

LAMONI COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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Lamoni Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2013 Election)		
Mike Quick	President	2013
Michelle Dickey-Kotz	Vice President	2015
Larry Heltenberg	Board Member	2015
Cody Shields	Board Member	2015
Chip Millslagle	Board Member	2013
(After September 2013 Election)		
Chip Millslagle	President	2017
Michelle Dickey-Kotz	Vice President	2015
Larry Heltenberg	Board Member	2015
Cody Shields	Board Member	2015
Bob Bell	Board Member	2017
<u>School Officials</u>		
Chris Coffelt	Superintendent	2014
Ev Trowbridge	District Secretary/Treasurer (Resigned February 10, 2014)	2014
Lisa Jones	District Secretary/Treasurer (Appointed February 10, 2014)	2014
Ahlers & Cooney, P.C.	Attorney	2014
Pat Greenwood	Attorney	2014

Lamoni 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 Lamoni Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, business type activities, each major fund and the aggregate remaining fund information of Lamoni Community School District, Lamoni, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Lamoni Community School District at June 30, 2014 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.

Other Matters

Required Supplementary Information.

U.S generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamoni Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2015, on our consideration of the Lamoni Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lamoni Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lamoni Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,886,283 in fiscal 2013 to \$3,755,337 in fiscal 2014, while General Fund expenditures increased from \$3,753,054 in fiscal 2013 to \$3,999,189 in fiscal 2014. The District's General Fund balance decreased from \$1,356,610 at June 30, 2013 to \$1,112,758 at June 30, 2014, a 17.98% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenue in fiscal 2014. The increase in expenditures was due primarily to increases in negotiated salaries and benefits for District employees.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

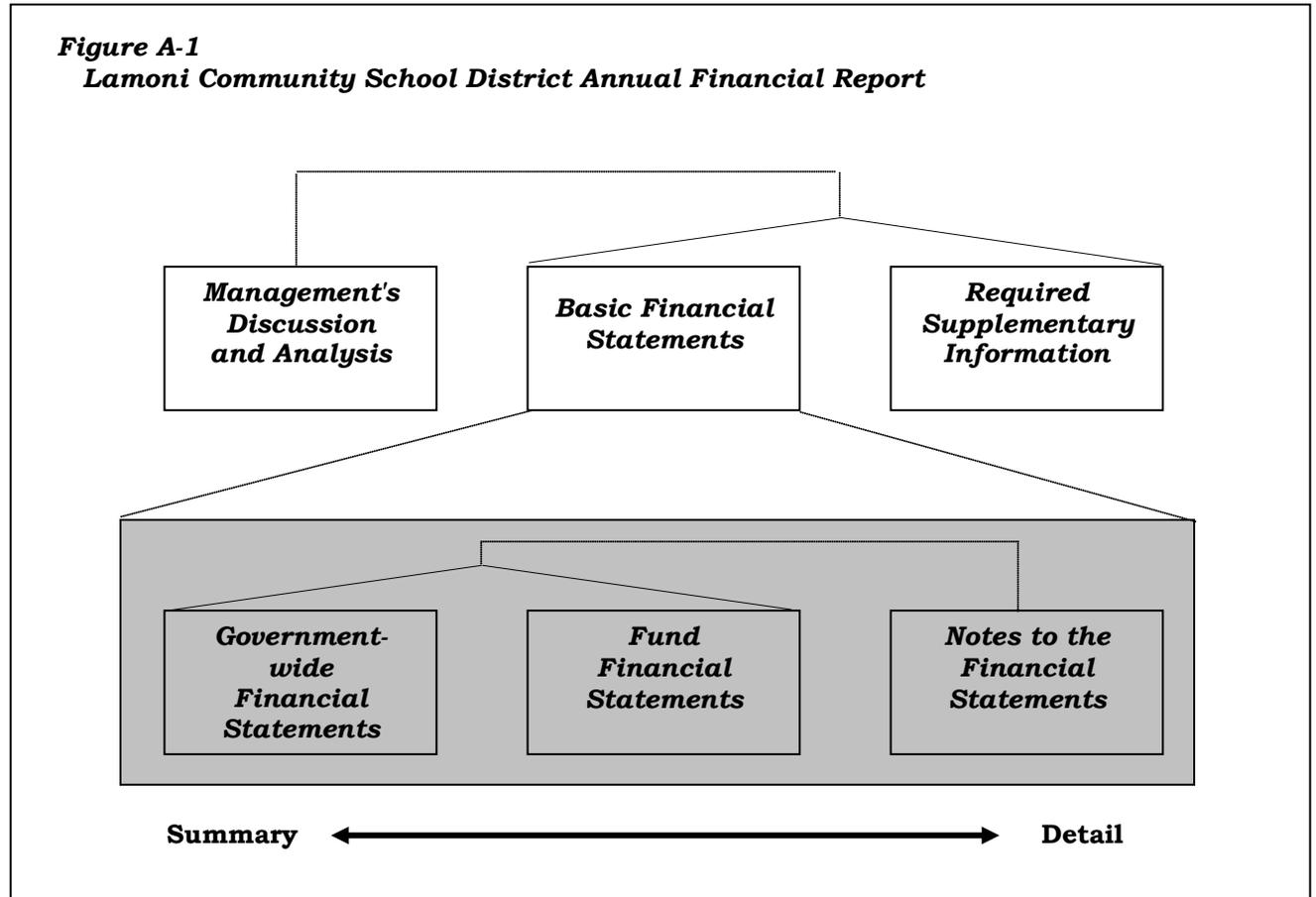


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 4,189,864	4,675,907	142,241	155,708	4,332,105	4,831,615	-10.34%
Capital assets	7,177,608	6,652,405	28,891	32,549	7,206,499	6,684,954	7.80%
Total assets	11,367,472	11,328,312	171,132	188,257	11,538,604	11,516,569	0.19%
Long-term obligations	2,230,535	2,460,535	2,881	2,881	2,233,416	2,463,416	-9.34%
Other liabilities	425,268	526,140	2,347	1,900	427,615	528,040	-19.02%
Total liabilities	2,655,803	2,986,675	5,228	4,781	2,661,031	2,991,456	-11.05%
Deferred inflows of resources	1,325,595	1,371,196	-	-	1,325,595	1,371,196	-3.33%
Net position:							
Net investment in capital assets	4,992,608	4,268,907	28,891	32,549	5,021,499	4,301,456	16.74%
Restricted	1,311,392	1,410,965	-	-	1,311,392	1,410,965	-7.06%
Unrestricted	1,082,074	1,290,569	137,013	150,927	1,219,087	1,441,496	-15.43%
Total net position	\$ 7,386,074	6,970,441	165,904	183,476	7,551,978	7,153,917	5.56%

