

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Lawton-Bronson Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2013 Election)		
Steve Olson	President	2013
Shelley Junck	Vice President	2015
Machele Dunning	Board Member	2013
Molly Holtz	Board Member	2015
Jesse Pedersen	Board Member	2013
(After September 2013 Election)		
Steve Olson	President	2017
Shelley Junck	Vice President	2015
Machele Dunning	Board Member	2017
Molly Holtz	Board Member	2015
Jesse Pedersen	Board Member	2017
School Officials		
Jeffrey Thelander	Superintendent	2014
Kimberly Brouwer	District Secretary/ Business Manager	2014
Ahlers & Cooney	Attorney	2014

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lawton-Bronson Community School District, Lawton, Iowa, as of and for the year ended June 30, 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, the business type activities, each major fund and the aggregate remaining fund information of Lawton-Bronson Community School District as of 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, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawton-Bronson Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four 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 the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2009 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2015 on our consideration of Lawton-Bronson Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lawton-Bronson Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,150,581 in fiscal 2013 to \$6,174,170 in fiscal 2014, while General Fund expenditures increased from \$5,740,779 in fiscal 2013 to \$6,210,295 in fiscal 2014. The District's General Fund balance decreased from \$793,219 at June 30, 2013 to \$757,094 at June 30, 2014.
- The increase in General Fund revenues was attributable to increases in state revenue sources in fiscal 2014. The increase in expenditures was due primarily to an increase in the instruction expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

