

LENOX COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Assets and Liabilities	J	27
Notes to Financial Statements		28-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/ Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Capital Project Accounts:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	48-49
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	51
Schedule of Expenditures of Federal Awards	6	52
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 <u>Government Auditing Standards</u>		53-54
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		55-56
Schedule of Findings and Questioned Costs		57-62

Lenox Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Kurtis Christensen	President	2013
Todd Barker	Vice President	2013
Gary Tullberg	Board Member	2015
Kurt Stoaks	Board Member	2015
Brent Wise	Board Member	2013
<b>School Officials</b>		
David Henrichs	Superintendent	2013
Paula Horton	District Secretary/ Treasurer	2013
Richard Wilson	Attorney	2013

# LENOX COMMUNITY SCHOOL DISTRICT

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of the Lenox 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 Lenox Community School District, Lenox, 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 Lenox 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 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information 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 Lenox 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 nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 February 14, 2014 on our consideration of Lenox 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 Lenox Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2014  
Newton, Iowa

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

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Lenox Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$4,639,094 in fiscal 2012 to \$4,438,245 in fiscal 2013, while General Fund expenditures increased from \$4,306,708 in fiscal 2012 to \$4,489,669 in fiscal 2013. This resulted in a decrease in the District's General Fund balance from \$1,501,748 in fiscal 2012 to \$1,450,324 in fiscal 2013, a 3.42% decrease over the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local and federal revenue in fiscal 2013. The increase in expenditures was due primarily to an increase in the instructional and support services functional areas.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lenox Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

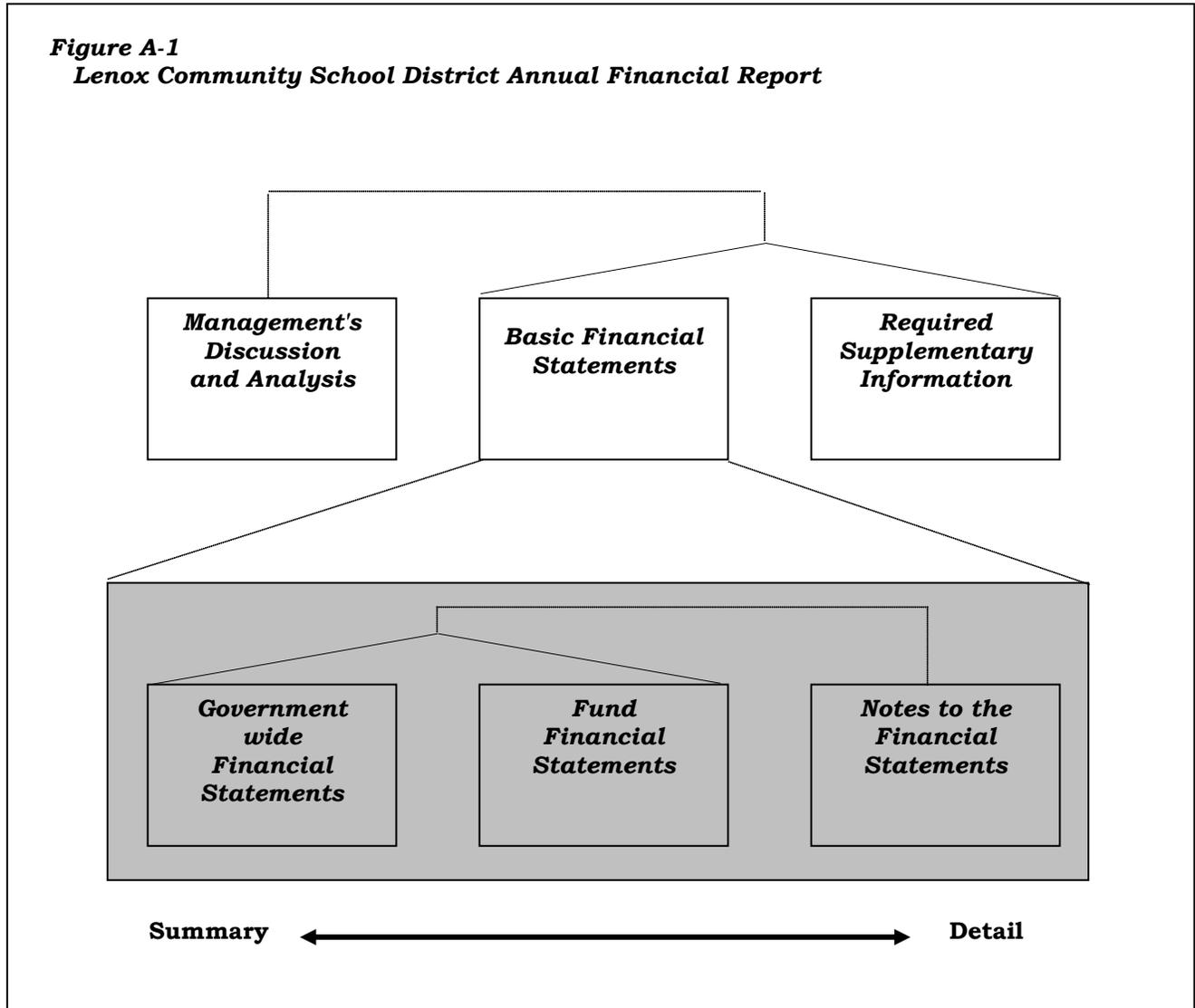


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <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 fund 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 are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 4,831,052	7,103,023	92,951	77,068	4,924,003	7,180,091	-31.42%
Capital assets	5,489,221	4,890,226	26,252	30,026	5,515,473	4,920,252	12.10%
Total assets	10,320,273	11,993,249	119,203	107,094	10,439,476	12,100,343	-13.73%
Long-term obligations	2,340,312	5,150,197	-	-	2,340,312	5,150,197	-54.56%
Other liabilities	2,616,746	2,260,594	22,461	13,461	2,639,207	2,274,055	16.06%
Total liabilities	4,957,058	7,410,791	22,461	13,461	4,979,519	7,424,252	-32.93%
Net position:							
Invested in capital assets, net of related debt	2,941,571	2,178,451	26,252	30,026	2,967,823	2,208,477	34.38%
Restricted	1,102,183	974,753	-	-	1,102,183	974,753	13.07%
Unrestricted	1,319,461	1,429,254	70,490	63,607	1,389,951	1,492,861	-6.89%
Total net position	\$ 5,363,215	4,582,458	96,742	93,633	5,459,957	4,676,091	16.76%

The District's combined net position increased by \$783,866, or 16.76% over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$127,430, or 13.07% from the prior year. The increase in restricted net position was primarily due to the increase in the Management Levy Fund and the Capital Projects: Physical Plant and Equipment Levy fund balances.

