

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Lawton-Bronson Community School District

Officials

| <u>Name</u>               | <u>Title</u>                                | <u>Term Expires</u> |
|---------------------------|---|---------------------|
| <b>Board of Education</b> |   |                     |
| Steve Olson               | President                                   | 2013                |
| Amy Denney                | Vice President<br>(Resigned June 10, 2013)  | 2015                |
| Shelley Junck             | Vice President<br>(Appointed June 10, 2013) | 2013                |
| Machele Dunning           | Board Member                                | 2013                |
| Shelley Junck             | Board Member<br>(Resigned June 10, 2013)    | 2015                |
| Molly Holtz               | Board Member                                | 2015                |
| Jesse Pedersen            | Board Member<br>(Appointed June 10, 2013)   | 2013                |
| <b>School Officials</b>   |   |                     |
| Jeffrey Thelander         | Superintendent                              | 2013                |
| Kimberly Brouwer          | District Secretary/<br>Business Manager     | 2013                |
| James Hanks               | Attorney                                    | 2013                |

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT**

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lawton-Bronson Community School District as of 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, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information 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 Lawton-Bronson Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three 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 the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2014 on our consideration of Lawton-Bronson Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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 Lawton-Bronson Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2014  
Newton, Iowa

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

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Lawton-Bronson Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$6,217,034 in fiscal 2012 to \$6,150,581 in fiscal 2013, while General Fund expenditures increased from \$5,722,011 in fiscal 2012 to \$5,740,779 in fiscal 2013. The District's General Fund balance increased from \$383,417 in fiscal 2012 to \$793,219 in fiscal 2013.
- The decrease in General Fund revenues was attributable to decreases in state and federal revenue sources in fiscal 2013. The increase in expenditures was due primarily to an increase in the instruction expenditures.

### **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 Lawton-Bronson Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lawton-Bronson Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lawton-Bronson Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

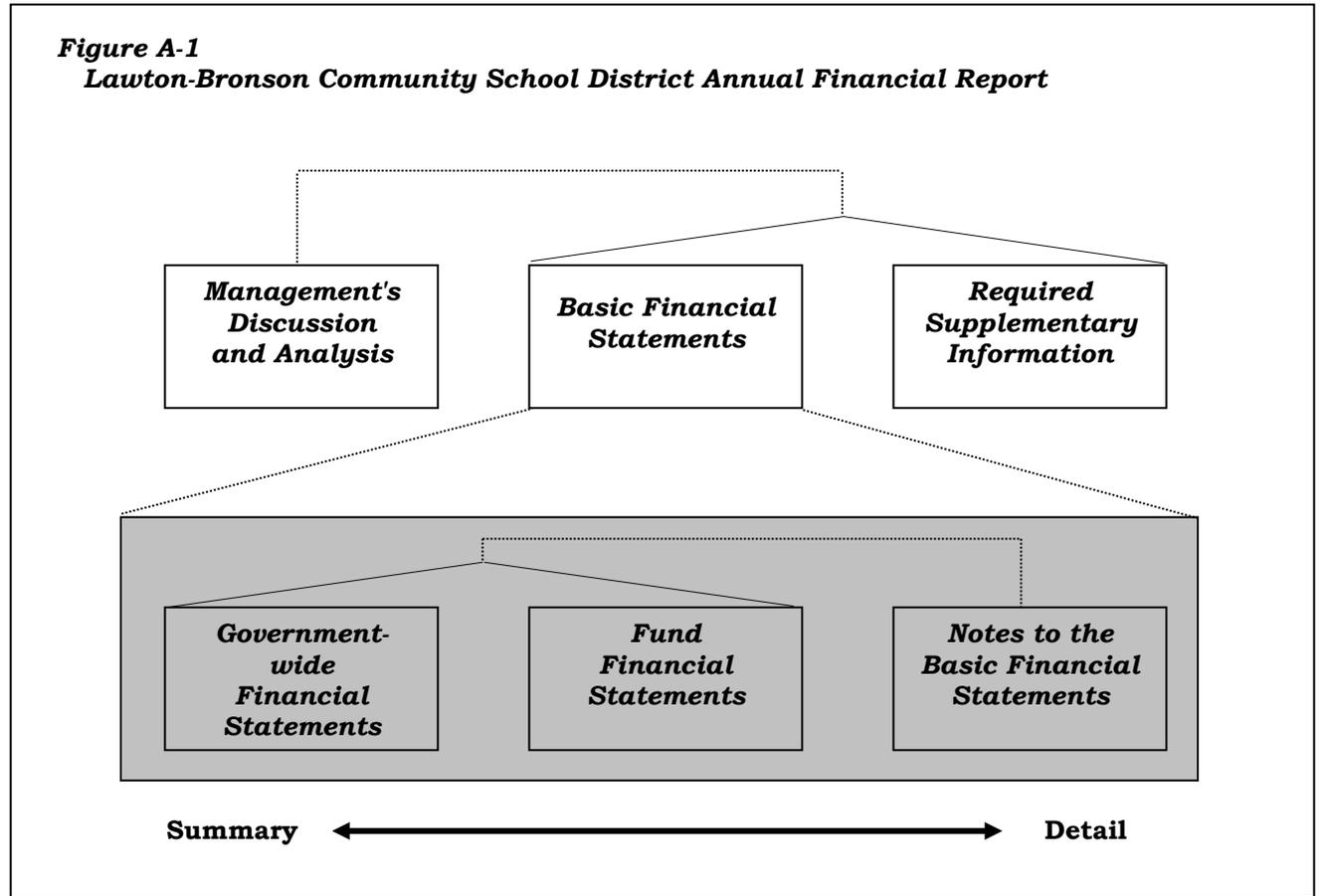


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <b>Figure A-2<br/>Major Features of the Government-Wide and Fund Financial Statements</b> |  |  |   |   |
|---|--|--|---|---|
|   | 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul> |
| Accounting basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus   | Accrual accounting and economic resources focus   |
| Type of asset/liability information   | All assets and liabilities, both financial and capital, short-term and long-term                                 | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included  | All assets and liabilities, both financial and capital, and short-term and long-term  | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                       |
| Type of inflow/outflow information  | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid  | All additions and deductions during the year, regardless of when cash is received or paid   |

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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.

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The two government-wide financial statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position 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, Capital Projects, and Debt Service Fund.

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

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

The required financial statements for the proprietary funds include a Statement of 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. This fund is the Private Purpose Trust fund.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

|  | Governmental Activities |            | Business Type Activities |         | Total School District |            | Total Change |
|--|-------------------------|------------|--------------------------|---------|-----------------------|------------|--------------|
|  | June 30,                |            | June 30,                 |         | June 30,              |            | June 30,     |
|  | 2013                    | 2012       | 2013                     | 2012    | 2013                  | 2012       | 2012-13      |
| Current and other assets                           | \$ 5,082,728            | 4,768,690  | 114,679                  | 66,520  | 5,197,407             | 4,835,210  | 7.49%        |
| Capital assets                                     | 14,191,091              | 14,420,916 | 268,467                  | 251,646 | 14,459,558            | 14,672,562 | -1.45%       |
| Total assets                                       | 19,273,819              | 19,189,606 | 383,146                  | 318,166 | 19,656,965            | 19,507,772 | 0.76%        |
| Long-term obligations                              | 7,420,029               | 7,818,133  | 391                      | -       | 7,420,420             | 7,818,133  | -5.09%       |
| Other liabilities                                  | 3,678,369               | 3,706,020  | 45,142                   | 11,132  | 3,723,511             | 3,717,152  | 0.17%        |
| Total liabilities                                  | 11,098,398              | 11,524,153 | 45,533                   | 11,132  | 11,143,931            | 11,535,285 | -3.39%       |
| Net position:                                      |                         |            |                          |         |                       |            |              |
| Invested in capital assets,<br>net of related debt | 6,916,091               | 6,675,916  | 268,467                  | 251,646 | 7,184,558             | 6,927,562  | 3.71%        |
| Restricted   | 908,831                 | 904,104    | -                        | -       | 908,831               | 904,104    | 0.52%        |
| Unrestricted                                       | 350,499                 | 85,433     | 69,146                   | 55,388  | 419,645               | 140,821    | 198.00%      |
| Total net position                                 | \$ 8,175,421            | 7,665,453  | 337,613                  | 307,034 | 8,513,034             | 7,972,487  | 6.78%        |

The District's combined net position increased by \$540,547 or 6.78% over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent 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 \$4,727 or 0.52% over the prior year. The increase in restricted fund balance was primarily a result of the increase in the Capital Projects: Physical Plant and Equipment Levy Fund.

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 \$278,824 or 198.00%. The increase in unrestricted net position can be attributed 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 in Net Assets   |                  |                          |                |                       |                  |               |
|  | Governmental Activities |                  | Business Type Activities |                | Total School District |                  | Total Change  |
|  | 2013                    | 2012             | 2013                     | 2012           | 2013                  | 2012             | 2012-13       |
| Revenues and Transfers:                                    |                         |                  |                          |                |                       |                  |               |
| Program revenues:  |                         |                  |                          |                |                       |                  |               |
| Charges for services                                       | \$ 766,277              | 772,773          | 282,273                  | 294,368        | 1,048,550             | 1,067,141        | -1.74%        |
| Operating grants and contributions and restricted interest | 360,391                 | 815,578          | 128,352                  | 117,259        | 488,743               | 932,837          | -47.61%       |
| Capital grants and contributions and restricted interest   | -                       | 23,561           | -                        | 1,700          | -                     | 25,261           | -100.00%      |
| General revenues:  |                         |                  |                          |                |                       |                  |               |
| Property tax   | 2,794,126               | 2,649,310        | -                        | -              | 2,794,126             | 2,649,310        | 5.47%         |
| Income surtax  | 133,237                 | 116,416          | -                        | -              | 133,237               | 116,416          | 14.45%        |
| Statewide sales, service and use tax                       | 540,412                 | 530,652          | -                        | -              | 540,412               | 530,652          | 1.84%         |
| Unrestricted state grants                                  | 2,986,860               | 2,691,794        | -                        | -              | 2,986,860             | 2,691,794        | 10.96%        |
| Nonspecific federal grants                                 | -                       | 111,589          | -                        | -              | -                     | 111,589          | -100.00%      |
| Unrestricted investment earnings                           | 3,395                   | 3,155            | 5                        | 19             | 3,400                 | 3,174            | 7.12%         |
| Other  | 25,356                  | 16,544           | 1,401                    | -              | 26,757                | 16,544           | 61.73%        |
| Transfers  | (15,552)                | -                | 15,552                   | -              | -                     | -                | 0.00%         |
| Total revenues and transfers                               | <u>7,594,502</u>        | <u>7,731,372</u> | <u>427,583</u>           | <u>413,346</u> | <u>8,022,085</u>      | <u>8,144,718</u> | <u>-1.51%</u> |
| Program expenses:  |                         |                  |                          |                |                       |                  |               |
| Governmental activities:                                   |                         |                  |                          |                |                       |                  |               |
| Instruction  | 4,307,827               | 4,254,164        | 68,362                   | 60,122         | 4,376,189             | 4,314,286        | 1.43%         |
| Support services   | 1,872,446               | 2,073,606        | 23,474                   | 16,183         | 1,895,920             | 2,089,789        | -9.28%        |
| Non-instructional programs                                 | -                       | -                | 305,168                  | 300,221        | 305,168               | 300,221          | 1.65%         |
| Other expenses   | 904,261                 | 917,737          | -                        | -              | 904,261               | 917,737          | -1.47%        |
| Total expenses   | <u>7,084,534</u>        | <u>7,245,507</u> | <u>397,004</u>           | <u>376,526</u> | <u>7,481,538</u>      | <u>7,622,033</u> | <u>-1.84%</u> |
| Change in net position                                     | 509,968                 | 485,865          | 30,579                   | 36,820         | 540,547               | 522,685          | -3.42%        |
| Net position beginning of year                             | <u>7,665,453</u>        | <u>7,179,588</u> | <u>307,034</u>           | <u>270,214</u> | <u>7,972,487</u>      | <u>7,449,802</u> | <u>-7.02%</u> |
| Net position end of year                                   | <u>\$ 8,175,421</u>     | <u>7,665,453</u> | <u>337,613</u>           | <u>307,034</u> | <u>8,513,034</u>      | <u>7,972,487</u> | <u>6.78%</u>  |