Figure A-1
Lawton-Bronson Community School District Annual Financial Report

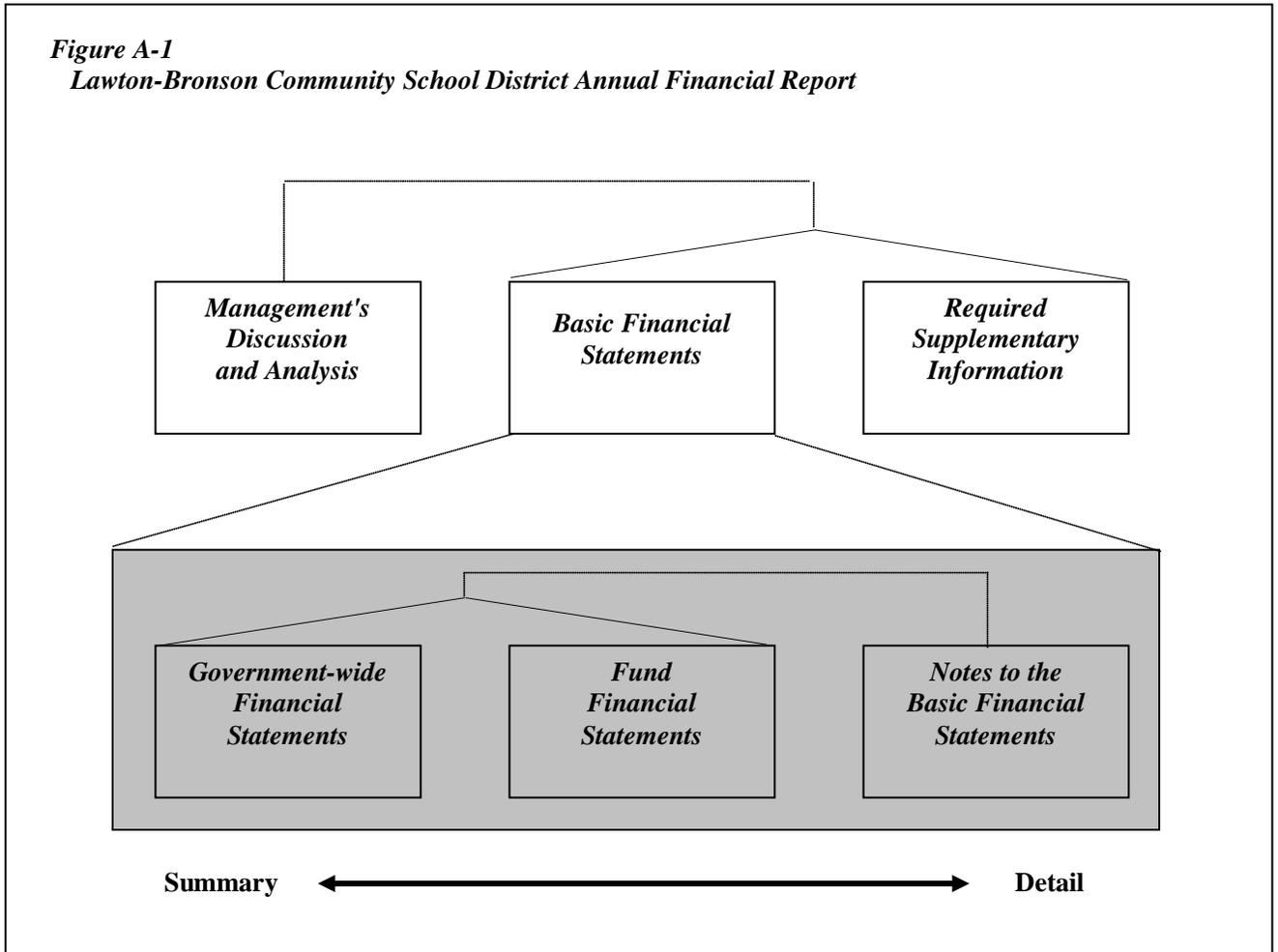


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 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 they have 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, Capital Projects, and Debt Service Fund.

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust fund.
 - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

Reconciliation between the government-wide financial statements and the 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.

	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	\$ 5,507,141	5,082,728	83,831	114,679	5,590,972	5,197,407	7.57%
Capital assets	13,905,178	14,191,091	254,940	268,467	14,160,118	14,459,558	-2.07%
Total assets	19,412,319	19,273,819	338,771	383,146	19,751,090	19,656,965	0.48%
Long-term obligations	6,880,228	7,420,029	870	391	6,881,098	7,420,420	-7.27%
Other liabilities	985,859	832,481	5,281	45,142	991,140	877,623	12.93%
Total liabilities	7,866,087	8,252,510	6,151	45,533	7,872,238	8,298,043	-5.13%
Deferred inflows of resources	2,883,200	2,845,888	-	-	2,883,200	2,845,888	1.31%
Net position:							
Net investment in capital assets	7,125,178	6,916,091	254,940	268,467	7,380,118	7,184,558	2.72%
Restricted	1,266,860	908,831	-	-	1,266,860	908,831	39.39%
Unrestricted	270,994	350,499	77,680	69,146	348,674	419,645	-16.91%
Total net position	\$ 8,663,032	8,175,421	332,620	337,613	8,995,652	8,513,034	5.67%

The District's combined net position increased by \$482,618 or 5.67% over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$358,029 or 39.39% over the prior year. The increase in restricted fund balance was primarily a result of the increase in the Management Levy Fund as compared to the previous 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 \$70,971 or 16.91%. The decrease in unrestricted net position can be attributed to the increase in the General Fund balance as compared to the previous year.

