

LAMONI COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2013

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Lamoni Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Mike Quick	President	2013
Michelle Dickey-Kotz	Vice President	2015
Larry Heltenberg	Board Member	2015
Cody Shields	Board Member	2015
Chip Millslagle	Board Member	2013
<u>School Officials</u>		
Chris Coffelt	Superintendent	2013
Ev Trowbridge	District Secretary/Treasurer	2013
Ahlers & Cooney, P.C.	Attorney	2013
Pat Greenwood	Attorney	2013

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

Independent Auditor's Report

To the Board of Education of the Lamoni Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Lamoni Community School District, Lamoni, 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, business type activities, each major fund, and the aggregate remaining fund information of the Lamoni Community School District at June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Lamoni Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, 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 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 13, 2014, on our consideration of the Lamoni Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lamoni Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2014
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lamoni Community School District provides the 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 \$3,917,406 in fiscal 2012 to \$3,886,283 in fiscal 2013, while General Fund expenditures increased from \$3,712,050 in fiscal 2012 to \$3,753,054 in fiscal 2013. The District's General Fund balance increased from \$1,223,381 at June 30, 2012 to \$1,356,610 at June 30, 2013, a 10.89% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenue in fiscal 2013. The increase in expenditures was due primarily to increases in negotiated salaries and benefits for 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 Lamoni 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 Lamoni 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 Lamoni Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

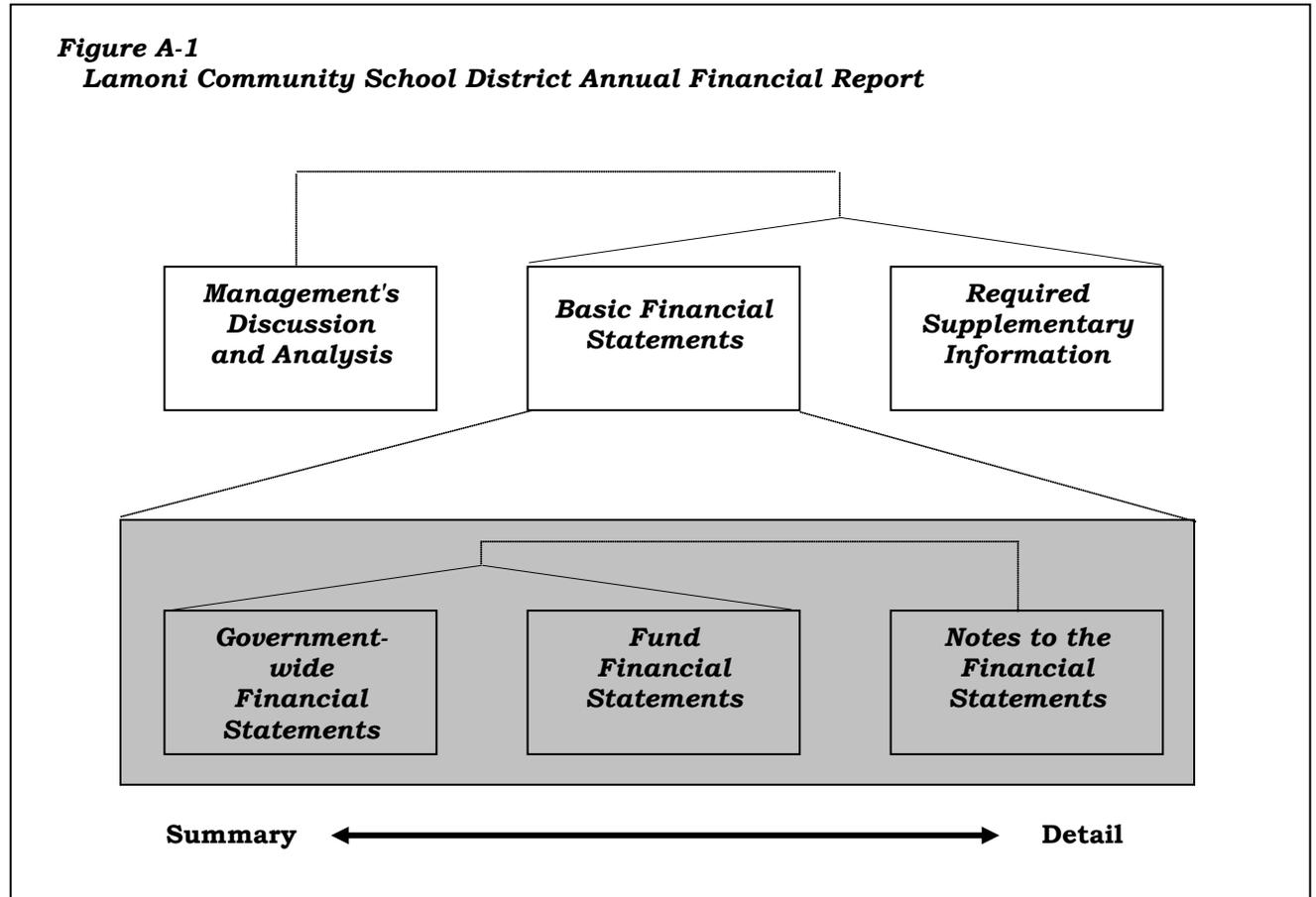


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
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 it has 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 is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

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

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

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in 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 Private Purpose Trust and Agency funds.

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net 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 net position at June 30, 2013 compared to June 30, 2012.

Figure A-3 Condensed Statement 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
Current and other assets	\$ 4,675,907	4,229,355	155,708	184,748	4,831,615	4,414,103	9.46%
Capital assets	6,652,405	6,527,677	32,549	30,290	6,684,954	6,557,967	1.94%
Total assets	11,328,312	10,757,032	188,257	215,038	11,516,569	10,972,070	4.96%
Long-term obligations	2,460,535	2,654,990	2,881	1,488	2,463,416	2,656,478	-7.27%
Other liabilities	1,897,336	1,680,465	1,900	6,225	1,899,236	1,686,690	12.60%
Total liabilities	4,357,871	4,335,455	4,781	7,713	4,362,652	4,343,168	0.45%
Net position:							
Invested in capital assets, net of related debt	4,268,907	3,897,677	32,549	30,290	4,301,456	3,927,967	9.51%
Restricted	1,410,965	1,306,113	-	-	1,410,965	1,306,113	8.03%
Unrestricted	1,290,569	1,217,787	150,927	177,035	1,441,496	1,394,822	3.35%
Total net position	\$ 6,970,441	6,421,577	183,476	207,325	7,153,917	6,628,902	7.92%

The District's combined net position increased by 7.92%, or \$525,015, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), 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 \$104,852 or 8.03%, over the prior year. The increase is primarily due to the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$46,674, or 3.35%. The increase was primarily due to the increase in the General Fund balance.