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 84.99% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.03% of the revenue from business type activities.

The District's total revenues were approximately \$8.02 million of which approximately \$7.59 million was for governmental activities and approximately \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.51% decrease in revenues and a 1.84% decrease in expenses. The primary reason for the decrease in revenues is due to the District receiving less state and federal revenues in fiscal year 2013 as compared to fiscal year 2012.

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## Governmental Activities

Revenues for governmental activities were \$7,594,502 and expenses were \$7,084,534 for the year ended June 30, 2013.

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<br>2012-13 | 2013                 | 2012      | Change<br>2012-13 |
| Instruction      | \$ 4,307,827           | 4,254,164 | 1.26%             | 3,429,149            | 2,994,140 | 14.53%            |
| Support services | 1,872,446              | 2,073,606 | -9.70%            | 1,862,509            | 1,959,593 | -4.95%            |
| Other expenses   | 904,261                | 917,737   | -1.47%            | 666,208              | 679,862   | -2.01%            |
| Totals           | \$ 7,084,534           | 7,245,507 | -2.22%            | 5,957,866            | 5,633,595 | 5.76%             |

- The cost financed by users of the District's programs was \$766,277.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$360,391.
- The net cost of governmental activities was financed with \$2,794,126 in property tax, \$133,237 in income surtax, \$540,412 in statewide sales, services and use tax, \$2,986,860 in unrestricted state grants, \$3,395 in interest income and \$9,804 in other general revenues net of transfers.

## Business Type Activities

Revenues of the District's business type activities were \$427,583 and expenses were \$397,004. The District's business type activities include the School Nutrition Fund, the Fitness Center, the Preschool and the Before and After School programs. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,318,930 compared to last year's ending fund balances of \$981,642. The primary reason for the increase in combined fund balance in fiscal 2013 is due to the increase in the General Fund balance.

## Governmental Fund Highlights

- The District's increase in the General Fund financial position is the result of many factors. The General Fund balance increased from of \$383,417 in fiscal 2012 to \$793,219 in fiscal 2013. The increase in the General Fund balance is primarily due to an increase in local revenue sources compared to the previous year.

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- The Debt Service Fund balance decreased during the year from \$6,457 in 2012 to \$2,875 in 2013. The decrease is due in part to a decrease in the amount of property tax dollars levied in fiscal year 2013 as compared to fiscal year 2012.
  - The Management Levy Fund balance decreased from \$54,315 in fiscal 2012 to \$47,888 in fiscal 2013. This was primarily due to the increase in fund expense in fiscal year 2013 as compared to the previous year.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net position increased from \$115,562 at June 30, 2012 to \$128,520 at June 30, 2013, representing an increase of 11.21%. The increase in fund balance was due to the new equipment that was capitalized during the year.
- The Fitness Center Fund net position increased from \$183,548 at June 30, 2012 to \$186,349 at June 30, 2013, representing an increase of 1.53%. The increase in fund balance is mainly attributable to new equipment that was capitalized during the year.
- The Preschool Fund net position increased from \$2,127 at June 30, 2012 to \$9,361 at June 30, 2013, representing an increase of 340.10%.
- The Before and After School Fund net position increased from \$5,797 at June 30, 2012 to \$13,383 at June 30, 2013, representing an increase of 130.86%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Lawton-Bronson Community School District amended its budget one time by \$225,000 to reflect additional expenditures for facility improvements.

The District's revenues were \$58,603 less than budgeted revenues, a variance of approximately 0.73%. The District received less local and federal sources than originally anticipated in the budget.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. The District no longer budgets expenditures at the maximum authorized spending authority for the General Fund. The District budgets for expenditures that may be incurred throughout the year but not to the maximum amount authorized. A line-item budget is used to manage and control the General Fund spending with even greater detail. Amendments to the budget will be made before spending exceeds the certified budget if forecasts appear that expenditures will soon exceed the certified 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 \$14,459,558, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$513,308.

The original cost of the District's capital assets was \$18,956,143. Governmental funds account for \$18,444,793 with the remainder of \$511,350 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment increased from \$597,721 at June 30, 2012 to \$670,626 at June 30, 2013 as a result of two new vehicles purchased during the year.

Figure A-6  
Capital Assets, net of Depreciation

|                         | Governmental Activities |            | Business Type Activities |         | Total School District |            | Total Change |
|-------------------------|-------------------------|------------|--------------------------|---------|-----------------------|------------|--------------|
|                         | June 30,                |            | June 30,                 |         | June 30,              |            | June 30,     |
|                         | 2013                    | 2012       | 2013                     | 2012    | 2013                  | 2012       | 2012-13      |
| Land                    | \$ 283,677              | 283,677    | -                        | -       | 283,677               | 283,677    | 0.00%        |
| Buildings               | 12,947,046              | 13,200,229 | 174,364                  | 178,419 | 13,121,410            | 13,378,648 | -1.92%       |
| Land improvements       | 383,845                 | 412,516    | -                        | -       | 383,845               | 412,516    | -6.95%       |
| Machinery and equipment | 576,523                 | 524,494    | 94,103                   | 73,227  | 670,626               | 597,721    | 12.20%       |
| Total                   | \$ 14,191,091           | 14,420,916 | 268,467                  | 251,646 | 14,459,558            | 14,672,562 | -1.45%       |

### Long-Term Debt

At June 30, 2013, the District had long-term debt outstanding of \$7,420,420 in general obligation bonds and other long-term debt outstanding. This represents a 5.09% decrease from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds payable of \$5,980,000 at June 30, 2013.

The District had outstanding revenue bonds payable of \$1,295,000 at June 30, 2013.

The District also had outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$127,372 at June 30, 2013.

The District had a net OPEB liability of \$17,657 in the governmental activities and \$391 in the business type activities.

Figure A-7  
Outstanding Long-Term Obligations

|                          | Governmental Activities |           | Business type Activities |      | Total School District |           | Total Change |
|--------------------------|-------------------------|-----------|--------------------------|------|-----------------------|-----------|--------------|
|                          | June 30,                |           | June 30,                 |      | June 30,              |           | June 30,     |
|                          | 2013                    | 2012      | 2013                     | 2012 | 2013                  | 2012      | 2012-13      |
| General obligation bonds | \$ 5,980,000            | 6,260,000 | -                        | -    | 5,980,000             | 6,260,000 | -4.47%       |
| Revenue bonds            | 1,295,000               | 1,485,000 | -                        | -    | 1,295,000             | 1,485,000 | -12.79%      |
| Termination benefits     | 127,372                 | 73,133    | -                        | -    | 127,372               | 73,133    | 74.16%       |
| Net OPEB obligation      | 17,657                  | -         | 391                      | -    | 18,048                | -         | 100.00%      |
| Total                    | \$ 7,420,029            | 7,818,133 | 391                      | -    | 7,420,420             | 7,818,133 | -5.09%       |

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- 
- The District's budget and financial health will always be correlated with the certified enrollment of the District. For fiscal year 2014, the certified enrollment decreased by 18 students. While this is a significant change from the prior year the number of students the District is serving has remained relatively steady due to changing trends with open enrollment. The local economy and housing availability will have the biggest impact on resident enrollment. The District will continue to monitor resident and open enrollment trends closely and adjust the budget as needed to maintain fiscal stability.
  - Federal funding and regulations related to education must also be closely monitored. As federal regulations change and requirements increase so must the District adjust to comply with the added requirements and balance any additional costs. While there are many federal regulations, the District is most concerned about the Affordable Health Care Act and the Healthy, Hunger-Free Kids Act.
  - The Affordable Health Care Act will impact the District and decisions will need to be made related to compliance and costs associated with compliance. The District continues to wait for additional guidance from the Federal government and Internal Revenue Service so the District can fully plan for the impact of the Affordable Health Care Act on the District. The District must closely watch all information as it becomes available so that decisions can be made that will allow the District to comply with the new regulations in the best interest of the District and the people it serves.
  - The Health, Hunger-Free Kids Act continues to bring regulation changes to the Nutrition Fund. The District must comply with both pricing regulations as well as specific nutritional requirements. Regulation changes will be complied with and the District will monitor how the changes are impacting the financial health of the fund.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