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							Total Change 2013-14
	Changes in Net Assets							
	Governmental Activities		Business Type Activities		Total District			
2014	2013	2014	2013	2014	2013			
Revenues:								
Program revenues:								
Charges for service	\$ 793,492	766,277	274,514	282,273	1,068,006	1,048,550		1.86%
Operating grants and contributions and restricted interest	528,484	360,391	120,812	128,352	649,296	488,743		32.85%
General revenues:								
Property tax	2,816,554	2,794,126	-	-	2,816,554	2,794,126		0.80%
Income surtax	148,675	133,237	-	-	148,675	133,237		11.59%
Statewide sales, service and use tax	543,706	540,412	-	-	543,706	540,412		0.61%
Unrestricted state grants	3,025,891	2,986,860	-	-	3,025,891	2,986,860		1.31%
Unrestricted investment earnings	3,233	3,395	70	5	3,303	3,400		-2.85%
Other	34,380	25,356	1,067	1,401	35,447	26,757		32.48%
Total revenues	<u>7,894,415</u>	<u>7,610,054</u>	<u>396,463</u>	<u>412,031</u>	<u>8,290,878</u>	<u>8,022,085</u>		<u>3.35%</u>
Program expenses:								
Governmental activities:								
Instruction	4,311,980	4,307,827	76,035	68,362	4,388,015	4,376,189		0.27%
Support services	2,191,782	1,872,446	21,057	23,474	2,212,839	1,895,920		16.72%
Non-instructional programs	-	-	306,544	305,168	306,544	305,168		0.45%
Other expenses	900,862	904,261	-	-	900,862	904,261		-0.38%
Total expenses	<u>7,404,624</u>	<u>7,084,534</u>	<u>403,636</u>	<u>397,004</u>	<u>7,808,260</u>	<u>7,481,538</u>		<u>4.37%</u>
Excess(Deficiency) of revenues over(under) expenses	489,791	525,520	(7,173)	15,027	482,618	540,547		-10.72%
Transfers	(2,180)	(15,552)	2,180	15,552	-	-		0.00%
Change in net position	487,611	509,968	(4,993)	30,579	482,618	540,547		-10.72%
Net position beginning of year	<u>8,175,421</u>	<u>7,665,453</u>	<u>337,613</u>	<u>307,034</u>	<u>8,513,034</u>	<u>7,972,487</u>		<u>-6.78%</u>
Net position end of year	<u>\$ 8,663,032</u>	<u>8,175,421</u>	<u>332,620</u>	<u>337,613</u>	<u>8,995,652</u>	<u>8,513,034</u>		<u>5.67%</u>

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 82.78% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.71% of the revenue from business type activities.

The District's total revenues were approximately \$8.29 million of which approximately \$7.89 million was for governmental activities and approximately \$0.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.35% increase in revenues and a 4.37% increase in expenses. Unrestricted state grants increased \$39,031 to help fund the increase in expenses. The increase in expenses can be partly attributable to the increase in salaries and benefits received by District employees.

Governmental Activities

Revenues for governmental activities were \$7,894,415 and expenses were \$7,404,624 for the year ended June 30, 2014.

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	\$ 4,311,980	4,307,827	0.10%	3,244,923	3,429,149	-5.37%
Support services	2,191,782	1,872,446	17.05%	2,184,741	1,862,509	17.30%
Other expenses	900,862	904,261	-0.38%	652,984	666,208	-1.98%
Totals	\$ 7,404,624	7,084,534	4.52%	6,082,648	5,957,866	2.09%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$793,492.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$528,484.
- The net cost of governmental activities was financed with \$2,816,554 in property tax, \$148,675 in income surtax, \$543,706 in statewide sales, services and use tax, \$3,025,891 in unrestricted state grants, \$3,233 in interest income and \$34,380 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$396,463 and expenses were \$403,636. The District's business type activities include the School Nutrition Fund, the Fitness Center, the Preschool and the Before and After School programs. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,545,427 compared to last year's ending fund balances of \$1,318,930. The primary reason for the increase in combined fund balances at June 30, 2014 is due to the increase in ending fund balances of the Management Levy Fund and Capital Projects: Physical Plant and Equipment Levy Fund.

Governmental Fund Highlights

- The District intentionally increased their expenditures for the 2014 fiscal year with one time technology purchases. The board had set a goal to maintain a balance of 15-20% ratio of unspent balance to regular program district cost. At the end of the 2013 fiscal year, the ratio was 22% so the District needed to increase expenditures to maintain the targeted ratio balancing fiscal health with the responsibility to spend the money received to educate students. This ratio was 20% at the end of the 2014 fiscal year and back in the range of the goal set.

-
- The Capital Projects Fund balance increased from \$429,618 in fiscal 2013 to \$537,169 in fiscal 2014. This was primarily due to the decrease in expenditures in fiscal year 2014 as compared to the previous year.
 - The Debt Service Fund balance decreased during the year from \$2,875 in 2013 to \$1,574 in 2014. The decrease is due in part to a decrease in the amount of dollars transferred into the Debt Service Fund in fiscal 2014.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$128,520 at June 30, 2013 to \$138,247 at June 30, 2014, representing an increase of 7.57%. The increase in fund balance was due to the increase in charges for services revenues.
- The Fitness Center Fund net position decreased from \$186,349 at June 30, 2013 to \$180,993 at June 30, 2014, representing a decrease of 2.87%. The decrease in fund balance is mainly attributable to the decrease in charges for services revenues.
- The Preschool Fund net position increased from \$9,361 at June 30, 2013 to \$10,969 at June 30, 2013, representing an increase of 17.18%.
- The Before and After School Fund net position decreased from \$13,383 at June 30, 2013 to \$2,411 at June 30, 2014, representing an increase of 81.98%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lawton-Bronson Community School District amended its budget one time by \$41,317 to reflect additional expenditures for facility improvements.