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 service	\$ 448,764	404,858	61,857	61,652	510,621	466,510	9.46%
Operating grants, contributions and restricted interest	507,599	468,390	163,548	175,535	671,147	643,925	4.23%
Capital grants, contributions and restricted interest	185,886	28,380	-	-	185,886	28,380	554.99%
General revenues:							
Property tax	1,275,158	1,452,041	-	-	1,275,158	1,452,041	-12.18%
Income surtax	24,976	107,256	-	-	24,976	107,256	-76.71%
Statewide sales, services and use tax	290,839	263,211	-	-	290,839	263,211	10.50%
Nonspecific program federal grants	-	27,669	-	-	-	27,669	-100.00%
Unrestricted state grants	1,990,746	1,942,904	-	-	1,990,746	1,942,904	2.46%
Unrestricted investment earnings	16,284	14,303	1,453	838	17,737	15,141	17.15%
Other	73,225	32,817	-	100	73,225	32,917	122.45%
Total revenues	4,813,477	4,741,829	226,858	238,125	5,040,335	4,979,954	1.21%
Program expenses:							
Instruction	2,752,239	2,658,406	-	-	2,752,239	2,658,406	3.53%
Support services	1,111,071	1,164,316	15,793	-	1,126,864	1,164,316	-3.22%
Non-instructional programs	-	-	234,914	221,400	234,914	221,400	6.10%
Other expenses	401,303	418,564	-	-	401,303	418,564	-4.12%
Total expenses	4,264,613	4,241,286	250,707	221,400	4,515,320	4,462,686	1.18%
Change in net position	548,864	500,543	(23,849)	16,725	525,015	517,268	1.50%
Net position beginning of year	6,421,577	5,921,034	207,325	190,600	6,628,902	6,111,634	8.46%
Net position end of year	\$ 6,970,441	6,421,577	183,476	207,325	7,153,917	6,628,902	7.92%

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 74.41% of the revenue from governmental activities while charges for service and operating grants and contributions account for 99.36% of the revenue from business type activities.

The District's total revenues were approximately \$5.04 million of which approximately \$4.81 million was for governmental activities and approximately \$0.23 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 1.21% increase in revenues and a 1.18% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$4,813,477 and expenses were \$4,264,613.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 2,752,239	2,658,406	3.53%	1,959,545	1,981,288	-1.10%
Support services	1,111,071	1,164,316	-4.57%	894,864	1,073,168	-16.61%
Other expenses	401,303	418,564	-4.12%	267,955	285,202	-6.05%
Totals	\$ 4,264,613	4,241,286	0.55%	3,122,364	3,339,658	-6.51%

- The cost financed by users of the District's programs was \$448,764.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$693,485.
- The net cost of governmental activities was financed with \$1,275,158 in property tax, \$24,976 in income surtax, \$290,839 in statewide sales, services and use tax, \$1,990,746 in unrestricted state grants, \$16,284 in interest income and \$73,225 in other general revenues.

Business Type Activities

Revenues of the District's business type activity were \$226,858 and expenses were \$250,707. The District's business type activity includes the School Nutrition Fund and the Heartland Baking School Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,769,506, above last year's ending fund balances of \$2,458,594. The primary reason for this increase is associated with the increase in the Capital Projects fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance increased from \$1,223,381 at June 30, 2012 to \$1,356,610 at June 30, 2013. The increase is primarily due increases state revenues sources, as well as revenues outpacing expenditures during the year.
- The Capital Project Accounts balance increased from \$1,055,839 at June 30, 2012 to \$1,215,795 at June 30, 2013. The increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund is due in part to an increase in federal source revenues during the year.

-
- The Debt Service Fund balance decreased from \$39,473 at June 30, 2012 to \$38,141 at June 30, 2013. Revenues decreased from \$358,784 in fiscal 2012 to \$327,348 in fiscal 2013. Expenses decreased from \$359,775 in fiscal 2012 to \$328,680 in fiscal 2013.

Proprietary Fund Highlights

The School Nutrition Fund's balance decreased from \$204,050 at June 30, 2012 to \$182,968 at June 30, 2013. This represents a decrease of 10.33%.

The Heartland Baking School Fund balance decreased from \$3,275 at June 30, 2012 to \$508 at June 30, 2013. This represents a decrease of 84.49%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$11,794 less than budgeted revenues, a variance of 0.23%. The most significant variance resulted from the District receiving more from federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$6,684,954 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents an increase of 1.94% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$182,707.

The original cost of the District's capital assets was \$9,045,091. Governmental funds account for \$8,942,863 with the remainder of \$102,228 in the Proprietary, School Nutrition Fund and Heartland Baking School Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2012 as compared to \$248,578 at June 30, 2013. The primary reason for the increase was due to the District beginning work on its safe room during the year. This new Safe Room will be capitalized as part of the District's capital asset listing upon completion.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 73,183	73,183	-	-	73,183	73,183	0.00%
Construction in progress	248,578	-	-	-	248,578	-	100.00%
Buildings	6,147,760	6,303,166	-	-	6,147,760	6,303,166	-2.47%
Land improvements	43,590	46,335	-	-	43,590	46,335	-5.92%
Machinery and equipment	139,294	104,993	32,549	30,290	171,843	135,283	27.02%
Total	\$ 6,652,405	6,527,677	32,549	30,290	6,684,954	6,557,967	1.94%

Long-Term Debt

At June 30, 2013, the District had \$2,463,416 in general obligation bonds payable, revenue bonds payable, and other long-term debt outstanding. (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 \$2,325,000 at June 30, 2013.

The District had total outstanding revenue bonds payable of \$90,000 at June 30, 2013.

