

LENOX COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

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Lenox Community School District

Officials

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

(Before September 2011 Election)

Kurtis Christensen	President	2013
Todd Barker	Vice President	2013
Nicole Hogan	Board Member	2011
Rosa Cruz	Board Member	2011
Brent Wise	Board Member	2013

(After September 2011 Election)

Kurtis Christensen	President	2013
Todd Barker	Vice President	2013
Gary Tullberg	Board Member	2015
Kurt Stoaks	Board Member	2015
Brent Wise	Board Member	2013

School Officials

David Henrichs	Superintendent	2012
Paula Horton	District Secretary/ Treasurer	2012
Richard Wilson	Attorney	2012

LENOX 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
Lenox 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 Lenox Community School District, Lenox 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 that 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 Lenox Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2013 on our consideration of Lenox 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 and the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7

through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of 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 opinions on the financial statements that collectively comprise Lenox 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 eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 5, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lenox 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 \$4,369,844 in fiscal 2011 to \$4,639,094 in fiscal 2012, while General Fund expenditures increased from \$4,019,418 in fiscal 2011 to \$4,306,708 in fiscal 2012. Revenues exceeded expenditures resulting in an increase in the District's General Fund balance from \$1,169,362 in fiscal 2011 to \$1,501,748 in fiscal 2012, a 28.42% increase over the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state revenue in fiscal 2012. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

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 Lenox 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 Lenox 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 Lenox Community School District acts solely as an agent or custodian 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.

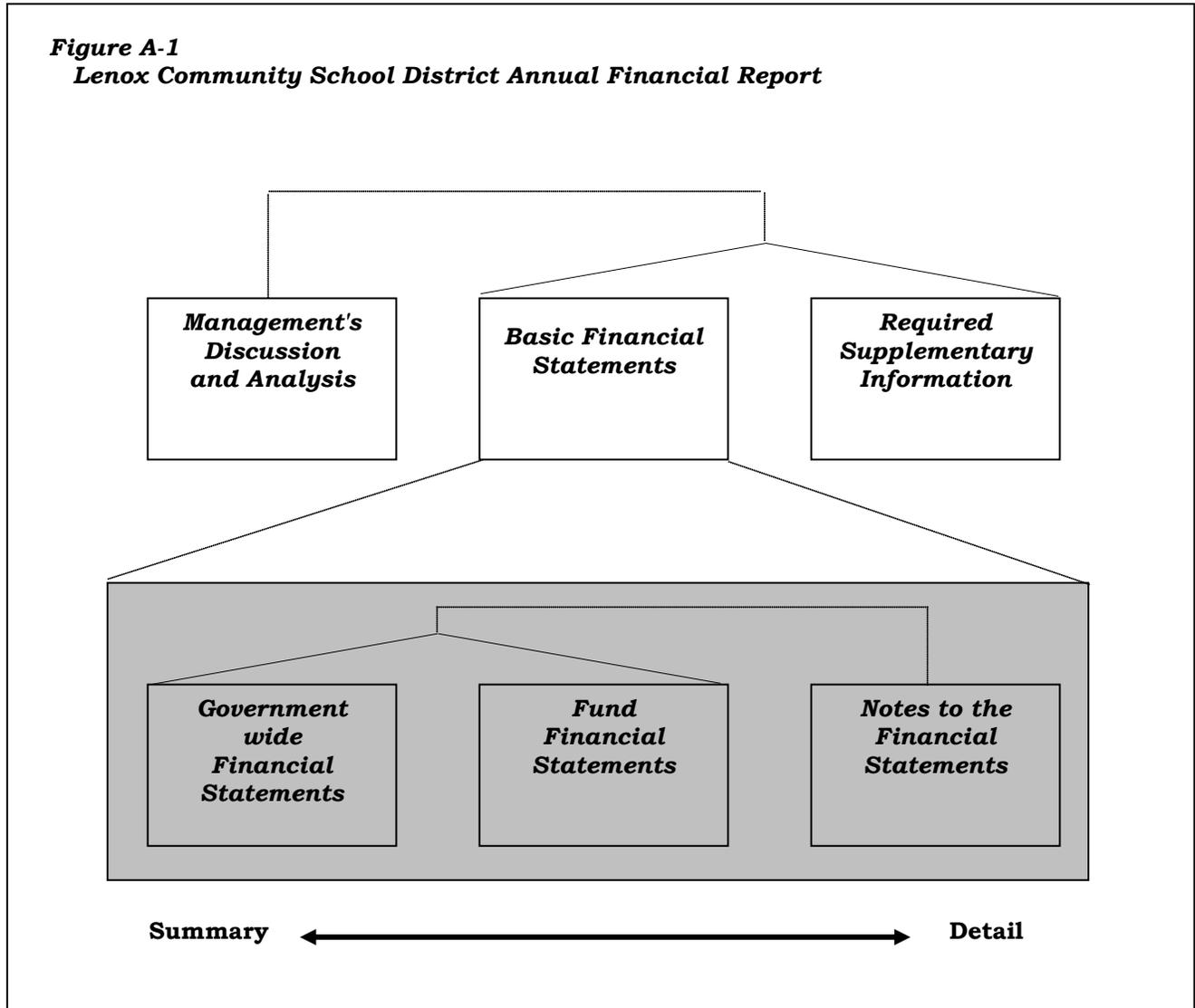


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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, e.g., food service	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 net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic 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, Debt Service Fund and Capital Projects Fund.

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

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

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

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

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

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

Reconciliations 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.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 7,103,023	4,276,435	77,068	72,267	7,180,091	4,348,702	65.11%
Capital assets	4,890,226	4,623,235	30,026	24,208	4,920,252	4,647,443	5.87%
Total assets	11,993,249	8,899,670	107,094	96,475	12,100,343	8,996,145	34.51%
Long-term obligations	5,150,197	2,942,832	-	-	5,150,197	2,942,832	75.01%
Other liabilities	2,260,594	2,290,788	13,461	13,528	2,274,055	2,304,316	-1.31%
Total liabilities	7,410,791	5,233,620	13,461	13,528	7,424,252	5,247,148	41.49%
Net assets:							
Invested in capital assets, net of related debt	2,178,451	1,718,235	30,026	24,208	2,208,477	1,742,443	26.75%
Restricted	974,753	803,668	-	-	974,753	803,668	21.29%
Unrestricted	1,429,254	1,144,147	63,607	58,739	1,492,861	1,202,886	24.11%
Total net assets	\$ 4,582,458	3,666,050	93,633	82,947	4,676,091	3,748,997	24.73%

The District's combined net assets increased by \$927,094, or 24.73% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$171,085, or 21.29% from the prior year. The increase in restricted net assets was primarily due to the increase in restrictions in categorical funding in the General Fund and the increase in the fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

Unrestricted net assets - are 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 \$289,975, or 24.11%. The increase in unrestricted net assets was primarily due to the increase in the fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to June 30, 2011.

