

LAKE MILLS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Lake Mills Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Ryan Joynt	President	2015
Don Knudtson	Vice President	2013
Kristie Smith	Board Member	2013
Kathy Christianson	Board Member	2015
Wesley Womack	Board Member	2015
School Officials		
Daryl Sherman	Superintendent	2013
Jennifer Fjelstad	Business Manager/ Board Secretary	2013
Ahlers & Cooney, PC	Attorney	2013

Lake Mills Community School District

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Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Lake Mills Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District, Lake Mills, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Lake Mills Community School District as of June 30, 2013 and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 15 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Mills Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2014, on our consideration so Lake Mills Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lake Mills Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lake Mills 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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,228,672 in fiscal 2012 to \$6,335,027 in fiscal 2013, while General Fund expenditures increased from \$6,154,146 in fiscal 2012 to \$6,366,199 in fiscal 2013. Expenditures outpaced revenues producing a decrease in the District's General Fund balance from \$2,524,432 at June 30, 2012 to \$2,493,260 at June 30, 2013, a 1.23% decrease from the prior year.
- The decrease in General Fund revenues was mainly attributable to decreases in local tax and federal source revenues in fiscal 2013. The increase in expenditures can be attributed to an increase in negotiated salaries and benefits paid to District employees.

USING THIS ANNUAL REPORT

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

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

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lake Mills 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 Lake Mills 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 Lake Mills Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds as well as the Capital Projects Accounts.

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

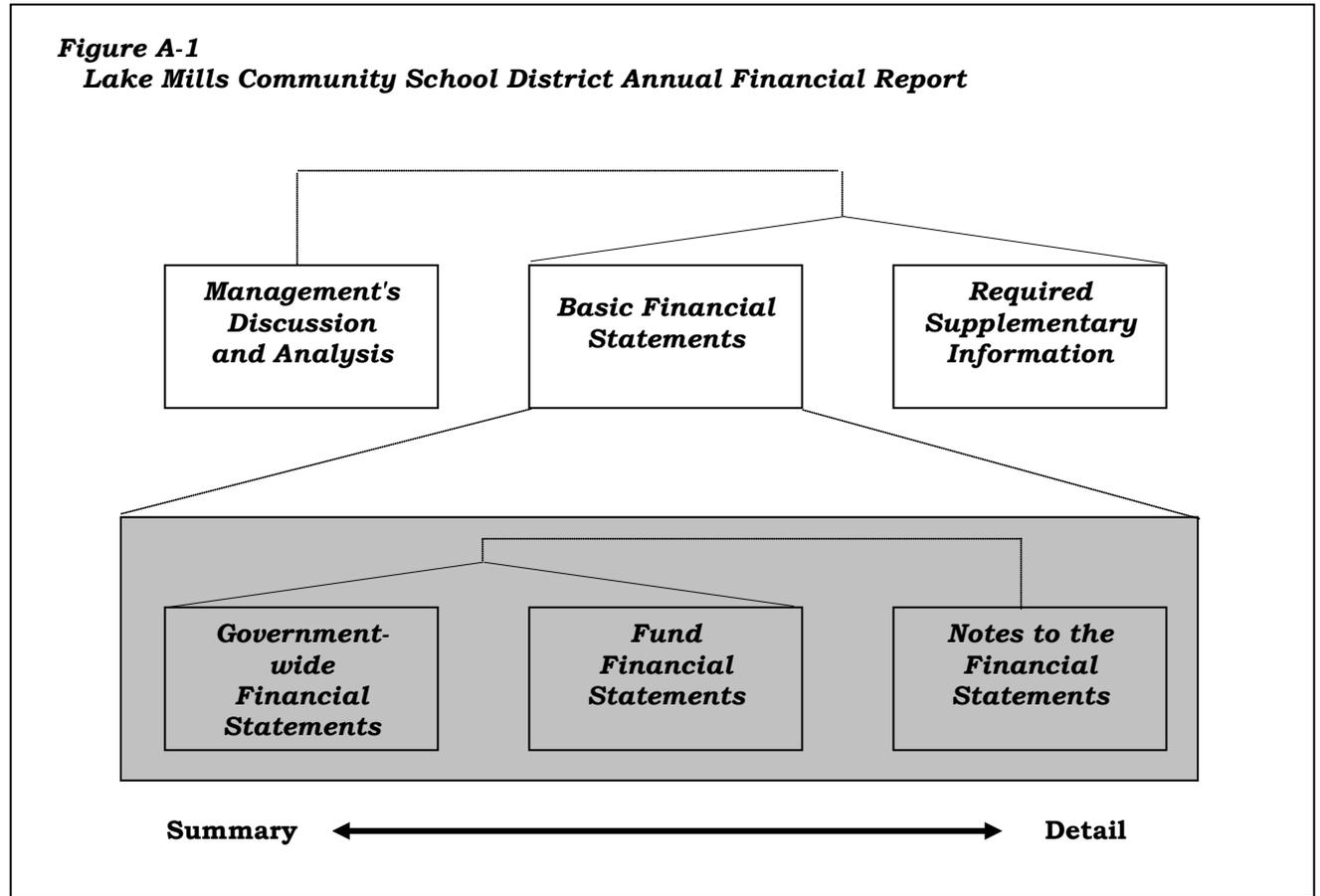


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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 Position 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 position and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position 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 the Capital Projects Funds.