The District had a net OPEB payable of \$48,416 at June 30, 2013. Governmental activities account for \$45,535 of this total and business type activities account for \$2,881.

Figure A-7							
Outstanding Long-Term Obligations							
	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	\$ 2,325,000	2,455,000	-	-	2,325,000	2,455,000	-5.30%
Revenue bonds	90,000	175,000	-	-	90,000	175,000	-48.57%
Other post employment benefits	45,535	24,990	2,881	1,488	48,416	26,478	82.85%
Total	\$ 2,460,535	2,654,990	2,881	1,488	2,463,416	2,656,478	-7.27%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- While historically stable, district student enrollment fluctuates on an annual basis. This variance creates difficulty in strategically staffing positions.
- The city of Lamoni annexed property along Highway 69 out to Interstate 35. This property created an increased property tax valuation for the school district this year and is expected to continue going forward.

-
- The Iowa Legislature set the state supplementary aid(formerly allowable growth) rate at 4% for the fiscal 2015 year. The state supplementary aid rate has not been established for Fiscal year 2016. This uncertainty will impact district decision making in preparing for next year's budget.
 - District renewal rates with ISEBA remained constant this year with no increase for next year. The long-term impact of the Affordable Care Act on the District continues to be evaluated.

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 Lisa Jones, District Secretary/Business Manager, Lamoni Community School District, 202 N. Walnut, Lamoni, Iowa 50140.

Basic Financial Statements

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,835,031	145,044	2,980,075
Receivables:			
Property tax:			
Delinquent	22,088	-	22,088
Succeeding year	1,371,196	-	1,371,196
Income surtax	27,507	-	27,507
Accounts	465	-	465
Due from other governments	419,620	3,954	423,574
Inventories	-	6,710	6,710
Capital assets, net of accumulated depreciation	6,652,405	32,549	6,684,954
TOTAL ASSETS	11,328,312	188,257	11,516,569
LIABILITIES			
Accounts payable	149,707	-	149,707
Salaries and benefits payable	357,991	-	357,991
Accrued interest payable	18,442	-	18,442
Deferred revenue:			
Succeeding year property tax	1,371,196	-	1,371,196
Unearned revenue	-	1,900	1,900
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	140,000	-	140,000
Revenue bonds payable	90,000	-	90,000
Portion due after one year:			
General obligation bonds payable	2,185,000	-	2,185,000
Net OPEB liability	45,535	2,881	48,416
TOTAL LIABILITIES	4,357,871	4,781	4,362,652
NET POSITION			
Invested in capital assets, net of related debt	4,268,907	32,549	4,301,456
Restricted for:			
Categorical funding	35,975	-	35,975
Debt service	19,699	-	19,699
School infrastructure	914,512	-	914,512
Physical plant and equipment levy	269,781	-	269,781
Management levy purposes	147,343	-	147,343
Student activities	23,655	-	23,655
Unrestricted	1,290,569	150,927	1,441,496
TOTAL NET POSITION	\$ 6,970,441	183,476	7,153,917

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities		Business- Type Activities
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,486,475	222,547	40,709	-	(1,223,219)	-	(1,223,219)
Special	557,092	97,049	40,924	-	(419,119)	-	(419,119)
Other	708,672	98,847	292,618	-	(317,207)	-	(317,207)
	<u>2,752,239</u>	<u>418,443</u>	<u>374,251</u>	<u>-</u>	<u>(1,959,545)</u>	<u>-</u>	<u>(1,959,545)</u>
Support services:							
Student	43,556	-	-	-	(43,556)	-	(43,556)
Instructional staff	11,017	-	-	-	(11,017)	-	(11,017)
Administration	438,143	-	-	-	(438,143)	-	(438,143)
Operation and maintenance of plant	408,233	-	-	185,886	(222,347)	-	(222,347)
Transportation	210,122	30,321	-	-	(179,801)	-	(179,801)
	<u>1,111,071</u>	<u>30,321</u>	<u>-</u>	<u>185,886</u>	<u>(894,864)</u>	<u>-</u>	<u>(894,864)</u>
Long-term debt interest	109,804	-	-	-	(109,804)	-	(109,804)
Other expenses:							
AEA flowthrough	133,348	-	133,348	-	-	-	-
Depreciation (unallocated)*	158,151	-	-	-	(158,151)	-	(158,151)
	<u>291,499</u>	<u>-</u>	<u>133,348</u>	<u>-</u>	<u>(158,151)</u>	<u>-</u>	<u>(158,151)</u>
Total governmental activities	4,264,613	448,764	507,599	185,886	(3,122,364)	-	(3,122,364)
Business type activities:							
Support Services:							
Operation and maintenance of plant	15,793	-	-	-	-	(15,793)	(15,793)
Non-instructional programs:							
Food service operations	232,147	61,857	163,548	-	-	(6,742)	(6,742)
Other enterprise operations	2,767	-	-	-	-	(2,767)	(2,767)
Total business type activities	<u>250,707</u>	<u>61,857</u>	<u>163,548</u>	<u>-</u>	<u>-</u>	<u>(25,302)</u>	<u>(25,302)</u>
Total	\$ 4,515,320	510,621	671,147	185,886	(3,122,364)	(25,302)	(3,147,666)
General Revenues:							
Property tax levied for:							
General purposes				\$ 935,157	-		935,157
Debt service				235,747	-		235,747
Capital outlay				104,254	-		104,254
Income surtax				24,976	-		24,976
Statewide sales, services and use tax				290,839	-		290,839
Unrestricted state grants				1,990,746	-		1,990,746
Unrestricted investment earnings				16,284	1,453		17,737
Other				73,225	-		73,225
Total general revenues				<u>3,671,228</u>	<u>1,453</u>		<u>3,672,681</u>
Change in net position				548,864	(23,849)		525,015
Net position beginning of year				<u>6,421,577</u>	<u>207,325</u>		<u>6,628,902</u>
Net position end of year	\$			<u>6,970,441</u>	<u>183,476</u>		<u>7,153,917</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,626,474	1,016,816	34,081	157,660	2,835,031
Receivables:					
Property tax					
Delinquent	14,933	1,795	4,060	1,300	22,088
Succeeding year	947,448	108,840	239,908	75,000	1,371,196
Income surtax	9,169	18,338	-	-	27,507
Accounts	465	-	-	-	465
Due from other governments	107,671	311,949	-	-	419,620
TOTAL ASSETS	\$ 2,706,160	1,457,738	278,049	233,960	4,675,907
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 34,942	114,765	-	-	149,707
Salaries and benefits payable	357,991	-	-	-	357,991
Deferred revenue:					
Succeeding year property tax	947,448	108,840	239,908	75,000	1,371,196
Income surtax	9,169	18,338	-	-	27,507
Total liabilities	1,349,550	241,943	239,908	75,000	1,906,401
Fund balances:					
Restricted for:					
Categorical funding	35,975	-	-	-	35,975
Debt service	-	-	38,141	-	38,141
School infrastructure	-	946,014	-	-	946,014
Physical plant and equipment levy	-	269,781	-	-	269,781
Management levy purposes	-	-	-	147,343	147,343
Student activities	-	-	-	23,655	23,655
Unassigned:					
General	1,320,635	-	-	-	1,320,635
Student activities	-	-	-	(12,038)	(12,038)
Total fund balances	1,356,610	1,215,795	38,141	158,960	2,769,506
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,706,160	1,457,738	278,049	233,960	4,675,907