Figure A-4 Changes in Net Assets								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011-12	
Revenues:								
Program revenues:								
Charges for services	\$ 634,042	506,797	94,443	84,330	728,485	591,127	23.24%	
Operating grants, contributions and restricted interest	422,614	484,340	162,869	139,696	585,483	624,036	-6.18%	
Capital grants, contributions and restricted interest	377,768	17,561	-	-	377,768	17,561	2051.18%	
General revenues:								
Local tax	1,659,419	1,562,065	-	-	1,659,419	1,562,065	6.23%	
Income surtax	256,775	237,651	-	-	256,775	237,651	8.05%	
Statewide sales, services and use tax	196,668	252,397	-	-	196,668	252,397	-22.08%	
Unrestricted state grants	2,041,933	1,951,844	-	-	2,041,933	1,951,844	4.62%	
Nonspecific program federal grants	77,316	45,217	-	-	77,316	45,217	70.99%	
Unrestricted investment earnings	3,225	2,437	285	241	3,510	2,678	31.07%	
Other	48,988	100,454	891	10,795	49,879	111,249	-55.16%	
Insurance proceeds	-	-	1,300	-	1,300	-	100.00%	
Total revenues	<u>5,718,748</u>	<u>5,160,763</u>	<u>259,788</u>	<u>235,062</u>	<u>5,978,536</u>	<u>5,395,825</u>	<u>10.80%</u>	
Program expenses:								
Governmental activities:								
Instructional	3,082,794	2,809,554	-	-	3,082,794	2,809,554	9.73%	
Support services	1,333,002	1,213,950	21,337	20,764	1,354,339	1,234,714	9.69%	
Non-instructional programs	-	-	227,765	207,797	227,765	207,797	9.61%	
Other expenses	386,544	390,806	-	-	386,544	390,806	-1.09%	
Total expenses	<u>4,802,340</u>	<u>4,414,310</u>	<u>249,102</u>	<u>228,561</u>	<u>5,051,442</u>	<u>4,642,871</u>	<u>8.80%</u>	
Changes in net assets	916,408	746,453	10,686	6,501	927,094	752,954	23.13%	
Net assets beginning of year	<u>3,666,050</u>	<u>2,919,597</u>	<u>82,947</u>	<u>76,446</u>	<u>3,748,997</u>	<u>2,996,043</u>	<u>25.13%</u>	
Net assets end of year	<u>\$ 4,582,458</u>	<u>3,666,050</u>	<u>93,633</u>	<u>82,947</u>	<u>4,676,091</u>	<u>3,748,997</u>	<u>24.73%</u>	

In fiscal 2012, local tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 72.65% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.05% of the revenue from business type activities.

The District's total revenues were approximately \$5.98 million, of which approximately \$5.72 million was for governmental activities and approximately \$.26 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.80% increase in revenues and a 8.80% increase in expenses. The increase was primarily due to the increase in capital grants, contributions and restricted interest revenues.

Governmental Activities

Revenues for governmental activities were \$5,718,748 and expenses were \$4,802,340.

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	\$ 3,082,794	2,809,554	9.73%	2,204,691	2,027,241	8.75%
Support services	1,333,002	1,213,950	9.81%	921,698	1,147,361	-19.67%
Other expenses	386,544	390,806	-1.09%	241,527	231,010	4.55%
Totals	<u>\$ 4,802,340</u>	<u>4,414,310</u>	<u>8.79%</u>	<u>3,367,916</u>	<u>3,405,612</u>	<u>-1.11%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$634,042.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$800,382.
- The net cost of governmental activities was financed with \$1,659,419 in local tax, \$256,775 in income surtax, \$196,668 in statewide sales, services and use tax, \$2,041,933 in unrestricted state grants, \$77,316 in nonspecific program federal grants, \$3,225 in interest income and \$48,988 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$259,788 and expenses were \$249,102. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and insurance proceeds.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$4,627,723, well above last year's ending fund balances of \$1,769,236. This was the result of the District issuing \$2,470,000 of crossover refunding bonds that will be used to refund the general obligation bonds dated July 1, 2003.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,169,362 to \$1,501,748 is the product of many factors. Increases in local and state source revenues during the year as compared to fiscal 2011 were largely responsible for the increase in revenue.
- The Capital Projects Fund balance increased from \$360,498 in fiscal 2011 to \$453,779 in fiscal 2012. This was due to revenues from statewide sales, services and use tax as well as state and federal sources in excess of capital expenditures and transfers to the Debt Service Fund for payment on the District's general obligation debt.
- The Debt Service Fund balance increased from \$4,365 to \$2,402,146 during the year. This was a result of the District issuing \$2,470,000 of crossover refunding bonds that will be used to refund the general obligation bonds dated July 1, 2003.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$82,947 at June 30, 2011 to \$93,633 at June 30, 2012, representing an increase of 12.88%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$202,620 more than budgeted revenues, a variance of 3.51%. The most significant variance resulted from the District receiving more from federal sources than originally anticipated.

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.

Over the course of the year, Lenox Community School District amended its annual budget one time to reflect additional expenditures due to increase School Nutrition expenditures and the beginning of the construction of a safe room.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$4,920,252, 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 4 to the financial statements. Depreciation expense for the year was \$193,315.

The original cost of the District's capital assets was \$6,978,378. Governmental funds account for \$6,897,260 with the remainder of \$81,118 in the Proprietary, School Nutrition Fund.

The largest percentage of change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$337,095 at June 30, 2012, compared to \$0 reported at June 30, 2011. The increase in construction in progress was due to the District beginning work on a safe room.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 50,521	50,521	-	-	50,521	50,521	0.00%
Construction in progress	337,095	-	-	-	337,095	-	100.00%
Land improvements	17,935	19,055	-	-	17,935	19,055	-5.88%
Buildings	4,234,414	4,345,826	-	-	4,234,414	4,345,826	-2.56%
Machinery and equipment	250,261	207,833	30,026	24,208	280,287	232,041	20.79%
Total	\$ 4,890,226	4,623,235	30,026	24,208	4,920,252	4,647,443	5.87%

Long-Term Debt

At June 30, 2012, the District had \$5,150,197 in general obligation and other long-term debt outstanding. This represents an increase of 75.01% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$5,020,000 at June 30, 2012.