The District's combined net position increased by 5.56%, or \$398,061, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$99,573 or 7.06%, over the prior year. The decrease is primarily due to the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund balance during the year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$222,409, or 15.43%. The decrease was primarily due to the decrease in the General Fund balance.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 475,570	448,764	58,449	61,857	534,019	510,621	4.58%
Operating grants, contributions and restricted interest	570,392	507,599	149,768	163,548	720,160	671,147	7.30%
Capital grants, contributions and restricted interest	339,385	185,886	-	-	339,385	185,886	82.58%
General revenues:							
Property tax	1,343,283	1,275,158	-	-	1,343,283	1,275,158	5.34%
Income surtax	115,163	24,976	-	-	115,163	24,976	361.09%
Statewide sales, services and use tax	272,757	290,839	-	-	272,757	290,839	-6.22%
Unrestricted state grants	1,827,947	1,990,746	-	-	1,827,947	1,990,746	-8.18%
Unrestricted investment earnings	16,284	16,284	1,458	1,453	17,742	17,737	0.03%
Other	40,526	73,225	-	-	40,526	73,225	-44.66%
Transfers	(776)	-	776	-	-	-	100.00%
Total revenues	5,000,531	4,813,477	210,451	226,858	5,210,982	5,040,335	3.39%
Program expenses:							
Instruction	2,840,958	2,752,239	5,384	-	2,846,342	2,752,239	3.42%
Support services	1,323,951	1,111,071	-	15,793	1,323,951	1,126,864	17.49%
Non-instructional programs	-	-	222,639	234,914	222,639	234,914	-5.23%
Other expenses	419,989	401,303	-	-	419,989	401,303	4.66%
Total expenses	4,584,898	4,264,613	228,023	250,707	4,812,921	4,515,320	6.59%
Change in net position	415,633	548,864	(17,572)	(23,849)	398,061	525,015	-24.18%
Net position beginning of year	6,970,441	6,421,577	183,476	207,325	7,153,917	6,628,902	7.92%
Net position end of year	\$ 7,386,074	6,970,441	165,904	183,476	7,551,978	7,153,917	5.56%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 71.18% of the revenue from governmental activities while charges for service and operating grants and contributions account for 98.94% of the revenue from business type activities.

The District's total revenues were approximately \$5.21 million of which approximately \$5.00 million was for governmental activities and approximately \$0.21 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 3.39% increase in revenues and a 6.59% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$5,000,531 and expenses were \$4,584,898.

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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,840,958	2,752,239	3.22%	1,943,510	1,959,545	-0.82%
Support services	1,323,951	1,111,071	19.16%	969,839	894,864	8.38%
Other expenses	419,989	401,303	4.66%	286,202	267,955	6.81%
Totals	<u>\$ 4,584,898</u>	<u>4,264,613</u>	<u>7.51%</u>	<u>3,199,551</u>	<u>3,122,364</u>	<u>2.47%</u>

- The cost financed by users of the District's programs was \$475,570.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$909,777.
- The net cost of governmental activities was financed with \$1,343,283 in property tax, \$115,163 in income surtax, \$272,757 in statewide sales, services and use tax, \$1,827,947 in unrestricted state grants, \$16,284 in interest income and \$39,750 in other general revenues, net of transfers.

Business Type Activities

Revenues of the District's business type activity were \$210,451 and expenses were \$228,023. The District's business type activity includes the School Nutrition Fund and the Entrepreneurs Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,345,301, above last year's ending fund balances of \$2,769,506. The primary reason for this decrease is associated with the decrease in the General fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance decreased from \$1,356,610 at June 30, 2013 to \$1,112,758 at June 30, 2014. The decrease is primarily due decreases in revenues sources, as well as increases of expenditures during the year.
- The Capital Project Accounts balance increased from \$1,215,795 at June 30, 2013 to \$1,011,741 at June 30, 2014. The decrease in the Capital Projects: Statewide Sales, Services and Use Tax Fund is due in part to an increase in capital outlay expenditures during the year.
- The Debt Service Fund balance decreased from \$38,141 at June 30, 2013 to \$36,592 at June 30, 2014. Revenues increased from \$327,348 in fiscal 2013 to \$332,273 in fiscal 2014. Expenses increased from \$328,680 in fiscal 2013 to \$333,822 in fiscal 2014.

Proprietary Fund Highlights

The School Nutrition Fund's balance decreased from \$182,968 at June 30, 2013 to \$164,740 at June 30, 2014. This represents a decrease of 9.96%.

The Entrepreneurs Fund balance increased from \$508 at June 30, 2013 to \$1,164 at June 30, 2014. This represents a decrease of 129.13%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$287,459 more than budgeted revenues, a variance of 5.94%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$7,206,499 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents an increase of 7.80% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$211,821.

