech	250	16	285	-	(19)
Elementary playground equipment	-	165	165	-	-
Vocal Music	4,287	26,488	19,529	(1,988)	9,258
Instrumental music	5,367	6,983	14,436	3,027	941
Drill team	2,095	36,741	31,546	309	7,599
Elementary music	1,263	1,098	1,498	-	863
Show choir	9	36	-	-	45
Yearbook	8,781	9,998	18,252	388	915
Cheerleaders	3,033	8,734	9,746	(62)	1,959
National honor society	822	150	601	-	371
Class of 2012	2,011	1,462	2,669	-	804
Class of 2013	2,804	1,907	1,948	-	2,763
Class of 2014	393	768	414	-	747
Class of 2015	-	955	109	-	846
Junior high	-	8,251	8,585	(5)	(339)
HS athletics	3,659	20,279	25,134	7,699	6,503
Wrestling	-	2,180	3,433	(142)	(1,395)
HS football	(7,074)	42,414	35,318	(902)	(880)
Girls basketball	5,770	9,004	5,518	(617)	8,639
Track	(210)	3,961	4,738	-	(987)
Girls volleyball	4,220	11,693	13,143	(220)	2,550
Boys basketball	2,967	12,952	11,870	(751)	3,298
Boys baseball	(532)	14,154	13,837	-	(215)
Girls softball	3,073	3,951	5,411	-	1,613
Boys Golf	-	795	2,174	-	(1,379)
Miscellaneous	642	-	-	-	642
Activity tickets	40	8,495	-	(8,135)	400
Elementary building	6,582	16,107	17,241	(4,761)	687
Contingency	(1,940)	21	6,462	6,160	(2,221)
Library	-	7,453	7,718	-	(265)
Total	\$ 52,650	265,125	271,548	-	46,227

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
PRIVATE-PURPOSE TRUST FUND, SCHOLARSHIP ACCOUNTS
JUNE 30, 2012

	Andrus Scholarship Fund	Teacher's Memorial Scholarship	Shoemaker Scholarship Fund	Other Scholarships	Total
Assets					
Cash and pooled investments	\$ 64,367	6,663	33,907	572	105,509
Liabilities	-	-	-	-	-
Net Assets					
Restricted for scholarships	\$ 64,367	6,663	33,907	572	105,509

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, 2012

	Andrus Scholarship Fund	Teacher's Memorial Scholarship	Shoemaker Scholarship Fund	Other Scholarships	Total
Additions:					
Interest income	\$ 446	98	461	3	1,008
Deductions:					
Instruction:					
Regular:					
Scholarships awarded	4,000	-	-	-	4,000
Net change in net assets	(3,554)	98	461	3	(2,992)
Net assets beginning of year	67,921	6,565	33,446	569	108,501
Net assets end of year	\$ 64,367	6,663	33,907	572	105,509

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 NINE YEARS

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,294,514	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	475,951	358,473	333,479	367,377	382,909	280,918	225,742	274,359	276,825
Other	318,608	376,173	542,933	563,834	660,877	650,662	529,519	308,038	246,383
Intermediate sources	-	4,003	4,229	-	-	-	-	-	-
State sources	3,368,527	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	271,908	191,462	457,574	143,264	136,261	134,070	163,665	129,821	202,799
Total	<u>\$ 7,729,508</u>	<u>6,956,448</u>	<u>6,752,353</u>	<u>7,128,053</u>	<u>6,989,018</u>	<u>6,333,781</u>	<u>5,750,207</u>	<u>5,246,322</u>	<u>5,258,366</u>
Expenditures:									
Instruction:									
Regular	\$ 2,771,861	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	558,868	503,650	470,689	486,105	614,365	535,445	452,323	397,406	392,970
Other	758,666	751,179	773,687	619,570	577,951	504,123	449,844	452,576	449,997
Support services:									
Student	176,664	172,523	159,227	149,934	147,969	153,304	173,868	153,510	118,405
Instructional staff	198,154	185,848	249,372	182,556	171,789	165,191	184,969	61,286	50,096
Administration	608,152	545,345	571,684	587,668	647,296	571,524	570,536	470,249	570,554
Operation and maintenance of plant	459,667	458,730	422,498	457,126	451,017	427,015	353,394	403,515	364,018
Transportation	562,369	315,746	324,671	364,220	302,418	475,415	325,478	250,777	224,607
Other support services									
Capital outlay	325,353	120,154	1,992,527	7,538,683	1,101,113	327,700	190,632	133,838	78,417
Long-term debt:									
Principal	455,000	435,000	420,000	240,000	2,900,000	250,000	235,000	225,000	40
Interest and fiscal charges	336,160	352,307	367,638	362,660	197,273	163,860	176,080	187,820	198,079
Other expenditures:									
AEA flow-through	237,875	246,838	239,356	220,023	210,904	194,268	175,489	169,052	167,090
Total	<u>\$ 7,448,789</u>	<u>6,797,862</u>	<u>8,692,441</u>	<u>13,964,698</u>	<u>9,832,013</u>	<u>6,266,297</u>	<u>5,500,234</u>	<u>5,088,770</u>	<u>4,715,966</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the
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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 1, 2013. 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

The management of Lawton-Bronson Community School District is responsible for establishing and maintaining effective 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 items I-A-12 and I-B-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as item I-C-12 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, 2012 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.