The District had total outstanding Capital Loan Notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$90,000 at June 30, 2012.

The District had a net OPEB liability payable of \$40,197 at June 30, 2012.

Figure A-7 Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
General obligation bonds	\$ 5,020,000	2,730,000	83.88%
Capital loan notes	90,000	175,000	-48.57%
Early retirement	-	10,765	-100.00%
Net OPEB liability	40,197	27,067	48.51%
Totals	\$ 5,150,197	2,942,832	75.01%

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:

- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increase and program changes cannot be made without thorough consideration of our unspent authorized budget.
- On July 1, 2012, the IPERS increase to 8.67% will increase the Lenox Community Schools employer benefits costs during fiscal 2013. An additional increase to 8.93% is anticipated for FY14.

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 Paula Horton, District Secretary, Lenox Community School District, 600 South Locust, Lenox, Iowa, 50851.

BASIC FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,688,388	69,823	4,758,211
Receivables:			
Property tax:			
Delinquent	24,811	-	24,811
Succeeding year	1,623,593	-	1,623,593
Income surtax	216,615	-	216,615
Accounts	7,252	203	7,455
Due from other governments	542,364	-	542,364
Inventories	-	7,042	7,042
Capital assets, net of accumulated depreciation	4,890,226	30,026	4,920,252
Total assets	11,993,249	107,094	12,100,343
Liabilities			
Accounts payable	217,835	-	217,835
Salaries and benefits payable	378,279	11,280	389,559
Due to other governments	29,474	-	29,474
Interest payable	11,413	-	11,413
Deferred revenue:			
Succeeding year property tax	1,623,593	-	1,623,593
Unearned revenue	-	2,181	2,181
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	2,550,000	-	2,550,000
Capital loan notes payable	90,000	-	90,000
Portion due after one year:			
General obligation bonds payable	2,470,000	-	2,470,000
Net OPEB liability	40,197	-	40,197
Total liabilities	7,410,791	13,461	7,424,252
Net Assets			
Invested in capital assets, net of related debt	2,178,451	30,026	2,208,477
Restricted for:			
Categorical funding	247,003	-	247,003
School infrastructure	290,155	-	290,155
Physical plant and equipment	163,624	-	163,624
Debt service	3,921	-	3,921
Management levy purposes	231,363	-	231,363
Student activities	38,687	-	38,687
Unrestricted	1,429,254	63,607	1,492,861
Total net assets	\$ 4,582,458	93,633	4,676,091

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,843,198	421,766	24,221	-	(1,397,211)	-	(1,397,211)
Special	544,130	123,283	22,830	-	(398,017)	-	(398,017)
Other	695,466	88,007	197,996	-	(409,463)	-	(409,463)
	<u>3,082,794</u>	<u>633,056</u>	<u>245,047</u>	<u>-</u>	<u>(2,204,691)</u>	<u>-</u>	<u>(2,204,691)</u>
Support services:							
Student	90,341	-	-	-	(90,341)	-	(90,341)
Instructional	132,427	-	9,765	-	(122,662)	-	(122,662)
Administration	506,977	-	22,785	-	(484,192)	-	(484,192)
Operation and maintenance of plant	396,780	-	-	377,768	(19,012)	-	(19,012)
Transportation	206,477	986	-	-	(205,491)	-	(205,491)
	<u>1,333,002</u>	<u>986</u>	<u>32,550</u>	<u>377,768</u>	<u>(921,698)</u>	<u>-</u>	<u>(921,698)</u>
Long-term debt interest	128,995	-	-	-	(128,995)	-	(128,995)
Other expenses:							
AEA flowthrough	145,017	-	145,017	-	-	-	-
Depreciation (unallocated) *	112,532	-	-	-	(112,532)	-	(112,532)
	<u>257,549</u>	<u>-</u>	<u>145,017</u>	<u>-</u>	<u>(112,532)</u>	<u>-</u>	<u>(112,532)</u>
Total governmental activities	<u>4,802,340</u>	<u>634,042</u>	<u>422,614</u>	<u>377,768</u>	<u>(3,367,916)</u>	<u>-</u>	<u>(3,367,916)</u>
Business type activities:							
Support services:							
Administration	21,337	-	-	-	-	(21,337)	(21,337)
Non-instructional programs:							
Nutrition services	227,765	94,443	162,869	-	-	29,547	29,547
Total business type activities	<u>249,102</u>	<u>94,443</u>	<u>162,869</u>	<u>-</u>	<u>-</u>	<u>8,210</u>	<u>8,210</u>
Total	<u>\$ 5,051,442</u>	<u>728,485</u>	<u>585,483</u>	<u>377,768</u>	<u>(3,367,916)</u>	<u>8,210</u>	<u>(3,359,706)</u>
General Revenues:							
Local tax levied for:							
General purposes				\$ 1,415,768	-		1,415,768
Capital outlay				105,863	-		105,863
Debt service				137,788	-		137,788
Income surtax				256,775	-		256,775
Statewide sales, services and use tax				196,668	-		196,668
Unrestricted state grants				2,041,933	-		2,041,933
Nonspecific program federal grants				77,316	-		77,316
Unrestricted investment earnings				3,225	285		3,510
Other general revenues				48,988	891		49,879
Insurance proceeds				-	1,300		1,300
Total general revenues				<u>4,284,324</u>	<u>2,476</u>		<u>4,286,800</u>
Changes in net assets				916,408	10,686		927,094
Net assets beginning of year				3,666,050	82,947		3,748,997
Net assets end of year				<u>\$ 4,582,458</u>	<u>93,633</u>		<u>4,676,091</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,846,771	162,669	2,400,090	269,354	4,678,884
Receivables:					
Property tax:					
Delinquent	19,537	1,580	2,056	1,638	24,811
Succeeding year	976,180	143,141	259,272	245,000	1,623,593
Income surtax	158,851	57,764	-	-	216,615
Accounts	6,666	-	-	586	7,252
Due from other governments	190,535	351,829	-	-	542,364
Total assets	\$ 3,198,540	716,983	2,661,418	516,578	7,093,519
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 154,008	62,299	-	1,528	217,835
Salaries and benefits payable	378,279	-	-	-	378,279
Due to other governments	29,474	-	-	-	29,474
Deferred revenue:					
Succeeding year property tax	976,180	143,141	259,272	245,000	1,623,593
Income surtax	158,851	57,764	-	-	216,615
Total liabilities	1,696,792	263,204	259,272	246,528	2,465,796
Fund balances:					
Restricted for:					
Categorical funding	247,003	-	-	-	247,003
School infrastructure	-	290,155	-	-	290,155
Physical plant and equipment	-	163,624	-	-	163,624
Debt service	-	-	2,402,146	-	2,402,146
Management levy purposes	-	-	-	231,363	231,363
Student activities	-	-	-	38,687	38,687
Unassigned	1,254,745	-	-	-	1,254,745
Total fund balances	1,501,748	453,779	2,402,146	270,050	4,627,723
Total liabilities and fund balances	\$ 3,198,540	716,983	2,661,418	516,578	7,093,519