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI 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)	\$	2,769,506
 <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 in the governmental funds.		6,652,405
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		27,507
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.		(18,442)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,460,535)</u>
Net position of governmental activities(page 18)	\$	<u><u>6,970,441</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI 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	\$ 951,169	413,266	235,747	74,898	1,675,080
Tuition	311,027	-	-	-	311,027
Other	125,953	3,816	317	97,160	227,246
State sources	2,290,187	21,922	120	38	2,312,267
Federal sources	207,947	164,017	-	-	371,964
Total revenues	<u>3,886,283</u>	<u>603,021</u>	<u>236,184</u>	<u>172,096</u>	<u>4,897,584</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,471,308	-	-	-	1,471,308
Special	557,466	-	-	-	557,466
Other	603,202	-	-	100,637	703,839
	<u>2,631,976</u>	<u>-</u>	<u>-</u>	<u>100,637</u>	<u>2,732,613</u>
Support services:					
Student	43,173	-	-	-	43,173
Instructional staff	10,940	-	-	-	10,940
Administration	425,206	-	1,000	7,982	434,188
Operation and maintenance of plant	307,770	12,277	-	42,682	362,729
Transportation	200,641	18,001	-	1,736	220,378
	<u>987,730</u>	<u>30,278</u>	<u>1,000</u>	<u>52,400</u>	<u>1,071,408</u>
Capital outlay	-	321,623	-	-	321,623
Long-term debt:					
Principal	-	-	215,000	-	215,000
Interest and fiscal charges	-	-	112,680	-	112,680
	<u>-</u>	<u>-</u>	<u>327,680</u>	<u>-</u>	<u>327,680</u>
Other expenditures:					
AEA flowthrough	133,348	-	-	-	133,348
TOTAL EXPENDITURES	<u>3,753,054</u>	<u>351,901</u>	<u>328,680</u>	<u>153,037</u>	<u>4,586,672</u>
Excess(Deficiency) of revenues over(under) expenditures	133,229	251,120	(92,496)	19,059	310,912
Other financing sources(uses):					
Transfer in	-	-	91,164	-	91,164
Transfer out	-	(91,164)	-	-	(91,164)
Total other financing sources(uses)	<u>-</u>	<u>(91,164)</u>	<u>91,164</u>	<u>-</u>	<u>-</u>
Change in fund balances	133,229	159,956	(1,332)	19,059	310,912
Fund balances beginning of year	1,223,381	1,055,839	39,473	139,901	2,458,594
Fund balances end of year	<u>\$ 1,356,610</u>	<u>1,215,795</u>	<u>38,141</u>	<u>158,960</u>	<u>2,769,506</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI 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)	\$	310,912
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 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 outlays exceed depreciation expense in the current year is as follows:		
Capital outlays	\$ 300,270	
Depreciation expense	<u>(175,542)</u>	124,728
 Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows:		
		215,000
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		2,876
 Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(84,107)
 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.		
Other postemployment benefits		<u>(20,545)</u>
 Change in net position of governmental activities(page 19)	 \$	 <u><u>548,864</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	School Nutrition	Heartland Baking School	Total
ASSETS			
Cash and pooled investments	\$ 144,536	508	145,044
Due from other governments	3,954	-	3,954
Inventories	6,710	-	6,710
Capital assets, net of accumulated depreciation	32,549	-	32,549
TOTAL ASSETS	187,749	508	188,257
LIABILITIES			
Unearned revenue	1,900	-	1,900
Net OPEB liability	2,881	-	2,881
TOTAL LIABILITIES	4,781	-	4,781
NET POSITION			
Invested in capital assets	32,549	-	32,549
Unrestricted	150,419	508	150,927
TOTAL NET POSITION	\$ 182,968	508	183,476

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Heartland Baking School	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 61,857	-	61,857
OPERATING EXPENSES:			
Support services:			
Operation and maintenance of plant services:			
Services	1,939	-	1,939
Supplies	13,854	-	13,854
	15,793	-	15,793
Non-instructional programs:			
Food service operations:			
Salaries	73,322	-	73,322
Benefits	33,991	-	33,991
Services	3,527	-	3,527
Supplies	116,314	-	116,314
Depreciation	4,398	-	4,398
Other	595	-	595
	232,147	-	232,147
Other enterprise operations:			
Depreciation	-	2,767	2,767
Total non-instructional programs	232,147	2,767	234,914
TOTAL OPERATING EXPENSES	247,940	2,767	250,707
OPERATING LOSS	(186,083)	(2,767)	(188,850)
NON-OPERATING REVENUES:			
State sources	1,944	-	1,944
Federal sources	161,604	-	161,604
Interest income	1,453	-	1,453
TOTAL NON-OPERATING REVENUES	165,001	-	165,001
Change in net position	(21,082)	(2,767)	(23,849)
Net position beginning of year	204,050	3,275	207,325
Net position end of year	\$ 182,968	508	183,476