March 1, 2013

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 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-12 Fundraising Procedures - We noted during our audit, that the wrestling sponsor paid a vendor for supplies from undeposited fundraising proceeds. After the vendor had been paid, the sponsor remitted remaining fundraising proceeds to the central office to be deposited into the student activity fund account. By paying the vendor from undeposited fundraising proceeds, the wrestling sponsor is circumventing District purchase order procedures, subsequent payment for those supplies as well as remission of fundraising collections to the central office in a timely manner. According to Chapter 279.29 of the Code of Iowa, the District's Board of Directors is required to audit and allow all bills prior to payment.

Recommendation - The District should review with sponsors of activity fund groups District procedures in place for collection and remittance of fundraising proceeds. Sponsors shall follow District purchase order procedures for purchasing goods and services for their respective groups. When proper purchase order procedures are followed, the District's Board of Directors can properly audit and allow all claims against the District to be in compliance with Chapter 279.29 of the Code of Iowa. In addition, all revenues and expenses for the activity can be recorded properly by central office staff. Timely depositing of fundraising proceeds helps prevent the threat of loss.

Response - The District has and will continue to review procedures in place for collection and remittance of fundraising proceeds as well as purchasing procedures to ensure that proceeds are deposited timely and correctly and the board has the opportunity to review all claims before they are paid.

Conclusion - Response accepted.

I-C-12 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified coaches.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who received checks.

Response - The District will request timesheets from all non-certified coaches.

Conclusion - Response accepted.

OTHER MATTERS:

I-D-12 Nutrition Procedures - We noted during our audit that the commodity food listing was not priced correctly according to commodity values provided by the Department of Education.

Recommendation - The District should review procedures in place to ensure that the commodity food listing is priced correctly according to commodity values provided by the Department of Education.

Response - The District will review procedures to ensure that the commodity food listing is priced correctly according to commodity values provided by the Department of Education.

Conclusion - Response accepted.

I-E-12 Board Policies - We noted during our audit that policies in the District's board policy book appear to not have been reviewed in the last five years.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The District will review board policy and return to the review schedule as designated in board policy.

Conclusion - Response accepted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the certified amounts in the other expenditures function.

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

Response - The District will amend the budget so that expenditures do not exceed the budget.

Conclusion - Response accepted.

II-B-12 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 has reviewed procedures and gift cards will not be used as incentives for any fundraiser or other school competition.

Conclusion - Response accepted.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cory Hoch, Teacher Works for Sportsman's Sporting Goods	Supplies	\$1,779
Liz Hanna, High School Secretary Daughter consulted for dance routines	Services	\$300

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

II-E-12 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-12 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 - The District will submit the minutes to the paper within two weeks of the meeting with the intent that they are also published within two weeks of the meeting.

Conclusion - Response accepted.

- II-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by one student.

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

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

- II-H-12 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-I-12 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-12 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-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

- II-L-12 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 not be used for preventative and routine maintenance. We noted during our audit that the District had expenditures of \$2,200 for maintenance of the athletic fields.

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. Since the District had allowable Statewide Sales, Services and Use Fund expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - The District has reviewed 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.

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 reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30,

2012, 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 2012 audit:

Beginning Balance		\$	602,016
Revenues/transfers in:			
Sales tax revenues	\$	530,652	
Other local revenues		1,026	
Transfer from other funds		24	
			<u>531,702</u>
			1,133,718
Ependitures/transfers out:			
School infrastructure:	\$	2,064	
Equipment		98,893	
Other		285,350	
Transfers to other funds:			
Debt service fund		304,502	
			<u>690,809</u>
Ending Balance		\$	<u><u>442,909</u></u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt Service Levy	<u>\$ 0.35672</u>	<u>\$ 60,000</u>

II-M-12 Financial Condition - We noted during our audit that the District had nine individual Student Activity Fund accounts with deficits totaling \$7,702.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed. In addition, the District should create a workout plan to address the deficit Student Activity Fund account balances.

Response - The District continues to monitor these funds and is working with the sponsors of the student activities to implement workout plans to address the deficit balances.

Conclusion - Response accepted.

II-P-12 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.

Questionable Purchases - We noted coffee supplies for the teachers lounge, a projector, and document cameras purchased from the Lawton-Bronson Elementary Building account in the Student Activity Fund. These items appear to be instructional or administrative in nature.

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

Response - The District is discontinuing the Elementary Building student activity account. All fundraising and donations will be deposited into the General Fund and all expenditures will be expensed from the General Fund.

Conclusion - Response accepted.

Questionable Accounts - We noted a library account in the student activity fund. Revenues and expenditures related to the library account would appear to be more instructional in nature.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved in the Student Activity Fund. The expenditures in the library account appear to be more instructional in nature and would be more appropriate in the General Fund.

Response - The District is discontinuing the library student activity account. All purchases will be made from the General Fund.

Conclusion - Response accepted.