Unrestricted net position - is 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 - decreased \$102,910, or 6.89%. The decrease in unrestricted net position was primarily due to the decrease in the fund balance of the General Fund.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 666,527	634,042	94,388	94,443	760,915	728,485	4.45%
Operating grants, contributions and restricted interest	479,135	422,614	173,260	162,869	652,395	585,483	11.43%
Capital grants, contributions and restricted interest	306,321	377,768	-	-	306,321	377,768	-18.91%
General revenues:							
Property tax	1,632,089	1,659,419	-	-	1,632,089	1,659,419	-1.65%
Income surtax	164,684	256,775	-	-	164,684	256,775	-35.86%
Statewide sales, services and use tax	344,256	196,668	-	-	344,256	196,668	75.04%
Unrestricted state grants	2,187,039	2,041,933	-	-	2,187,039	2,041,933	7.11%
Nonspecific program federal grants	-	77,316	-	-	-	77,316	-100.00%
Unrestricted investment earnings	7,208	3,225	297	285	7,505	3,510	113.82%
Other	9,459	48,988	50	891	9,509	49,879	-80.94%
Insurance proceeds	-	-	-	1,300	-	1,300	-100.00%
Total revenues	<u>5,796,718</u>	<u>5,718,748</u>	<u>267,995</u>	<u>259,788</u>	<u>6,064,713</u>	<u>5,978,536</u>	<u>1.44%</u>
Program expenses:							
Governmental activities:							
Instructional	3,217,804	3,082,794	-	-	3,217,804	3,082,794	4.38%
Support services	1,388,242	1,333,002	22,459	21,337	1,410,701	1,354,339	4.16%
Non-instructional programs	-	-	242,427	227,765	242,427	227,765	6.44%
Other expenses	409,915	386,544	-	-	409,915	386,544	6.05%
Total expenses	<u>5,015,961</u>	<u>4,802,340</u>	<u>264,886</u>	<u>249,102</u>	<u>5,280,847</u>	<u>5,051,442</u>	<u>4.54%</u>
Change in net position	780,757	916,408	3,109	10,686	783,866	927,094	-15.45%
Net position beginning of year	<u>4,582,458</u>	<u>3,666,050</u>	<u>93,633</u>	<u>82,947</u>	<u>4,676,091</u>	<u>3,748,997</u>	<u>24.73%</u>
Net position end of year	<u>\$ 5,363,215</u>	<u>4,582,458</u>	<u>96,742</u>	<u>93,633</u>	<u>5,459,957</u>	<u>4,676,091</u>	<u>16.76%</u>

In fiscal 2013, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 74.66% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.87% of the revenue from business type activities.

The District's total revenues were approximately \$6.06 million, of which approximately \$5.79 million was for governmental activities and approximately \$.27 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.44% increase in revenues and a 4.54% increase in expenses. Statewide sales, services, and use tax increased approximately \$147,588, to fund the increase in expenses. The increase in expenses was primarily related to the increase in instructional and support services functional areas.

**Governmental Activities**

Revenues for governmental activities were \$5,796,718 and expenses were \$5,015,961.

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.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 3,217,804	3,082,794	4.38%	2,258,924	2,204,691	2.46%
Support services	1,388,242	1,333,002	4.14%	1,050,120	921,698	13.93%
Other expenses	409,915	386,544	6.05%	254,934	241,527	5.55%
Totals	<u>\$ 5,015,961</u>	<u>4,802,340</u>	<u>4.45%</u>	<u>3,563,978</u>	<u>3,367,916</u>	<u>5.82%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$666,527.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$785,456.
- The net cost of governmental activities was financed with \$1,632,089 in property tax, \$164,684 in income surtax, \$344,256 in statewide sales, services and use tax, \$2,187,039 in unrestricted state grants, \$7,208 in interest income and \$9,459 in other general revenues.

**Business Type Activities**

Revenues for the District’s business type activities during the year ended June 30, 2013 were \$267,995, representing a 3.16% increase over the prior year, while expenses totaled \$264,886, a 6.34% increase over the prior year. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,382,697, well below last year’s ending fund balances of \$4,627,723. This was the result of the District paying off the outstanding balance of \$2,550,000 of the refunded general obligation bonds dated July 1, 2003.

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## **Governmental Fund Highlights**

- The District's General Fund balance decreased from \$1,501,748 to \$1,450,324, due to the product of many factors. Decreases in local and federal source revenues during the year as compared to fiscal 2012 were largely responsible for the decrease in revenue.
- The Capital Projects accounts balance increased from \$453,779 in fiscal 2012 to \$483,900 in fiscal 2013. This was primarily due to the increased statewide sales, services and use tax received, and the District receiving proceeds from a bus lease.
- The Debt Service Fund balance decreased from \$2,402,146 to \$5,700 during the year. This was the result of the District paying off the outstanding balance of \$2,550,000 of the refunded general obligation bonds dated July 1, 2003.
- The Management Levy Fund balance increased from \$231,363 to \$409,615 during the year. This was primarily due to the increased property tax received during the year.

## **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$93,633 at June 30, 2012 to \$96,742 at June 30, 2013, representing an increase of 3.32%.

## **BUDGETARY HIGHLIGHTS**

The District's revenues were \$571,780 more than budgeted revenues, a variance of 10.20%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

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

Over the course of the year, Lenox Community School District amended its annual budget one time to reflect additional expenditures due to increased School Nutrition expenses and expenditures related to the District's refunded bonds.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2013, the District had invested \$5,515,473, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$209,604.

The original cost of the District's capital assets was \$7,739,280. Governmental funds account for \$7,658,162 with the remainder of \$81,118 in the Proprietary, School Nutrition Fund.