SEE NOTES TO FINANCIAL STATEMENTS

LENOX 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)	\$ 4,627,723
 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.	4,890,226
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	216,615
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	9,504
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(11,413)
Long-term liabilities, including general obligation bonds payable, capital loan notes payable, and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(5,150,197)</u>
Net assets of governmental activities (page 18)	<u><u>\$ 4,582,458</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,495,707	371,432	137,788	109,537	2,114,464
Tuition	453,729	-	-	-	453,729
Other	138,589	312	1,515	93,609	234,025
State sources	2,285,889	125,854	72	57	2,411,872
Federal sources	254,291	251,969	-	-	506,260
Total revenues	<u>4,628,205</u>	<u>749,567</u>	<u>139,375</u>	<u>203,203</u>	<u>5,720,350</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,797,661	-	-	39,173	1,836,834
Special	544,130	-	-	-	544,130
Other	590,284	-	-	93,444	683,728
	<u>2,932,075</u>	<u>-</u>	<u>-</u>	<u>132,617</u>	<u>3,064,692</u>
Support services:					
Student	89,896	-	-	-	89,896
Instructional	136,323	-	-	-	136,323
Administration	453,108	-	31,639	3,894	488,641
Operation and maintenance of plant	370,627	-	-	20,950	391,577
Transportation	179,662	66,180	-	10,703	256,545
	<u>1,229,616</u>	<u>66,180</u>	<u>31,639</u>	<u>35,547</u>	<u>1,362,982</u>
Capital outlay	-	362,894	-	-	362,894
Long-term debt:					
Principal	-	-	265,000	-	265,000
Interest and fiscal charges	-	-	126,271	-	126,271
	<u>-</u>	<u>-</u>	<u>391,271</u>	<u>-</u>	<u>391,271</u>
Other expenditures:					
AEA flowthrough	145,017	-	-	-	145,017
Total expenditures	<u>4,306,708</u>	<u>429,074</u>	<u>422,910</u>	<u>168,164</u>	<u>5,326,856</u>
Excess(Deficiency) of revenues over(under) expenditures	321,497	320,493	(283,535)	35,039	393,494
Other financing sources(uses):					
Transfers in	-	-	228,112	-	228,112
Transfers out	-	(228,112)	-	-	(228,112)
Sale of capital assets	10,889	900	-	-	11,789
Crossover refunding bond issuance	-	-	2,470,000	-	2,470,000
Discount on bond issuance	-	-	(16,796)	-	(16,796)
Total other financing sources(uses):	<u>10,889</u>	<u>(227,212)</u>	<u>2,681,316</u>	<u>-</u>	<u>2,464,993</u>
Net change in fund balances	332,386	93,281	2,397,781	35,039	2,858,487
Fund balances beginning of year	<u>1,169,362</u>	<u>360,498</u>	<u>4,365</u>	<u>235,011</u>	<u>1,769,236</u>
Fund balances end of year	<u>\$ 1,501,748</u>	<u>453,779</u>	<u>2,402,146</u>	<u>270,050</u>	<u>4,627,723</u>

SEE NOTES TO FINANCIAL STATEMENTS

LENOX 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) \$ 2,858,487

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

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

Capital outlay expenditures	\$ 455,894	
Depreciation expense	<u>(188,903)</u>	266,991

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (1,602)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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.

Issued	(2,470,000)	
Repaid	<u>265,000</u>	(2,205,000)

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. (2,724)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 2,621

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

Early retirement	10,765	
Other postemployment benefits	<u>(13,130)</u>	<u>(2,365)</u>

Changes in net assets of governmental activities (page 19) \$ 916,408

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	Business Type Activities - Enterprise Fund	Governmental Activities - Internal Service
	School Nutrition	
Assets		
Cash and pooled investments	\$ 69,823	9,504
Accounts receivable	203	-
Inventories	7,042	-
Capital assets, net of accumulated depreciation	30,026	-
Total assets	107,094	9,504
Liabilities		
Salaries and benefits payable	11,280	-
Unearned revenue	2,181	-
Total liabilities	13,461	-
Net Assets		
Invested in capital assets	30,026	-
Unrestricted	63,607	9,504
Total net assets	\$ 93,633	9,504

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Operating revenue:		
Local sources:		
Charges for services	\$ 94,443	31,110
Miscellaneous	891	-
Total operating revenue	<u>95,334</u>	<u>31,110</u>
Operating expenses:		
Current:		
Instruction:		
Regular	-	28,500
Support services:		
Administration:		
Salaries	17,390	-
Benefits	3,947	-
	<u>21,337</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	70,595	-
Benefits	12,555	-
Services	1,668	-
Supplies	138,535	-
Depreciation	4,412	-
	<u>227,765</u>	<u>-</u>
Total operating expenses	<u>249,102</u>	<u>28,500</u>
Operating income (loss)	<u>(153,768)</u>	<u>2,610</u>
Non-operating revenues:		
State sources	2,514	-
Federal sources	160,355	-
Insurance proceeds	1,300	-
Interest income	285	11
Total non-operating revenues	<u>164,454</u>	<u>11</u>
Change in net assets	10,686	2,621
Net assets beginning of year	<u>82,947</u>	<u>6,883</u>
Net assets end of year	<u>\$ 93,633</u>	<u>9,504</u>

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	Business Type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 100,115	-
Cash received from miscellaneous sources	891	31,110
Cash payments to employees for services	(93,207)	(28,500)
Cash payments to suppliers for goods or services	(136,756)	-
Net cash provided by(used in) operating activities	<u>(128,957)</u>	<u>2,610</u>
Cash flows from non-capital financing activities:		
State grants received	2,514	-
Federal grants received	142,826	-
Net cash provided by non-capital financing activities	<u>145,340</u>	<u>-</u>
Cash flows from investing financing activities:		
Insurance proceeds	1,300	
Interest on investments	285	11
Net cash provided by investing financing activities	<u>1,585</u>	<u>11</u>
Cash flows from capital financing activities		
Purchase of assets	(10,230)	-
Net increase in cash and cash equivalents	7,738	2,621
Cash and cash equivalents beginning of year	62,085	6,883
Cash and cash equivalents end of year	<u>\$ 69,823</u>	<u>9,504</u>
Reconciliation of operating income(loss) to net cash used by operating activities:		
Operating income(loss)	\$ (153,768)	2,610
Adjustments to reconcile operating income(loss) to net cash used by operating activities:		
Commodities consumed	17,529	-
Depreciation	4,412	-
Increase in inventories	(2,034)	-
Decrease in accounts receivable	4,971	-
Decrease in accounts payable	(12,048)	-
Increase in salaries and benefits payable	11,280	-
Increase in unearned revenue	701	-
Net cash provided by(used in) operating activities	<u>\$ (128,957)</u>	<u>2,610</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$17,529 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2012