The original cost of the District's capital assets was \$9,750,649. Governmental funds account for \$9,675,489 with the remainder of \$75,160 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$248,578 at June 30, 2013 as compared to \$0 at June 30, 2014. The primary reason for the decrease was due to the District completing work on its safe room during the year. This new Safe Room was capitalized as part of the District's capital asset listing upon completion.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 73,183	73,183	-	-	73,183	73,183	0.00%
Construction in progress	-	248,578	-	-	-	248,578	-100.00%
Buildings	6,930,578	6,147,760	-	-	6,930,578	6,147,760	12.73%
Land improvements	40,846	43,590	-	-	40,846	43,590	-6.30%
Machinery and equipment	133,001	139,294	28,891	32,549	161,892	171,843	-5.79%
Total	\$ 7,177,608	6,652,405	28,891	32,549	7,206,499	6,684,954	7.80%

Long-Term Debt

At June 30, 2014, the District had \$2,233,416 in general obligation bonds payable, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,185,000 at June 30, 2014.

The District had a net OPEB payable of \$48,416 at June 30, 2014. Governmental activities account for \$45,535 of this total and business type activities account for \$2,881.

	Figure A-7						
	Outstanding Long-Term Obligations						Total Change June 30, 2013-14
	Governmental Activities		Business Type Activities		Total District		
2014	2013	2014	2013	2014	2013	2013-14	
General obligation bonds	\$ 2,185,000	2,325,000	-	-	2,185,000	2,325,000	-6.02%
Revenue bonds	-	90,000	-	-	-	90,000	-100.00%
Other post employment benefits	45,535	45,535	2,881	2,881	48,416	48,416	0.00%
Total	\$ 2,230,535	2,460,535	2,881	2,881	2,233,416	2,463,416	-9.34%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District student enrollment is a primary consideration in the development of the budget on an annual basis. Historically, the district has experienced a relatively stable enrollment, although student numbers have experienced a moderate decline over the past five years. The District will have to continue to monitor enrollment and adjust staffing ratios accordingly in order to maintain an appropriate spending authority.
- The Iowa Legislature has not set the state supplementary aid rate for Fiscal Year 16. This uncertainty negatively impacts district decision-making in preparing for the annual budget.
- District health insurance renewal rates through Iowa School Employees Benefit Association (ISEBA) increased by 2.26% for the next school year. Continued increases in health care costs and rates will impact district finances and staffing. Long-term impact and associated costs of the Affordable Care Act on the District continue to be evaluated.
- The District continues to be impacted by diminishing state and federal funding revenues and increasing District expenses. The District did not receive K-3 Innovative At-Risk funding for FY15, further impacting revenues and spending authority for the District. Meanwhile, District salaries and benefits continue to increase, eroding District reserves and authority.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Jones, District Secretary/Treasurer, Lamoni Community School District, 202 N. Walnut, Lamoni, Iowa 50140.

Basic Financial Statements

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,455,877	130,430	2,586,307
Receivables:			
Property tax:			
Delinquent	25,414	-	25,414
Succeeding year	1,325,595	-	1,325,595
Income surtax	109,085	-	109,085
Accounts	4,344	-	4,344
Due from other governments	269,549	4,151	273,700
Inventories	-	7,660	7,660
Capital assets, net of accumulated depreciation	7,177,608	28,891	7,206,499
TOTAL ASSETS	11,367,472	171,132	11,538,604
LIABILITIES			
Accounts payable	29,622	-	29,622
Salaries and benefits payable	380,261	-	380,261
Accrued interest payable	15,385	-	15,385
Unearned revenue	-	2,347	2,347
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	145,000	-	145,000
Portion due after one year:			
General obligation bonds payable	2,040,000	-	2,040,000
Net OPEB liability	45,535	2,881	48,416
TOTAL LIABILITIES	2,655,803	5,228	2,661,031
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,325,595	-	1,325,595
NET POSITION			
Net investment in capital assets	4,992,608	28,891	5,021,499
Restricted for:			
Categorical funding	81,666	-	81,666
Debt service	21,207	-	21,207
School infrastructure	641,465	-	641,465
Physical plant and equipment levy	370,276	-	370,276
Management levy purposes	166,566	-	166,566
Student activities	30,212	-	30,212
Unrestricted	1,082,074	137,013	1,219,087
TOTAL NET POSITION	\$ 7,386,074	165,904	7,551,978

SEE NOTES TO FINANCIAL STATEMENTS.

**LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,552,011	246,351	52,390	-	(1,253,270)	-	(1,253,270)
Special	600,928	110,800	26,576	-	(463,552)	-	(463,552)
Other	688,019	103,692	357,639	-	(226,688)	-	(226,688)
	<u>2,840,958</u>	<u>460,843</u>	<u>436,605</u>	<u>-</u>	<u>(1,943,510)</u>	<u>-</u>	<u>(1,943,510)</u>
Support services:							
Student	62,282	-	-	-	(62,282)	-	(62,282)
Instructional staff	13,794	-	-	-	(13,794)	-	(13,794)
Administration	473,299	-	-	-	(473,299)	-	(473,299)
Operation and maintenance of plant	561,241	-	-	339,385	(221,856)	-	(221,856)
Transportation	213,335	14,727	-	-	(198,608)	-	(198,608)
	<u>1,323,951</u>	<u>14,727</u>	<u>-</u>	<u>339,385</u>	<u>(969,839)</u>	<u>-</u>	<u>(969,839)</u>
Long-term debt interest	100,765	-	-	-	(100,765)	-	(100,765)
Other expenses:							
AEA flowthrough	133,787	-	133,787	-	-	-	-
Depreciation (unallocated)*	185,437	-	-	-	(185,437)	-	(185,437)
	<u>319,224</u>	<u>-</u>	<u>133,787</u>	<u>-</u>	<u>(185,437)</u>	<u>-</u>	<u>(185,437)</u>
Total governmental activities	4,584,898	475,570	570,392	339,385	(3,199,551)	-	(3,199,551)
Business type activities:							
Instruction:							
Other instruction	5,384	-	-	-	-	(5,384)	(5,384)
Non-instructional programs:							
Food service operations	222,639	58,449	149,768	-	-	(14,422)	(14,422)
Total business type activities	<u>228,023</u>	<u>58,449</u>	<u>149,768</u>	<u>-</u>	<u>-</u>	<u>(19,806)</u>	<u>(19,806)</u>
Total	<u>\$ 4,812,921</u>	<u>534,019</u>	<u>720,160</u>	<u>339,385</u>	<u>(3,199,551)</u>	<u>(19,806)</u>	<u>(3,219,357)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 995,495	-		995,495
Debt service				239,666	-		239,666
Capital outlay				108,122	-		108,122
Income surtax				115,163	-		115,163
Statewide sales, services and use tax				272,757	-		272,757
Unrestricted state grants				1,827,947	-		1,827,947
Unrestricted investment earnings				16,284	1,458		17,742
Other				40,526	-		40,526
Transfers				(776)	776		-
Total general revenues				<u>3,615,184</u>	<u>2,234</u>		<u>3,617,418</u>
Change in net position				415,633	(17,572)		398,061
Net position beginning of year				6,970,441	183,476		7,153,917
Net position end of year				<u>\$ 7,386,074</u>	<u>165,904</u>		<u>7,551,978</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,380,707	860,291	32,088	182,791	2,455,877
Receivables:					
Property tax					
Delinquent	17,448	2,043	4,504	1,419	25,414
Succeeding year	840,891	102,396	302,308	80,000	1,325,595
Income surtax	90,904	18,181	-	-	109,085
Accounts	4,344	-	-	-	4,344
Due from other governments	120,142	149,407	-	-	269,549
TOTAL ASSETS	\$ 2,454,436	1,132,318	338,900	264,210	4,189,864
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 29,622	-	-	-	29,622
Salaries and benefits payable	380,261	-	-	-	380,261
Total liabilities	409,883	-	-	-	409,883
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	840,891	102,396	302,308	80,000	1,325,595
Income surtax	90,904	18,181	-	-	109,085
Total liabilities	931,795	120,577	302,308	80,000	1,434,680
Fund balances:					
Restricted for:					
Categorical funding	81,666	-	-	-	81,666
Debt service	-	-	36,592	-	36,592
School infrastructure	-	641,465	-	-	641,465
Physical plant and equipment levy	-	370,276	-	-	370,276
Management levy purposes	-	-	-	166,566	166,566
Student activities	-	-	-	30,212	30,212
Unassigned:					
General	1,031,092	-	-	-	1,031,092
Student activities	-	-	-	(12,568)	(12,568)
Total fund balances	1,112,758	1,011,741	36,592	184,210	2,345,301
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,454,436	1,132,318	338,900	264,210	4,189,864

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds (page 20)	\$ 2,345,301
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	7,177,608
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	109,085
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.	(15,385)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,230,535)</u>
Net position of governmental activities (page 18)	<u>\$ 7,386,074</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 931,814	130,595	239,666	74,793	1,376,868
Tuition	348,993	-	-	-	348,993
Other	76,398	3,091	333	103,565	183,387
State sources	2,208,334	313,265	117	37	2,521,753
Federal sources	189,798	298,930	-	-	488,728
Total revenues	<u>3,755,337</u>	<u>745,881</u>	<u>240,116</u>	<u>178,395</u>	<u>4,919,729</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,551,997	-	-	-	1,551,997
Special	600,928	-	-	-	600,928
Other	594,009	-	-	94,010	688,019
	<u>2,746,934</u>	<u>-</u>	<u>-</u>	<u>94,010</u>	<u>2,840,944</u>
Support services:					
Student	62,282	-	-	-	62,282
Instructional staff	13,794	-	-	-	13,794
Administration	463,611	-	-	9,688	473,299
Operation and maintenance of plant	368,456	11,018	-	48,671	428,145
Transportation	210,325	-	-	-	210,325
	<u>1,118,468</u>	<u>11,018</u>	<u>-</u>	<u>58,359</u>	<u>1,187,845</u>
Capital outlay	-	846,760	-	-	846,760
Long-term debt:					
Principal	-	-	230,000	-	230,000
Interest and fiscal charges	-	-	103,822	-	103,822
	<u>-</u>	<u>-</u>	<u>333,822</u>	<u>-</u>	<u>333,822</u>
Other expenditures:					
AEA flowthrough	133,787	-	-	-	133,787
TOTAL EXPENDITURES	<u>3,999,189</u>	<u>857,778</u>	<u>333,822</u>	<u>152,369</u>	<u>5,343,158</u>
Excess(Deficiency) of revenues over(under) expenditures	(243,852)	(111,897)	(93,706)	26,026	(423,429)
Other financing sources(uses):					
Transfer in	-	-	92,157	-	92,157
Transfer out	-	(92,157)	-	(776)	(92,933)
Total other financing sources(uses)	<u>-</u>	<u>(92,157)</u>	<u>92,157</u>	<u>(776)</u>	<u>(776)</u>
Change in fund balances	(243,852)	(204,054)	(1,549)	25,250	(424,205)
Fund balances beginning of year	<u>1,356,610</u>	<u>1,215,795</u>	<u>38,141</u>	<u>158,960</u>	<u>2,769,506</u>
Fund balances end of year	<u>\$ 1,112,758</u>	<u>1,011,741</u>	<u>36,592</u>	<u>184,210</u>	<u>2,345,301</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Change in fund balances - total governmental funds (page 22) \$ (424,205)

*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 outlays exceed depreciation expense in the current year is as follows:

Capital outlays	\$ 732,626	
Depreciation expense	<u>(207,423)</u>	525,203

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 230,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,057

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 81,578

Change in net position of governmental activities (page 19) \$ 415,633

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	School		Total
	Nutrition	Entrepreneurs	
ASSETS			
Cash and pooled investments	\$ 129,266	1,164	130,430
Due from other governments	4,151	-	4,151
Inventories	7,660	-	7,660
Capital assets, net of accumulated depreciation	28,891	-	28,891
TOTAL ASSETS	169,968	1,164	171,132
LIABILITIES			
Unearned revenue	2,347	-	2,347
Net OPEB liability	2,881	-	2,881
TOTAL LIABILITIES	5,228	-	5,228
NET POSITION			
Invested in capital assets	28,891	-	28,891
Unrestricted	135,849	1,164	137,013
TOTAL NET POSITION	\$ 164,740	1,164	165,904