|   | Governmental<br>Activities | Business Type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>                                       |                            |                             |                   |
| Cash and pooled investments                         | \$ 1,783,074               | 92,679                      | 1,875,753         |
| Receivables:  |                            |                             |                   |
| Property tax:                                       |                            |                             |                   |
| Delinquent  | 20,957                     | -                           | 20,957            |
| Succeeding year                                     | 2,845,888                  | -                           | 2,845,888         |
| Income surtax                                       | 121,525                    | -                           | 121,525           |
| Accounts  | 8,710                      | 12,966                      | 21,676            |
| Due from other funds                                | 20,876                     | 335                         | 21,211            |
| Due from other governments                          | 263,057                    | -                           | 263,057           |
| Inventories   | -                          | 8,481                       | 8,481             |
| Bond issue costs and discounts                      | 18,641                     | -                           | 18,641            |
| Capital assets, net of<br>accumulated depreciation: |                            |                             |                   |
| Buildings   | 12,947,046                 | 174,364                     | 13,121,410        |
| Land and land improvements                          | 667,522                    | -                           | 667,522           |
| Machinery and equipment                             | 576,523                    | 94,103                      | 670,626           |
| <b>Total assets</b>                                 | <b>19,273,819</b>          | <b>382,928</b>              | <b>19,656,747</b> |
| <b>Liabilities</b>                                  |                            |                             |                   |
| Due to other funds                                  | 335                        | 20,676                      | 21,011            |
| Accounts payable                                    | 172,473                    | 939                         | 173,412           |
| Salaries and benefits payable                       | 604,936                    | 18,999                      | 623,935           |
| Interest payable                                    | 54,737                     | -                           | 54,737            |
| Deferred revenue:                                   |                            |                             |                   |
| Succeeding year property tax                        | 2,845,888                  | -                           | 2,845,888         |
| Unearned revenue                                    | -                          | 4,310                       | 4,310             |
| Long-term liabilities:                              |                            |                             |                   |
| Portion due within one year:                        |                            |                             |                   |
| General obligation bonds payable                    | 295,000                    | -                           | 295,000           |
| Revenue bonds payable                               | 200,000                    | -                           | 200,000           |
| Termination benefits payable                        | 43,844                     | -                           | 43,844            |
| Portion due after one year:                         |                            |                             |                   |
| General obligation bonds payable                    | 5,685,000                  | -                           | 5,685,000         |
| Revenue bonds payable                               | 1,095,000                  | -                           | 1,095,000         |
| Termination benefits payable                        | 83,528                     | -                           | 83,528            |
| Net OPEB liability                                  | 17,657                     | 391                         | 18,048            |
| <b>Total liabilities</b>                            | <b>11,098,398</b>          | <b>45,315</b>               | <b>11,143,713</b> |
| <b>Net position</b>                                 |                            |                             |                   |
| Invested in capital assets,<br>net of related debt  | 6,916,091                  | 268,467                     | 7,184,558         |
| Restricted for:                                     |                            |                             |                   |
| Categorical funding                                 | 417,215                    | -                           | 417,215           |
| Student activities                                  | 61,998                     | -                           | 61,998            |
| School infrastructure                               | 329,233                    | -                           | 329,233           |
| Physical plant & equipment levy                     | 100,385                    | -                           | 100,385           |
| Unrestricted  | 350,499                    | 69,146                      | 419,645           |
| <b>Total net position</b>                           | <b>\$ 8,175,421</b>        | <b>337,613</b>              | <b>8,513,034</b>  |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

|  | Program Revenues |                            |  | Net (Expense) Revenue<br>and Changes in Net Position |                                |                    |
|--|------------------|----------------------------|--|--|--------------------------------|--------------------|
|  | Expenses         | Charges<br>for<br>Services | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Govern-<br>mental<br>Activities                      | Business<br>Type<br>Activities | Total              |
| <b>Functions/Programs:</b>             |                  |                            |  |  |                                |                    |
| Governmental activities:               |                  |                            |  |  |                                |                    |
| Instruction:                           |                  |                            |  |  |                                |                    |
| Regular                                | \$ 2,927,654     | 394,081                    | 43,230   | (2,490,343)  | -                              | (2,490,343)        |
| Special                                | 535,992          | 77,870                     | 31,528   | (426,594)  | -                              | (426,594)          |
| Other                                  | 844,181          | 293,315                    | 38,654   | (512,212)  | -                              | (512,212)          |
|  | <u>4,307,827</u> | <u>765,266</u>             | <u>113,412</u>   | <u>(3,429,149)</u>                                   | <u>-</u>                       | <u>(3,429,149)</u> |
| Support services:                      |                  |                            |  |  |                                |                    |
| Student                                | 144,121          | -                          | -  | (144,121)  | -                              | (144,121)          |
| Instructional staff                    | 130,940          | -                          | -  | (130,940)  | -                              | (130,940)          |
| Administration                         | 651,352          | -                          | -  | (651,352)  | -                              | (651,352)          |
| Operation and maintenance<br>of plant  | 546,711          | -                          | -  | (546,711)  | -                              | (546,711)          |
| Transportation                         | 399,322          | 1,011                      | 8,926  | (389,385)  | -                              | (389,385)          |
|  | <u>1,872,446</u> | <u>1,011</u>               | <u>8,926</u>   | <u>(1,862,509)</u>                                   | <u>-</u>                       | <u>(1,862,509)</u> |
| Long-term debt interest                | 316,521          | -                          | -  | (316,521)  | -                              | (316,521)          |
| Other expenses:                        |                  |                            |  |  |                                |                    |
| AEA flowthrough                        | 238,053          | -                          | 238,053  | -  | -                              | -                  |
| Depreciation(unallocated)*             | 349,687          | -                          | -  | (349,687)  | -                              | (349,687)          |
|  | <u>587,740</u>   | <u>-</u>                   | <u>238,053</u>   | <u>(349,687)</u>                                     | <u>-</u>                       | <u>(349,687)</u>   |
| Total governmental activities          | 7,084,534        | 766,277                    | 360,391  | (5,957,866)  | -                              | (5,957,866)        |
| Business type activities:              |                  |                            |  |  |                                |                    |
| Instruction:                           |                  |                            |  |  |                                |                    |
| Regular                                | 68,362           | -                          | -  | -  | (68,362)                       | (68,362)           |
| Support services:                      |                  |                            |  |  |                                |                    |
| Student                                | 3                | -                          | -  | -  | (3)                            | (3)                |
| Operation and maintenance<br>of plant  | 23,471           | -                          | -  | -  | (23,471)                       | (23,471)           |
| Total support services                 | 23,474           | -                          | -  | -  | (91,836)                       | (91,836)           |
| Non-instructional programs:            |                  |                            |  |  |                                |                    |
| Nutrition services                     | 305,168          | 192,599                    | 117,023  | -  | 4,454                          | 4,454              |
| Fitness center                         | -                | 3,789                      | -  | -  | 3,789                          | 3,789              |
| Preschool                              | -                | 21,820                     | -  | -  | 21,820                         | 21,820             |
| Before and after the bell              | -                | 64,065                     | 11,329   | -  | 75,394                         | 75,394             |
| Total non-instructional programs:      | <u>305,168</u>   | <u>282,273</u>             | <u>128,352</u>   | <u>-</u>   | <u>105,457</u>                 | <u>105,457</u>     |
| Total business type activities         | 397,004          | 282,273                    | 128,352  | -  | 13,621                         | 13,621             |
| Total                                  | \$ 7,481,538     | 1,048,550                  | 488,743  | (5,957,866)  | 13,621                         | (5,944,245)        |
| <b>General Revenues and Transfers:</b> |                  |                            |  |  |                                |                    |
| Property tax levied for:               |                  |                            |  |  |                                |                    |
| General purposes                       |                  |                            |  | \$ 2,293,027   | -                              | 2,293,027          |
| Debt service                           |                  |                            |  | 441,864  | -                              | 441,864            |
| Capital outlay                         |                  |                            |  | 59,235   | -                              | 59,235             |
| Income surtax                          |                  |                            |  | 133,237  | -                              | 133,237            |
| Statewide sales, services and use tax  |                  |                            |  | 540,412  | -                              | 540,412            |
| Unrestricted state grants              |                  |                            |  | 2,986,860  | -                              | 2,986,860          |
| Unrestricted investment earnings       |                  |                            |  | 3,395  | 5                              | 3,400              |
| Other general revenues                 |                  |                            |  | 25,356   | 1,401                          | 26,757             |
| Transfers                              |                  |                            |  | (15,552)   | 15,552                         | -                  |
| Total general revenues and transfers   |                  |                            |  | <u>6,467,834</u>                                     | <u>16,958</u>                  | <u>6,484,792</u>   |
| Change in net position                 |                  |                            |  | 509,968  | 30,579                         | 540,547            |
| Net position beginning of year         |                  |                            |  | <u>7,665,453</u>                                     | <u>307,034</u>                 | <u>7,972,487</u>   |
| Net position end of year               |                  |                            |  | \$ <u>8,175,421</u>                                  | <u>337,613</u>                 | <u>8,513,034</u>   |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

|  | General             | Management<br>Levy | Debt<br>Service | Nonmajor       | Total            |
|--|---------------------|--------------------|-----------------|----------------|------------------|
| <b>Assets</b>                              |                     |                    |                 |                |                  |
| Cash and pooled investments                | \$ 1,226,233        | 151,823            | 611             | 404,407        | 1,783,074        |
| Receivables:                               |                     |                    |                 |                |                  |
| Property tax:                              |                     |                    |                 |                |                  |
| Delinquent                                 | 16,191              | 1,065              | 3,264           | 437            | 20,957           |
| Succeeding year                            | 1,949,584           | 325,000            | 508,833         | 62,471         | 2,845,888        |
| Income surtax                              | 121,525             | -                  | -               | -              | 121,525          |
| Due from other funds                       | 126,876             | -                  | -               | -              | 126,876          |
| Accounts                                   | 8,607               | -                  | -               | 103            | 8,710            |
| Due from other governments                 | 177,516             | -                  | -               | 85,541         | 263,057          |
| <b>Total assets</b>                        | <b>\$ 3,626,532</b> | <b>477,888</b>     | <b>512,708</b>  | <b>552,959</b> | <b>5,170,087</b> |
| <b>Liabilities and Fund Balances</b>       |                     |                    |                 |                |                  |
| Liabilities:                               |                     |                    |                 |                |                  |
| Due to other funds                         | \$ 335              | 105,000            | 1,000           | -              | 106,335          |
| Accounts payable                           | 156,933             | -                  | -               | 15,540         | 172,473          |
| Salaries and benefits payable              | 604,936             | -                  | -               | -              | 604,936          |
| Deferred revenue:                          | -                   |                    |                 |                |                  |
| Succeeding year property tax               | 1,949,584           | 325,000            | 508,833         | 62,471         | 2,845,888        |
| Income surtax                              | 121,525             | -                  | -               | -              | 121,525          |
| <b>Total liabilities</b>                   | <b>2,833,313</b>    | <b>430,000</b>     | <b>509,833</b>  | <b>78,011</b>  | <b>3,851,157</b> |
| Fund balances:                             |                     |                    |                 |                |                  |
| Restricted for:                            |                     |                    |                 |                |                  |
| Categorical funding                        | 417,215             | -                  | -               | -              | 417,215          |
| Debt service                               | -                   | -                  | 2,875           | -              | 2,875            |
| Management levy purposes                   | -                   | 47,888             | -               | -              | 47,888           |
| Student activities                         | -                   | -                  | -               | 61,998         | 61,998           |
| School infrastructure                      | -                   | -                  | -               | 329,233        | 329,233          |
| Physical plant and equipment               | -                   | -                  | -               | 100,385        | 100,385          |
| Unassigned:                                |                     |                    |                 |                |                  |
| General                                    | 376,004             | -                  | -               | -              | 376,004          |
| Student activities                         | -                   | -                  | -               | (16,668)       | (16,668)         |
| <b>Total fund balances</b>                 | <b>793,219</b>      | <b>47,888</b>      | <b>2,875</b>    | <b>474,948</b> | <b>1,318,930</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 3,626,532</b> | <b>477,888</b>     | <b>512,708</b>  | <b>552,959</b> | <b>5,170,087</b> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