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 Fund, one type of proprietary fund, is 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 proprietary funds include a Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Net Position 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 Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain moneys on behalf of other entities.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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 total net position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 8,801,807	7,452,557	79,397	79,400	8,881,204	7,531,957	17.91%
Capital assets	4,349,169	4,099,564	61,454	55,408	4,410,623	4,154,972	6.15%
Total assets	<u>13,150,976</u>	<u>11,552,121</u>	<u>140,851</u>	<u>134,808</u>	<u>13,291,827</u>	<u>11,686,929</u>	<u>13.73%</u>
Long-term obligations	2,298,398	2,675,240	8,778	4,470	2,307,176	2,679,710	-13.90%
Other liabilities	3,968,371	3,231,425	24,804	5,253	3,993,175	3,236,678	23.37%
Total liabilities	<u>6,266,769</u>	<u>5,906,665</u>	<u>33,582</u>	<u>9,723</u>	<u>6,300,351</u>	<u>5,916,388</u>	<u>6.49%</u>
Net position:							
Invested in capital assets, net of related debt	2,259,169	1,614,564	61,454	55,408	2,320,623	1,669,972	38.96%
Restricted	2,329,671	1,751,759	-	-	2,329,671	1,751,759	32.99%
Unrestricted	2,295,367	2,279,133	45,815	69,677	2,341,182	2,348,810	-0.32%
Total net position	<u>\$ 6,884,207</u>	<u>5,645,456</u>	<u>107,269</u>	<u>125,085</u>	<u>6,991,476</u>	<u>5,770,541</u>	<u>21.16%</u>

The District's combined net position increased by 21.16% or \$1,220,935 from the prior year. A large portion of the District's net position is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$577,912 or 32.99% from the prior year. The increase can be attributed to an increase in the fund balance of the Debt Service Fund.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal requirements - decreased \$7,628 or 0.32%. The decrease was mainly due to the decrease in the in the fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4 Changes of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2013	2012	2013	2012	2013	2012	2012-13	
Revenues:								
Program revenues:								
Charges for services	\$ 956,339	993,929	167,417	172,041	1,123,756	1,165,970		-3.62%
Operating grants, contributions and restricted interest	797,989	807,119	180,197	166,538	978,186	973,657		0.47%
Capital grants, contributions and restricted interest	236,558	-	-	10,696	236,558	10,696		2111.65%
General revenues:								
Property tax	3,078,364	3,242,324	-	-	3,078,364	3,242,324		-5.06%
Income surtax	322,012	281,618	-	-	322,012	281,618		14.34%
Statewide sales, services and use tax	500,176	450,244	-	-	500,176	450,244		11.09%
Unrestricted state grants	2,514,730	2,525,606	-	-	2,514,730	2,525,606		-0.43%
Nonspecific program federal revenue	-	121,306	-	-	-	121,306		-100.00%
Unrestricted investment earnings	1,925	2,977	-	246	1,925	3,223		-40.27%
Other	36,240	26,450	2,050	1,266	38,290	27,716		38.15%
Total revenues	8,444,333	8,451,573	349,664	350,787	8,793,997	8,802,360		-0.10%
Program expenses:								
Governmental activities:								
Instructional	4,705,950	4,363,847	-	-	4,705,950	4,363,847		7.84%
Support services	2,040,894	2,308,888	-	-	2,040,894	2,308,888		-11.61%
Non-instructional programs	-	-	367,480	344,270	367,480	344,270		6.74%
Other expenses	458,738	727,176	-	-	458,738	727,176		-36.92%
Total expenses	7,205,582	7,399,911	367,480	344,270	7,573,062	7,744,181		-2.21%
Change in net position before special item	1,238,751	1,051,662	(17,816)	6,517	1,220,935	1,058,179		15.38%
Special item	-	206,500	-	-	-	206,500		-100.00%
Change in net position	1,238,751	1,258,162	(17,816)	6,517	1,220,935	1,264,679		-3.46%
Net position beginning of year	5,645,456	4,387,294	125,085	118,568	5,770,541	4,505,862		28.07%
Net position end of year	\$ 6,884,207	5,645,456	107,269	125,085	6,991,476	5,770,541		21.16%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 75.97% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.41% of the revenue from business type activities. The District's total revenues were approximately \$8.79 million, of which approximately \$8.44 million was for governmental activities and \$0.35 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.10% decrease in revenues and a 2.21% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$8,444,333 and expenses were \$7,205,582.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,705,950	4,363,847	7.84%	3,288,520	2,906,058	13.16%
Support services	2,040,894	2,308,888	-11.61%	1,692,344	2,197,429	-22.99%
Other expenses	458,738	727,176	-36.92%	233,832	495,376	-52.80%
Totals	<u>\$ 7,205,582</u>	<u>7,399,911</u>	<u>-2.63%</u>	<u>5,214,696</u>	<u>5,598,863</u>	<u>-6.86%</u>

- The cost financed by users of the District's programs was \$956,339.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,034,547.
- The net cost of governmental activities was financed with \$3,078,364 in property tax, \$322,012 in income surtax, \$500,176 in statewide sales, services and use tax, \$2,514,730 in unrestricted state grants, \$1,925 in interest income and \$36,240 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$349,664 and expenses were \$367,480. 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 and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Lake Mills 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 \$4,562,655, above last year's ending fund balances of \$3,952,891. The increase is primarily attributable to the increase in the Debt Service fund balance.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$2,524,432 at June 30, 2012 to \$2,493,260 at June 30, 2013. The decrease in the District's General Fund financial position is the product of many factors. Decreases in local tax revenues and federal source revenues during the year resulted in a decrease in total revenues. The increase in General Fund expenditures outpaced revenues producing a decrease in the District's General Fund financial position.
- The Capital Projects Fund balance decreased \$35,682 during the current year, from a balance of \$1,088,540 at June 30, 2012 to \$1,052,858 at June 30, 2013. This decrease can be attributed to expenses relating to construction on a District safe room in the current year.