	Agency
Assets	
Cash and pooled investments	\$ 72
Liabilities	
Due to other groups	\$ 72

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The Lenox Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Lenox, Iowa, and the predominate agricultural territory in Adams, Ringgold, Taylor and Union Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Lenox 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 Lenox 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 Adams, Ringgold, Taylor and Union Counties Assessors' 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. The value of the U.S. Treasury Securities on deposit with escrow agent as part of the crossover refunding bond issue has been added to the invested in capital assets, net of related debt.

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 accounts.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in 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 non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are

incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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 governmental or 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 of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for the current school year, which is paid 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 Revenue - 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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

(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 \$1,530,484 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 116,802
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>111,310</u>
Total		<u><u>\$ 228,112</u></u>

The Capital Projects: Physical Plant and Equipment Levy Fund transferred funds to the Debt Service Fund for payment of Capital Loan Note and General Obligation Bond indebtedness.

The Capital Projects: Statewide Sales, Services and Use Tax Levy Fund transferred funds to the Debt Service Fund for payment on General Obligation Bond indebtedness.

(4) 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	\$ 50,521	-	-	50,521
Constructin in progress	-	337,095	-	337,095
Total capital assets not being depreciated	50,521	337,095	-	387,616
Capital assets being depreciated:				
Buildings	5,570,588	-	-	5,570,588
Land improvements	22,418	-	-	22,418
Machinery and equipment	831,239	118,799	33,400	916,638
Total capital assets being depreciated	6,424,245	118,799	33,400	6,509,644
Less accumulated depreciation for:				
Buildings	1,224,762	111,412	-	1,336,174
Land improvements	3,363	1,120	-	4,483
Machinery and equipment	623,406	76,371	33,400	666,377
Total accumulated depreciation	1,851,531	188,903	33,400	2,007,034
Total capital assets being depreciated, net	4,572,714	(70,104)	-	4,502,610
Governmental activities capital assets, net	\$ 4,623,235	266,991	-	4,890,226
Business type activities:				
Machinery and equipment	\$ 70,888	10,230	-	81,118
Less accumulated depreciation	46,680	4,412	-	51,092
Business type activities capital assets, net	\$ 24,208	5,818	-	30,026

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 10,442
Other		11,738
Support services:		
Instructional staff		14,935
Operation and maintenance of plant		475
Transportation		38,781
Unallocated depreciation		<u>112,532</u>
Total governmental activities depreciation expense		<u>\$ 188,903</u>
Business type activities:		
Food services		<u>\$ 4,412</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance			Balance	Due
	Beginning			End of	Within
	of Year	Additions	Deletions	Year	One Year
General obligation bonds	\$ 2,730,000	2,470,000	180,000	5,020,000	2,550,000
Capital loan notes	175,000	-	85,000	90,000	90,000
Early retirement	10,765	-	10,765	-	-
Net OPEB liability	27,067	13,130	-	40,197	-
Total	<u>\$ 2,942,832</u>	<u>2,483,130</u>	<u>275,765</u>	<u>5,150,197</u>	<u>2,640,000</u>

General Obligation Bonds Payable

On December 11, 2011, the District issued \$2,470,000 of general obligation refunding bonds, with interest rates ranging from 0.60% to 2.55% for a crossover refunding of a portion of the general obligation bonds issued July 1, 2003. The District entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying the \$2,360,000 principal of the refunded general obligation bonds when they become callable on June 1, 2013 and the interest from June 1, 2012 to and including June 1, 2013 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished. The present value of savings of the crossover refunding is \$125,595.

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

Year Ending June 30,	Bond Issue of July 1, 2003			Bond Issue of December 8, 2011			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	3.10 %	\$ 190,000	92,570	0.60 %	\$ -	41,095	190,000	133,665	323,665
2014	3.20	195,000	86,680	0.60	225,000	41,095	420,000	127,775	547,775
2015	3.30	200,000	80,440	0.80	225,000	39,745	425,000	120,185	545,185
2016	3.40	210,000	73,840	1.05	230,000	37,945	440,000	111,785	551,785
2017	3.40	220,000	66,700	1.30	235,000	35,530	455,000	102,230	557,230
2018-2022	3.50-3.90	1,250,000	206,100	1.55-2.35	1,280,000	117,765	2,530,000	323,865	2,853,865
2023	4.00	285,000	11,400	2.55	275,000	7,013	560,000	18,413	578,413
Total		\$ 2,550,000	617,730		\$ 2,470,000	320,188	\$ 5,020,000	937,918	5,957,918

Capital Loan Notes Payable

Details of the District's June 30, 2012 capital loan notes indebtedness are as follows:

Year Ending June 30,	Note Issue of June 30, 2005			
	Interest Rates	Principal	Interest	Total
2013	3.65 %	\$ 90,000	3,285	93,285

Early Retirement

The District offered a voluntary early retirement plan to its full-time employees for the year-ended June 30, 2011. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentive for each eligible employee is equal to 1.00% for each year of service of his/her salary amount of the final contracted year of employment; maximum of \$10,000. During the year ended June 30, 2012, the District paid \$10,765 of early retirement benefit payments.

(6) 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 and 2010 were \$211,918, \$170,463, and \$168,057, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and vision benefits for retirees and their spouses. There are 47 active and 1 retired members in the plan. Participants must be age 55 or older at age of retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 23,000
Interest on net OPEB obligation	1,218
Adjustment to annual required contribution	<u>(1,088)</u>
Annual OPEB cost	23,130
Contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	13,130
Net OPEB obligation beginning of year	<u>27,067</u>
 Net OPEB obligation end of year	 <u>\$ 40,197</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$10,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 23,000	39.13%	\$ 14,000
2011	23,067	43.35%	27,067
2012	23,130	43.23%	40,197

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 \$199,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$199,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,543,078 and the ratio of the UAAL to covered payroll was 12.90%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 11.00% for the year ended June 30, 2011 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2022 of 5.00%.