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	School Nutrition	Heartland Baking School	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 62,203	-	62,203
Cash payments to employees for services	(110,591)	-	(110,591)
Cash payments to suppliers for goods or services	(126,039)	-	(126,039)
Net cash used in operating activities	(174,427)	-	(174,427)
Cash flows from non-capital financing activities:			
State grants received	1,944	-	1,944
Federal grants received	150,689	-	150,689
Net cash provided by non-capital financing activities	152,633	-	152,633
Cash flows from capital and related financing activities:			
Purchase of capital assets	(9,424)	-	(9,424)
Cash flows from investing activities:			
Interest on investments	1,453	-	1,453
Net decrease in cash and cash equivalents	(29,765)	-	(29,765)
Cash and cash equivalents beginning of year	174,301	508	174,809
Cash and cash equivalents end of year	\$ 144,536	508	145,044
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (186,083)	(2,767)	(188,850)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	11,807	-	11,807
Depreciation	4,398	2,767	7,165
Increase in inventories	(1,617)	-	(1,617)
Increase in net other postemployment benefits	1,393	-	1,393
Decrease in salary and benefits payable	(4,671)	-	(4,671)
Increase in unearned revenue	346	-	346
Net cash used in operating activities	\$ (174,427)	-	(174,427)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$11,807.

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2013

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 9,931
LIABILITIES	<u>-</u>
NET POSITION	
Restricted for scholarships	<u>\$ 9,931</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest	\$ 8
Contributions	200
Total additions	<u>208</u>
Deductions:	
Instruction:	
Other:	
Scholarships awarded	<u>400</u>
Change in net position	(192)
Net position beginning of year	<u>10,123</u>
Net position end of year	<u>\$ 9,931</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1. Summary of Significant Accounting Policies

The Lamoni Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Lamoni, Iowa, and the predominate agricultural territory of Decatur and Ringgold 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lamoni 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 District has no component units which meet the Governmental Accounting Standards Board Criteria.

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as statement of net assets) and the Statement of Activities report information on all of the activities of the District, with omission of the fiduciary funds. 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 service.

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 the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization 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 are 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

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

The District also reports the following major proprietary fund:

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

The District also reports the following non-major proprietary Fund.

The Enterprise, Heartland Baking School Fund is used to account for the food classes and entrepreneurship classes which provide a baking and catering service for the community.

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 the assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measureable 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 - 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 Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balance 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 taxes in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 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 the 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 governmental 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, 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
Intangible assets	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as a liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents 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 revenues consist of unspent federal grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

Fund Balances - 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 preceding classifications.

E. Budgets and Budgetary Accounting

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

Note 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 investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$10 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor’s Financial Services.

Note 3. Interfund Transfers

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

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	<u>\$ 91,164</u>

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

Note 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	\$ 73,183	-	-	73,183
Construction in progress	-	248,578	-	248,578
Total capital assets not being depreciated	<u>73,183</u>	<u>248,578</u>	<u>-</u>	<u>321,761</u>
Capital assets being depreciated:				
Buildings	7,974,462	-	-	7,974,462
Land improvements	205,889	-	-	205,889
Machinery and equipment	452,959	51,692	63,900	440,751
Total capital assets being depreciated	<u>8,633,310</u>	<u>51,692</u>	<u>63,900</u>	<u>8,621,102</u>
Less accumulated depreciation for:				
Buildings	1,671,296	155,406	-	1,826,702
Land improvements	159,554	2,745	-	162,299
Machinery and equipment	347,966	17,391	63,900	301,457
Total accumulated depreciation	<u>2,178,816</u>	<u>175,542</u>	<u>63,900</u>	<u>2,290,458</u>
Total capital assets being depreciated, net	<u>6,454,494</u>	<u>(123,850)</u>	<u>-</u>	<u>6,330,644</u>
Governmental activities capital assets, net	<u>\$ 6,527,677</u>	<u>124,728</u>	<u>-</u>	<u>6,652,405</u>
Business type activities:				
Machinery and equipment	\$ 92,804	9,424	-	102,228
Less accumulated depreciation	62,514	7,165	-	69,679
Business type activities capital assets, net	<u>\$ 30,290</u>	<u>2,259</u>	<u>-</u>	<u>32,549</u>
Depreciation expense was charged by the District as follows:				
Governmental activities:				
Instruction:				
Regular			\$	5,928
Support services:				
Operation and maintenance of plant				3,594
Transportation				7,869
				<u>17,391</u>
Unallocated depreciation				<u>158,151</u>
Total governmental activities depreciation expense			\$	<u>175,542</u>
Business type activities:				
Food service operations			\$	4,398
Other enterprise operations				2,767
Total business type activities depreciation expense			\$	<u>7,165</u>

Note 5. Long-Term Debt

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	\$ 2,455,000	-	130,000	2,325,000	140,000
Revenue bonds	175,000	-	85,000	90,000	90,000
Net OPEB liability	24,990	20,545	-	45,535	-
Total	\$ 2,654,990	20,545	215,000	2,460,535	230,000
Business type activities:					
Net OPEB liability	\$ 1,488	1,393	-	2,881	-

General Obligation Bonds Payable

Details of the Districts June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of January 1, 2006			Bond Issue of May 1, 2006			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	4.50 %	\$ 100,000	61,698	5.25 %	\$ 40,000	37,210	\$ 140,000	98,908	238,908
2015	4.50	105,000	57,197	5.00	40,000	35,110	145,000	92,307	237,307
2016	3.85	110,000	52,473	4.20	40,000	33,110	150,000	85,583	235,583
2017	3.88	110,000	48,238	4.25	45,000	31,430	155,000	79,668	234,668
2018	3.90	120,000	43,975	4.30	45,000	29,518	165,000	73,493	238,493
2019-2023	3.95-4.10	655,000	146,647	4.35-4.55	265,000	115,244	920,000	261,891	1,181,891
2024-2026	4.15-4.20	310,000	19,453	4.60-4.65	340,000	39,496	650,000	58,949	708,949
Total		\$ 1,510,000	429,681		\$ 815,000	321,118	\$ 2,325,000	750,799	3,075,799

Revenue Bonds Payable

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

Year Ending June 30,	Bond Issue of July 16, 2007			
	Interest Rates	Principal	Interest	Total
2014	4.35 %	\$ 90,000	3,915	93,915

The District has pledged futures statewide sales, service and use tax revenues to repay the \$475,000 bond issued July 16, 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school and gymnasium. The bonds are payable solely from the proceeds of the statewide sales, services and use tax received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 32 percent of

the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$93,915. For the current year, principal of \$85,000 and interest of \$7,613 was paid on the bonds and total statewide sales, services and use tax revenues were \$290,839.