The District's revenues were \$257,724 more than budgeted revenues, a variance of approximately 3.21%. The District received more state sources than originally anticipated in the budget.

Initially, total expenditures were less than budgeted, primarily to the District's budget for the General Fund. The District no longer budgets expenditures at the maximum authorized spending authority for the General Fund. The District budgets for expenditures that may be incurred throughout the year but not to the maximum amount authorized. A line-item budget is used to manage and control the General Fund spending with even greater detail. Amendments to the budget will be made before spending exceeds the certified budget if forecasts appear that expenditures will soon exceed the certified budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$14,160,118, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$520,636.

The original cost of the District's capital assets was \$19,158,723. Governmental funds account for \$18,645,193 with the remainder of \$513,530 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements decreased from \$383,845 at June 30, 2013 to \$353,323 at June 30, 2014 as a result of depreciation expense taken during the year.

	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	\$ 283,677	283,677	-	-	283,677	283,677	0.00%
Buildings	12,730,140	12,947,046	170,309	174,364	12,900,449	13,121,410	-1.68%
Land improvements	353,323	383,845	-	-	353,323	383,845	-7.95%
Machinery and equipment	538,038	576,523	84,631	94,103	622,669	670,626	-7.15%
Total	\$ 13,905,178	14,191,091	254,940	268,467	14,160,118	14,459,558	-2.07%

Long-Term Debt

At June 30, 2014, the District had long-term debt outstanding of \$6,881,098 in general obligation bonds and other long-term debt outstanding. This represents a 7.27% decrease from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds payable of \$5,685,000 at June 30, 2014.

The District had outstanding revenue bonds payable of \$1,095,000 at June 30, 2014.

The District also had outstanding termination benefits payable from the Special Revenue, Management Levy Fund of \$60,800 at June 30, 2014.

The District had a net OPEB liability of \$39,428 in the governmental activities and \$870 in the business type activities.

	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
General obligation bonds	\$ 5,685,000	5,980,000	-	-	5,685,000	5,980,000	-4.93%
Revenue bonds	1,095,000	1,295,000	-	-	1,095,000	1,295,000	-15.44%
Termination benefits	60,800	127,372	-	-	60,800	127,372	-52.27%
Net OPEB obligation	39,428	17,657	870	391	40,298	18,048	123.28%
Total	\$ 6,880,228	7,420,029	870	391	6,881,098	7,420,420	-7.27%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Enrollment consistently is the main factor that will determine the District's future. A local company in a neighboring district is in the process of a large expansion which will also bring a number of jobs to the area. This may or may not increase enrollment for the District. Housing for people interested in moving into the district is very limited. Unless additional housing projects open up in the District, increased enrollment if any would primarily come from potential open enrollments. Enrollment has been reasonably steady. With increased programs offered in the secondary building and additional sections of elementary grades, space is quickly becoming extremely limited. If enrollment continues to grow, the District will also need to continue to work and plan for additional space to meet the needs of students.
- State funding is another major factor for a District's financial position. The State has failed to set an amount for supplemental state aid so the District must plan based on scenarios and not actual numbers. Low funding from the State has made things very challenging. The District has explored any funding sources available to them including passing an increase to the ISL levy from 5% to 10% starting with the 2015 fiscal year and also incentives for sharing positions. Depending on the level the State chooses to fund education, the District will need to continue to seek alternative sources of funding or may have to make cuts to programs in order to maintain fiscal stability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,100,621	160,937	2,261,558
Receivables:			
Property tax:			
Delinquent	32,142	-	32,142
Succeeding year	2,883,200	-	2,883,200
Income surtax	126,279	-	126,279
Due from other funds	85,587	(85,587)	-
Due from other governments	262,002	-	262,002
Inventories	-	8,481	8,481
Bond issue costs and discounts	17,310	-	17,310
Capital assets, net of accumulated depreciation:			
Buildings	12,730,140	170,309	12,900,449
Land and land improvements	637,000	-	637,000
Machinery and equipment	538,038	84,631	622,669
Total assets	19,412,319	338,771	19,751,090
Liabilities			
Accounts payable	275,390	984	276,374
Salaries and benefits payable	659,535	-	659,535
Interest payable	50,934	-	50,934
Unearned revenue	-	4,297	4,297
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	305,000	-	305,000
Revenue bonds payable	200,000	-	200,000
Termination benefits payable	26,337	-	26,337
Portion due after one year:			
General obligation bonds payable	5,380,000	-	5,380,000
Revenue bonds payable	895,000	-	895,000
Termination benefits payable	34,463	-	34,463
Net OPEB liability	39,428	870	40,298
Total liabilities	7,866,087	6,151	7,872,238
Deferred Inflows of Resources:			
Unavailable property tax revenue	2,883,200	-	2,883,200
Net position			
Net investment in capital assets	7,125,178	254,940	7,380,118
Restricted for:			
Categorical funding	526,454	-	526,454
Management levy purposes	121,758	-	121,758
Student activities	81,479	-	81,479
School infrastructure	380,146	-	380,146
Physical plant & equipment levy	157,023	-	157,023
Unrestricted	270,994	77,680	348,674
Total net position	\$ 8,663,032	332,620	8,995,652