Mortality rates are from the RP-2000 table, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$605 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Lenox 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$145,017 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.

(10) Construction Commitment

The District has entered into contracts totaling \$1,061,181 for construction of a safe room. As of June 30, 2012, costs of \$277,586 had been incurred against the contracts. The balance of \$778,595 remaining at June 30, 2012 will be paid as work progresses.

(11) Categorical Funding

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

Program	Amount
Gifted and Talented Programs	\$ 16,129
Returning Dropouts and Dropout Prevention Programs	118,840
Four-year-old Preschool State Aid	58,365
Teacher Salary Supplement	13,674
Professional Development for Model Core Curriculum	22,619
Professional Development	17,376
Total	<u>\$ 247,003</u>

REQUIRED SUPPLEMENTARY INFORMATION

LENOX 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	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 2,802,218	95,619	2,897,837	2,744,436	2,744,436	153,401
State sources	2,411,872	2,514	2,414,386	2,671,782	2,671,782	(257,396)
Federal sources	506,260	160,355	666,615	360,000	360,000	306,615
Total revenues	5,720,350	258,488	5,978,838	5,776,218	5,776,218	202,620
Expenditures/Expenses:						
Instruction	3,064,692	-	3,064,692	4,095,000	4,095,000	1,030,308
Support services	1,362,982	21,337	1,384,319	1,825,000	1,825,000	440,681
Non-instructional programs	-	227,765	227,765	250,000	270,000	42,235
Other expenditures	899,182	-	899,182	690,871	1,500,000	600,818
Total expenditures/expenses	5,326,856	249,102	5,575,958	6,860,871	7,690,000	2,114,042
Excess(Deficiency) of revenues over(under) expenditures/expenses	393,494	9,386	402,880	(1,084,653)	(1,913,782)	2,316,662
Other financing sources, net	2,464,993	1,300	2,466,293	5,000	5,000	2,461,293
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	2,858,487	10,686	2,869,173	(1,079,653)	(1,908,782)	4,777,955
Balances beginning of year	1,769,236	82,947	1,852,183	1,017,261	1,017,261	834,922
Balances end of year	\$ 4,627,723	93,633	4,721,356	(62,392)	(891,521)	5,612,877

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LENOX 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 budget expenditures by \$829,129.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 199,000	199,000	0.00%	\$ 1,645,298	12.10%
2011	July 1, 2009	-	199,000	199,000	0.00%	1,480,335	13.44%
2012	July 1, 2009	-	199,000	199,000	0.00%	1,543,078	12.90%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

LENOX COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total Special Revenue Funds
Assets			
Cash and pooled investments	\$ 229,725	39,629	269,354
Receivables:			
Property tax:			
Delinquent	1,638	-	1,638
Succeeding year	245,000	-	245,000
Accounts	-	586	586
Total assets	\$ 476,363	40,215	516,578
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	-	1,528	1,528
Deferred revenue:			
Succeeding year property tax	245,000	-	245,000
Total liabilities	245,000	1,528	246,528
Fund balances:			
Restricted for:			
Management levy purposes	231,363	-	231,363
Student activities	-	38,687	38,687
Total fund balances	231,363	38,687	270,050
Total liabilities and fund balances	\$ 476,363	40,215	516,578

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LENOX COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total Special Revenue Funds
Revenues:			
Local sources:			
Local tax	\$ 109,537	-	109,537
Other	5,602	88,007	93,609
State sources	57	-	57
Total revenues	<u>115,196</u>	<u>88,007</u>	<u>203,203</u>
Expenditures:			
Current:			
Instruction:			
Regular	39,173	-	39,173
Other	-	93,444	93,444
Support services:			
Administration	3,894	-	3,894
Operation and maintenance of plant	20,950	-	20,950
Transportation	10,703	-	10,703
Total expenditures	<u>74,720</u>	<u>93,444</u>	<u>168,164</u>
Net change in fund balances	40,476	(5,437)	35,039
Fund balances beginning of year	<u>190,887</u>	<u>44,124</u>	<u>235,011</u>
Fund balances end of year	<u>\$ 231,363</u>	<u>38,687</u>	<u>270,050</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LENOX 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	\$ 625	162,044	162,669
Receivables:			
Property tax:			
Delinquent	-	1,580	1,580
Succeeding year	-	143,141	143,141
Income surtax	-	57,764	57,764
Due from other governments	351,829	-	351,829
Total assets	\$ 352,454	364,529	716,983
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 62,299	-	62,299
Deferred revenue:			
Succeeding year property tax	-	143,141	143,141
Income surtax	-	57,764	57,764
Total liabilities	62,299	200,905	263,204
Fund balances:			
Restricted for:			
School infrastructure	290,155	-	290,155
Physical plant and equipment	-	163,624	163,624
Total fund balances	290,155	163,624	453,779
Total liabilities and fund balances	\$ 352,454	364,529	716,983