- The Debt Service Fund balance increased from a balance of \$600 at June 30, 2012 to \$659,895 at June 30, 2013. The increase can be attributed to an increase in local tax revenue received during the year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$125,085 at June 30, 2012 to \$107,269 at June 30, 2013, representing a decrease of approximately 14.24%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lake Mills Community School district amended its budget one time to reflect additional expenditures associated with construction on a safe room for the District.

The District's revenues were \$369,982 more than budgeted revenues, a variance of 4.39%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$4,410,623, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.15% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$228,835.

The original cost of the District's capital assets was \$9,983,908. Governmental funds account for \$9,815,824 with the remainder of \$168,084 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. Construction in progress totaled \$0 at June 30, 2012, compared to \$107,589 reported at June 30, 2013. The increase was the result of the District beginning construction on a safe room during fiscal year 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 61,610	61,610	-	-	61,610	61,610	0.00%
Construction in progress	107,589	-	-	-	107,589	-	100.00%
Buildings	3,589,969	3,504,964	-	-	3,589,969	3,504,964	2.43%
Improvements other than buildings	230,563	264,221	-	-	230,563	264,221	-12.74%
Machinery and equipment	359,438	268,769	61,454	55,408	420,892	324,177	29.83%
Total	\$ 4,349,169	4,099,564	61,454	55,408	4,410,623	4,154,972	6.15%

Long-Term Debt

At June 30, 2013, the District had \$2,307,176 in bonds payable and other long-term debt outstanding. This represents a decrease of 13.90% 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 \$1,750,000 at June 30, 2013.
- The District had outstanding revenue bonds payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$340,000 at June 30, 2013.
- The District had total outstanding termination benefits(early retirement) payable from the Special Revenue, Management Levy Fund of \$85,368 at June 30, 2013.
- The District had \$131,808 in net OPEB liability at June 30, 2013, \$123,030 of this is from governmental activities and \$8,778 from business type activities.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 1,750,000	1,985,000	-	-	1,750,000	1,985,000	-11.84%
Revenue bonds	340,000	500,000	-	-	340,000	500,000	-100.00%
Termination benefits	85,368	102,158	-	-	85,368	102,158	-16.44%
Net OPEB liability	123,030	88,082	8,778	4,470	131,808	92,552	42.42%
	<u>\$ 2,298,398</u>	<u>2,675,240</u>	<u>8,778</u>	<u>4,470</u>	<u>2,307,176</u>	<u>2,679,710</u>	<u>-13.90%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District continues to receive supplemental income on an annual basis from the Worth County Development Authority (WCDA) which are profits from the casino. The money is to be used for specific purposes as outlined by WCDA.
- On July 1, 2013, the IPERS employer contribution increase to 8.93% will increase the Lake Mills Community School District's employer benefit costs during fiscal 2014.
- The District received significant revenue in the form of tuition received for students open enrolled from Minnesota. We expect this revenue source to remain steady or increase.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Fjelstad, Business Manager/Board Secretary, Lake Mills Community School District, 102 South 4th Avenue East, Lake Mills, Iowa, 50450.

Lake Mills Community School District

Basic Financial Statements

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,997,393	70,198	5,067,591
Receivables:			
Property tax:			
Delinquent	31,524	-	31,524
Succeeding year	3,126,218	-	3,126,218
Income surtax	289,154	-	289,154
Accounts	433	-	433
Due from other governments	357,085	-	357,085
Inventories	-	9,199	9,199
Capital assets, net of accumulated depreciation	4,349,169	61,454	4,410,623
Total assets	13,150,976	140,851	13,291,827
Liabilities			
Accounts payable	116,540	-	116,540
Salaries and benefits payable	654,156	19,897	674,053
Accrued interest payable	18,373	-	18,373
Deferred revenue:			
Succeeding year property tax	3,126,218	-	3,126,218
Other	53,084	-	53,084
Unearned revenue	-	4,907	4,907
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	240,000	-	240,000
Revenue bonds	165,000	-	165,000
Termination benefits	67,376	-	67,376
Portion due after one year:			
General obligation bonds	1,510,000	-	1,510,000
Revenue bonds	175,000	-	175,000
Termination benefits	17,992	-	17,992
Net OPEB liability	123,030	8,778	131,808
Total liabilities	6,266,769	33,582	6,300,351
Net Position			
Invested in capital assets, net of related debt	2,259,169	61,454	2,320,623
Restricted for:			
Categorical funding	364,017	-	364,017
Debt service	641,522	-	641,522
Management levy	132,813	-	132,813
Student activities	138,461	-	138,461
School infrastructure	823,033	-	823,033
Physical plant and equipment levy	229,825	-	229,825
Unrestricted	2,295,367	45,815	2,341,182
Total net position	\$ 6,884,207	107,269	6,991,476

SEE NOTES TO FINANCIAL STATEMENTS.

**LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,881,199	606,073	170,375	-	(2,104,751)	-	(2,104,751)
Special	805,489	78,294	117,589	-	(609,606)	-	(609,606)
Other	1,019,262	263,237	181,862	-	(574,163)	-	(574,163)
	<u>4,705,950</u>	<u>947,604</u>	<u>469,826</u>	<u>-</u>	<u>(3,288,520)</u>	<u>-</u>	<u>(3,288,520)</u>
Support services:							
Student	225,777	-	99,521	-	(126,256)	-	(126,256)
Instructional staff	202,093	-	3,736	-	(198,357)	-	(198,357)
Administration	609,348	-	-	-	(609,348)	-	(609,348)
Operations and maintenance of plant	621,472	-	-	236,558	(384,914)	-	(384,914)
Transportation	382,204	8,735	-	-	(373,469)	-	(373,469)
	<u>2,040,894</u>	<u>8,735</u>	<u>103,257</u>	<u>236,558</u>	<u>(1,692,344)</u>	<u>-</u>	<u>(1,692,344)</u>
Long-term debt interest	94,955	-	-	-	(94,955)	-	(94,955)
Other expenditures:							
AEA flowthrough	224,906	-	224,906	-	-	-	-
Depreciation(unallocated)*	138,877	-	-	-	(138,877)	-	(138,877)
	<u>363,783</u>	<u>-</u>	<u>224,906</u>	<u>-</u>	<u>(138,877)</u>	<u>-</u>	<u>(138,877)</u>
Total governmental activities	<u>7,205,582</u>	<u>956,339</u>	<u>797,989</u>	<u>236,558</u>	<u>(5,214,696)</u>	<u>-</u>	<u>(5,214,696)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	367,480	167,417	180,197	-	-	(19,866)	(19,866)
Total	<u>\$ 7,573,062</u>	<u>1,123,756</u>	<u>978,186</u>	<u>236,558</u>	<u>(5,214,696)</u>	<u>(19,866)</u>	<u>(5,234,562)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,280,495	-	2,280,495
Debt service					687,798	-	687,798
Capital outlay					110,071	-	110,071
Income surtax					322,012	-	322,012
Statewide sales, services and use tax					500,176	-	500,176
Unrestricted state grants					2,514,730	-	2,514,730
Unrestricted investment earnings					1,925	-	1,925
Other					36,240	2,050	38,290
Total general revenues					<u>6,453,447</u>	<u>2,050</u>	<u>6,455,497</u>
Change in net position					1,238,751	(17,816)	1,220,935
Net position beginning of year					5,645,456	125,085	5,770,541
Net position end of year					<u>\$ 6,884,207</u>	<u>107,269</u>	<u>6,991,476</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and cash equivalents	\$ 3,133,845	855,071	653,288	355,189	4,997,393
Receivables:					
Property tax:					
Delinquent	22,045	1,056	6,607	1,816	31,524
Succeeding year	2,095,790	118,963	711,465	200,000	3,126,218
Income surtax	144,577	144,577	-	-	289,154
Accounts	433	-	-	-	433
Due from other governments	136,886	220,199	-	-	357,085
Total assets	\$ 5,533,576	1,339,866	1,371,360	557,005	8,801,807
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 99,627	16,550	-	363	116,540
Salaries and benefits payable	654,156	-	-	-	654,156
Deferred revenue:					
Succeeding year property tax	2,095,790	118,963	711,465	200,000	3,126,218
Income surtax	144,577	144,577	-	-	289,154
Other	46,166	6,918	-	-	53,084
Total liabilities	3,040,316	287,008	711,465	200,363	4,239,152
Fund balances:					
Restricted for:					
Categorical funding	364,017	-	-	-	364,017
Debt service	-	-	659,895	-	659,895
Management levy purposes	-	-	-	218,181	218,181
Student activities	-	-	-	138,461	138,461
School infrastructure	-	823,033	-	-	823,033
Physical plant and equipment levy	-	229,825	-	-	229,825
Unassigned	2,129,243	-	-	-	2,129,243
Total fund balances	2,493,260	1,052,858	659,895	356,642	4,562,655
Total liabilities and fund balances	\$ 5,533,576	1,339,866	1,371,360	557,005	8,801,807

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	4,562,655
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		4,349,169
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		289,154
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.		(18,373)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, termination benefits payable, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,298,398)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,884,207</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,269,025	772,363	687,798	173,586	3,902,772
Tuition	678,590	-	-	-	678,590
Other	224,667	174,924	102	235,740	635,433
State sources	2,849,819	1,777	319	86	2,852,001
Federal sources	312,926	64,831	-	-	377,757
Total revenues	<u>6,335,027</u>	<u>1,013,895</u>	<u>688,219</u>	<u>409,412</u>	<u>8,446,553</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,754,270	-	-	70,662	2,824,932
Special	786,032	-	-	-	786,032
Other	774,300	-	-	223,548	997,848
	<u>4,314,602</u>	<u>-</u>	<u>-</u>	<u>294,210</u>	<u>4,608,812</u>
Support services:					
Student	221,213	-	-	-	221,213
Instructional staff	197,974	-	-	-	197,974
Administration	592,240	32,690	-	-	624,930
Operation and maintenance of plant	502,356	-	-	97,879	600,235
Transportation	312,908	138,037	-	-	450,945
	<u>1,826,691</u>	<u>170,727</u>	<u>-</u>	<u>97,879</u>	<u>2,095,297</u>
Capital outlay	-	434,113	-	-	434,113
Long-term debt:					
Principal	-	-	395,000	-	395,000
Interest and fiscal charges	-	-	99,715	-	99,715
	<u>-</u>	<u>-</u>	<u>494,715</u>	<u>-</u>	<u>494,715</u>
Other expenditures:					
AEA flowthrough	224,906	-	-	-	224,906
Total expenditures	<u>6,366,199</u>	<u>604,840</u>	<u>494,715</u>	<u>392,089</u>	<u>7,857,843</u>
Excess(Deficiency) of revenues over(under) expenditures	(31,172)	409,055	193,504	17,323	588,710
Other financing sources(uses):					
Transfer in	-	-	465,791	-	465,791
Transfer out	-	(465,791)	-	-	(465,791)
Insurance proceeds	-	21,054	-	-	21,054
Total other financing sources(uses)	<u>-</u>	<u>(444,737)</u>	<u>465,791</u>	<u>-</u>	<u>21,054</u>
Change in fund balances	(31,172)	(35,682)	659,295	17,323	609,764
Fund balances beginning of year	<u>2,524,432</u>	<u>1,088,540</u>	<u>600</u>	<u>339,319</u>	<u>3,952,891</u>
Fund balances end of year	<u>\$ 2,493,260</u>	<u>1,052,858</u>	<u>659,895</u>	<u>356,642</u>	<u>4,562,655</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS 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, 2013