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

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District, and the bond holders hold a lien on the future revenues received.
- b) Sufficient monthly deposits shall be made to the debt services sinking account for the purpose of making the bond principal and interest payments when due.

Note 6. 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. Lamoni Community School District has 50 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District’s annual OPEB cost for 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	\$ 22,078
Interest on net OPEB obligation	1,059
Adjustment to annual required contribution	<u>(1,199)</u>
Annual OPEB cost	21,938
Contributions made	<u>-</u>
Increase in net OPEB obligation	21,938
Net OPEB obligation beginning of year	<u>26,478</u>
 Net OPEB obligation end of year	 <u><u>\$ 48,416</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.

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 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 46,395	86.2%	\$ 15,395
2012	47,083	76.5%	26,478
2013	21,938	0.0%	48,416

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 \$164,682 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$164,682. The covered payroll (annual payroll of active employees covered by the plan) was \$2,031,616 and the ratio of the UAAL to covered payroll was 8.1%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions includes a 4.0% discount rate based on the District's funding policy. The projected annual medical trend rate is expected to increase at 3% a year, and the assumed retirement age was 62.

Mortality rates are from the Life Expectancy Table from the National Center of Health Statistics updated in 2008, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$200,617, \$178,136 and \$155,244 respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District is a member in the Iowa Schools Employee 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 July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2013 were \$413,770.

Lamoni 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. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$133,348 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.

Note 10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Teacher salary supplement	\$ 25,151
Professional development for model core curriculum	10,824
Total	<u>\$ 35,975</u>

Note 11. Reconciliation of Governmental Fund Balances to Net Position

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

	<u>Invested in Capital Assets</u>	<u>School Infrastructure</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	946,014	38,141	1,320,635
Invested in capital assets, net of accumulated depreciation	6,652,405	-	-	-
General obligation bond capitalized indebtedness	(2,293,498)	-	-	-
General obligation bond proceeds not expended	-	(31,502)	-	-
Revenue bond capitalized indebtedness	(90,000)	-	-	-
Accrued interest payable	-	-	(18,442)	-
Income surtax receivable	-	-	-	27,507
Net OPEB liability	-	-	-	(45,535)
Unassigned for student activities	-	-	-	(12,038)
Net position (Exhibit A)	<u>\$ 4,268,907</u>	<u>914,512</u>	<u>19,699</u>	<u>1,290,569</u>

Note 12. Deficit Unassigned Fund Balance

At June 30, 2013, the District had three negative accounts in the Student Activity Fund with an unassigned fund balance totaling \$12,038.

Note 13. Construction Commitment

The District has entered into various contracts totaling \$879,209 for a project to construct a safe room on District grounds. As of June 30, 2013, costs of \$248,578 had been incurred against the contracts. The balance of \$630,631 will be paid out as work on the project progresses.

Lamoni Community School District

Required Supplementary Information

LAMONI 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 Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,213,353	63,310	2,276,663	1,760,790	1,760,790	515,873
State sources	2,312,267	1,944	2,314,211	2,562,446	2,562,446	(248,235)
Federal sources	371,964	161,604	533,568	813,000	813,000	(279,432)
Total revenues	4,897,584	226,858	5,124,442	5,136,236	5,136,236	(11,794)
Expenditures/Expenses:						
Instruction	2,732,613	-	2,732,613	3,470,000	3,470,000	737,387
Support services	1,071,408	15,793	1,087,201	1,315,000	1,315,000	227,799
Non-instructional programs	-	234,914	234,914	300,000	300,000	65,086
Other expenditures	782,651	-	782,651	1,310,822	1,310,822	528,171
Total expenditures/expenses	4,586,672	250,707	4,837,379	6,395,822	6,395,822	1,558,443
Excess(Deficiency) of revenues over(under) expenditures/expenses	310,912	(23,849)	287,063	(1,259,586)	(1,259,586)	1,546,649
Other financing sources, net	-	-	-	472,000	472,000	(472,000)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	310,912	(23,849)	287,063	(787,586)	(787,586)	1,074,649
Balances beginning of year	2,458,594	207,325	2,665,919	1,987,183	1,987,183	678,736
Balances end of year	\$ 2,769,506	183,476	2,952,982	1,199,597	1,199,597	1,753,385

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI 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 Government Accounting Standards 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. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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.

LAMONI 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	\$ -	\$ 303,000	303,000	0.00%	\$ 1,687,382	18.0%
2011	July 1, 2009	-	303,000	303,000	0.00%	1,874,269	16.2%
2012	July 1, 2009	-	303,000	303,000	0.00%	1,949,336	15.5%
2013	July 1, 2012	-	164,682	164,682	0.00%	2,031,616	8.1%

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 146,043	11,617	157,660
Receivables:			
Property tax:			
Delinquent	1,300	-	1,300
Succeeding year	75,000	-	75,000
TOTAL ASSETS	\$ 222,343	11,617	233,960
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 75,000	-	75,000
Fund balances:			
Restricted for:			
Management levy purposes	147,343	-	147,343
Student activities	-	23,655	23,655
Unassigned:			
Student activities	-	(12,038)	(12,038)
Total fund balances	147,343	11,617	158,960
TOTAL LIABILITIES AND FUND BALANCES	\$ 222,343	11,617	233,960

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 74,898	-	74,898
Other	1,775	95,385	97,160
State sources	38	-	38
TOTAL REVENUES	76,711	95,385	172,096
EXPENDITURES:			
Instruction:			
Other	-	100,637	100,637
Support services:			
Administration	7,982	-	7,982
Operation and maintenance of plant	42,682	-	42,682
Transportation	1,736	-	1,736
TOTAL EXPENDITURES	52,400	100,637	153,037
Change in fund balances	24,311	(5,252)	19,059
Fund balances beginning of year	123,032	16,869	139,901
Fund balances end of year	\$ 147,343	11,617	158,960