The largest percentage of change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,028,273 at June 30, 2013, compared to \$337,095 reported at June 30, 2012. This significant increase resulted from activity related to the construction of the District's safe room.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 50,521	50,521	-	-	50,521	50,521	0.00%
Construction in progress	1,028,273	337,095	-	-	1,028,273	337,095	205.04%
Land improvements	16,814	17,935	-	-	16,814	17,935	-6.25%
Buildings	4,123,002	4,234,414	-	-	4,123,002	4,234,414	-2.63%
Machinery and equipment	270,611	250,261	26,252	30,026	296,863	280,287	5.91%
Total	\$ 5,489,221	4,890,226	26,252	30,026	5,515,473	4,920,252	12.10%

### Long-Term Debt

At June 30, 2013, the District had \$2,616,746 in general obligation and other long-term debt outstanding. This represents an decrease of 49.19% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had an outstanding balance of \$2,470,000 in general obligation bonds at June 30, 2013.

The District had an outstanding balance of \$77,650 in a bus lease payable at June 30, 2013.

At June 30, 2013, the District had a termination benefits outstanding balance of \$31,096 payable from the Special Revenue, Management Levy Fund.

At June 30, 2013, the District had an outstanding other postemployment benefits of \$38,000.

Figure A-7 Outstanding Long-Term Obligations				
	Total District		Total Change	
	June 30,		June 30,	
	2013	2012	2012-13	
General obligation bonds	\$ 2,470,000	5,020,000	-50.80%	
Capital loan notes	-	90,000	-100.00%	
Bus lease	77,650	-	100.00%	
Termination benefits	31,096	-	100.00%	
Net OPEB liability	38,000	40,197	-5.47%	
Totals	\$ 2,616,746	5,150,197	-49.19%	

### 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:

- Property valuation located with district boundaries increased 8.9% in the last year.
- The unemployment rate in Taylor County decreased from 4.6% in 2012 to 4.1% in 2013.

- 
- The total population in Taylor County decreased 1.7% from 2010-12. However, the population in Lenox increased over 10% during the same time period. Residents of Lenox make up 22.5% of the total population in Taylor County. 39.4% of all taxable sales in Taylor County occur within Lenox. This is due in part to the fact that Lenox has some of the larger employers within the county. These businesses are financially strong, continue to grow, and employ a majority of the community's workforce. 30% of Lenox workers work in Lenox and 45% of Lenox workers work in Taylor County. Some of the larger employers include: Cox Manufacturing, Michael Foods, Precision Pulley & Idler, and the Lenox Community School District.
  - However, it should be noted that if one or more of the major employers located within the district should cut back or eliminate operations; the district's financial health would be significantly affected in a negative way.

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

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paula Horton, District Secretary, Lenox Community School District, 600 South Locust, Lenox, Iowa, 50851.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,418,807	84,028	2,502,835
Receivables:			
Property tax:			
Delinquent	23,923	-	23,923
Succeeding year	1,711,919	-	1,711,919
Income surtax	103,342	-	103,342
Accounts	589	230	819
Due from other governments	572,472	-	572,472
Inventories	-	8,692	8,692
Capital assets, net of accumulated depreciation	5,489,221	26,253	5,515,474
<b>TOTAL ASSETS</b>	<b>10,320,273</b>	<b>119,203</b>	<b>10,439,476</b>
<b>LIABILITIES</b>			
Accounts payable	192,791	865	193,656
Salaries and benefits payable	429,928	19,434	449,362
Interest payable	5,674	-	5,674
Deferred revenue:			
Succeeding year property tax	1,711,919	-	1,711,919
Unearned revenue	-	2,162	2,162
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	225,000	-	225,000
Bus lease payable	18,725	-	18,725
Termination benefits payable	31,096	-	31,096
Portion due after one year:			
General obligation bonds payable	2,245,000	-	2,245,000
Bus lease payable	58,925	-	58,925
Net OPEB liability	38,000	-	38,000
<b>TOTAL LIABILITIES</b>	<b>4,957,058</b>	<b>22,461</b>	<b>4,979,519</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,941,571	26,253	2,967,824
Restricted for:			
Categorical funding	206,580	-	206,580
School infrastructure	221,644	-	221,644
Physical plant and equipment	262,256	-	262,256
Debt service	26	-	26
Management levy purposes	378,519	-	378,519
Student activities	33,158	-	33,158
Unrestricted	1,319,461	70,489	1,389,950
<b>TOTAL NET POSITION</b>	<b>\$ 5,363,215</b>	<b>96,742</b>	<b>5,459,957</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 1,937,187	446,208	75,436	-	(1,415,543)	-	(1,415,543)
Special	510,912	126,248	30,159	-	(354,505)	-	(354,505)
Other	769,705	93,883	186,946	-	(488,876)	-	(488,876)
	<u>3,217,804</u>	<u>666,339</u>	<u>292,541</u>	<u>-</u>	<u>(2,258,924)</u>	<u>-</u>	<u>(2,258,924)</u>
Support services:							
Student	92,185	-	-	-	(92,185)	-	(92,185)
Instructional	183,366	-	9,419	-	(173,947)	-	(173,947)
Administration	495,741	-	22,194	-	(473,547)	-	(473,547)
Operation and maintenance of plant	418,268	-	-	306,321	(111,947)	-	(111,947)
Transportation	198,682	188	-	-	(198,494)	-	(198,494)
	<u>1,388,242</u>	<u>188</u>	<u>31,613</u>	<u>306,321</u>	<u>(1,050,120)</u>	<u>-</u>	<u>(1,050,120)</u>
Long-term debt interest	132,211	-	-	-	(132,211)	-	(132,211)
Other expenses:							
AEA flowthrough	154,981	-	154,981	-	-	-	-
Depreciation (unallocated)*	122,723	-	-	-	(122,723)	-	(122,723)
	<u>277,704</u>	<u>-</u>	<u>154,981</u>	<u>-</u>	<u>(122,723)</u>	<u>-</u>	<u>(122,723)</u>
Total governmental activities	<u>5,015,961</u>	<u>666,527</u>	<u>479,135</u>	<u>306,321</u>	<u>(3,563,978)</u>	<u>-</u>	<u>(3,563,978)</u>
Business type activities:							
Support services:							
Administration	22,459	-	-	-	-	(22,459)	(22,459)
Non-instructional programs:							
Nutrition services	242,427	94,388	173,260	-	-	25,221	25,221
Total business type activities	<u>264,886</u>	<u>94,388</u>	<u>173,260</u>	<u>-</u>	<u>-</u>	<u>2,762</u>	<u>2,762</u>
Total	<u>\$ 5,280,847</u>	<u>760,915</u>	<u>652,395</u>	<u>306,321</u>	<u>(3,563,978)</u>	<u>2,762</u>	<u>(3,561,216)</u>
<b>General Revenues:</b>							
Local tax levied for:							
General purposes				\$ 1,228,998	-	1,228,998	
Capital outlay				143,382	-	143,382	
Debt service				259,709	-	259,709	
Income surtax				164,684	-	164,684	
Statewide sales, services and use tax				344,256	-	344,256	
Unrestricted state grants				2,187,039	-	2,187,039	
Unrestricted investment earnings				7,208	297	7,505	
Other general revenues				9,459	50	9,509	
Total general revenues				<u>4,344,735</u>	<u>347</u>	<u>4,345,082</u>	
Change in net position				780,757	3,109	783,866	
Net position beginning of year				<u>4,582,458</u>	<u>93,633</u>	<u>4,676,091</u>	
Net position end of year				<u>\$ 5,363,215</u>	<u>96,742</u>	<u>5,459,957</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activity	Total
<b>ASSETS</b>						
Cash and pooled investments	\$ 1,809,616	157,171	1,900	406,029	33,716	2,408,432
Receivables:						
Property tax:						
Delinquent	14,440	2,097	3,800	3,586	-	23,923
Succeeding year	1,025,607	151,518	266,595	268,199	-	1,711,919
Income surtax	86,118	17,224	-	-	-	103,342
Accounts	165	-	-	-	424	589
Due from other governments	208,224	364,248	-	-	-	572,472
<b>TOTAL ASSETS</b>	<b>\$ 3,144,170</b>	<b>692,258</b>	<b>272,295</b>	<b>677,814</b>	<b>34,140</b>	<b>4,820,677</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 152,193	39,616	-	-	982	192,791
Salaries and benefits payable	429,928	-	-	-	-	429,928
Deferred revenue:						
Succeeding year property tax	1,025,607	151,518	266,595	268,199	-	1,711,919
Income surtax	86,118	17,224	-	-	-	103,342
Total liabilities	1,693,846	208,358	266,595	268,199	982	2,437,980
Fund balances:						
Restricted for:						
Categorical funding	206,580	-	-	-	-	206,580
School infrastructure	-	221,644	-	-	-	221,644
Physical plant and equipment	-	262,256	-	-	-	262,256
Debt service	-	-	5,700	-	-	5,700
Management levy purposes	-	-	-	409,615	-	409,615
Student activities	-	-	-	-	33,158	33,158
Unassigned	1,243,744	-	-	-	-	1,243,744
Total fund balances	1,450,324	483,900	5,700	409,615	33,158	2,382,697
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,144,170</b>	<b>692,258</b>	<b>272,295</b>	<b>677,814</b>	<b>34,140</b>	<b>4,820,677</b>