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LENOX COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 196,668	174,764	371,432
Other	177	135	312
State sources	125,799	55	125,854
Federal sources	251,969	-	251,969
Total revenues	<u>574,613</u>	<u>174,954</u>	<u>749,567</u>
Expenditures:			
Support services:			
Transportation	-	66,180	66,180
Capital outlay	346,825	16,069	362,894
Total expenditures	<u>346,825</u>	<u>82,249</u>	<u>429,074</u>
Excess of revenues over expenditures	227,788	92,705	320,493
Other financing sources(uses):			
Sale of capital assets	-	900	900
Transfers out	(111,310)	(116,802)	(228,112)
Total other financing sources(uses)	<u>(111,310)</u>	<u>(115,902)</u>	<u>(227,212)</u>
Net change in fund balances	116,478	(23,197)	93,281
Fund balances beginning of year	<u>173,677</u>	<u>186,821</u>	<u>360,498</u>
Fund balances end of year	<u>\$ 290,155</u>	<u>163,624</u>	<u>453,779</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LENOX 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	Balance End of Year
Athletics:				
General athletics	\$ 153	4,381	4,534	-
Football	-	8,905	8,905	-
Volleyball	395	2,265	2,660	-
Boys Basketball	2,169	3,544	5,713	-
Girls Basketball	1,236	3,690	4,926	-
Wrestling	-	3,020	3,020	-
HS Baseball	530	3,727	4,257	-
JH Baseball	111	310	421	-
HS Softball	76	2,923	2,999	-
JH Softball	21	310	331	-
Weight Room	480	-	480	-
	<u>5,171</u>	<u>33,075</u>	<u>38,246</u>	<u>-</u>
Band/Vocal:				
HS Music	6,765	3,988	3,620	7,133
Uniform Fees	1,610	231	-	1,841
Music Supplies	-	181	181	-
	<u>8,375</u>	<u>4,400</u>	<u>3,801</u>	<u>8,974</u>
Clubs/Organizations:				
Art Club	42	-	-	42
Peer Helpers	411	44	67	388
Football Cheerleaders	2,004	1,328	792	2,540
Basketball Cheerleaders	1,065	111	79	1,097
Wrestling Cheerleaders	154	111	124	141
Student Council	428	1,625	1,530	523
National Honor Society	45	-	-	45
Annual Staff	11,905	4,940	6,326	10,519
Drama Club	61	725	786	-
Explorer's	31	-	-	31
Foreign Language	81	-	-	81
FCCLA	159	6,211	4,707	1,663
	<u>16,386</u>	<u>15,095</u>	<u>14,411</u>	<u>17,070</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
Class Accounts:				
Class of 2011	1,786	-	1,786	-
Class of 2012	7,281	9,532	13,260	3,553
Class of 2013	348	23,740	19,299	4,789
Class of 2014	139	82	18	203
Class of 2015	110	90	36	164
Class of 2016	-	18	-	18
Class of 2017	-	40	-	40
	9,664	33,502	34,399	8,767
Elementary Activities:				
Memory Book	765	1,279	910	1,134
Student Council	967	-	13	954
Activities	119	-	-	119
Music	784	380	122	1,042
	2,635	1,659	1,045	3,249
Miscellaneous:				
Misc school-wide	1,656	-	1,174	482
Interest	-	276	276	-
JH Stand	92	-	92	-
Immunizations	145	-	-	145
	1,893	276	1,542	627
Total	\$ 44,124	88,007	93,444	38,687

LENOX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 358	8,437	8,723	72
Liabilities				
Due to other groups	\$ 358	8,437	8,723	72

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LENOX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,114,464	2,030,721	1,868,655	1,808,919	1,686,714	1,662,237	1,511,553	1,366,507	1,294,775
Tuition	453,729	413,349	396,671	413,829	280,851	232,997	266,652	281,335	263,624
Other	234,025	219,815	179,006	214,314	195,874	181,662	179,838	174,022	124,466
State sources	2,411,872	2,211,580	1,898,824	2,081,653	1,935,997	1,791,182	1,480,172	1,578,991	1,580,030
Federal sources	506,260	263,906	427,481	251,920	186,369	203,138	234,946	349,950	250,371
Total	\$ 5,720,350	5,139,371	4,770,637	4,770,635	4,285,805	4,071,216	3,673,161	3,750,805	3,513,266
Expenditures:									
Instruction:									
Regular	\$ 1,836,834	1,657,073	1,547,437	1,548,294	1,416,919	1,350,985	1,391,226	1,366,276	1,251,328
Special	544,130	567,189	602,155	607,413	540,657	512,822	518,138	783,153	661,963
Other	683,728	674,797	667,017	618,859	607,099	585,730	563,521	265,014	303,544
Support services:									
Student	89,896	87,895	84,340	78,757	74,729	19,286	15,072	19,190	17,791
Instructional	136,323	125,208	169,903	237,112	122,746	91,206	92,947	45,215	39,274
Administration	488,641	438,151	439,463	424,755	397,302	372,026	350,216	318,370	316,205
Operation and maintenance of plant	391,577	369,663	345,991	314,591	309,951	279,666	253,494	267,729	232,156
Transportation	256,545	204,009	114,696	109,200	133,060	157,560	94,760	85,670	81,062
Non-instructional programs:									
Food service operations	-	-	-	-	-	-	-	81,063	-
Capital outlay	362,894	118,647	302,373	26,140	54,388	176,067	277,080	3,358,309	950,189
Long-term debt:									
Principal	265,000	255,000	250,000	235,000	225,000	220,000	140,000	100,000	145,715
Interest and fiscal charges	126,271	113,007	120,262	129,862	139,748	149,313	154,835	142,670	137,862
Other expenditures:									
AEA flow-through	145,017	159,796	148,880	131,964	115,808	112,369	105,645	106,450	109,086
Total	\$ 5,326,856	4,770,435	4,792,517	4,461,947	4,137,407	4,027,030	3,956,934	6,939,109	4,246,175

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LENOX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education: Rural Education	84.358	FY 12	\$ 32,550
Indirect:			
U.S. Department of Agriculture: Iowa Department of Education: School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	26,141
National School Lunch Program	10.555	FY 12	133,705 *
Special Milk Program for Children	10.556	FY 12	509
			<u>160,355</u>
U.S. Department of Education: Iowa Department of Education: Title I Grants to Local Educational Agencies	84.010	FY 12	71,583
Migrant Education - State Grant Program	84.011	FY 12	27,100
Career and Technical Education - Basic Grants to States	84.048	FY 12	3,349
Reading First State Grants	84.366	FY 12	1,800
Improving Teacher Quality State Grants	84.367	FY 12	15,081
Grants for State Assessments and Related Activities	84.369	FY 12	2,737
Education Jobs Fund	84.410	FY 11	76,117
Education Jobs Fund	84.410	FY 12	1,199
			<u>77,316</u>
Area Education Agency: Special Education - Grants to States	84.027	FY 12	21,673
Educational Technology State Grants	84.318	FY 12	551
Special Education - State Personnel Development	84.323	FY 12	551
U.S. Department of Homeland Security: Homeland Security and Emergency Management Division: Hazard Mitigation Grant	97.039	FY 12	251,969
Total			<u>\$ 666,615</u>

* -Includes \$17,529 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of
Lenox 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 Lenox 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 5, 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 Lenox Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lenox 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 Lenox Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lenox 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 Findings, 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item II-A-12 to be a material weakness.

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

Compliance and Other Matters

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

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.

Lenox Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Lenox 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 Lenox Community School District and other parties to whom Lenox Community School District may report, including federal awarding agencies and pass-through entities, and 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 Lenox 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 5, 2013

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Lenox Community School District

Compliance

We have audited the compliance of Lenox Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lenox Community School District's major federal programs for the year ended June 30, 2012. Lenox Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lenox Community School District's management. Our responsibility is to express an opinion on Lenox Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lenox Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lenox Community School District's compliance with those requirements.

In our opinion, Lenox Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Lenox Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Lenox Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lenox Community School District's internal control over compliance.

Members American Institute & Iowa Society of Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

Lenox Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's response 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 Lenox Community School District and other parties to whom Lenox Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 5, 2013

LENOX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Report:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Clustered:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program for Children
 - Individual:
 - CFDA Number 97.039 - Hazard Mitigation Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lenox Community School District did not qualify as a low-risk auditee.