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition	Entrepreneurs	Total
OPERATING REVENUE:			
Local sources:			
Charges for service	\$ 53,185	5,264	58,449
OPERATING EXPENSES:			
Current:			
Instruction:			
Other instruction	-	5,384	5,384
Non-instructional programs:			
Food service operations:			
Salaries	78,412	-	78,412
Benefits	37,324	-	37,324
Services	4,587	-	4,587
Supplies	98,658	-	98,658
Depreciation	3,658	-	3,658
Total non-instructional programs	222,639	-	222,639
TOTAL OPERATING EXPENSES	222,639	5,384	228,023
OPERATING LOSS	(169,454)	(120)	(169,574)
NON-OPERATING REVENUES:			
State sources	1,898	-	1,898
Federal sources	147,870	-	147,870
Interest income	1,458	-	1,458
TOTAL NON-OPERATING REVENUES	151,226	-	151,226
Changes in net position before other financing sources	(18,228)	(120)	(18,348)
OTHER FINANCING SOURCES:			
Transfer in	-	776	776
Change in net position	(18,228)	656	(17,572)
Net position beginning of year	182,968	508	183,476
Net position end of year	\$ 164,740	1,164	165,904

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School		Total
	Nutrition	Entrepreneurs	
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 53,632	5,264	58,896
Cash payments to employees for services	(115,736)	-	(115,736)
Cash payments to suppliers for goods or services	(93,893)	(5,384)	(99,277)
Net cash used in operating activities	<u>(155,997)</u>	<u>(120)</u>	<u>(156,117)</u>
Cash flows from non-capital financing activities:			
State grants received	1,898	-	1,898
Federal grants received	137,371	-	137,371
Net cash provided by non-capital financing activities	<u>139,269</u>	<u>-</u>	<u>139,269</u>
Cash flows from investing activities:			
Interest on investments	1,458	-	1,458
Transfer from Student Activity Fund	-	776	776
Net cash provided by investing activities	<u>1,458</u>	<u>776</u>	<u>2,234</u>
Net increase(decrease) in cash and cash equivalents	(15,270)	656	(14,614)
Cash and cash equivalents beginning of year	<u>144,536</u>	<u>508</u>	<u>145,044</u>
Cash and cash equivalents end of year	<u>\$ 129,266</u>	<u>1,164</u>	<u>130,430</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (169,454)	(120)	(169,574)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	10,302	-	10,302
Depreciation	3,658	-	3,658
Decrease in inventories	(950)	-	(950)
Increase in unearned revenue	447	-	447
Net cash used in operating activities	<u>\$ (155,997)</u>	<u>(120)</u>	<u>(156,117)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$10,302.

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 9,989
LIABILITIES	
Accounts payable	<u>200</u>
NET POSITION	
Restricted for scholarships	<u>\$ 9,789</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest	\$ 8
Contributions	450
Total additions	458
Deductions:	
Instruction:	
Other:	
Scholarships awarded	600
Change in net position	(142)
Net position beginning of year	9,931
Net position end of year	\$ 9,789

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

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

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

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

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Intangible assets	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

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

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

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

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

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

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

Fund Balances - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the other expenditures functional area.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$495 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	\$ 92,157
Heartland Baking School	Student Activity Fund	776
Total		\$ 92,933

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

The transfer from the Student Activity Fund to the Entrepreneurs School was needed to move an account to a more appropriate fund.

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 73,183	-	-	73,183
Construction in progress	248,578	666,983	915,561	-
Total capital assets not being depreciated	321,761	666,983	915,561	73,183
Capital assets being depreciated:				
Buildings	7,974,462	965,511	-	8,939,973
Land improvements	205,889	-	-	205,889
Machinery and equipment	440,751	15,693	-	456,444
Total capital assets being depreciated	8,621,102	981,204	-	9,602,306
Less accumulated depreciation for:				
Buildings	1,826,702	182,693	-	2,009,395
Land improvements	162,299	2,744	-	165,043
Machinery and equipment	301,457	21,986	-	323,443
Total accumulated depreciation	2,290,458	207,423	-	2,497,881
Total capital assets being depreciated, net	6,330,644	773,781	-	7,104,425
Governmental activities capital assets, net	\$ 6,652,405	1,440,764	915,561	7,177,608
Business type activities:				
Machinery and equipment	\$ 102,228	-	27,068	75,160
Less accumulated depreciation	69,679	3,658	27,068	46,269
Business type activities capital assets, net	\$ 32,549	(3,658)	-	28,891

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 10,154
Support services:		
Operation and maintenance of plant		3,269
Transportation		8,563
		21,986
Unallocated depreciation		185,437
Total governmental activities depreciation expense		\$ 207,423
Business type activities:		
Food service operations		\$ 3,658

Note 5. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,325,000	-	140,000	2,185,000	145,000
Revenue bonds	90,000	-	90,000	-	-
Net OPEB liability	45,535	-	-	45,535	-
Total	\$ 2,460,535	-	230,000	2,230,535	145,000
Business type activities:					
Net OPEB liability	\$ 2,881	-	-	2,881	-

General Obligation Bonds Payable

Details of the Districts June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of January 1, 2006			Bond Issue of May 1, 2006			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2015	4.50 %	\$ 105,000	57,197	5.00 %	\$ 40,000	35,110	\$ 145,000	92,307	237,307
2016	3.85	110,000	52,473	4.20	40,000	33,110	150,000	85,583	235,583
2017	3.88	110,000	48,238	4.25	45,000	31,430	155,000	79,668	234,668
2018	3.90	120,000	43,975	4.30	45,000	29,518	165,000	73,493	238,493
2019	3.95	120,000	39,295	4.35	50,000	27,582	170,000	66,877	236,877
2020-2024	3.95-4.10	690,000	120,295	4.35-4.55	270,000	103,444	960,000	223,739	1,183,739
2025-2026	4.15-4.20	155,000	6,510	4.60-4.65	285,000	23,714	440,000	30,224	470,224
Total		\$ 1,410,000	367,983		\$ 775,000	283,908	\$ 2,185,000	651,891	2,836,891

Note 6. Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Lamoni Community School District has 50 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

GASB Statement No. 45 allows Districts with fewer than 100 employees included on the District's health plan to use the Alternative Measurement Method to determine the net OPEB liability. Those Districts with fewer than 100 members are required to get new actuarial valuations every three years barring a substantial change in the plan. Under the Alternative Measurement Method, the net OPEB liability remains the same until the District is required to renew their actuarial valuation. The net OPEB liability as of the most recent valuation is \$48,416. The District is scheduled to need a new valuation for fiscal year 2016.