Change in fund balances - total governmental funds(page 22) \$ 609,764

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 exceeded depreciation expense in the current year as follows:

Capital outlays	\$ 470,137	
Depreciation expense	(220,532)	249,605

Repayment of long-term liabilities is an expenditure in the the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 395,000

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. 4,760

Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities. (2,220)

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

Termination benefits	\$ 16,790	
Other postemployment benefits	(34,948)	(18,158)

Change in net position of governmental activities(page 19) \$ 1,238,751

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

	School Nutrition
Assets	
Cash and cash equivalents	\$ 70,198
Inventories	9,199
Capital assets, net of accumulated depreciation	61,454
Total assets	140,851
Liabilities	
Salaries and benefits payable	19,897
Unearned revenue	4,907
Net OPEB liability	8,778
Total liabilities	33,582
Net Position	
Invested in capital assets	61,454
Unrestricted	45,815
Total net position	\$ 107,269

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2013

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 167,417
Miscellaneous	2,050
Total operating revenues	169,467
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	127,807
Benefits	70,916
Services	2,024
Supplies	156,848
Other	1,582
Depreciation	8,303
Total operating expenses	367,480
Operating loss	(198,013)
Non-operating revenues:	
State sources	3,395
Federal sources	176,802
Total non-operating revenues	180,197
Change in net position	(17,816)
Net position beginning of year	125,085
Net position end of year	\$ 107,269

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 167,157
Cash received from miscellaneous	2,050
Cash paid to employees for services	(174,604)
Cash paid to suppliers for goods or services	(129,138)
Net cash used in operating activities	(134,535)
Cash flows from non-capital financing activities:	
State grants received	3,395
Federal grants received	146,891
Net cash provided by non-capital financing activities	150,286
Cash flows from capital and related financing activities:	
Purchase of capital assets	(14,349)
Net increase in cash and cash equivalents	1,402
Cash and cash equivalents at beginning of year	68,796
Cash and cash equivalents at end of year	\$ 70,198
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (198,013)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	29,911
Depreciation	8,303
Decrease in inventories	1,405
Increase in salaries and benefits payable	19,811
Decrease in unearned revenue	(260)
Increase in net OPEB liability	4,308
Net cash used in operating activities	\$ (134,535)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$29,911 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust Scholarship	Agency
Assets		
Cash and pooled investments	\$ 261,702	8,045
Liabilities		
Due to other groups	-	8,045
Net Position		
Restricted for scholarships	\$ 261,702	-

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 386
Donations	43,020
Total additions	43,406
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	12,705
Change in net position	30,701
Net position beginning of year	231,001
Net position end of year	\$ 261,702

SEE NOTES TO FINANCIAL STATEMENTS.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) Summary of Significant Accounting Policies

Lake Mills Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the city of Lake Mills, Iowa, and the predominate agricultural territory in Winnebago and Worth 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, Lake Mills 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 Lake Mills Community School District has no component units that 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Winnebago and Worth County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 attributable to the acquisition, construction, or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions

and interest 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 and proprietary 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 nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary fund:

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

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

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

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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	5-25 years
Intangibles	3-10 years
Machinery and equipment	3-15 years

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

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

Deferred revenue on the Statement of Net Position 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 in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Position in the Proprietary Funds.

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

Fund Balance - 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 the preceding classification.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use is 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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the non-instructional programs functional area.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District had no investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 465,791

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Capital Projects: Statewide Sales, Services and Use Tax Fund transfer to the Debt Service Fund was needed to fulfill sinking requirements associated with the district's revenue bonded indebtedness and to move the bond reserve accounts to the Debt Service Fund.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 61,610	-	-	61,610
Construction in progress	-	107,589	-	107,589
Total capital assets not being depreciated	61,610	107,589	-	169,199
Capital assets being depreciated:				
Buildings	7,325,644	190,224	-	7,515,868
Land improvements	556,027	-	-	556,027
Machinery and equipment	1,402,406	172,324	-	1,574,730
Total capital assets being depreciated	9,284,077	362,548	-	9,646,625
Less accumulated depreciation for:				
Buildings	3,820,680	105,219	-	3,925,899
Land improvements	291,806	33,658	-	325,464
Machinery and equipment	1,133,637	81,655	-	1,215,292
Total accumulated depreciation	5,246,123	220,532	-	5,466,655
Total capital assets being depreciated, net	4,037,954	142,016	-	4,179,970
Governmental activities capital assets, net	\$ 4,099,564	249,605	-	4,349,169
Business type activities:				
Machinery and equipment	\$ 153,735	14,349	-	168,084
Less accumulated depreciation	98,327	8,303	-	106,630
Business type activities capital assets, net	\$ 55,408	6,046	-	61,454

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,143
Other	1,630
Support services:	
Administration	8,431
Operation and maintenance of plant	8,794
Transportation	59,657
	81,655
Unallocated depreciation	138,877
Total governmental activities depreciation expense	\$ 220,532
Business type activities:	
Food services	\$ 8,303

(5) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,985,000	-	235,000	1,750,000	240,000
Revenue bonds	500,000	-	160,000	340,000	165,000
Termination benefits	102,158	59,932	76,722	85,368	67,376
Net OPEB liability	88,082	34,948	-	123,030	-
Total	\$ 2,675,240	94,880	471,722	2,298,398	472,376
Business type activities:					
Net OPEB liability	\$ 4,470	4,308		8,778	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue March 1, 2006			
	Interest Rates	Principal	Interest	Total
2014	4.20 %	\$ 240,000	70,965	310,965
2015	4.00	235,000	60,885	295,885
2016	4.00	190,000	51,485	241,485
2017	3.90	200,000	43,885	243,885
2018	4.00	210,000	36,085	246,085
2019-2021	4.05-4.15	675,000	56,415	731,415
Total		\$ 1,750,000	319,720	2,069,720

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue March 1, 2006			
	Interest Rates	Principal	Interest	Total
2014	3.85%	\$ 165,000	9,914	174,914
2015	3.85	175,000	3,369	178,369
		\$ 340,000	13,283	353,283

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,200,000 of bonds issued in March 2006. The bonds were issued for the purpose of financing a portion of the costs of a school addition and school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require

nearly 33 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$353,283. For the current year, \$160,000 of principal and \$16,170 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$500,176.