LENOX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-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 and the posting of the cash receipts to the cash receipts journal were all done by the same person. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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 - The District will review the duties of office employees and segregate duties where possible. However, it is unlikely that the District will be able to segregate duties without hiring additional staff.

Conclusion - Response accepted.

II-B-12 Nutrition Receipting Procedures - We noted during our audit that when money is collected in the Nutrition fund a receipt is not being issued to the individual. Instead, a tabulation sheet is maintained and supplied with the deposit slip for recording.

Recommendation - The internal control structure does not require receipting, although better internal controls would be to issue receipts and then subsequently reconcile the deposits to the receipts. The District should, at a minimum, print the amount posted to individual students accounts posted and reconcile these to the deposits made. The student account balances are not integrated with the accounting software and as a result the reconciliation is essential in determining that the money collected and posted to individual's accounts are deposited and recorded in the general ledger.

Response - The District will write a receipt for deposits into lunch accounts on a daily basis and will be recorded in the general ledger. Receipts/deposits will be reconciled to bank statements on a monthly basis and verified with reports from the student management system (PowerSchool).

Conclusion - Response accepted.

II-C-12 Posting of Nutrition Deposits - We noted during our audit that lunch revenues are posted into Quickbooks and then recorded into the Data Team software as totals each month. This requires both systems to account for the Nutrition fund transactions. The redundancy in posting appears to be inefficient and gives the appearance of two sets of books.

Recommendation - The District should consider networking the computers to have multiple users rather than use a second accounting software. This would allow for the detail of all revenues to be recorded in the official ledger in Data Teams.

Response - The District will record all nutrition revenues in the official ledger in DataTeams and will no longer be recording them in the Quickbooks program.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program Education
CFDA Number 10.556 - Special Milk Program for Children
Federal Award Year: 2012
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 97.039 - Hazard Mitigation Grant
Federal Award Year: 2012
U.S. Department of Homeland Security
Passed through the Homeland Security and Emergency Management Division

III-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 and the posting of the cash receipts to the cash receipts journal were all done by the same person. Also, vouchers are processed, disbursements are recorded and checks are prepared by the same person. We also noted that one individual has the ability to modify pay rates, process the payroll and generate payroll checks and direct deposits.

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 - The District will review the duties of office employees and segregate duties where possible. However, it is unlikely that the District will be able to segregate duties without hiring additional staff.

Conclusion - Response accepted.

LENOX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District expenditures for the year ended June 30, 2012, did not exceed the amounts budgeted in any of the functional areas.

IV-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-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.

IV-D-12 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Barker, Board Member Part owner of Barker Implement Spouse	Supplies and Services Accompanist	\$69 \$772
David Henrichs, Superintendent Daughter, Kara Henrichs	BB Ticket Taker	\$96
Diane Lange, Teacher Spouse owns Lange Construction	Services	\$120
Paula Horton, Board Secretary Son part owner of Lenox Tire Center	Services	\$1,105
Joyce Sweeney, Secretary Spouse owns Sweeney Repair	Services	\$798
Allen Dukes, Teacher Brother, Leroy Dukes Brother, Matt Dukes	BB, VB & FB Official WR Official	\$250 \$210
Tom Christensen, Coach Owns Christensen Sanitation Brother, Gary Christensen Brother, Jim Christensen	Garbage Disposal WR Official BB, FB & WR Official	\$3,244 \$140 \$465
Karl & Candace Peterson, Teacher Son, Mason Peterson Son, Alex Peterson	JH BB Official BB Official	\$45 \$60

Name, Title and Business Connection	Transaction Description	Amount
Leah Henderson, Tech Coordinator Owner of Siverly Graphixs	Supplies and Services	\$1,586
Dulce Pantoja Brother, Mario Pantoja	SB/B\B Ticket Taker	\$18
Mitch Sorensen, Teacher Owns S&S Sound Spectrum	DJ Services	\$559
Jennifer Miller, Nurse Brother owns Appliance Plus Mother owns Tiger Den	Services Meals	\$65 \$736
Nancy Chapman, Cook Husband owns Don's Body Shop	Services	\$2,160

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the board member's spouse and employee's relatives do not appear to represent a conflict of interest.

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

In accordance with Chapter 279.7A of the Code of the Iowa, the above transactions with Todd Barker do not appear to represent a conflict of interest.

- IV-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 ensure that the coverage is adequate for current operations.
- IV-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-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.
- IV-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.
- IV-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax 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 District reported the following information regarding the statewide, sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	173,677
Revenues:			
Sales tax revenues	\$	196,668	
Other local revenues		177	
State revenues		125,799	
Federal Revenues		251,969	574,613
			<u>748,290</u>
Expenditures/transfers out:			
School infrastructure construction		346,825	
Transfer to other funds:			
Debt service fund		111,310	458,135
			<u>458,135</u>
Ending Balance		\$	<u>290,155</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2012, the District reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$ 1.13295	\$ 111,310

IV-M-12 PSAT Revenues and Expenses - We noted during our audit that PSAT testing revenues and expenses are recorded in the Agency Fund.

Recommendation - The Agency fund should not be used as a clearing account for revenues and expenses that would be more appropriately run through other funds. PSAT revenues and expenses appear instructional in nature and therefore would be more appropriate in the General Fund.

Response - The District will record PSAT testing revenues and expenses in the General Fund.

Conclusion - Response accepted.

IV-N-12 Picture Commissions - We noted during our audit that revenues from Halverson Photography picture commissions are being receipted into the Student Activity Fund.

Recommendation - Commissions are not identified as allowable in any fund and therefore the most appropriate fund to receipt Halverson Photography picture commissions would be the General Fund. In the future, Halverson Photography picture commissions should be receipted to the General Fund.

Response - The District will record revenues from Halverson Photography picture commissions in the General Fund.

Conclusion - Response accepted.

IV-O-12 Proceeds From The Sale of Equipment - We noted during our audit the proceeds from the sale of a District bus were receipted into the Capital Projects: Physical Plant and Equipment Levy Fund.

Recommendation - Chapter 297.22 of the Code of Iowa requires that, proceeds from the sale or disposition of property other than real property shall be placed in the General Fund. A corrective transfer of \$900 is requested from the Capital Projects: Physical Plant and Equipment Levy Fund to the General Fund.

Response - The District will do a corrective transfer of \$900 from Capital Projects: Physical Plant and Equipment Levy to the General Fund. The District will change accounting procedures to deposit all proceeds from the sale or disposition of property other than real property into the General Fund.

Conclusion - Response accepted.