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, 2014.

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, 2014 is summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 47,083	76.5%	\$ 26,478
2013	21,938	0.0%	48,416
2014	-	0.0%	48,416

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$164,682 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$164,682. The covered payroll (annual payroll of active employees covered by the plan) was \$1,810,483 and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$215,750, \$200,617 and \$178,136 respectively, equal to the required contributions for each year.

Note 8. Risk Management

The District is a member in the Iowa Schools Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2014 were \$426,625.

Lamoni Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$133,787 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Deficit Unassigned Fund Balance

At June 30, 2014, the District had two negative accounts in the Student Activity Fund with an unassigned fund balance totaling \$12,568.

Note 11. Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, expenditures in the other expenditures function exceeded the amount budgeted.

Note 12. Categorical Funding

The District's restricted balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Teacher salary supplement	\$ 29,694
Four-year old preschool state aid	29,906
Successful progression for early readers	11,913
Professional development for model core curriculum	4,001
Professional development	2
Teacher leadership grants	6,150
Total	<u>\$ 81,666</u>

Note 13. Reconciliation of Governmental Fund Balances to Net Position

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

	Invested in Capital Assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	36,592	1,031,092
Invested in capital assets, net of accumulated depreciation	7,177,608	-	-
General obligation bond capitalized indebtedness	(2,185,000)	-	-
Accrued interest payable	-	(15,385)	-
Income surtax receivable	-	-	109,085
Net OPEB liability	-	-	(45,535)
Unassigned for student activities	-	-	(12,568)
Net position (Exhibit A)	<u>\$ 4,992,608</u>	<u>21,207</u>	<u>1,082,074</u>

Note 14. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

LAMONI COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 1,909,248	59,907	1,969,155	1,867,425	1,867,425	101,730
State sources	2,521,753	1,898	2,523,651	2,369,520	2,369,520	154,131
Federal sources	488,728	147,870	636,598	605,000	605,000	31,598
Total revenues	<u>4,919,729</u>	<u>209,675</u>	<u>5,129,404</u>	<u>4,841,945</u>	<u>4,841,945</u>	<u>287,459</u>
Expenditures/Expenses:						
Instruction	2,840,944	5,384	2,846,328	3,700,000	3,700,000	853,672
Support services	1,187,845	-	1,187,845	1,237,000	1,237,000	49,155
Non-instructional programs	-	222,639	222,639	240,000	240,000	17,361
Other expenditures	1,314,369	-	1,314,369	1,124,358	1,124,358	(190,011)
Total expenditures/expenses	<u>5,343,158</u>	<u>228,023</u>	<u>5,571,181</u>	<u>6,301,358</u>	<u>6,301,358</u>	<u>730,177</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(423,429)	(18,348)	(441,777)	(1,459,413)	(1,459,413)	1,017,636
Other financing sources, net	<u>(776)</u>	<u>776</u>	<u>-</u>	<u>236,000</u>	<u>236,000</u>	<u>(236,000)</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(424,205)	(17,572)	(441,777)	(1,223,413)	(1,223,413)	781,636
Balances beginning of year	<u>2,769,506</u>	<u>183,476</u>	<u>2,952,982</u>	<u>2,521,523</u>	<u>2,521,523</u>	<u>431,459</u>
Balances end of year	<u>\$ 2,345,301</u>	<u>165,904</u>	<u>2,511,205</u>	<u>1,298,110</u>	<u>1,298,110</u>	<u>1,213,095</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2014, expenditures in the other expenditures functional area exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 303,000	303,000	0.00%	\$ 1,687,382	18.0%
2011	July 1, 2009	-	303,000	303,000	0.00%	1,874,269	16.2%
2012	July 1, 2009	-	303,000	303,000	0.00%	1,949,336	15.5%
2013	July 1, 2012	-	164,682	164,682	0.00%	2,031,616	8.1%
2014	July 1, 2012	-	164,682	164,682	0.00%	1,810,483	9.1%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Supplementary Information

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 165,147	17,644	182,791
Receivables:			
Property tax:			
Delinquent	1,419	-	1,419
Succeeding year	80,000	-	80,000
TOTAL ASSETS	\$ 246,566	17,644	264,210
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	80,000	-	80,000
Total liabilities	80,000	-	80,000
Fund balances:			
Restricted for:			
Management levy purposes	166,566	-	166,566
Student activities	-	30,212	30,212
Unassigned:			
Student activities	-	(12,568)	(12,568)
Total fund balances	166,566	17,644	184,210
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 246,566	17,644	264,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 74,793	-	74,793
Other	2,752	100,813	103,565
State sources	37	-	37
TOTAL REVENUES	77,582	100,813	178,395
EXPENDITURES:			
Instruction:			
Other	-	94,010	94,010
Support services:			
Administration	9,688	-	9,688
Operation and maintenance of plant	48,671	-	48,671
TOTAL EXPENDITURES	58,359	94,010	152,369
EXCESS OF REVENUES OVER EXPENDITURES	19,223	6,803	26,026
OTHER FINANCING USES:			
Transfers out	-	(776)	(776)
Change in fund balances	19,223	6,027	25,250
Fund balances beginning of year	147,343	11,617	158,960
Fund balances end of year	\$ 166,566	17,644	184,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 490,481	1,577	368,233	860,291
Receivables:				
Property tax:				
Delinquent	-	-	2,043	2,043
Succeeding year	-	-	102,396	102,396
Income surtax	-	-	18,181	18,181
Due from other governments	149,407	-	-	149,407
TOTAL ASSETS	\$ 639,888	1,577	490,853	1,132,318
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	102,396	102,396
Income surtax	-	-	18,181	18,181
Total deferred inflows of resources	-	-	120,577	120,577
Fund balances:				
Restricted for:				
School infrastructure	639,888	1,577	-	641,465
Physical plant and equipment levy	-	-	370,276	370,276
Total fund balances	639,888	1,577	370,276	1,011,741
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 639,888	1,577	490,853	1,132,318