SEE NOTES TO FINANCIAL STATEMENTS

LENOX 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>		\$ 2,382,697
 <b>Amounts reported for governmental activities in the 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.		5,489,221
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		103,342
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		10,375
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,674)
Long-term liabilities, including general obligation bonds payable, bus lease payable, termination benefits payable and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		<u>(2,616,746)</u>
<b>Net position of governmental activities (page 18)</b>		<u><u>\$ 5,363,215</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	General	Capital Projects	Debt Service	Management Levy	Nonmajor Student Activities	Total
<b>Revenues:</b>						
<b>Local sources:</b>						
Local tax	\$ 1,188,332	561,761	259,709	244,501	-	2,254,303
Tuition	486,195	-	-	-	-	486,195
Other	104,442	629	3,022	3,471	93,079	204,643
State sources	2,476,245	36,108	127	121	-	2,512,601
Federal sources	181,966	270,283	-	-	-	452,249
Total revenues	4,437,180	868,781	262,858	248,093	93,079	5,909,991
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	1,912,620	-	-	25,592	-	1,938,212
Special	508,032	-	-	-	-	508,032
Other	644,117	-	-	-	98,608	742,725
	3,064,769	-	-	25,592	98,608	3,188,969
<b>Support services:</b>						
Student	92,511	-	-	-	-	92,511
Instructional	162,984	-	-	-	-	162,984
Administration	493,601	-	-	4,543	-	498,144
Operation and maintenance of plant	379,210	-	-	25,831	-	405,041
Transportation	141,613	77,650	-	13,875	-	233,138
	1,269,919	77,650	-	44,249	-	1,391,818
Capital outlay	-	719,114	-	-	-	719,114
<b>Long-term debt:</b>						
Principal	-	-	2,640,000	-	-	2,640,000
Interest and fiscal charges	-	-	137,950	-	-	137,950
	-	-	2,777,950	-	-	2,777,950
<b>Other expenditures:</b>						
AEA flowthrough	154,981	-	-	-	-	154,981
Total expenditures	4,489,669	796,764	2,777,950	69,841	98,608	8,232,832
Excess(Deficiency) of revenues over(under) expenditures	(52,489)	72,017	(2,515,092)	178,252	(5,529)	(2,322,841)
<b>Other financing sources(uses):</b>						
Transfer in	900	-	118,646	-	-	119,546
Transfer out	-	(119,546)	-	-	-	(119,546)
Sale of capital assets	165	-	-	-	-	165
Proceeds from bus lease	-	77,650	-	-	-	77,650
Total other financing sources(uses):	1,065	(41,896)	118,646	-	-	77,815
Change in fund balances	(51,424)	30,121	(2,396,446)	178,252	(5,529)	(2,245,026)
Fund balances beginning of year	1,501,748	453,779	2,402,146	231,363	38,687	4,627,723
Fund balances end of year	\$ 1,450,324	483,900	5,700	409,615	33,158	2,382,697

SEE NOTES TO FINANCIAL STATEMENTS

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

**Change in fund balances - total governmental funds (page 22)** \$ (2,245,026)

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

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

Capital outlay expenditures	\$ 806,740	
Depreciation expense	(205,261)	
Loss on disposal of capital assets	(2,484)	598,995

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (113,273)

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

Issued	(77,650)	
Repaid	2,640,000	2,562,350

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. 5,739

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 871

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

Termination benefits	(31,096)	
Other postemployment benefits	2,197	(28,899)