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

- a) \$120,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) A portion of the proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Termination Benefits

The District is offering a temporary voluntary early retirement plan for employees in fiscal years 2009-2014. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and is limited to four applicants per year. Early retirement benefits are equal to \$1,500 plus 100% of the difference between the salary schedule base and the teacher's position on the current salary schedule.

Early retirement expenditures for the year ended June 30, 2013 totaled \$76,722.

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$326,647, \$288,664 and \$241,933 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 77 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 61,696
Interest on net OPEB obligation	2,314
Adjustment to annual required contribution	(7,747)
Annual OPEB cost	<u>56,263</u>
Contributions made	<u>(17,007)</u>
Increase in net OPEB obligation	39,256
Net OPEB obligation beginning of year	<u>92,552</u>
Net OPEB obligation end of year	<u><u>\$ 131,808</u></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, 2013. For the year ended June 30, 2013, the District contributed \$17,007 to the medical plan.

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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 45,955	30.46%	\$ 66,955
2012	40,597	36.95	92,552
2013	56,263	30.23	131,808

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$448,222, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$448,222. The covered payroll (annual payroll of active employees covered by the plan) was \$3,732,716 and the ratio of the UAAL to covered payroll was 12.0%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented 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 to 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 long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The health cost trend rate is 6%.

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

Projected claim costs of the medical plan are \$584 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, life, accidental death and dismemberment and long-term disability.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$619,823.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Lake Mills 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 \$224,906 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budget appropriations at the functional area level. During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the certified budgeted amounts.

(11) Construction Commitments

The District has entered into an architect contract for the construction of a safe room for the District. As of June 30, 2013, costs of \$107,589 have been incurred against the contract. The balance remaining at June 30, 2013 will be paid as work on the projects progresses.

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficient	\$ 2,996
Home School Assistance Program	1,949
Weighted At-Risk Programs	6,115
Gifted and Talented Programs	56,772
Returning Dropouts and Dropout Prevention Programs	89,777
Four-year-old Preschool State Aid	25,189
Teacher Salary Supplement	125,280
Professional Development for Model Core Curriculum	30,374
Professional Development	<u>25,565</u>
Total	<u>\$ 364,017</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	<u>Invested in Capital Assets</u>	<u>Debt Service</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	659,895	218,181	2,129,243
Invested in capital assets, net of accumulated depreciation	4,349,169	-	-	-
General obligation bond capitalized indebtedness	(1,750,000)	-	-	-
Revenue bond capitalized indebtedness	(340,000)	-	-	-
Income Surtax	-	-	-	289,154
Termination benefits	-	-	(85,368)	-
Accrued interest payable	-	(18,373)	-	-
Net OPEB liability	-	-	-	(123,030)
Net position (Exhibit A)	<u>\$ 2,259,169</u>	<u>641,522</u>	<u>132,813</u>	<u>2,295,367</u>

Lake Mills Community School District

Required Supplementary Information

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,216,795	169,467	5,386,262	5,145,645	5,145,645	240,617
State sources	2,852,001	3,395	2,855,396	2,878,101	2,878,101	(22,705)
Federal sources	377,757	176,802	554,559	402,489	402,489	152,070
Total revenues	8,446,553	349,664	8,796,217	8,426,235	8,426,235	369,982
Expenditures/expenses:						
Instruction	4,608,812	-	4,608,812	4,848,344	4,848,344	239,532
Support services	2,095,297	-	2,095,297	2,588,542	2,588,542	493,245
Non-instructional programs	-	367,480	367,480	303,862	303,862	(63,618)
Other expenditures	1,153,734	-	1,153,734	1,155,781	1,555,781	402,047
Total expenditures/expenses	7,857,843	367,480	8,225,323	8,896,529	9,296,529	1,071,206
Excess(Deficiency) of revenues over(under) expenditures/expenses	588,710	(17,816)	570,894	(470,294)	(870,294)	1,441,188
Other financing sources, net	21,054	-	21,054	-	-	21,054
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	609,764	(17,816)	591,948	(470,294)	(870,294)	1,462,242
Fund balances beginning of year	3,952,891	125,085	4,077,976	3,876,778	3,876,778	201,198
Fund balances end of year	\$ 4,562,655	107,269	4,669,924	3,406,484	3,006,484	1,663,440

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment, increasing budgeted expenditures in the other expenditures functional area by \$400,000.