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	130,595	130,595
Other	2,047	10	1,034	3,091
State sources	313,212	-	53	313,265
Federal sources	298,930	-	-	298,930
TOTAL REVENUES	614,189	10	131,682	745,881
EXPENDITURES:				
Current:				
Support services:				
Operation and maintenance of plant	-	-	11,018	11,018
Capital outlay	796,656	29,935	20,169	846,760
TOTAL EXPENDITURES	796,656	29,935	31,187	857,778
Excess(Deficiency) of revenues over(under) expenditures	(182,467)	(29,925)	100,495	(111,897)
Other financing uses:				
Transfer out	(92,157)	-	-	(92,157)
Change in fund balances	(274,624)	(29,925)	100,495	(204,054)
Fund balances beginning of year	914,512	31,502	269,781	1,215,795
Fund balances end of year	\$ 639,888	1,577	370,276	1,011,741

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Interest Fund	\$ -	193	-	-	193
Academic Team	81	-	20	-	61
Yearbook	-	4,643	-	-	4,643
Music Booster Uniforms	792	-	-	(792)	-
Future Farmers of America	710	13,493	13,996	-	207
National Honor Society	-	266	483	217	-
Spanish Club	17	-	-	-	17
Band	4,217	5,274	6,541	264	3,214
Orchestra	3,624	220	25	264	4,083
Seniors	2,755	8,495	10,844	2,647	3,053
Juniors	3,059	2,133	2,545	(999)	1,648
Sophomore	107	5,030	3,489	(1,250)	398
Freshman	-	507	109	(398)	-
Student Council	2,508	3,647	3,681	-	2,474
Vocal	4,371	3,054	2,893	264	4,796
Milk Machine	776	-	-	(776)	-
Elementary Activity	109	-	-	(109)	-
Co-Ed Athletics	-	-	2,963	2,963	-
Bowling	-	2,496	2,281	-	215
Track	(4,986)	4,153	4,863	(2,963)	(8,659)
Golf	(2,932)	65	934	(108)	(3,909)
Drill Team	105	-	-	-	105
Cheerleading	353	1,064	692	-	725
Boys Basketball	-	19,325	16,415	-	2,910
Football	26	6,934	6,244	-	716
Wrestling	(4,120)	4,120	-	-	-
Girls Basketball	45	3,873	3,164	-	754
Volleyball	-	3,253	3,253	-	-
Baseball	-	5,122	5,122	-	-
Softball	-	3,453	3,453	-	-
Total	\$ 11,617	100,813	94,010	(776)	17,644

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST – SCHOLARSHIP FUND
JUNE 30, 2014

	Private Purpose Trust - Scholarship			
	Land Agri	Myers Scholarship	Miscellaneous Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 8,359	1,192	438	9,989
LIABILITIES				
Accounts payable	-	200	-	200
NET POSITION				
Restricted for scholarships	\$ 8,359	992	438	9,789

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF
 CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST – SCHOLARSHIP FUND
 YEAR ENDED JUNE 30, 2014

	Private Purpose Trust - Scholarship			
	Land Agri	Myers Scholarship	Miscellaneous Scholarship	Total
Additions:				
Local sources:				
Interest income	\$ 6	2	-	8
Contributions	-	-	450	450
Total additions	6	2	450	458
Deductions:				
Instruction:				
Other:				
Scholarships awarded	-	400	200	600
Change in net position	6	(398)	250	(142)
Net position beginning of year	8,353	1,390	188	9,931
Net position end of year	\$ 8,359	992	438	9,789

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis										
	Years Ended June 30,										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:											
Local sources:											
Local tax	\$ 1,376,868	1,675,080	1,825,282	1,745,040	1,527,516	1,486,853	1,400,831	1,343,711	1,094,509	1,216,070	1,067,949
Tuition	348,993	311,027	269,550	223,976	165,977	109,062	182,636	166,688	163,176	196,308	249,622
Other	183,387	227,246	182,428	252,077	222,197	228,891	405,402	814,671	341,020	178,995	150,433
Intermediate sources											
State sources	2,521,753	2,312,267	2,219,195	2,173,123	1,959,470	2,110,251	2,187,738	1,936,737	1,801,625	1,767,497	1,627,839
Federal sources	488,728	371,964	248,148	400,000	514,965	297,232	293,236	691,708	189,640	383,859	343,952
Total	\$ 4,919,729	4,897,584	4,744,603	4,794,216	4,390,125	4,232,289	4,469,843	5,034,658	3,625,042	3,787,171	3,469,824
Expenditures:											
Instruction	\$ 2,840,944	2,732,613	2,640,982	2,702,078	2,648,832	2,432,176	2,553,230	2,322,347	2,158,080	2,089,909	2,030,075
Support services:											
Student	62,282	43,173	69,622	58,115	66,997	111,482	111,751	91,795	198,909	161,457	147,948
Instructional staff	13,794	10,940	16,605	11,837	19,962	12,619	6,986	113,810	36,026	57,960	70,901
Administration	473,299	434,188	427,089	383,377	403,122	383,228	407,009	367,800	376,468	366,236	356,251
Operation and maintenance of plant	428,145	362,729	345,392	353,145	359,797	346,131	337,996	304,003	322,263	364,932	380,067
Transportation	210,325	220,378	214,311	195,175	198,654	174,151	184,310	191,282	165,740	166,140	155,489
Non-instructional programs	-	-	-	-	-	-	-	-	5,517	4,233	5,584
Capital outlay	846,760	321,623	82,584	134,912	92,095	125,547	1,892,192	3,166,820	331,254	117,116	660,454
Long-term debt:											
Principal	230,000	215,000	235,000	335,000	245,000	230,000	155,000	120,000	50,000	150,000	130,000
Interest and fiscal charges	103,822	112,680	124,775	138,179	149,700	160,015	155,703	180,601	13,680	20,373	23,335
Other expenditures:											
AEA flow-through	133,787	133,348	133,362	146,001	143,966	125,770	121,610	114,388	105,631	104,363	103,478
Total	\$ 5,343,158	4,586,672	4,289,722	4,457,819	4,328,125	4,101,119	5,925,787	6,972,846	3,763,568	3,602,719	4,063,582