**Change in net position of governmental activities (page 19)** \$ 780,757

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
<b>ASSETS</b>		
Cash and pooled investments	\$ 84,028	10,375
Accounts receivable	230	-
Inventories	8,693	-
Capital assets, net of accumulated depreciation	26,252	-
<b>TOTAL ASSETS</b>	<b>119,203</b>	<b>10,375</b>
<b>LIABILITIES</b>		
Accounts payable	865	-
Salaries and benefits payable	19,434	-
Unearned revenue	2,162	-
<b>TOTAL LIABILITIES</b>	<b>22,461</b>	<b>-</b>
<b>NET POSITION</b>		
Invested in capital assets	26,252	-
Unrestricted	70,490	10,375
<b>TOTAL NET POSITION</b>	<b>\$ 96,742</b>	<b>10,375</b>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Operating revenue:		
Local sources:		
Charges for services	\$ 94,388	29,684
Miscellaneous	50	-
Total operating revenue	<u>94,438</u>	<u>29,684</u>
Operating expenses:		
Current:		
Instruction:		
Benefits	-	28,827
Support services:		
Administration:		
Salaries	18,223	-
Benefits	4,236	-
	<u>22,459</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	81,288	-
Benefits	13,539	-
Services	1,632	-
Supplies	141,625	-
Depreciation	4,343	-
	<u>242,427</u>	<u>-</u>
Total operating expenses	<u>264,886</u>	<u>28,827</u>
Operating income (loss)	<u>(170,448)</u>	<u>857</u>
Non-operating revenues:		
State sources	2,503	-
Federal sources	170,757	-
Interest income	297	14
Total non-operating revenues	<u>173,557</u>	<u>14</u>
Change in net position	3,109	871
Net position beginning of year	<u>93,633</u>	<u>9,504</u>
Net position end of year	<u>\$ 96,742</u>	<u>10,375</u>

SEE NOTES TO FINANCIAL STATEMENTS

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

	Business Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 94,342	29,684
Cash received from miscellaneous sources	50	-
Cash payments to employees for services	(109,132)	(28,827)
Cash payments to suppliers for goods or services	(126,641)	-
Net cash provided by(used in) operating activities	<u>(141,381)</u>	<u>857</u>
Cash flows from non-capital financing activities:		
State grants received	2,503	-
Federal grants received	153,355	-
Net cash provided by non-capital financing activities	<u>155,858</u>	<u>-</u>
Cash flows from investing financing activities:		
Interest on investments	297	14
Cash flows from capital financing activities		
Purchase of assets	(569)	-
Net increase in cash and cash equivalents	14,205	871
Cash and cash equivalents beginning of year	69,823	9,504
Cash and cash equivalents end of year	<u>\$ 84,028</u>	<u>10,375</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (170,448)	857
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	17,402	-
Depreciation	4,343	-
Increase in inventories	(1,651)	-
Increase in accounts receivable	(27)	-
Increase in accounts payable	865	-
Increase in salaries and benefits payable	8,154	-
Decrease in unearned revenue	(19)	-
Net cash provided by(used in) operating activities	<u>\$ (141,381)</u>	<u>857</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2013, the District received \$17,402 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2013

	Agency
<b>ASSETS</b>	
Cash and pooled investments	\$ 89
<b>LIABILITIES</b>	
Due to other groups	\$ 89

SEE NOTES TO FINANCIAL STATEMENTS

LENOX COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net 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 support.

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 that does not meet 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 accounts.

The District reports the following major governmental funds:

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

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

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

The Management Fund is utilized to account for the District's early retirement benefits, workmen's comprehensive claims, and payments for the District's property insurance.

The District reports the following non-major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

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

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

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

Deferred revenue on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues 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.

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 no investments.

**(3) Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 118,646
General	Capital Projects: Physical Plant and Equipment Levy	900
Total		<u>\$ 119,546</u>

A transfer of \$93,785 from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the final payment of principal and interest on the District's capital loan note indebtedness. The remaining transfer of \$24,861 was needed for part of the District's general obligation bond payments.

A transfer of \$900 from the Capital Projects: Physical Plant and Equipment Levy Fund was needed as a correction to remedy a prior year audit comment for sale of bus proceeds that was inadvertently recorded in the wrong fund.

**(4) Capital Assets**

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 50,521	-	-	50,521
Construction in progress	337,095	691,178	-	1,028,273
Total capital assets not being depreciated	<u>387,616</u>	<u>691,178</u>	<u>-</u>	<u>1,078,794</u>
Capital assets being depreciated:				
Buildings	5,570,588	-	-	5,570,588
Land improvements	22,418	-	-	22,418
Machinery and equipment	916,638	115,562	45,838	986,362
Total capital assets being depreciated	<u>6,509,644</u>	<u>115,562</u>	<u>45,838</u>	<u>6,579,368</u>
Less accumulated depreciation for:				
Buildings	1,336,174	111,412	-	1,447,586
Land improvements	4,483	1,121	-	5,604
Machinery and equipment	666,377	92,728	43,354	715,751
Total accumulated depreciation	<u>2,007,034</u>	<u>205,261</u>	<u>43,354</u>	<u>2,168,941</u>
Total capital assets being depreciated, net	<u>4,502,610</u>	<u>(89,699)</u>	<u>2,484</u>	<u>4,410,427</u>
Governmental activities capital assets, net	<u>\$ 4,890,226</u>	<u>601,479</u>	<u>2,484</u>	<u>5,489,221</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 81,118	569	569	81,118
Less accumulated depreciation	51,092	4,343	569	54,866
Business type activities capital assets, net	<u>\$ 30,026</u>	<u>(3,774)</u>	<u>-</u>	<u>26,252</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 14,417
Other		5,784
Support services:		
Instructional staff		18,063
Operation and maintenance of plant		1,080
Transportation		43,194
Unallocated depreciation		<u>122,723</u>
Total governmental activities depreciation expense		<u>\$ 205,261</u>
Business type activities:		
Food services		<u>\$ 4,343</u>

#### (5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,020,000	-	2,550,000	2,470,000	225,000
Capital loan notes	90,000	-	90,000	-	-
Bus lease	-	77,650	-	77,650	18,725
Termination benefits	-	31,096	-	31,096	31,096
Net OPEB liability	40,197	-	2,197	38,000	-
Total	<u>\$ 5,150,197</u>	<u>108,746</u>	<u>2,642,197</u>	<u>2,616,746</u>	<u>274,821</u>