During the year ended June 30, 2013, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

LAKE MILLS 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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$355,000	\$355,000	0.0%	\$3,040,000	11.7%
2011	July 1, 2009	-	355,000	355,000	0.0	2,940,000	12.1
2012	July 1, 2009	-	355,000	355,000	0.0	3,402,186	10.4
2013	July 1, 2012	-	448,222	448,222	0.0	3,732,716	12.0

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

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue		
	Student Activity	Management Levy	Total
Assets			
Cash and pooled investments	\$ 138,824	216,365	355,189
Receivables:			
Property tax:			
Delinquent	-	1,816	1,816
Succeeding year	-	200,000	200,000
Total assets	\$ 138,824	418,181	557,005
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 363	-	363
Deferred revenue:			
Succeeding year property tax	-	200,000	200,000
Total liabilities	363	200,000	200,363
Fund balances:			
Restricted for:			
Management levy purposes	-	218,181	218,181
Student activities	138,461	-	138,461
Total fund balances	138,461	218,181	356,642
Total liabilities and fund balances	\$ 138,824	418,181	557,005

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013

	Special Revenue		
	Student Activity	Management Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	173,586	173,586
Other	232,091	3,649	235,740
State sources	-	86	86
Total revenues	<u>232,091</u>	<u>177,321</u>	<u>409,412</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	70,662	70,662
Other	223,548	-	223,548
Support services:			
Operation and maintenance of plant	-	97,879	97,879
Total expenditures	<u>223,548</u>	<u>168,541</u>	<u>392,089</u>
Change in fund balances	8,543	8,780	17,323
Fund balances beginning of year	<u>129,918</u>	<u>209,401</u>	<u>339,319</u>
Fund balances end of year	<u>\$ 138,461</u>	<u>218,181</u>	<u>356,642</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 624,387	230,684	855,071
Receivables:			
Property tax:			
Delinquent	-	1,056	1,056
Succeeding year	-	118,963	118,963
Income surtax	-	144,577	144,577
Due from other governments	220,199	-	220,199
Total assets	\$ 844,586	495,280	1,339,866
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 14,635	1,915	16,550
Deferred revenue:			
Succeeding year property tax	-	118,963	118,963
Income surtax	-	144,577	144,577
Other	6,918	-	6,918
Total liabilities	21,553	265,455	287,008
Fund Balances:			
Restricted for:			
School infrastructure	823,033	-	823,033
Physical plant and equipment	-	229,825	229,825
Total fund balances	823,033	229,825	1,052,858
Total liabilities and fund balances	\$ 844,586	495,280	1,339,866

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 500,176	272,187	772,363
Other	170,102	4,822	174,924
State sources	1,726	51	1,777
Federal sources	64,831	-	64,831
Total revenues	<u>736,835</u>	<u>277,060</u>	<u>1,013,895</u>
Expenditures:			
Current:			
Support services:			
Administration	-	32,690	32,690
Transportation	138,037	-	138,037
Capital outlay	162,221	271,892	434,113
Total expenditures	<u>300,258</u>	<u>304,582</u>	<u>604,840</u>
Excess(Deficiency) of revenues over(under) expenditures	436,577	(27,522)	409,055
Other financing sources(uses):			
Transfer out	(465,791)	-	(465,791)
Insurance Proceeds	-	21,054	21,054
Total other financing sources(uses)	<u>(465,791)</u>	<u>21,054</u>	<u>(444,737)</u>
Change in fund balances	(29,214)	(6,468)	(35,682)
Fund balaces beginning year	<u>852,247</u>	<u>236,293</u>	<u>1,088,540</u>
Fund balances end of year	<u>\$ 823,033</u>	<u>229,825</u>	<u>1,052,858</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Boys basketball	\$ -	360	3,674	3,314	-
Football	-	65	8,608	8,543	-
Wrestling	-	1,927	5,624	3,697	-
Baseball	-	7,388	12,584	5,196	-
Boys golf	-	-	461	461	-
Boys track	-	775	2,871	2,096	-
Girls basketball	-	480	5,266	4,786	-
Girls golf	-	290	395	105	-
Girls track	-	475	2,534	2,059	-
Volleyball	-	7,987	14,385	6,398	-
Softball	-	654	4,651	3,997	-
Athletics	15,410	104,196	54,369	(40,844)	24,393
Cross country	-	348	634	286	-
Bulldog store	5,235	8	-	-	5,243
Cheerleaders	-	1,236	1,464	228	-
FFA	1,599	43,486	41,438	228	3,875
FCCLA	872	3,335	3,110	228	1,325
HS Speech club	1,972	1,130	2,431	228	899
Science club	1,244	720	-	228	2,192
HS Student council	1,185	2,195	1,482	228	2,126
Flag team	387	-	-	(387)	-
Spanish club	56	1,002	1,069	228	217
MS Student council	2,322	720	1,313	228	1,957
MS Speech club	2,140	720	79	228	3,009
Grade 7 quest	15,640	20,081	23,282	435	12,874
Grade 8-1 quest	207	-	-	(207)	-
Class of 2013	6,447	120	1,120	(5,447)	-
Class of 2014	-	3,022	436	-	2,586
Band fundraising	19,345	17,443	15,034	158	21,912
Concert band	10,726	1,509	2,991	616	9,860
Vocal	7,584	1,626	2,796	228	6,642
School musical/play	2,561	1,155	1,262	228	2,682
Jazz band	1,541	104	-	-	1,645
HS Annual	7,192	5,652	5,169	228	7,903
Activity fund projects	23,156	1,523	3,016	5,428	27,091
Interest	3,097	359	-	(3,426)	30
Total	\$ 129,918	232,091	223,548	-	138,461

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 5,425	5,351	2,731	8,045
Liabilities				
Due to other groups	\$ 5,425	5,351	2,731	8,045