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 717,328	31,502	267,986	1,016,816
Receivables:				
Property tax:				
Delinquent	-	-	1,795	1,795
Succeeding year	-	-	108,840	108,840
Income surtax	-	-	18,338	18,338
Due from other governments	311,949	-	-	311,949
TOTAL ASSETS	\$ 1,029,277	31,502	396,959	1,457,738
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 114,765	-	-	114,765
Deferred revenue:				
Succeeding year property tax	-	-	108,840	108,840
Income surtax	-	-	18,338	18,338
Total liabilities	114,765	-	127,178	241,943
Fund balances:				
Restricted for:				
School infrastructure	914,512	31,502	-	946,014
Physical plant and equipment levy	-	-	269,781	269,781
Total fund balances	914,512	31,502	269,781	1,215,795
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,029,277	31,502	396,959	1,457,738

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 290,839	-	122,427	413,266
Other	2,416	636	764	3,816
State sources	21,869	-	53	21,922
Federal sources	164,017	-	-	164,017
TOTAL REVENUES	479,141	636	123,244	603,021
EXPENDITURES:				
Current:				
Support services:				
Operation and maintenance of plant	-	-	12,277	12,277
Transportation	-	-	18,001	18,001
Capital outlay	236,625	28,865	56,133	321,623
TOTAL EXPENDITURES	236,625	28,865	86,411	351,901
Excess(Deficiency) of revenues over(under) expenditures	242,516	(28,229)	36,833	251,120
Other financing uses:				
Transfer out	(91,164)	-	-	(91,164)
Change in fund balances	151,352	(28,229)	36,833	159,956
Fund balances beginning of year	763,160	59,731	232,948	1,055,839
Fund balances end of year	\$ 914,512	31,502	269,781	1,215,795

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI 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	Intrafund Transfers	Balance End of Year
Interest Fund	\$ -	20	-	(20)	-
Academic Team	81	-	-	-	81
Yearbook	322	4,365	5,080	393	-
Music Booster Uniforms	792	-	-	-	792
Future Farmers of America	106	12,584	11,980	-	710
National Honor Society	-	-	229	229	-
Spanish Club	17	-	-	-	17
Band	2,283	8,589	6,655	-	4,217
Orchestra	3,459	190	25	-	3,624
Seniors	863	9,014	9,777	2,655	2,755
Juniors	1,904	2,162	1,920	913	3,059
Sophomore	1,930	3,085	1,447	(3,461)	107
Freshman	-	107	-	(107)	-
Student Council	2,677	2,485	2,654	-	2,508
Vocal	3,015	3,980	2,624	-	4,371
Milk Machine	1,341	2,308	1,051	(1,822)	776
Elementary Activity	-	893	784	-	109
Co-Ed Athletics	-	530	3,720	3,190	-
Gatorade	623	2,137	1,615	(1,145)	-
Activity Ticket	-	4,365	-	(4,365)	-
Bowling	-	540	2,630	2,090	-
Track	-	2,968	7,954	-	(4,986)
Golf	(1,039)	35	1,928	-	(2,932)
Drill Team	105	-	-	-	105
Cheerleading	62	524	233	-	353
Boys Basketball	290	4,945	7,002	1,767	-
Football	2,860	9,869	8,193	(4,510)	26
Wrestling	(2,089)	-	2,031	-	(4,120)
Girls Basketball	140	7,611	7,106	(600)	45
Volleyball	(2,940)	3,806	3,120	2,254	-
Baseball	-	5,674	7,061	1,387	-
Softball	67	2,599	3,818	1,152	-
Total	\$ 16,869	95,385	100,637	-	11,617

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST – SCHOLARSHIP FUND
JUNE 30, 2013

	Private Purpose Trust - Scholarship			
	Land Agri	Myers Scholarship	Miscellaneous Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 8,353	1,390	188	9,931
LIABILITIES				
	-	-	-	-
NET POSITION				
Restricted for scholarships	\$ 8,353	1,390	188	9,931

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF
 CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST – SCHOLARSHIP FUND
 YEAR ENDED JUNE 30, 2013

	Private Purpose Trust - Scholarship			
	Land Agri	Myers Scholarship	Miscellaneous Scholarship	Total
Additions:				
Local sources:				
Interest income	\$ 6	2	-	8
Contributions	-	-	200	200
Total additions	6	2	200	208
Deductions:				
Instruction:				
Other:				
Scholarships awarded	-	200	200	400
Change in net position	6	(198)	-	(192)
Net position beginning of year	8,347	1,588	188	10,123
Net position end of year	\$ 8,353	1,390	188	9,931

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
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	\$ 1,675,080	1,825,282	1,745,040	1,527,516	1,486,853	1,400,831	1,343,711	1,094,509	1,216,070	1,067,949
Tuition	311,027	269,550	223,976	165,977	109,062	182,636	166,688	163,176	196,308	249,622
Other	227,246	182,428	252,077	222,197	228,891	405,402	814,671	341,020	178,995	150,433
Intermediate sources	-	-	-	-	-	-	81,143	35,072	44,442	30,029
State sources	2,312,267	2,219,195	2,173,123	1,959,470	2,110,251	2,187,738	1,936,737	1,801,625	1,767,497	1,627,839
Federal sources	371,964	248,148	400,000	514,965	297,232	293,236	691,708	189,640	383,859	343,952
Total	\$ 4,897,584	4,744,603	4,794,216	4,390,125	4,232,289	4,469,843	5,034,658	3,625,042	3,787,171	3,469,824
Expenditures:										
Instruction	\$ 2,732,613	2,640,982	2,702,078	2,648,832	2,432,176	2,553,230	2,322,347	2,158,080	2,089,909	2,030,075
Support services:										
Student	43,173	69,622	58,115	66,997	111,482	111,751	91,795	198,909	161,457	147,948
Instructional staff	10,940	16,605	11,837	19,962	12,619	6,986	113,810	36,026	57,960	70,901
Administration	434,188	427,089	383,377	403,122	383,228	407,009	367,800	376,468	366,236	356,251
Operation and maintenance of plant	362,729	345,392	353,145	359,797	346,131	337,996	304,003	322,263	364,932	380,067
Transportation	220,378	214,311	195,175	198,654	174,151	184,310	191,282	165,740	166,140	155,489
Non-instructional programs	-	-	-	-	-	-	-	5,517	4,233	5,584
Capital outlay	321,623	82,584	134,912	92,095	125,547	1,892,192	3,166,820	331,254	117,116	660,454
Long-term debt:										
Principal	215,000	235,000	335,000	245,000	230,000	155,000	120,000	50,000	150,000	130,000
Interest and fiscal charges	112,680	124,775	138,179	149,700	160,015	155,703	180,601	13,680	20,373	23,335
Other expenditures:										
AEA flow-through	133,348	133,362	146,001	143,966	125,770	121,610	114,388	105,631	104,363	103,478
Total	\$ 4,586,672	4,289,722	4,457,819	4,328,125	4,101,119	5,925,787	6,972,846	3,763,568	3,602,719	4,063,582