#### General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of December 8, 2011				
	Interest Rates	Principal	Interest	Total	
2014	0.60 %	\$ 225,000	41,095	266,095	
2015	0.80	225,000	39,745	264,745	
2016	1.05	230,000	37,945	267,945	
2017	1.30	235,000	35,530	270,530	
2018	1.55	245,000	32,475	277,475	
2019-2023	1.80-2.55	1,310,000	92,303	1,402,303	
Total		<u>\$ 2,470,000</u>	<u>279,093</u>	<u>2,749,093</u>	

Bus Lease Payable

On September 18, 2012 the District entered into a lease agreement with Daimler Financial for the purchase of a school bus. Principal and interest payments will be made from the Capital Projects: Physical, Plant, and Equipment Levy Fund. Details of the District's June 30, 2013 bus lease indebtedness are as follows:

Year Ending June 30,	Bus Lease Dated September 18, 2012			
	Interest Rates	Principal	Interest	Total
2014	3.71 %	\$ 18,725	2,392	21,117
2015	3.71	18,931	2,186	21,117
2016	3.71	19,633	1,484	21,117
2017	3.71	20,361	756	21,117
Total		<u>\$ 77,650</u>	<u>6,818</u>	<u>84,468</u>

Termination Benefits (Early Retirement)

The District offered a voluntary early retirement plan to its full-time employees for the year-ended June 30, 2013. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentive for each eligible employee is equal to 1.00% for each year of service of his/her salary amount of the final contracted year of employment; maximum of \$10,000.

At June 30, 2013, the District had obligations to two participants with a total liability of \$31,096. None of the early retirement benefits will be paid to retirees until the next fiscal year.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$241,972, \$211,918, and \$170,463, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health plan which provides medical and vision benefits for employees, retirees and their spouses. There are 49 active and 3 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

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

Annual required contribution	\$ 27,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	<u>(2,197)</u>
Annual OPEB cost	26,803
Contributions made	<u>(29,000)</u>
Increase in net OPEB obligation	(2,197)
Net OPEB obligation beginning of year	<u>40,197</u>
Net OPEB obligation end of year	<u><u>\$ 38,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$29,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	23,067	43.35%	27,067
2012	23,130	43.23%	40,197
2013	26,803	108.20%	38,000

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 \$251,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$251,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,804,383 and the ratio of the UAAL to covered payroll was 13.91%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 10.00% for the year ended June 30, 2013 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2023 of 5.00%.

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

Projected claim costs of the medical plans C48W and C77W are \$988 and \$888, respectively, per month for retirees less than age 65. The salary increase rate was assumed to be 3.50% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

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

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$154,981 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Construction Commitment**

The District has entered into contracts totaling \$1,041,120 for construction of a safe room. As of June 30, 2013, costs of \$951,124 had been incurred against the contracts. The balance of \$88,996 remaining at June 30, 2013 will be paid as work progresses.

**(11) Categorical Funding**

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

Program	Amount
Gifted and Talented Programs	\$ 15,162
Returning Dropouts and Dropout Prevention Programs	83,100
Four-year-old Preschool State Aid	48,327
Teacher Salary Supplement	13,874
Professional Development for Model Core Curriculum	26,738
Professional Development	19,379
Total	<u>\$ 206,580</u>

# LENOX COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
<b>Revenues:</b>						
Local sources	\$ 2,945,141	94,735	3,039,876	2,649,789	2,649,789	390,087
Intermediate sources	-	-	-	2,000	2,000	(2,000)
State sources	2,512,601	2,503	2,515,104	2,595,417	2,595,417	(80,313)
Federal sources	452,249	170,757	623,006	359,000	359,000	264,006
Total revenues	5,909,991	267,995	6,177,986	5,606,206	5,606,206	571,780
<b>Expenditures/Expenses:</b>						
Instruction	3,188,969	-	3,188,969	4,300,000	4,300,000	1,111,031
Support services	1,391,818	22,459	1,414,277	1,800,000	1,800,000	385,723
Non-instructional programs	-	242,427	242,427	325,000	400,000	157,573
Other expenditures	3,652,045	-	3,652,045	815,928	4,000,000	347,955
Total expenditures/expenses	8,232,832	264,886	8,497,718	7,240,928	10,500,000	2,002,282
Excess (Deficiency) of revenues over (under) expenditures/expenses	(2,322,841)	3,109	(2,319,732)	(1,634,722)	(4,893,794)	2,574,062
Other financing sources, net	77,815	-	77,815	5,000	5,000	72,815
Excess (Deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(2,245,026)	3,109	(2,241,917)	(1,629,722)	(4,888,794)	2,646,877
Balances beginning of year	4,627,723	93,633	4,721,356	849,834	849,834	3,871,522
Balances end of year	\$ 2,382,697	96,742	2,479,439	(779,888)	(4,038,960)	6,518,399