|  |                            |
|--|----------------------------|
| <b>Total fund balances of governmental funds(page 20)</b>  | \$ 1,318,930               |
| <br><b>Amounts reported for governmental activities in the<br/>Statement of Net Position are different because:</b>  |                            |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.   | 14,191,091                 |
| Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.   | (54,737)                   |
| Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.   | 18,641                     |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.   | 121,525                    |
| Other postemployment benefits are not yet available to finance expenditures of the current fiscal period.  | (17,657)                   |
| Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds | <u>(7,402,372)</u>         |
| <b>Net position of governmental activities(page 18)</b>  | <u><u>\$ 8,175,421</u></u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

|  | General           | Management<br>Levy | Debt<br>Service | Nonmajor         | Total            |
|--|-------------------|--------------------|-----------------|------------------|------------------|
| Revenues:  |                   |                    |                 |                  |                  |
| Local sources:   |                   |                    |                 |                  |                  |
| Local tax  | \$ 2,277,747      | 141,544            | 441,864         | 599,647          | 3,460,802        |
| Tuition  | 445,143           | -                  | -               | -                | 445,143          |
| Other  | 85,761            | 3,339              | 6               | 266,100          | 355,206          |
| State sources  | 3,241,055         | -                  | -               | -                | 3,241,055        |
| Federal sources  | 100,875           | -                  | -               | -                | 100,875          |
| Total revenues   | <u>6,150,581</u>  | <u>144,883</u>     | <u>441,870</u>  | <u>865,747</u>   | <u>7,603,081</u> |
| Expenditures:  |                   |                    |                 |                  |                  |
| Current:   |                   |                    |                 |                  |                  |
| Instruction:   |                   |                    |                 |                  |                  |
| Regular  | 2,808,438         | 27,502             | -               | -                | 2,835,940        |
| Special  | 534,813           | -                  | -               | -                | 534,813          |
| Other  | 572,865           | -                  | -               | 266,529          | 839,394          |
|  | <u>3,916,116</u>  | <u>27,502</u>      | <u>-</u>        | <u>266,529</u>   | <u>4,210,147</u> |
| Support services:  |                   |                    |                 |                  |                  |
| Student  | 147,253           | -                  | -               | -                | 147,253          |
| Instructional staff  | 138,226           | -                  | -               | 2,300            | 140,526          |
| Administration   | 556,067           | 79,592             | -               | 5,901            | 641,560          |
| Operation and maintenance of plant                         | 428,201           | 35,466             | -               | -                | 463,667          |
| Transportation   | 316,863           | 8,750              | -               | 129,931          | 455,544          |
|  | <u>1,586,610</u>  | <u>123,808</u>     | <u>-</u>        | <u>138,132</u>   | <u>1,848,550</u> |
| Capital outlay   | -                 | -                  | -               | 180,302          | 180,302          |
| Long-term debt:  |                   |                    |                 |                  |                  |
| Principal  | -                 | -                  | 470,000         | -                | 470,000          |
| Interest and fiscal charges                                | -                 | -                  | 318,741         | -                | 318,741          |
|  | <u>-</u>          | <u>-</u>           | <u>788,741</u>  | <u>-</u>         | <u>788,741</u>   |
| Other expenditures:  |                   |                    |                 |                  |                  |
| AEA flowthrough  | 238,053           | -                  | -               | -                | 238,053          |
| Total expenditures   | <u>5,740,779</u>  | <u>151,310</u>     | <u>788,741</u>  | <u>584,963</u>   | <u>7,265,793</u> |
| Excess(Deficiency) of revenues<br>over(under) expenditures | 409,802           | (6,427)            | (346,871)       | 280,784          | 337,288          |
| Other financing sources(uses):                             |                   |                    |                 |                  |                  |
| Transfer in  | -                 | -                  | 343,289         | -                | 343,289          |
| Transfer out   | -                 | -                  | -               | (343,289)        | (343,289)        |
| Total other financing sources(uses)                        | <u>-</u>          | <u>-</u>           | <u>343,289</u>  | <u>(343,289)</u> | <u>-</u>         |
| Change in fund balances                                    | 409,802           | (6,427)            | (3,582)         | (62,505)         | 337,288          |
| Fund balance beginning of year                             | 383,417           | 54,315             | 6,457           | 537,453          | 981,642          |
| Fund balance end of year                                   | <u>\$ 793,219</u> | <u>47,888</u>      | <u>2,875</u>    | <u>474,948</u>   | <u>1,318,930</u> |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2013

Change in fund balances - total governmental funds(page 22) \$ 337,288

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts for capital outlays, depreciation expense and loss on disposal of assets are as follows:

|                      |            |           |
|----------------------|------------|-----------|
| Capital outlays      | \$ 267,422 |           |
| Depreciation expense | (497,247)  | (229,825) |
|                      |            |           |

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. 470,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,551

Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements. (1,331)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 6,973

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

|                               |          |          |
|-------------------------------|----------|----------|
| Termination benefits          | (54,239) |          |
| Other postemployment benefits | (22,449) | (76,688) |
|                               |          |          |

**Change in net position of governmental activities(page 19) \$ 509,968**

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
JUNE 30, 2013

|   | School<br>Nutrition | Fitness<br>Center | Preschool | Before<br>and After<br>School | Total   |
|---|---------------------|-------------------|-----------|-------------------------------|---------|
| <b>Assets</b>                                   |                     |                   |           |                               |         |
| Current assets:                                 |                     |                   |           |                               |         |
| Cash and pooled investments                     | \$ 53,441           | (218)             | 23,425    | 16,031                        | 92,679  |
| Due from other governments                      | 10,591              | -                 | -         | 2,375                         | 12,966  |
| Due from other funds                            | -                   | 335               | -         | -                             | 335     |
| Inventories                                     | 8,481               | -                 | -         | -                             | 8,481   |
| Total current assets                            | 72,513              | 117               | 23,425    | 18,406                        | 114,461 |
| Non-current assets:                             |                     |                   |           |                               |         |
| Capital assets net of accumulated depreciation: |                     |                   |           |                               |         |
| Building  | -                   | 174,364           | -         | -                             | 174,364 |
| Machinery and equipment                         | 82,207              | 11,896            | -         | -                             | 94,103  |
| Total non-current assets                        | 82,207              | 186,260           | -         | -                             | 268,467 |
| <b>Total assets</b>                             | 154,720             | 186,377           | 23,425    | 18,406                        | 382,928 |
| <b>Liabilities</b>                              |                     |                   |           |                               |         |
| Current liabilities:                            |                     |                   |           |                               |         |
| Due to other funds                              | 2,336               | -                 | 13,957    | 4,383                         | 20,676  |
| Accounts payable                                | 240                 | 28                | 31        | 640                           | 939     |
| Salaries and benefits payable                   | 18,999              | -                 | -         | -                             | 18,999  |
| Unearned revenue                                | 4,310               | -                 | -         | -                             | 4,310   |
| Total current liabilities                       | 25,885              | 28                | 13,988    | 5,023                         | 44,924  |
| Long-term liabilities:                          |                     |                   |           |                               |         |
| Net OPEB liability                              | 315                 | -                 | 76        | -                             | 391     |
| <b>Total liabilities</b>                        | 26,200              | 28                | 14,064    | 5,023                         | 45,315  |
| <b>Net Position</b>                             |                     |                   |           |                               |         |
| Invested in capital assets                      | 82,207              | 186,260           | -         | -                             | 268,467 |
| Unrestricted                                    | 46,313              | 89                | 9,361     | 13,383                        | 69,146  |
| <b>Total net position</b>                       | \$ 128,520          | 186,349           | 9,361     | 13,383                        | 337,613 |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

|  | School<br>Nutrition | Fitness<br>Center | Preschool | Before<br>and After<br>School | Total     |
|--|---------------------|-------------------|-----------|-------------------------------|-----------|
| Operating revenue:                                       |                     |                   |           |                               |           |
| Local sources:   |                     |                   |           |                               |           |
| Charges for services                                     | \$ 192,599          | 3,789             | 21,820    | 64,065                        | 282,273   |
| Donations  | -                   | -                 | -         | 1,560                         | 1,560     |
| Miscellaneous  | 1,401               | -                 | -         | -                             | 1,401     |
| Total operating revenue:                                 | 194,000             | 3,789             | 21,820    | 65,625                        | 285,234   |
| Operating expenses:                                      |                     |                   |           |                               |           |
| Instruction:   |                     |                   |           |                               |           |
| Regular:   |                     |                   |           |                               |           |
| Salaries   | -                   | -                 | -         | 56,472                        | 56,472    |
| Benefits   | -                   | -                 | -         | 8,806                         | 8,806     |
| Supplies   | -                   | -                 | 553       | 1,822                         | 2,375     |
| Other  | -                   | -                 | -         | 709                           | 709       |
| Total instruction  | -                   | -                 | 553       | 67,809                        | 68,362    |
| Support services:  |                     |                   |           |                               |           |
| Student:   |                     |                   |           |                               |           |
| Supplies   | -                   | 3                 | -         | -                             | 3         |
| Operation and maintenance of plant:                      |                     |                   |           |                               |           |
| Salaries   | -                   | -                 | 6,634     | -                             | 6,634     |
| Benefits   | -                   | -                 | 2,782     | -                             | 2,782     |
| Services   | -                   | 791               | 680       | -                             | 1,471     |
| Supplies   | -                   | 2,839             | 3,938     | -                             | 6,777     |
| Depreciation   | -                   | 5,807             | -         | -                             | 5,807     |
| Total support services                                   | -                   | 9,440             | 14,034    | -                             | 23,474    |
| Non-instructional programs:                              |                     |                   |           |                               |           |
| Food service operations:                                 |                     |                   |           |                               |           |
| Salaries   | 111,424             | -                 | -         | -                             | 111,424   |
| Benefits   | 27,313              | -                 | -         | -                             | 27,313    |
| Services   | 4,594               | -                 | -         | -                             | 4,594     |
| Supplies   | 151,583             | -                 | -         | -                             | 151,583   |
| Depreciation   | 10,254              | -                 | -         | -                             | 10,254    |
| Total non-instructional programs                         | 305,168             | -                 | -         | -                             | 305,168   |
| Total operating expenses:                                | 305,168             | 9,440             | 14,587    | 67,809                        | 397,004   |
| Operating income(loss)                                   | (111,168)           | (5,651)           | 7,233     | (2,184)                       | (111,770) |
| Non-operating revenues:                                  |                     |                   |           |                               |           |
| State sources  | 2,605               | -                 | -         | 9,769                         | 12,374    |
| Federal sources  | 114,418             | -                 | -         | -                             | 114,418   |
| Interest income  | 3                   | -                 | 1         | 1                             | 5         |
| Total non-operating revenues:                            | 117,026             | -                 | 1         | 9,770                         | 126,797   |
| Change in net position before<br>other financing sources | 5,858               | (5,651)           | 7,234     | 7,586                         | 15,027    |
| Other financing sources:                                 |                     |                   |           |                               |           |
| Capital contributions                                    | 7,100               | 8,452             | -         | -                             | 15,552    |
| Change in net position                                   | 12,958              | 2,801             | 7,234     | 7,586                         | 30,579    |
| Net position beginning of year                           | 115,562             | 183,548           | 2,127     | 5,797                         | 307,034   |
| Net position end of year                                 | \$ 128,520          | 186,349           | 9,361     | 13,383                        | 337,613   |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013