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAKE MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 3,902,772	3,981,956	3,800,035	3,449,880	3,236,331	3,192,046	3,086,085	2,830,933	2,747,426	2,625,919
Tuition	678,590	676,278	695,436	540,551	589,290	563,534	525,921	480,957	455,967	392,806
Other	635,433	498,949	525,139	516,026	587,772	628,369	479,492	543,506	380,958	296,232
Intermediate sources	-	-	-	-	-	-	-	-	-	5,799
State sources	2,852,001	2,834,117	2,807,417	2,384,387	2,961,657	2,922,728	2,884,346	2,712,489	2,646,415	2,672,575
Federal sources	377,757	491,889	334,753	742,250	226,313	97,124	114,999	127,528	120,929	113,951
Total	\$ 8,446,553	8,483,189	8,162,780	7,633,094	7,601,363	7,403,801	7,090,843	6,695,413	6,351,695	6,107,282
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,824,932	2,692,463	2,937,323	2,634,389	2,389,886	2,447,555	2,385,709	2,374,277	2,276,667	2,158,582
Special	786,032	709,936	640,618	695,356	715,387	751,780	689,303	720,367	830,145	826,940
Other	997,848	921,575	867,257	719,114	742,431	768,307	667,442	604,643	653,122	620,634
Support services:										
Student	221,213	199,073	215,221	366,399	274,906	151,390	135,592	226,607	166,909	266,257
Instructional staff	197,974	341,677	83,162	359,852	554,960	420,060	402,589	464,825	267,626	283,036
Administration	624,930	675,337	617,657	677,542	750,791	641,917	666,152	567,807	588,278	624,184
Operation and maintenance of plant	600,235	611,626	602,250	547,711	604,200	640,498	579,160	526,950	386,148	480,169
Transportation	450,945	403,432	273,381	357,102	247,695	258,566	245,947	274,901	240,431	282,799
Central support	-	-	-	-	-	-	-	-	-	1,786
Non-instructional programs	-	-	-	-	-	-	-	32,369	-	3,391
Capital outlay	434,113	263,424	188,874	314,440	357,575	504,967	3,248,819	451,646	224,361	129,564
Long-term debt:										
Principal	395,000	375,000	365,290	350,289	335,289	325,289	170,289	155,000	150,289	140,000
Interest	99,715	115,410	130,701	144,516	157,806	171,868	188,038	57,880	66,720	69,365
Other expenditures:										
AEA flow-through	224,906	231,800	260,133	254,791	224,556	212,115	209,111	201,214	199,545	204,823
Total	\$ 7,857,843	7,540,753	7,181,867	7,421,501	7,355,482	7,294,312	9,588,151	6,658,486	6,050,241	6,091,530

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 the Lake Mills Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13 thru I-E-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Mills Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other

matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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.

Lake Mills Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lake Mills 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 25, 2014
Newton, Iowa

LAKE MILLS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts, disbursement and approval functions.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - filling out deposit slips, recording, posting and reconciling.
- 4) Disbursements - check preparation, signing checks, mailing and recording, voucher preparation and reconciling disbursements to the check register.
- 5) Payroll - approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 6) Wire transfers - processing and approval.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) Journal entries - approval and posting.

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

Response - We are continually reviewing procedures within our office to improve segregation of duties based on the limited personnel. We have a person coming in once a week to help with this.

Conclusion - Response accepted.

I-B-13 Gate Admissions - We noted that although the District uses pre-numbered tickets for all events that require admission, the ticket takers are not reconciling the cash collected to the tickets used.

Recommendation - Better internal control is achieved if cash is counted and reconciled (preferably by two or more individuals) to the pre-numbered tickets sold. And a reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.

Response - We have implemented reconciliation forms to be signed off by the individuals responsible for counting and reconciling the cash.

Conclusion - Response accepted.

- I-C-13 Student Activity Fund-Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they are not approved by the Board. We recommend that all fundraisers be approved by Board. We also noted that the fundraisers do not always have a stated purpose.

Recommendation - Districts should have policies and/or procedures in place to address fund-raising activity including:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - We will review the District's policies and procedures regarding fundraisers with the appropriate staff to ensure that fundraisers are properly approved by the Board and always have a stated purpose.

Conclusion - Response accepted.

- I-D-13 Deposits - We noted during our audit that deposits were not being deposited in a timely manner. In the month of May there was one deposit made and some checks were held for up to three weeks before being deposited in the subsequent month.

Recommendation - All receipts should be deposited when received. The District should review its procedures to ensure that the deposits are made timely.

Response - All receipts are deposited when received. We notified teachers that when collecting money it must be turned into our office promptly for deposit.

Conclusion - Response accepted.

- I-E-13 Purchase Orders - We noted during our audit that 3 of 26 disbursement tested for the Student Activity fund lacked an approved purchase order.

Recommendation - The advantage of using a purchase order system is that the items being purchased are approved prior to ordering. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an

outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - Procedures have been put in place so that purchase orders must be approved before orders are placed.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, exceeded the amounts budgeted in the non-instructional programs functional area.

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

Response - We will monitor the budget with the new software so that amendments can be made timely.

Conclusion - Response accepted.

II-B-13 Questionable Disbursements - We noted during our audit that the District awarded gift cards to individual students for after prom festivities. Gift cards are not appropriate since Chapter 279.29 of the Code of Iowa requires the District Board of Directors to 'audit and allow' all bills. The gift certificate does not allow the Board the ability to perform the required function of approval of the final purchase. Without knowing the ultimate purchase, the District cannot comply with Chapter 279.29 of the Code of Iowa.

Recommendation - The District should refrain from giving gift certificates/cards as prizes or awards.

Response - The District no longer gives out gift cards.

Conclusion - Response accepted.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jennifer Fjelstad, Business Manager		
Spouse owns David's Super Foods	Supplies	\$2,662
Spouse owns Subway	Food	\$96

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouse of the Business Manager do not appear to represent a conflict of interest.

- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-13 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Iowa Department of Education were noted.
- II-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-13 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education and we noted no significant deficiencies in the amounts reported.
- II-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning Balance		\$ 852,247
Revenues:		
Sales tax revenues	\$ 500,176	
Other local revenues	170,102	
State revenues	1,726	
Federal revenues	64,831	
		736,835
		1,589,082
Expenditures/transfer out:		
School infrastructure construction	\$ 162,221	
Equipment	138,037	
Transfer to other funds:		
Debt service fund	465,791	
		766,049
Ending Balance		\$ 823,033

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.