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budget expenditures by \$3,259,072.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 199,000	199,000	0.00%	\$ 1,645,298	12.10%
2011	July 1, 2009	-	199,000	199,000	0.00%	1,480,335	13.44%
2012	July 1, 2009	-	199,000	199,000	0.00%	1,543,078	12.90%
2013	July 1, 2012	-	251,000	251,000	0.00%	1,804,383	13.91%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ (102,988)	260,159	157,171
Receivables:			
Property tax:			
Delinquent	-	2,097	2,097
Succeeding year	-	151,518	151,518
Income surtax	-	17,224	17,224
Due from other governments	364,248	-	364,248
<b>TOTAL ASSETS</b>	<b>\$ 261,260</b>	<b>430,998</b>	<b>692,258</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 39,616	-	39,616
Deferred revenue:			
Succeeding year property tax	-	151,518	151,518
Income surtax	-	17,224	17,224
Total liabilities	39,616	168,742	208,358
Fund balances:			
Restricted for:			
School infrastructure	221,644	-	221,644
Physical plant and equipment	-	262,256	262,256
Total fund balances	221,644	262,256	483,900
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 261,260</b>	<b>430,998</b>	<b>692,258</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 344,256	217,505	561,761
Other	26	603	629
State sources	36,038	70	36,108
Federal sources	270,283	-	270,283
Total revenues	<u>650,603</u>	<u>218,178</u>	<u>868,781</u>
Expenditures:			
Support services:			
Transportation	-	77,650	77,650
Capital outlay	719,114	-	719,114
Total expenditures	<u>719,114</u>	<u>77,650</u>	<u>796,764</u>
Excess(Deficiency) of revenues over(under) expenditures	(68,511)	140,528	72,017
Other financing sources(uses):			
Proceeds from bus lease	-	77,650	77,650
Transfer out	-	(119,546)	(119,546)
Total other financing sources(uses)	<u>-</u>	<u>(41,896)</u>	<u>(41,896)</u>
Change in fund balances	(68,511)	98,632	30,121
Fund balances beginning of year	290,155	163,624	453,779
Fund balances end of year	<u>\$ 221,644</u>	<u>262,256</u>	<u>483,900</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
<b>Athletics:</b>					
General athletics	\$ -	8,649	2,683	(5,966)	-
Football	-	6,718	6,598	712	832
Volleyball	-	2,539	1,593	(382)	564
Boys Basketball	-	3,417	3,351	(27)	39
Girls Basketball	-	3,715	4,252	537	-
Wrestling	-	2,532	4,051	1,519	-
Girls Track	-	-	1,199	1,199	-
Boys Track	-	-	762	762	-
Golf	-	-	537	537	-
HS Baseball	-	3,364	3,509	145	-
JH Baseball	-	208	400	192	-
HS Softball	-	4,579	5,323	744	-
JH Softball	-	179	381	202	-
Weight Room	-	-	41	41	-
Bowling	-	638	-	(257)	381
	-	36,538	34,680	(42)	1,816
<b>Band/Vocal:</b>					
HS Music	7,133	4,363	4,064	(5)	7,427
Uniform Fees	1,841	154	238	-	1,757
Music Supplies	-	256	242	-	14
	8,974	4,773	4,544	(5)	9,198
<b>Clubs/Organizations:</b>					
Art Club	42	-	-	(42)	-
Peer Helpers	388	387	25	-	750
Football Cheerleaders	2,540	2,428	5,007	39	-
Basketball Cheerleaders	1,097	328	206	(505)	714
Wrestling Cheerleaders	141	131	718	446	-
Student Council	523	2,146	887	-	1,782
National Honor Society	45	-	89	44	-
Annual Staff	10,519	4,825	8,511	-	6,833
Drama Club	-	918	1,923	1,005	-
Explorer's	31	-	-	-	31
Foreign Language	81	-	-	(81)	-
FCCLA	1,663	5,847	5,192	-	2,318
	17,070	17,010	22,558	906	12,428

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Class Accounts:					
Class of 2011	-	-	-	-	-
Class of 2012	3,553	-	3,553	-	-
Class of 2013	4,789	8,664	13,138	-	315
Class of 2014	203	23,308	18,337	(702)	4,472
Class of 2015	164	385	15	-	534
Class of 2016	18	106	15	-	109
Class of 2017	40	39	-	-	79
Class of 2018	-	44	-	-	44
	<u>8,767</u>	<u>32,546</u>	<u>35,058</u>	<u>(702)</u>	<u>5,553</u>
Elementary Activities:					
Memory Book	1,134	1,549	1,105	-	1,578
Student Council	954	-	-	-	954
Activities	119	-	-	-	119
Music	1,042	506	250	-	1,298
	<u>3,249</u>	<u>2,055</u>	<u>1,355</u>	<u>-</u>	<u>3,949</u>
Miscellaneous:					
Misc school-wide	482	-	413	-	69
Interest	-	157	-	(157)	-
JH Stand	-	-	-	-	-
Immunizations	145	-	-	-	145
	<u>627</u>	<u>157</u>	<u>413</u>	<u>(157)</u>	<u>214</u>
Total	<u>\$ 38,687</u>	<u>93,079</u>	<u>98,608</u>	<u>-</u>	<u>33,158</u>

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

	Balance			Balance
	Beginning			End
	of Year	Additions	Deductions	of Year
<b>Assets</b>				
Cash and pooled investments	\$ 72	5,659	5,642	89
<b>Liabilities</b>				
Due to other groups	\$ 72	5,659	5,642	89

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 2,254,303	2,114,464	2,030,721	1,868,655	1,808,919	1,686,714	1,662,237	1,511,553	1,366,507	1,294,775
Tuition	486,195	453,729	413,349	396,671	413,829	280,851	232,997	266,652	281,335	263,624
Other	204,643	234,025	219,815	179,006	214,314	195,874	181,662	179,838	174,022	124,466
State sources	2,512,601	2,411,872	2,211,580	1,898,824	2,081,653	1,935,997	1,791,182	1,480,172	1,578,991	1,580,030
Federal sources	452,249	506,260	263,906	427,481	251,920	186,369	203,138	234,946	349,950	250,371
Total	\$ 5,909,991	5,720,350	5,139,371	4,770,637	4,770,635	4,285,805	4,071,216	3,673,161	3,750,805	3,513,266
Expenditures:										
Instruction:										
Regular	\$ 1,938,212	1,836,834	1,657,073	1,547,437	1,548,294	1,416,919	1,350,985	1,391,226	1,366,276	1,251,328
Special	508,032	544,130	567,189	602,155	607,413	540,657	512,822	518,138	783,153	661,963
Other	742,725	683,728	674,797	667,017	618,859	607,099	585,730	563,521	265,014	303,544
Support services:										
Student	92,511	89,896	87,895	84,340	78,757	74,729	19,286	15,072	19,190	17,791
Instructional	162,984	136,323	125,208	169,903	237,112	122,746	91,206	92,947	45,215	39,274
Administration	498,144	488,641	438,151	439,463	424,755	397,302	372,026	350,216	318,370	316,205
Operation and maintenance of plant	405,041	391,577	369,663	345,991	314,591	309,951	279,666	253,494	267,729	232,156
Transportation	233,138	256,545	204,009	114,696	109,200	133,060	157,560	94,760	85,670	81,062
Non-instructional programs:										
Food service operations	-	-	-	-	-	-	-	-	81,063	-
Capital outlay	719,114	362,894	118,647	302,373	26,140	54,388	176,067	277,080	3,358,309	950,189
Long-term debt:										
Principal	2,640,000	265,000	255,000	250,000	235,000	225,000	220,000	140,000	100,000	145,715
Interest and fiscal charges	137,950	126,271	113,007	120,262	129,862	139,748	149,313	154,835	142,670	137,862
Other expenditures:										
AEA flow-through	154,981	145,017	159,796	148,880	131,964	115,808	112,369	105,645	106,450	109,086
Total	\$ 8,232,832	5,326,856	4,770,435	4,792,517	4,461,947	4,137,407	4,027,030	3,956,934	6,939,109	4,246,175

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Grantor/Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Rural Education	84.358	FY 13	\$ 31,613
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 13	29,537
National School Lunch Program	10.555	FY 13	140,745 *
Special Milk Program for Children	10.556	FY 13	475
			<u>170,757</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 13	91,199
Career and Technical Education - Basic			
Grants to States	84.048	FY 13	4,177
Title III - English Language Acquisition State Grants	84.365	FY 13	6,160
Improving Teacher Quality State Grants	84.367	FY 13	15,733
Grants for State Assessments and Related Activities	84.369	FY 13	2,925
Area Education Agency:			
Special Education - Grants to States	84.027	FY 13	23,614
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management:			
Hazard Mitigation Grant	97.039	FY 13	270,283
Total			<u>\$ 616,461</u>

\* - Includes \$17,402 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of the Lenox 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 Lenox 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 February 14, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lenox 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 Lenox Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lenox Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-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 II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 and II-C-13 to be significant deficiencies.