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON 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	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,960,657	456,035	95,462	(2,409,160)	-	(2,409,160)
Special	554,169	36,314	28,295	(489,560)	-	(489,560)
Other	797,154	301,143	149,808	(346,203)	-	(346,203)
	<u>4,311,980</u>	<u>793,492</u>	<u>273,565</u>	<u>(3,244,923)</u>	<u>-</u>	<u>(3,244,923)</u>
Support services:						
Student	154,479	-	-	(154,479)	-	(154,479)
Instructional staff	223,777	-	-	(223,777)	-	(223,777)
Administration	698,515	-	-	(698,515)	-	(698,515)
Operation and maintenance of plant	638,041	-	-	(638,041)	-	(638,041)
Transportation	476,970	-	7,041	(469,929)	-	(469,929)
	<u>2,191,782</u>	<u>-</u>	<u>7,041</u>	<u>(2,184,741)</u>	<u>-</u>	<u>(2,184,741)</u>
Long-term debt interest	297,894	-	-	(297,894)	-	(297,894)
Other expenses:						
AEA flowthrough	247,878	-	247,878	-	-	-
Depreciation(unallocated)*	355,090	-	-	(355,090)	-	(355,090)
	<u>602,968</u>	<u>-</u>	<u>247,878</u>	<u>(355,090)</u>	<u>-</u>	<u>(355,090)</u>
Total governmental activities	7,404,624	793,492	528,484	(6,082,648)	-	(6,082,648)
Business type activities:						
Instruction:						
Regular	76,035	56,090	7,970	-	(11,975)	(11,975)
Support services:						
Administration	18	-	-	-	(18)	(18)
Operation and maintenance of plant	21,039	-	-	-	(21,039)	(21,039)
Total support services	21,057	-	-	-	(21,057)	(21,057)
Non-instructional programs:						
Nutrition services	306,544	200,178	112,842	-	6,476	6,476
Fitness center	-	2,985	-	-	2,985	2,985
Preschool	-	15,261	-	-	15,261	15,261
Total non-instructional programs:	<u>306,544</u>	<u>218,424</u>	<u>112,842</u>	<u>-</u>	<u>24,722</u>	<u>24,722</u>
Total business type activities	403,636	274,514	120,812	-	(8,310)	(8,310)
Total	<u>\$ 7,808,260</u>	<u>1,068,006</u>	<u>649,296</u>	<u>(6,082,648)</u>	<u>(8,310)</u>	<u>(6,090,958)</u>
General Revenues & Transfers:						
Property tax levied for:						
General purposes				\$ 2,246,718	-	2,246,718
Debt service				507,526	-	507,526
Capital outlay				62,310	-	62,310
Income surtax				148,675	-	148,675
Statewide sales, services and use tax				543,706	-	543,706
Unrestricted state grants				3,025,891	-	3,025,891
Unrestricted investment earnings				3,233	70	3,303
Other general revenues				34,380	1,067	35,447
Transfers				(2,180)	2,180	-
Total general revenues & transfers				<u>6,570,259</u>	<u>3,317</u>	<u>6,573,576</u>
Change in net position				487,611	(4,993)	482,618
Net position beginning of year				<u>8,175,421</u>	<u>337,613</u>	<u>8,513,034</u>
Net position end of year				<u>\$ 8,663,032</u>	<u>332,620</u>	<u>8,995,652</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,380,666	457,141	888	261,926	2,100,621
Receivables:					
Property tax:					
Delinquent	22,042	698	5,686	3,716	32,142
Succeeding year	2,116,959	64,650	526,590	175,001	2,883,200
Income surtax	126,279	-	-	-	126,279
Due from other funds	90,587	-	-	178	90,765
Due from other governments	175,916	86,086	-	-	262,002
Total assets	\$ 3,912,449	608,575	533,164	440,821	5,495,009
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Due to other funds	\$ 178	-	5,000	-	5,178
Accounts payable	252,404	6,756	-	16,230	275,390
Salaries and benefits payable	659,535	-	-	-	659,535
Total liabilities	912,117	6,756	5,000	16,230	940,103
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,116,959	64,650	526,590	175,001	2,883,200
Income surtax	126,279	-	-	-	126,279
Total deferred inflows of resources	2,243,238	64,650	526,590	175,001	3,009,479
Fund balances:					
Restricted for:					
Categorical funding	526,454	-	-	-	526,454
Debt service	-	-	1,574	-	1,574
Management levy purposes	-	-	-	182,558	182,558
Student activities	-	-	-	81,479	81,479
School infrastructure	-	380,146	-	-	380,146
Physical plant and equipment	-	157,023	-	-	157,023
Unassigned:					
General	230,640	-	-	-	230,640
Student activities	-	-	-	(14,447)	(14,447)
Total fund balances	757,094	537,169	1,574	249,590	1,545,427
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,912,449	608,575	533,164	440,821	5,495,009