|  | School<br>Nutrition | Fitness<br>Center | Preschool | Before<br>and After<br>School | Total     |
|--|---------------------|-------------------|-----------|-------------------------------|-----------|
| Cash flows from operating activities:  |                     |                   |           |                               |           |
| Cash received from charges for services  | \$ 193,208          | 3,789             | 21,820    | 65,347                        | 284,164   |
| Cash received from donations   | -                   | -                 | -         | 1,560                         | 1,560     |
| Cash received from miscellaneous   | 1,401               | -                 | -         | -                             | 1,401     |
| Cash payments to employees for services  | (119,345)           | -                 | (9,340)   | (65,278)                      | (193,963) |
| Cash payments to suppliers for goods or services   | (130,868)           | (3,961)           | (5,140)   | (2,314)                       | (142,283) |
| Net cash provided by(used in) operating activities   | (55,604)            | (172)             | 7,340     | (685)                         | (49,121)  |
| Cash flows from non-capital financing activities:  |                     |                   |           |                               |           |
| Borrowings(Repayments) from(to) other funds  | 592                 | (335)             | 13,957    | 41                            | 14,255    |
| State grants received  | 2,605               | -                 | -         | 7,394                         | 9,999     |
| Federal grants received  | 88,328              | -                 | -         | -                             | 88,328    |
| Net cash provided by(used in) non-capital financing activities   | 91,525              | (335)             | 13,957    | 7,435                         | 112,582   |
| Cash flows from capital activities:  |                     |                   |           |                               |           |
| Purchase of assets   | (17,330)            | -                 | -         | -                             | (17,330)  |
| Cash flows from investing activities:  |                     |                   |           |                               |           |
| Interest on investment   | 3                   | -                 | 1         | 1                             | 5         |
| Net increase(decrease) in cash and cash equivalents  | 18,594              | (507)             | 21,298    | 6,751                         | 46,136    |
| Cash and cash equivalents at beginning of year   | 34,847              | 289               | 2,127     | 9,280                         | 46,543    |
| Cash and cash equivalents at end of year   | \$ 53,441           | (218)             | 23,425    | 16,031                        | 92,679    |
| Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:        |                     |                   |           |                               |           |
| Operating income(loss)   | \$ (111,168)        | (5,651)           | 7,233     | (2,184)                       | (111,770) |
| Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities: |                     |                   |           |                               |           |
| Commodities used   | 23,136              | -                 | -         | -                             | 23,136    |
| Depreciation   | 10,254              | 5,807             | -         | -                             | 16,061    |
| Decrease in inventories  | 2,460               | -                 | -         | -                             | 2,460     |
| Decrease in accounts receivable  | 39                  | -                 | -         | 1,282                         | 1,321     |
| Increase(Decrease) in accounts payable   | (287)               | (328)             | 31        | 217                           | (367)     |
| Increase in salaries and benefits payable  | 18,999              | -                 | -         | -                             | 18,999    |
| Increase in unearned revenues  | 570                 | -                 | -         | -                             | 570       |
| Increase in other postemployment benefits  | 393                 | -                 | 76        | -                             | 469       |
| Net cash provided by(used in) operating activities   | \$ (55,604)         | (172)             | 7,340     | (685)                         | (49,121)  |

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

During the year ended June 30, 2013, the District received Federal commodities valued at \$23,136.

During the year ended June 30, 2013, the Nutrition Fund received contributed capital from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$7,100.

During the year ended June 30, 2013, the Fitness Center Fund received contributed capital from the Capital Projects: Statewide Sales, Services and Use Tax Fund of \$3,999 and contributed capital from the Student Activity Fund of \$4,453.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013

|                             | <u>Private Purpose<br/>Trust<br/>Scholarship</u> |
|-----------------------------|--|
| Assets                      |  |
| Cash and pooled investments | \$ 106,419                                       |
| Liabilities                 |  |
| Due to other funds          | <u>200</u>                                       |
| Net position                |  |
| Restricted for scholarships | <u>\$ 106,219</u>                                |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

|                                | <u>Private Purpose</u> |
|--------------------------------|------------------------|
|                                | <u>Trust</u>           |
|                                | <u>Scholarship</u>     |
| Additions:                     |                        |
| Interest income                | \$ 557                 |
| Contributions                  | 4,353                  |
| Total additions                | <u>4,910</u>           |
| Deductions:                    |                        |
| Instruction:                   |                        |
| Regular:                       |                        |
| Scholarships awarded           | <u>4,200</u>           |
| Change in net position         | 710                    |
| Net position beginning of year | <u>105,509</u>         |
| Net position end of year       | <u>\$ 106,219</u>      |

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

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

A. Reporting Entity

For financial reporting purposes, Lawton-Bronson Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Lawton-Bronson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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 that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Management Levy Fund is used to account for resources used in the purchase of property insurance and payments for early retirement incentives.

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

The District reports the following nonmajor proprietary funds:

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

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

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

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the following:

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable 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                            | \$ 1,000 |
| Buildings                       | 1,000    |
| Land improvements               | 1,000    |
| Intangibles                     | 25,000   |
| Machinery and equipment:        |          |
| School Nutrition Fund equipment | 500      |
| Other machinery and equipment   | 1,000    |

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

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

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

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

Deferred revenue on the Statement of Net 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 other spendable classifications.

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

E. Budgeting and Budgetary Control

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

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 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 \$3,655 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Moody's Investors Service.

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

The detail of interfund receivables and payables at June 30, 2013 is as follows:

| Receivable Fund | Payable Fund            | Amount            |
|-----------------|-------------------------|-------------------|
| General         | Management Levy         | \$ 105,000        |
| General         | Debt Service            | 1,000             |
| General         | Nutrition               | 2,336             |
| General         | Before and After School | 4,383             |
| General         | Preschool               | 13,957            |
| General         | Scholarship Trust       | 200               |
| Fitness Center  | General                 | 335               |
| Total           |                         | <u>\$ 127,211</u> |

The Management Levy Fund is repaying the General Fund for cash borrowed to pay for property insurance that is due before tax receipts are received by the District.

The Debt Service Fund is repaying the General Fund for cash borrowed until July property taxes are received by the District.

The Nutrition and Before and After School Funds are repaying the General Fund for salaries and benefits not paid before year end. The Preschool Fund is repaying the General Fund for water, electric, and janitorial costs not repaid before year end.

The Scholarship Trust Fund is repaying the General Fund for money for the Citizen Scholarship Award receipted to the incorrect fund.

The General Fund is repaying the Fitness Center Fund for an electric bill paid from the incorrect fund.

**(4) Transfers**

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

| Transfer to  | Transfer from   | Amount            |
|--------------|---|-------------------|
|              | Capital Projects:<br>Statewide Sales, Services<br>and Use Tax |                   |
| Debt Service |   | \$ <u>343,289</u> |

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

**(5) Capital Assets**

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

|   | Balance<br>Beginning of<br>Year | Increases        | Decreases | Balance<br>End<br>of Year |
|---|---------------------------------|------------------|-----------|---------------------------|
| Governmental activities:                    |                                 |                  |           |                           |
| Capital assets not being depreciated:       |                                 |                  |           |                           |
| Land  | \$ 283,677                      | -                | -         | 283,677                   |
| Total capital assets not being depreciated  | <u>283,677</u>                  | <u>-</u>         | <u>-</u>  | <u>283,677</u>            |
| Capital assets being depreciated:           |                                 |                  |           |                           |
| Buildings                                   | 15,713,506                      | 65,983           | -         | 15,779,489                |
| Land improvements                           | 613,687                         | 1,850            | -         | 615,537                   |
| Machinery and equipment                     | 1,566,501                       | 199,589          | -         | 1,766,090                 |
| Total capital assets being depreciated      | <u>17,893,694</u>               | <u>267,422</u>   | <u>-</u>  | <u>18,161,116</u>         |
| Less accumulated depreciation for:          |                                 |                  |           |                           |
| Buildings                                   | 2,513,277                       | 319,166          | -         | 2,832,443                 |
| Land improvements                           | 201,171                         | 30,521           | -         | 231,692                   |
| Machinery and equipment                     | 1,042,007                       | 147,560          | -         | 1,189,567                 |
| Total accumulated depreciation              | <u>3,756,455</u>                | <u>497,247</u>   | <u>-</u>  | <u>4,253,702</u>          |
| Total capital assets being depreciated, net | <u>14,137,239</u>               | <u>(229,825)</u> | <u>-</u>  | <u>13,907,414</u>         |
| Governmental activities capital assets, net | <u>\$ 14,420,916</u>            | <u>(229,825)</u> | <u>-</u>  | <u>14,191,091</u>         |

|  | Balance<br>Beginning of<br>Year | Increases | Decreases | Balance<br>End of<br>Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Business type activities:                    |                                 |           |           |                           |
| Capital assets being depreciated:            |                                 |           |           |                           |
| Buildings                                    | \$ 202,749                      | -         | -         | 202,749                   |
| Machinery and equipment                      | 275,719                         | 32,882    | -         | 308,601                   |
| Total capital assets being depreciated       | 478,468                         | 32,882    | -         | 511,350                   |
| Less accumulated depreciation for:           |                                 |           |           |                           |
| Buildings                                    | 24,330                          | 4,055     | -         | 28,385                    |
| Machinery and equipment                      | 202,492                         | 12,006    | -         | 214,498                   |
| Total accumulated depreciation               | 226,822                         | 16,061    | -         | 242,883                   |
| Business type activities capital assets, net | \$ 251,646                      | 16,821    | -         | 268,467                   |