## Compliance and Other Matters

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

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

## **Lenox Community School District's Responses to Findings**

Lenox Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lenox 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 Lenox Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2014  
Newton, Iowa

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3040  
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**Independent Auditor's Report on Compliance for Each Major Federal Program,  
on Internal Control over Compliance and on the Schedule of Expenditures  
of Federal Awards Required by OMB Circular A-133**

To the Board of Education of Lenox Community School District:

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

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

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

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

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

  
NOLTE, CORNMAN & JOHNSON, P.C.

February 14, 2014  
Newton, Iowa

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

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

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

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

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

- 1) Cash - initiating cash receipt transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - recording, depositing, journalizing, posting and reconciling.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - recording, journalizing, posting, reconciling, check preparation and mailing.

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

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

Conclusion - Response accepted.

II-B-13 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchase orders dated after the supplies had been ordered or received and we also noted transactions processed without purchase orders.

Recommendation - This procedure should be reviewed and necessary changes made so that all disbursements have a pre-numbered purchase order that is approved by the appropriate administrator before the ordering of supplies takes place.

Response - District procedures will be reviewed with all employees, reinforcing the fact that purchase orders shall be approved by the superintendent prior to placing an order.

Conclusion - Response accepted.

II-C-13 Picture Commissions - We noted during our audit that revenues from Halverson Photography picture commissions are being receipted into the Student Activity Fund.

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

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

Conclusion - Response accepted.

### **Part III: Findings and Questioned Costs For Federal Awards:**

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

#### **INTERNAL CONTROL DEFICIENCY:**

CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.555 - National School Lunch Program Education  
CFDA Number 10.556 - Special Milk Program for Children  
Federal Award Year: 2013  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

CFDA Number 97.039 - Hazard Mitigation Grant  
Federal Award Year: 2013  
U.S. Department of Homeland Security  
Passed through Iowa Homeland Security and Emergency Management

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

- 1) Cash - initiating cash receipt transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - recording, depositing, journalizing, posting and reconciling.
- 4) Wire transfers - processing and approving.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 6) Computer systems - performing all general accounting functions and controlling all data input and output.
- 7) School lunch program - recording, journalizing, posting, reconciling, check preparation and mailing.

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

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

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-13 Certified Budget - District expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted in any of the functional areas.

IV-B-13 Questionable Disbursements - We noted during our audit that the District wrote checks for the purchase of football tickets to give to administrators during “Bosses Day”. Giving courtesy gifts to staff does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from using District funds for courtesy gifts of this size and nature for staff and administrators.

Response - The District will refrain from using District funds for courtesy gifts for questionable disbursements such as bosses day for staff and administration.

Conclusion - Response accepted.

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

IV-D-13 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Barker, Board Member Part owner of Barker Implement	Supplies and Services	\$119
Daughter, Katie Barker	Officiating	\$15
Leah Henderson, Tech Coordinator Owner of Siverly Graphixs	Sports Apparel	\$630
	Supplies	\$798
David Henrichs, Superintendent Daughter, Kara Henrichs	Officiating/Ticket Taker	\$70
Diane Lange, Teacher Spouse owns Lange Construction	Services	\$550
Son, Caleb Lange	Officiating	\$60
Mary Beaman, Teacher Husband is author	English Books	\$270
Joyce Sweeney, Secretary Spouse owns Sweeney Repair	Services	\$3,798
Allen Dukes, Teacher Brother, Leroy Dukes	Officiating	\$385
Brother, Matt Dukes	Officiating	\$90

Name, Title and Business Connection	Transaction Description	Amount
Tom Christensen, Coach Owns Christensen Sanitation	Garbage Disposal	\$3,140
Brother, Gary Christensen	Officiating	\$140
Brother, Jim Christensen	Officiating	\$650
Karl & Candace Peterson, Teachers Son, Mason Peterson	Officiating	\$90
Liz Jessen-Brown Son, Spencer Brown	Officiating	\$75
Sara Dukes, Teacher Daughter, Katie Dukes	Officiating	\$82
Brenda Isreal, Bus Driver Daughter is Choreographer	Cheer Camp Services	\$218
Gary Tullberg, Board Member Daughter, Regan Tullberg	Ticket Taker	\$18
Mitch Sorensen, Teacher Part owner of S&S Sound	DJ Services	\$299
Jennifer Miller, Nurse Mother owns Tiger Den	Meals & Supplies	\$231
Jennifer Parker, Secretary Niece, Madison Douglas	Officiating	\$68

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

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

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

The above transaction between the District and Leah Henderson for sports apparel appears to create a conflict of interest. Chapter 301.28 of the Code of Iowa states in part, "A school director, officer or teacher shall not act as agent for the purchase of school textbooks or school supplies, including sports apparel or equipment, in any transaction with a director, officer, or other staff member of the school district during such term of office or employment." The purchase of sports apparel from the tech coordinator's business appears to be in violation of this code.

Recommendation - The District should contact its attorney regarding this matter to determine the legality of these transactions and if any corrective action is required.

Response - The District will no longer purchase sports apparel from the tech coordinator's business, Silver Graphixs.

Conclusion - Response accepted.

IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- IV-F-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-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.
- IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	290,155
Revenues:			
Sales tax revenues	\$	344,256	
Other local revenues		26	
State revenues		36,038	
Federal revenues		270,283	
			<u>650,603</u>
			940,758
Expenditures:			
School infrastructure construction		691,178	
Other expenditures		27,936	
			<u>719,114</u>
Ending Balance		\$	<u>221,644</u>

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