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	1,545,427
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		13,905,178
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(50,934)
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		17,310
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.		126,279
Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		<u>(6,880,228)</u>
Net position of governmental activities(page 18)	\$	<u><u>8,663,032</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,066,496	62,310	507,526	324,143	2,960,475
Tuition	480,403	-	-	-	480,403
Other	107,255	370	5	277,431	385,061
Intermediate sources	4,280	-	-	-	4,280
State sources	3,371,045	543,706	-	-	3,914,751
Federal sources	144,691	-	-	-	144,691
Total revenues	<u>6,174,170</u>	<u>606,386</u>	<u>507,531</u>	<u>601,574</u>	<u>7,889,661</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,933,228	3,500	-	57,276	2,994,004
Special	552,716	-	-	-	552,716
Other	555,102	-	-	250,364	805,466
	<u>4,041,046</u>	<u>3,500</u>	<u>-</u>	<u>307,640</u>	<u>4,352,186</u>
Support services:					
Student	161,282	-	-	-	161,282
Instructional staff	224,769	-	-	-	224,769
Administration	609,929	-	-	89,575	699,504
Operation and maintenance of plant	517,738	-	-	37,955	555,693
Transportation	407,653	17,712	-	10,032	435,397
	<u>1,921,371</u>	<u>17,712</u>	<u>-</u>	<u>137,562</u>	<u>2,076,645</u>
Capital outlay	-	191,089	-	-	191,089
Long-term debt:					
Principal	-	-	495,000	-	495,000
Interest and fiscal charges	-	-	300,366	-	300,366
	<u>-</u>	<u>-</u>	<u>795,366</u>	<u>-</u>	<u>795,366</u>
Other expenditures:					
AEA flowthrough	247,878	-	-	-	247,878
Total expenditures	<u>6,210,295</u>	<u>212,301</u>	<u>795,366</u>	<u>445,202</u>	<u>7,663,164</u>
Excess(Deficiency) of revenues over(under) expenditures	(36,125)	394,085	(287,835)	156,372	226,497
Other financing sources(uses):					
Transfer in	-	-	286,534	-	286,534
Transfer out	-	(286,534)	-	-	(286,534)
Total other financing sources(uses)	<u>-</u>	<u>(286,534)</u>	<u>286,534</u>	<u>-</u>	<u>-</u>
Change in fund balances	(36,125)	107,551	(1,301)	156,372	226,497
Fund balance beginning of year	793,219	429,618	2,875	93,218	1,318,930
Fund balance end of year	<u>\$ 757,094</u>	<u>537,169</u>	<u>1,574</u>	<u>249,590</u>	<u>1,545,427</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 226,497