Depreciation expense was charged by the District as follows:

|   |  |  |            |
|---|--|--|------------|
| Governmental activities:                            |  |  |            |
| Instruction:  |  |  |            |
| Regular   |  |  | \$ 24,138  |
| Other   |  |  | 5,521      |
| Support services:                                   |  |  |            |
| Instructional staff                                 |  |  | 30,957     |
| Administration                                      |  |  | 6,455      |
| Operation and maintenance of plant                  |  |  | 7,042      |
| Transportation                                      |  |  | 73,447     |
|   |  |  | 147,560    |
| Unallocated depreciation                            |  |  | 349,687    |
| Total governmental activities depreciation expense  |  |  | \$ 497,247 |
| Business type activities:                           |  |  |            |
| Food services                                       |  |  | \$ 10,254  |
| Fitness center                                      |  |  | 5,807      |
| Total business type activities depreciation expense |  |  | \$ 16,061  |

## (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

|                          | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Governmental Activities: |                                 |           |           |                           |                           |
| General obligation bonds | \$ 6,260,000                    | -         | 280,000   | 5,980,000                 | 295,000                   |
| Revenue bonds            | 1,485,000                       | -         | 190,000   | 1,295,000                 | 200,000                   |
| Termination benefits     | 73,133                          | 79,250    | 25,011    | 127,372                   | 43,844                    |
| Net OPEB liability       | -                               | 17,657    | -         | 17,657                    | -                         |
| Total                    | \$ 7,818,133                    | 96,907    | 495,011   | 7,420,029                 | 538,844                   |

|   | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|---|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Business Type Activities:<br>Net OPEB liability | \$ -                            | 391       | -         | 391                       | -                         |

General Obligation Bonds Payable

Details of the District's June 30, 2013 General Obligation bonded debt is as follows:

| Year<br>Ending<br>June 30, | Bond issue May 1, 2008 |              |           |           |
|----------------------------|------------------------|--------------|-----------|-----------|
|                            | Interest<br>Rate       | Principal    | Interest  | Total     |
| 2014                       | 4.15                   | % \$ 295,000 | 253,332   | 548,332   |
| 2015                       | 4.15                   | 305,000      | 241,090   | 546,090   |
| 2016                       | 4.15                   | 320,000      | 228,433   | 548,433   |
| 2017                       | 4.15                   | 330,000      | 215,152   | 545,152   |
| 2018                       | 4.15                   | 345,000      | 201,458   | 546,458   |
| 2019-2023                  | 4.15-4.20              | 1,960,000    | 779,868   | 2,739,868 |
| 2024-2028                  | 4.25-4.45              | 2,425,000    | 327,888   | 2,752,888 |
| Total                      |                        | \$ 5,980,000 | 2,247,221 | 8,227,221 |

Revenue Bonds Payable

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

| Year<br>Ending<br>June 30, | Bond issue June 26, 2008 |              |          |           |
|----------------------------|--------------------------|--------------|----------|-----------|
|                            | Interest<br>Rate         | Principal    | Interest | Total     |
| 2014                       | 3.53                     | % \$ 200,000 | 46,534   | 246,534   |
| 2015                       | 3.70                     | 200,000      | 39,309   | 239,309   |
| 2016                       | 3.83                     | 215,000      | 31,497   | 246,497   |
| 2017                       | 3.93                     | 220,000      | 23,067   | 243,067   |
| 2018                       | 4.03                     | 225,000      | 14,223   | 239,223   |
| 2019                       | 4.13                     | 235,000      | 4,846    | 239,846   |
| Total                      |                          | \$ 1,295,000 | 159,476  | 1,454,476 |

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,015,000 bonds issued in June 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payment on the bonds are expected to require 46 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,454,476. For the current year \$190,000 in principal and \$53,289 in interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$540,412.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies in excess after the required transfers to the Sinking Account and Reserve Account may be transferred to the Project Account to be used for any lawful purpose.

Termination Benefits(Early Retirement)

In October 2012, the District approved a voluntary early retirement plan for full-time licensed employees that will be available for one year only. Eligible employees must be at least age fifty-five and have fifteen years of continuous service to the District. Eligible employees are required to submit an application to the Superintendent before February 1<sup>st</sup> of the year the employee wishes to retire. The application is then submitted to the Board of Directors of the District for approval.

Early retirement benefits are equal to 75% of the final year base salary for retirees. Retirees can elect to continue health insurance coverage at the retiree's current level of coverage in the last year of the retiree's employment and shall continue until the retiree becomes Medicare eligible. Retirees who elect to not continue health insurance coverage will have the entire early retirement incentive paid to a TSA or other deferred compensation plan of the retiree's choice.

At June 30, 2013, the District has obligations to eight retirees with a total liability of \$127,372. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$25,011.

**(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 covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$288,487, \$272,241, and \$225,097, respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 54 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement and have ten or more years of service to the District.

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |    |                      |
|--|----|----------------------|
| Annual required contribution               | \$ | 31,506               |
| Interest on net OPEB obligation            |    | (122)                |
| Adjustment to annual required contribution |    | (435)                |
| Annual OPEB cost                           |    | <u>31,819</u>        |
| Contributions made                         |    | <u>(8,901)</u>       |
| Increase in net OPEB obligation            |    | 22,918               |
| Net OPEB obligation - beginning of year    |    | <u>(4,870)</u>       |
| Net OPEB obligation - end of year          | \$ | <u><u>18,048</u></u> |

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

| Year Ended<br>Fiscal Year<br>June 30, | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |
|---------------------------------------|---------------------|--|---------------------------|
| 2011                                  | 33,379              | 107.38%  | (4,408)                   |
| 2012                                  | 33,706              | 101.37%  | (4,870)                   |
| 2013                                  | 31,819              | 27.97%   | 18,048                    |

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 \$222,152, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$222,152. The covered payroll (annual payroll of active employees covered by the plan) was \$2,907,586, and the ratio of the UAAL to the covered payroll was 7.64%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the assumption that employees retire at age 62 after 25 years of service. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2013 were \$394,429.

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

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$238,053 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.

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

At June 30, 2013, there were eight Student Activity Fund accounts with a total deficit unassigned balance of \$16,668.

**(12) Operating Leases**

The District is committed under seven non-cancellable operating leases for copiers used in the District. During the year ended June 30, 2013, the District made its last payment of \$4,385.

**(13) Categorical Funding**

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

| Program  | Amount            |
|--|-------------------|
| Home school assistance program                                   | \$ 14,920         |
| Gifted and talented  | 130,039           |
| Modified allowable growth for dropouts<br>and dropout prevention | 42,749            |
| Teacher salary supplement  | 39,475            |
| Professional development   | 56,800            |
| Professional development,<br>model core curriculum               | 5,463             |
| Limited english proficient                                       | 5,598             |
| At-risk supplemental weighting                                   | 5,276             |
| Four-year-old preschool state aid                                | 116,895           |
| Total  | <u>\$ 417,215</u> |

REQUIRED SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2013

|   | Governmental        | Proprietary    | Total<br>Actual  | Budgeted Amounts |                  | Final to<br>Actual<br>Variance |
|---|---------------------|----------------|------------------|------------------|------------------|--------------------------------|
|   | Funds               | Fund           |                  | Original         | Final            |                                |
|   | Actual              | Actual         |                  |                  |                  |                                |
| Revenues:   |                     |                |                  |                  |                  |                                |
| Local sources   | \$ 4,261,151        | 285,239        | 4,546,390        | 4,591,754        | 4,591,754        | (45,364)                       |
| State sources   | 3,241,055           | 12,374         | 3,253,429        | 3,249,961        | 3,249,961        | 3,468                          |
| Federal sources   | 100,875             | 114,418        | 215,293          | 232,000          | 232,000          | (16,707)                       |
| Total revenues  | <u>7,603,081</u>    | <u>412,031</u> | <u>8,015,112</u> | <u>8,073,715</u> | <u>8,073,715</u> | <u>(58,603)</u>                |
| Expenditures/Expenses:  |                     |                |                  |                  |                  |                                |
| Instruction   | 4,210,147           | 68,362         | 4,278,509        | 4,286,529        | 4,286,529        | 8,020                          |
| Support services  | 1,848,550           | 23,474         | 1,872,024        | 1,961,037        | 1,961,037        | 89,013                         |
| Non-instructional programs  | -                   | 305,168        | 305,168          | 325,000          | 325,000          | 19,832                         |
| Other expenditures  | 1,207,096           | -              | 1,207,096        | 1,138,759        | 1,363,759        | 156,663                        |
| Total expenditures/expenses   | <u>7,265,793</u>    | <u>397,004</u> | <u>7,662,797</u> | <u>7,711,325</u> | <u>7,936,325</u> | <u>273,528</u>                 |
| Excess of revenues over<br>expenditures/expenses                                | 337,288             | 15,027         | 352,315          | 362,390          | 137,390          | 214,925                        |
| Other financing sources, net  | -                   | 15,552         | 15,552           | -                | -                | -                              |
| Excess of revenues and other<br>financing sources over<br>expenditures/expenses | 337,288             | 30,579         | 367,867          | 362,390          | 137,390          | 214,925                        |
| Balance beginning of year   | 981,642             | 307,034        | 1,288,676        | 1,218,100        | 1,218,100        | 70,576                         |
| Balance end of year   | <u>\$ 1,318,930</u> | <u>337,613</u> | <u>1,656,543</u> | <u>1,580,490</u> | <u>1,355,490</u> | <u>285,501</u>                 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$225,000.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial                   |                           | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|-----------------------------|---------------------------|--------------------|---------------------|---|
|                     |                          |                               | Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) |                    |                     |   |
| 2010                | July 1, 2009             | \$ -                          | \$ 393,214                  | \$ 393,214                | 0.0%               | \$ 2,617,352        | 15.02%  |
| 2011                | July 1, 2009             | \$ -                          | \$ 360,949                  | \$ 360,949                | 0.0%               | \$ 2,761,457        | 13.07%  |
| 2012                | July 1, 2009             | \$ -                          | \$ 321,082                  | \$ 321,082                | 0.0%               | \$ 2,793,442        | 11.49%  |
| 2013                | July 1, 2012             | \$ -                          | \$ 222,152                  | \$ 222,152                | 0.0%               | \$ 2,907,586        | 7.64%   |