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION ACHIEVEMENT PROGRAM	84.358	FY14	\$ 21,997
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	28,296
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	111,983 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 14	7,591
			<u>147,870</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3465-G	87,840
ENGLISH LANGUAGE ACQUISITION STATE GRANTS (TITLE III)	84.365	FY 14	6,708
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 14	17,853
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 14	1,909
BEDFORD COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	5,360
U.S. DEPARTMENT OF EDUCATION:			
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	16,285
U.S. DEPARTMENT OF HUMAN SERVICES:			
CLARKE COUNTY DEPARTMENT OF HUMAN SERVICES:			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	FY 14	14,123
HEAD START	93.600	FY 14	11,575
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
HAZARD MITIGATION GRANT	97.039	FY 14	298,930
TOTAL			<u>\$ 630,450</u>

* - Includes \$10,302 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lamoni Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be 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 significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 and II-B-14 to be material weaknesses.

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-C-14 and II-D-14.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lamoni Community School District's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lamoni Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2015
Newton, Iowa

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

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of
Lamoni Community School District

Report on Compliance for Each Major Federal Program

We have audited Lamoni Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lamoni Community School District's major federal programs for the year ended June 30, 2014. Lamoni Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lamoni Community School District complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-14 to be a material weakness.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2015
Newton, Iowa

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - handling, recording and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, and recording.
- 5) Capital assets - recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, and check preparation.

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

Response - The District will review and develop procedures to move toward obtaining maximum internal control with the available staff in the District Business and High School Office areas.

Conclusion - Response accepted.

- II-B-14 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited Inc. This training helps in providing instruction as well as promotes networking of other accounting personnel.

Necessary adjustments to be made for proper recognition of amounts of receivables, payables, nutrition accounts and capital assets were not being completed accurately.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District Business manager does belong to the Iowa Association of School Business Officials (IASBO) and participates in the new business official mentor program and related trainings. The District believes this support and the Business Manager's continued development and experience will fully address this finding.

Conclusion - Response accepted.

- II-C-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - The District will develop, utilize and communicate a system to track the hours non-certified staff coaches work.

Conclusion - Response accepted.

- II-D-14 Student Activity Fund Interest Allocation - We noted during our audit that it appears that interest earned within the Student Activity Fund was not allocated during the year.

Recommendation - Interest received in the Student Activity Fund should be allocated among the individual activity fund accounts that earned the interest during the year. Allocation of interest should be done at least annually.

Response - The District will review internal practices and begin to allocate interest received in the Student Activity Fund among the individual activity fund accounts that earned the interest during the year.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2014
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 97.039: Hazard Mitigation Grant
Federal Award Year: 2014
Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Management Division

III-A-14 Segregation of Duties - One important aspect of the internal control structure is the (2014-001) segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - handling, recording, and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, and recording.
- 5) Capital assets - recording and reconciling.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) School lunch program - recording, journalizing, posting, reconciling, purchase order processing, check preparation.

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

Response - The District will review and develop procedures to move toward obtaining maximum internal control with the available staff in the District Business and High School Office areas.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the other expenditures functional area.

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

Response - The District will more closely monitor expenditures, amending the budget as necessary, in order to not exceed the certified budget amounts.

Conclusion - Response accepted.

IV-B-14 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 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-14 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will publish the minutes of all Board of Education meetings within two weeks of the Board meeting in order to ensure the minutes are published in a timely manner.

Conclusion - Response accepted.

IV-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education.

IV-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-14 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The District will submit the Certified Annual Report in a timely manner in the future.

Conclusion - Response accepted.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	914,512
Revenues:			
Sales tax revenues	\$	272,757	
Other local revenues		2,047	
Other state revenues		40,455	
Federal revenues		298,930	614,189
Total revenues			<u>1,528,701</u>
Expenditures/transfers out:			
School infrastructure construction	\$	796,656	
Transfers to other funds:			
Debt service fund		92,157	888,813
Ending balance		\$	<u><u>639,888</u></u>

For the year ended June 30, 2014 the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-14 Financial Condition - The District had deficit accounts in the Special Revenue, Student Activity Fund totaling \$12,568 at June 30, 2014.

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

Response - The District has developed a plan and changed the process to eliminate the deficit spending over a 2-year period in the Special Revenue, Student Activity Fund.

Conclusion - Response accepted.

IV-N-14 Contracts - We noted during our audit that the Superintendent signed a copier lease entered into by the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will amend practice to ensure the Board President signs all contracts entered into the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Conclusion - Response accepted.

IV-O-14 District and Regional Rents - We noted during our audit that the District receives money for the use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - In all future transactions and instances, the District will receipt rent collected for facility usage into the General Fund.

Conclusion - Response accepted.

IV-P-14 Payroll Authorization - We noted during our audit, the District does not maintain the written authorization to mail employees' payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should maintain written authorization from each employee who desires to receive a payroll check by mail.

Response - The District will institute the practice of maintaining written authorization from each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.