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY 13	\$ 17,343
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	31,419
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 13	106,528 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 13	7,912
			<u>145,859</u>
FRESH FRUIT AND VEGETABLE PROGRAM	10.582	FY 13	<u>15,745</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3465-G	98,456
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3465-GC	3,875
			<u>102,331</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 13	<u>18,143</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 13	<u>2,418</u>
BEDFORD COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>6,135</u>
U.S. DEPARTMENT OF EDUCATION:			
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	<u>20,856</u>
U.S. DEPARTMENT OF HUMAN SERVICES:			
CLARKE COUNTY DEPARTMENT OF HUMAN SERVICES:			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	FY 13	<u>8,063</u>
HEAD START	93.600	FY 13	<u>11,220</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 12	<u>1,370</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
HAZARD MITIGATION GRANT	97.039	FY 13	<u>164,017</u>
TOTAL			<u>\$ 513,500</u>

* - Includes \$11,807 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
Lamoni 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 financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lamoni Community School District 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, and have issued our report thereon dated March 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lamoni Community School District's internal control over financial reporting to determine the audit 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 Lamoni Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lamoni 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 material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamoni 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

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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 IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Lamoni Community School District's Responses to Findings

Lamoni Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lamoni 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 controls and compliance and the result of that testing, and not to provide an opinion on 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 Lamoni 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 13, 2014
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Program, on Internal Control over Compliance
and on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

To the Board of Education of
Lamoni Community School District

Report on Compliance for Each Major Federal Program

We have audited Lamoni Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lamoni Community School District's major federal programs for the year ended June 30, 2013. Lamoni Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lamoni Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lamoni Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each federal program. However, our audit does not provide a legal determination on Lamoni Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lamoni Community School District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Lamoni Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lamoni Community School District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of Lamoni Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-13 to be a material weakness.

Lamoni Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Lamoni Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2014
Newton, Iowa

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Individual Programs:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 97.039 - Hazard Mitigation Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lamoni Community School District did not qualify as a low-risk auditee.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-13 Segregation of Duties - One important aspect of internal accounting control 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 - handling, recording and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, and recording.
- 5) Capital assets - recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, and check preparation.

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

Response - The District will continue to review its procedures to obtain the maximum internal control possible with its available personnel.

Conclusion - Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2013
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 97.039: Hazard Mitigation Grant
Federal Award Year: 2013
Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Management Division

III-A-13 Segregation of Duties - One important aspect of internal accounting control 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 - handling, recording, and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, and recording.
- 5) Capital assets - recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, check preparation.

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

Response - The District will continue to review its procedures to obtain the maximum internal control possible with its available personnel.

Conclusion - Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - District disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted.

IV-B-13 Questionable Disbursements - We noted during our audit that the District purchased gift cards to be given out to students as awards. The District is unable to audit the final purchase made with a gift card to determine that the purchase meets public purpose requirements; therefore, gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards. The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - The District will review with all staff and sponsors to reinforce the expectation that gift cards will not be purchased in order to ensure all purchases meet public purpose definitions.

Conclusion - Response accepted.

IV-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. However we noted multiple payments for travel meals purchased with a District credit card which lacked a detailed invoice to be used for supporting documentation. Board policy 401.10 requires detailed receipts be turned in for all credit card purchases otherwise the expense becomes a personal expense of the employee.

Recommendation - The District has a policy in place for credit card usage, which states that the users need to provide detailed receipts for purchases made. The District should review procedures in place with personnel to ensure the proper detailed documentation will be available for all credit card purchases.

Response - The District will review the current policy with all staff to ensure that any users of the District credit card provide detailed receipts for all purchases made.

Conclusion - Response accepted.

IV-D-13 Business Transactions - No business transactions between the District and District officials were noted.

IV-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.

IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

- IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - 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 were noted.
- IV-J-13 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted not significant deficiencies in the amounts reported.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	763,160
Revenues:			
Sales tax revenues	\$	290,839	
Other local revenues		2,416	
Other state revenues		21,869	
Federal revenues		164,017	479,141
Total revenues			<u>1,242,301</u>
Expenditures/transfers out:			
School infrastructure construction	\$	236,625	
Transfers to other funds:			
Debt service fund		91,164	327,789
Ending balance		\$	<u><u>914,512</u></u>

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.

- IV-M-13 Financial Condition - The District had deficit accounts in the Special Revenue, Student Activity Fund totaling \$12,038 at June 30, 2013.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits accounts. The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts.

Response - The District will monitor Student Activity Accounts and investigate alternatives to eliminate the deficit balances.

Conclusion - Response accepted.

IV-N-13 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. More specific examples of these instances of questioned items and recommendations are as follows:

Questionable Account: We noted the District has a Milk account in the student activity fund. The Milk accounts appear to be intended as fundraisers for other organizations in the student activity fund.

Recommendation - The District should review the accounts mentioned above and reclassify/transfer to the appropriate fund in accordance with the guidelines mentioned in 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1). It would appear that the remaining money in the Milk account should be reclassified to the individual activity fund accounts that the fundraiser was intended. The Milk Fund is a fundraiser for service learning projects which appear to be curriculum based and would be more appropriate out of the General Fund.

Response - The District will review the purpose of the Milk account and if it is a fundraiser for service learning projects and a curricular support, will move to the General Fund.

Conclusion - Response accepted.