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

SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUND  
 JUNE 30, 2013

|  | Special Revenue     |                     | Total    |
|--|---------------------|---------------------|----------|
|  | Student<br>Activity | Capital<br>Projects |          |
| <b>Assets</b>                              |                     |                     |          |
| Cash and pooled investments                | \$ 56,957           | 347,450             | 404,407  |
| Receivables:                               |                     |                     |          |
| Property tax:                              |                     |                     |          |
| Delinquent                                 | -                   | 437                 | 437      |
| Succeeding year                            | -                   | 62,471              | 62,471   |
| Accounts                                   | 103                 |                     | 103      |
| Due from other governments                 | -                   | 85,541              | 85,541   |
| <b>Total assets</b>                        | \$ 57,060           | 495,899             | 552,959  |
| <b>Liabilities and Fund Balances</b>       |                     |                     |          |
| Liabilities:                               |                     |                     |          |
| Accounts payable                           | \$ 11,730           | 3,810               | 15,540   |
| Deferred revenue:                          |                     |                     |          |
| Succeeding year property tax               | -                   | 62,471              | 62,471   |
| Total liabilities                          | 11,730              | 66,281              | 78,011   |
| Fund Balances:                             |                     |                     |          |
| Restricted for:                            |                     |                     |          |
| Student activities                         | 61,998              | -                   | 61,998   |
| School infrastructure                      | -                   | 329,233             | 329,233  |
| Physical plant and equipment               | -                   | 100,385             | 100,385  |
| Unassigned:                                |                     |                     |          |
| Student activities                         | (16,668)            | -                   | (16,668) |
| Total fund balances                        | 45,330              | 429,618             | 474,948  |
| <b>Total liabilities and fund balances</b> | \$ 57,060           | 495,899             | 552,959  |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2013

|  | Special Revenue     |                     | Total     |
|--|---------------------|---------------------|-----------|
|  | Student<br>Activity | Capital<br>Projects |           |
| Revenues:  |                     |                     |           |
| Local sources:   |                     |                     |           |
| Local tax  | \$ -                | 599,647             | 599,647   |
| Other  | 265,632             | 468                 | 266,100   |
| Total revenues   | 265,632             | 600,115             | 865,747   |
| Expenditures   |                     |                     |           |
| Current:   |                     |                     |           |
| Instruction:   |                     |                     |           |
| Other  | 266,529             | -                   | 266,529   |
| Support services:  |                     |                     |           |
| Instructional staff  | -                   | 2,300               | 2,300     |
| Administration   | -                   | 5,901               | 5,901     |
| Transportation   | -                   | 129,931             | 129,931   |
| Capital outlay   | -                   | 180,302             | 180,302   |
| Total expenditures   | 266,529             | 318,434             | 584,963   |
| Excess(Deficiency) of revenues<br>over(under) expenditures | (897)               | 281,681             | 280,784   |
| Other financing uses:                                      |                     |                     |           |
| Transfer out   | -                   | (343,289)           | (343,289) |
| Change in fund balances                                    | (897)               | (61,608)            | (62,505)  |
| Fund balance beginning of year                             | 46,227              | 491,226             | 537,453   |
| Fund balance end of year                                   | \$ 45,330           | 429,618             | 474,948   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

|  | Capital Projects                            |  |                |
|--|---|--|----------------|
|  | Statewide Sales,<br>Services and<br>Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total          |
| <b>Assets</b>                              |   |  |                |
| Cash and pooled investments                | \$ 247,502                                  | 99,948                                     | 347,450        |
| Receivables:                               |   |  |                |
| Property tax:                              |   |  |                |
| Delinquent                                 | -   | 437  | 437            |
| Succeeding year                            | -   | 62,471                                     | 62,471         |
| Due from other governments                 | 85,541                                      | -  | 85,541         |
| <b>Total assets</b>                        | <b>\$ 333,043</b>                           | <b>162,856</b>                             | <b>495,899</b> |
| <b>Liabilities and Fund Balances</b>       |   |  |                |
| Liabilities:                               |   |  |                |
| Accounts payable                           | 3,810                                       | -  | 3,810          |
| Deferred revenue:                          |   |  |                |
| Succeeding year property tax               | -   | 62,471                                     | 62,471         |
| <b>Total liabilities</b>                   | <b>3,810</b>                                | <b>62,471</b>                              | <b>66,281</b>  |
| Fund balances:                             |   |  |                |
| Restricted for:                            |   |  |                |
| School infrastructure                      | 329,233                                     | -  | 329,233        |
| Physical plant and equipment               | -   | 100,385                                    | 100,385        |
| <b>Total fund balances</b>                 | <b>329,233</b>                              | <b>100,385</b>                             | <b>429,618</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 333,043</b>                           | <b>162,856</b>                             | <b>495,899</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

|   | Capital Projects                            |  |           |
|---|---|--|-----------|
|   | Statewide Sales,<br>Services and<br>Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total     |
| Revenues:                               |   |  |           |
| Local sources:                          |   |  |           |
| Local tax                               | \$ 540,412                                  | 59,235                                     | 599,647   |
| Other                                   | 465   | 3  | 468       |
| Total revenues                          | 540,877                                     | 59,238                                     | 600,115   |
| Expenditures:                           |   |  |           |
| Support services:                       |   |  |           |
| Instructional staff                     | -   | 2,300                                      | 2,300     |
| Adminstration                           | 2,031                                       | 3,870                                      | 5,901     |
| Transportation                          | 129,931                                     | -  | 129,931   |
| Capital outlay                          | 179,302                                     | 1,000                                      | 180,302   |
| Total expenditures                      | 311,264                                     | 7,170                                      | 318,434   |
| Excess of revenues over<br>expenditures | 229,613                                     | 52,068                                     | 281,681   |
| Other financing uses:                   |   |  |           |
| Transfer out                            | (343,289)                                   | -  | (343,289) |
| Change in fund balances                 | (113,676)                                   | 52,068                                     | (61,608)  |
| Fund balance beginning of year          | 442,909                                     | 48,317                                     | 491,226   |
| Fund balance end of year                | \$ 329,233                                  | 100,385                                    | 429,618   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,  
 STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2013

| Account                | Balance<br>Beginning<br>of Year | Revenues | Expendi-<br>tures | Intrafund<br>Transfers | Balance<br>End<br>of Year |
|------------------------|---------------------------------|----------|-------------------|------------------------|---------------------------|
| Dollars for scholars   | \$ 40                           | 87       | 126               | -                      | 1                         |
| Elementary yearbook    | 2,190                           | 1,180    | 1,801             | -                      | 1,569                     |
| Student council        | 254                             | 1,506    | 1,444             | -                      | 316                       |
| Drama and speech       | (19)                            | 609      | 240               | -                      | 350                       |
| Soup and pie supper    | -                               | 1,445    | 343               | (750)                  | 352                       |
| Vocal Music            | 9,258                           | 27,677   | 20,870            | (4,375)                | 11,690                    |
| Instrumental music     | 941                             | 11,287   | 11,357            | 5,359                  | 6,230                     |
| Drill team             | 7,599                           | 30,852   | 24,788            | (381)                  | 13,282                    |
| Elementary music       | 863                             | 640      | 1,207             | -                      | 296                       |
| Show choir             | 45                              | 450      | 200               | -                      | 295                       |
| Yearbook               | 915                             | 10,714   | 10,422            | 1,268                  | 2,475                     |
| Cheerleaders           | 1,959                           | 16,272   | 17,418            | -                      | 813                       |
| National honor society | 371                             | 752      | 495               | -                      | 628                       |
| Class of 2012          | 804                             | -        | 120               | (684)                  | -                         |
| Class of 2013          | 2,763                           | 105      | 1,608             | -                      | 1,260                     |
| Class of 2014          | 747                             | 4,205    | 870               | -                      | 4,082                     |
| Class of 2015          | 846                             | 806      | 367               | -                      | 1,285                     |
| Class of 2016          | -                               | 821      | 244               | -                      | 577                       |
| Junior high            | (339)                           | 7,654    | 7,608             | -                      | (293)                     |
| HS athletics           | 6,503                           | 6,942    | 27,678            | 10,921                 | (3,312)                   |
| Wrestling              | (1,395)                         | 3,750    | 3,184             | 750                    | (79)                      |
| HS football            | (880)                           | 40,904   | 47,544            | -                      | (7,520)                   |
| Girls basketball       | 8,639                           | 36,533   | 33,670            | (3,000)                | 8,502                     |
| Track                  | (987)                           | 2,441    | 4,311             | -                      | (2,857)                   |
| Girls volleyball       | 2,550                           | 10,407   | 9,770             | -                      | 3,187                     |
| Boys basketball        | 3,298                           | 9,937    | 12,445            | -                      | 790                       |
| Boys baseball          | (215)                           | 18,912   | 14,683            | (750)                  | 3,264                     |
| Girls softball         | 1,613                           | 8,201    | 9,602             | (165)                  | 47                        |
| Boys golf              | (1,379)                         | 2,145    | 920               | -                      | (154)                     |
| Cross country          | -                               | 601      | 820               | -                      | (219)                     |
| Miscellaneous          | 642                             | 17       | -                 | -                      | 659                       |
| Activity tickets       | 400                             | 7,776    | -                 | (8,176)                | -                         |
| Elementary building    | 687                             | -        | 374               | (265)                  | 48                        |
| Contingency            | (2,221)                         | 4        | -                 | (17)                   | (2,234)                   |
| Library                | (265)                           | -        | -                 | 265                    | -                         |
| Total                  | \$ 46,227                       | 265,632  | 266,529           | -                      | 45,330                    |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2013