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

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

Capital outlay	\$ 219,016	
Depreciation expense	<u>(504,929)</u>	(285,913)

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. 495,000

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. 3,803

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

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 4,754

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

Termination benefits	66,572	
Other postemployment benefits	<u>(21,771)</u>	<u>44,801</u>

Change in net position of governmental activities(page 19) \$ 487,611

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2014

	School Nutrition	Fitness Center	Preschool	Before and After School	Total
Assets					
Current assets:					
Cash and pooled investments	\$ 108,437	478	23,873	28,149	160,937
Inventories	8,481	-	-	-	8,481
Total current assets	116,918	478	23,873	28,149	169,418
Non-current assets:					
Capital assets net of accumulated depreciation:					
Building	-	170,309	-	-	170,309
Machinery and equipment	74,393	10,238	-	-	84,631
Total non-current assets	74,393	180,547	-	-	254,940
Total assets	191,311	181,025	23,873	28,149	424,358
Liabilities					
Current liabilities:					
Due to other funds	47,468	-	12,735	25,384	85,587
Accounts payable	598	32	-	354	984
Unearned revenue	4,297	-	-	-	4,297
Total current liabilities	52,363	32	12,735	25,738	90,868
Non-current liabilities:					
Net OPEB liability	701	-	169	-	870
Total liabilities	53,064	32	12,904	25,738	91,738
Net Position					
Net investment in capital assets	74,393	180,547	-	-	254,940
Unrestricted	63,854	446	10,969	2,411	77,680
Total net position	\$ 138,247	180,993	10,969	2,411	332,620