|                             | Andrus<br>Scholarship<br>Fund | Teacher's<br>Memorial<br>Scholarship | Shoemaker<br>Scholarship<br>Fund | John<br>Ohlfest<br>Scholarship | Lawton<br>Centennial<br>Scholarship | Other<br>Scholarships | Total   |
|-----------------------------|-------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|-----------------------|---------|
| <b>Assets</b>               |                               |                                      |                                  |                                |                                     |                       |         |
| Cash and pooled investments | \$ 60,588                     | 6,721                                | 34,181                           | 2,003                          | 2,104                               | 822                   | 106,419 |
| <b>Liabilities</b>          |                               |                                      |                                  |                                |                                     |                       |         |
| Due to other funds          | -                             | -                                    | -                                | -                              | 200                                 | -                     | 200     |
| <b>Net Position</b>         |                               |                                      |                                  |                                |                                     |                       |         |
| Restricted for scholarships | \$ 60,588                     | 6,721                                | 34,181                           | 2,003                          | 1,904                               | 822                   | 106,219 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2013

|                                | Andrus<br>Scholarship<br>Fund | Teacher's<br>Memorial<br>Scholarship | Shoemaker<br>Scholarship<br>Fund | John<br>Ohlfest<br>Scholarship | Lawton<br>Centennial<br>Scholarship | Other<br>Scholarships | Total   |
|--------------------------------|-------------------------------|--------------------------------------|----------------------------------|--------------------------------|-------------------------------------|-----------------------|---------|
| Additions:                     |                               |                                      |                                  |                                |                                     |                       |         |
| Interest income                | \$ 221                        | 58                                   | 274                              | 3                              | 2                                   | -                     | 558     |
| Donations                      | -                             | -                                    | -                                | 2,000                          | 2,102                               | 250                   | 4,352   |
| Total revenues                 | 221                           | 58                                   | 274                              | 2,003                          | 2,104                               | 250                   | 4,910   |
| Deductions:                    |                               |                                      |                                  |                                |                                     |                       |         |
| Instruction:                   |                               |                                      |                                  |                                |                                     |                       |         |
| Regular:                       |                               |                                      |                                  |                                |                                     |                       |         |
| Scholarships awarded           | 4,000                         | -                                    | -                                | -                              | 200                                 | -                     | 4,200   |
| Change in net position         | (3,779)                       | 58                                   | 274                              | 2,003                          | 1,904                               | 250                   | 710     |
| Net position beginning of year | 64,367                        | 6,663                                | 33,907                           | -                              | -                                   | 572                   | 105,509 |
| Net position end of year       | \$ 60,588                     | 6,721                                | 34,181                           | 2,003                          | 1,904                               | 822                   | 106,219 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

|                                    | Modified Accrual Basis |           |           |           |            |           |           |           |           |           |
|------------------------------------|------------------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|
|                                    | 2013                   | 2012      | 2011      | 2010      | 2009       | 2008      | 2007      | 2006      | 2005      | 2004      |
| Revenues:                          |                        |           |           |           |            |           |           |           |           |           |
| Local sources:                     |                        |           |           |           |            |           |           |           |           |           |
| Local tax                          | \$ 3,460,802           | 3,294,514 | 3,075,458 | 2,945,975 | 2,971,929  | 2,786,311 | 2,471,965 | 2,223,894 | 2,179,574 | 2,143,277 |
| Tuition                            | 445,143                | 475,951   | 358,473   | 333,479   | 367,377    | 382,909   | 280,918   | 225,742   | 274,359   | 276,825   |
| Other                              | 355,206                | 318,608   | 376,173   | 542,933   | 563,834    | 660,877   | 650,662   | 529,519   | 308,038   | 246,383   |
| Intermediate sources               | -                      | -         | 4,003     | 4,229     | -          | -         | -         | -         | -         | -         |
| State sources                      | 3,241,055              | 3,368,527 | 2,950,879 | 2,468,163 | 3,081,649  | 3,022,660 | 2,796,166 | 2,607,387 | 2,354,530 | 2,389,082 |
| Federal sources                    | 100,875                | 271,908   | 191,462   | 457,574   | 143,264    | 136,261   | 134,070   | 163,665   | 129,821   | 202,799   |
| Total                              | \$ 7,603,081           | 7,729,508 | 6,956,448 | 6,752,353 | 7,128,053  | 6,989,018 | 6,333,781 | 5,750,207 | 5,246,322 | 5,258,366 |
| Expenditures:                      |                        |           |           |           |            |           |           |           |           |           |
| Instruction:                       |                        |           |           |           |            |           |           |           |           |           |
| Regular                            | \$ 2,835,940           | 2,771,861 | 2,710,542 | 2,701,092 | 2,756,153  | 2,509,918 | 2,498,452 | 2,212,621 | 2,183,741 | 2,101,693 |
| Special                            | 534,813                | 558,868   | 503,650   | 470,689   | 486,105    | 614,365   | 535,445   | 452,323   | 397,406   | 392,970   |
| Other                              | 839,394                | 758,666   | 751,179   | 773,687   | 619,570    | 577,951   | 504,123   | 449,844   | 452,576   | 449,997   |
| Support services:                  |                        |           |           |           |            |           |           |           |           |           |
| Student                            | 147,253                | 176,664   | 172,523   | 159,227   | 149,934    | 147,969   | 153,304   | 173,868   | 153,510   | 118,405   |
| Instructional staff                | 140,526                | 198,154   | 185,848   | 249,372   | 182,556    | 171,789   | 165,191   | 184,969   | 61,286    | 50,096    |
| Administration                     | 641,810                | 608,152   | 545,345   | 571,684   | 587,668    | 647,296   | 571,524   | 570,536   | 470,249   | 570,554   |
| Operation and maintenance of plant | 463,667                | 459,667   | 458,730   | 422,498   | 457,126    | 451,017   | 427,015   | 353,394   | 403,515   | 364,018   |
| Transportation                     | 455,544                | 562,369   | 315,746   | 324,671   | 364,220    | 302,418   | 475,415   | 325,478   | 250,777   | 224,607   |
| Capital outlay                     | 180,302                | 325,353   | 120,154   | 1,992,527 | 7,538,683  | 1,101,113 | 327,700   | 190,632   | 133,838   | 78,417    |
| Long-term debt:                    |                        |           |           |           |            |           |           |           |           |           |
| Principal                          | 470,000                | 455,000   | 435,000   | 420,000   | 240,000    | 2,900,000 | 250,000   | 235,000   | 225,000   | 40        |
| Interest and fiscal charges        | 318,491                | 336,160   | 352,307   | 367,638   | 362,660    | 197,273   | 163,860   | 176,080   | 187,820   | 198,079   |
| Other expenditures:                |                        |           |           |           |            |           |           |           |           |           |
| AEA flow-through                   | 238,053                | 237,875   | 246,838   | 239,356   | 220,023    | 210,904   | 194,268   | 175,489   | 169,052   | 167,090   |
| Total                              | \$ 7,265,793           | 7,448,789 | 6,797,862 | 8,692,441 | 13,964,698 | 9,832,013 | 6,266,297 | 5,500,234 | 5,088,770 | 4,715,966 |

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 Lawton-Bronson Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Lawton-Bronson Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lawton-Bronson 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 Lawton-Bronson Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lawton-Bronson 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, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

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

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Lawton-Bronson Community School District's Responses to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion 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 Lawton-Bronson Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 10, 2014  
Newton, Iowa

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-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 - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

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 procedures and work towards the maximum amount of internal control possible with the limit number of employees.

Conclusion - Response acknowledged.

I-B-13 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however the Student Activity Fund had instances of purchase orders that were completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

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

Response - Employees of the District understand that all purchase orders need administrator approval, but there are times when verbal approvals have been received and have followed with paper approvals after the purchase. When these instances occur, the District needs to make sure documentation is kept that a verbal approval had been received prior to the paper approval. For fiscal year 2015, the District is implementing a new purchasing system that will be integrated into the accounting system that will better track requests as they go through the approval process as well as outstanding approvals.

Conclusion - Response accepted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 did not exceed the certified amounts in the functional areas.
- II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-13 Business Transactions - Business transactions between the District and District officials are detailed as follows:

| Name, Title and<br>Business Connection                                    | Transaction<br>Description | Amount   |
|---|----------------------------|----------|
| Cory Hoch, Para Professional<br>Works for Sportsman's Sporting Goods      | Supplies                   | \$12,024 |
| Liz Hanna, High School Secretary<br>Daughter consulted for dance routines | Services                   | \$600    |
| David Miller, Teacher<br>Works for Miller Sounds Systems                  | Services                   | \$895    |
| David Fry, Custodian<br>Owner of Snow Removal business                    | Services                   | \$425    |

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

In accordance with the Attorney General's opinion dated July 2, 1990, the above transaction with the custodian does not appear to represent a conflict of interest.

- II-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-13 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student.

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

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

Conclusion - Response accepted.

II-G-13 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Department of Education. The number certified to the Iowa Department of Education was overstated by 0.74 for the fall of 2012.

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

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

Conclusion - Response accepted.

II-H-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-13 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-K-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

|                           |    |         |                |
|---------------------------|----|---------|----------------|
| Beginning Balance         |    | \$      | 442,909        |
| Revenues:                 |    |         |                |
| Sales tax revenues        | \$ | 540,412 |                |
| Other local revenues      |    | 465     | 540,877        |
|                           |    |         | <u>983,786</u> |
| Ependitures/transfer out: |    |         |                |
| Equipment                 | \$ | 158,553 |                |
| Other                     |    | 152,711 |                |
| Transfers to other funds: |    |         |                |
| Debt service fund         |    | 343,289 | 654,553        |
|                           |    |         | <u>654,553</u> |
| Ending Balance            |    | \$      | <u>329,233</u> |

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

|                   | <u>Per \$1,000<br/>of Taxable<br/>Valuation</u> | <u>Property<br/>Tax<br/>Dollars</u> |
|-------------------|---|-------------------------------------|
| Debt Service Levy | \$ 0.55262                                      | \$ 100,000                          |

II-L-13 Financial Condition - We noted during our audit there were eight Student Activity Fund accounts with a total deficit unassigned balance of \$16,668.

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

Response - The District will continue to monitor all student activity accounts to ensure there will not be deficit accounts at year end. The business office will work with sponsors to develop a workout plan to eliminate deficits.

Conclusion - Response accepted.

II-M-13 Checks Outstanding - We noted during our audit that the District had checks included in the General, School Nutrition and Student Activity Fund bank reconciliations that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the State Treasurer annually before November 1<sup>st</sup>.

Response - The District will work to reissue outstanding checks when possible. When not possible, the District will report unclaimed property to the State Treasurer.

Conclusion - Response accepted.

II-N-13 Authorized Check Signatures - We noted during our audit, a check that only had one signature. Chapter 291.1 of the Code of Iowa requires the Board President and the Board Secretary to sign all checks issued. Also, pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in her absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapters 291.1 and 291.8 of the Code of Iowa.

Response - The District will monitor more closely to ensure that all checks are properly signed.

Conclusion - Response accepted.