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	School Nutrition	Fitness Center	Preschool	Before and After School	Total
Operating revenue:					
Local sources:					
Charges for services	\$ 200,178	2,985	15,261	56,090	274,514
Donations	-	-	-	2,113	2,113
Miscellaneous	1,067	-	-	-	1,067
Total operating revenue:	<u>201,245</u>	<u>2,985</u>	<u>15,261</u>	<u>58,203</u>	<u>277,694</u>
Operating expenses:					
Instruction:					
Regular:					
Salaries	-	-	-	62,223	62,223
Benefits	-	-	-	9,784	9,784
Supplies	-	-	938	1,904	2,842
Other	-	-	-	1,186	1,186
Total instruction	<u>-</u>	<u>-</u>	<u>938</u>	<u>75,097</u>	<u>76,035</u>
Support services:					
Administration:					
Other	-	18	-	-	18
Operation and maintenance of plant:					
Salaries	-	-	6,128	-	6,128
Benefits	-	-	2,523	-	2,523
Services	-	760	653	-	1,413
Supplies	-	1,850	3,412	-	5,262
Depreciation	-	5,713	-	-	5,713
Total support services	<u>-</u>	<u>8,341</u>	<u>12,716</u>	<u>-</u>	<u>21,057</u>
Non-instructional programs:					
Food service operations:					
Salaries	114,032	-	-	-	114,032
Benefits	26,087	-	-	-	26,087
Services	3,840	-	-	-	3,840
Supplies	151,148	-	-	-	151,148
Depreciation	9,994	-	-	-	9,994
Other	1,443	-	-	-	1,443
	<u>306,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,544</u>
Total non-instructional programs	<u>306,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>306,544</u>
Total operating expenses:	<u>306,544</u>	<u>8,341</u>	<u>13,654</u>	<u>75,097</u>	<u>403,636</u>
Operating income(loss)	<u>(105,299)</u>	<u>(5,356)</u>	<u>1,607</u>	<u>(16,894)</u>	<u>(125,942)</u>
Non-operating revenues:					
State sources	2,722	-	-	5,857	8,579
Federal sources	110,120	-	-	-	110,120
Interest income	4	-	1	65	70
Total non-operating revenues:	<u>112,846</u>	<u>-</u>	<u>1</u>	<u>5,922</u>	<u>118,769</u>
Change in net position before other financing sources	7,547	(5,356)	1,608	(10,972)	(7,173)
Other financing sources:					
Capital contributions	<u>2,180</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,180</u>
Change in net position	9,727	(5,356)	1,608	(10,972)	(4,993)
Net position beginning of year	<u>128,520</u>	<u>186,349</u>	<u>9,361</u>	<u>13,383</u>	<u>337,613</u>
Net position end of year	<u>\$ 138,247</u>	<u>180,993</u>	<u>10,969</u>	<u>2,411</u>	<u>332,620</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition	Fitness Center	Preschool	Before and After School	Total
Cash flows from operating activities:					
Cash received from charges for services	\$ 200,165	2,985	15,261	56,090	274,501
Cash received from donations	-	-	-	2,113	2,113
Cash received from miscellaneous	1,067	-	-	-	1,067
Cash payments to employees for services	(158,732)	-	(8,558)	(72,007)	(239,297)
Cash payments to suppliers for goods or services	(133,869)	(2,624)	(5,034)	(3,376)	(144,903)
Net cash provided by(used in) operating activities	(91,369)	361	1,669	(17,180)	(106,519)
Cash flows from non-capital financing activities:					
Borrowings(Repayments) from(to) other funds	45,132	335	(1,222)	21,001	65,246
State grants received	2,722	-	-	8,232	10,954
Federal grants received	98,507	-	-	-	98,507
Net cash provided by(used in) non-capital financing activities	146,361	335	(1,222)	29,233	174,707
Cash flows from investing activities:					
Interest on investment	4	-	1	65	70
Net increase in cash and cash equivalents	54,996	696	448	12,118	68,258
Cash and cash equivalents at beginning of year	53,441	(218)	23,425	16,031	92,679
Cash and cash equivalents at end of year	\$ 108,437	478	23,873	28,149	160,937
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (105,299)	(5,356)	1,607	(16,894)	(125,942)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities used	22,204	-	-	-	22,204
Depreciation	9,994	5,713	-	-	15,707
Increase(Decrease) in accounts payable	358	4	(31)	(286)	45
Decrease in salaries and benefits payable	(18,999)	-	-	-	(18,999)
Decrease in unearned revenues	(13)	-	-	-	(13)
Increase in other postemployment benefits	386	-	93	-	479
Net cash provided by(used in) operating activities	\$ (91,369)	361	1,669	(17,180)	(106,519)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$22,204.

During the year ended June 30, 2014, the Nutrition Fund received contributed capital from the Capital Projects: Physical Plant and Equipment Levy Fund of \$2,180.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 102,269</u>
Liabilities	
Due to other funds	<u>-</u>
Net position	
Restricted for scholarships	<u><u>\$ 102,269</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Contributions	<u>\$ 4,250</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>8,200</u>
Change in net position	(3,950)
Net position beginning of year	<u>106,219</u>
Net position end of year	<u><u>\$ 102,269</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. 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 that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following nonmajor proprietary funds:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

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

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

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

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

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

Deferred 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 grant proceeds as well as property tax receivables 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 no included in other spendable classifications.

E. Budgeting and Budgetary Control

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 support services functional area.

Note 2. Cash and Pooled Investments

The District’s deposits 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 \$42,935 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Moody’s Investors Service.

Note 3. Transfers

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

Transfer to	Transfer from	Amount
	Capital Projects:	
Debt Service	Statewide Sales, Services and Use Tax	\$ 286,534

\$246,534 of the transfer of 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 bond indebtedness. The remaining \$40,000 of the transfer was needed for general obligation debt relief per the District’s budgeting process.

Note 4. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 5,000
General	Nutrition	47,468
General	Before and After School	25,384
General	Preschool	12,735
Student Activity Fund	General	178
Total		<u>\$ 90,765</u>

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

The Nutrition and Before and After School Funds are repaying the General Fund for salaries and benefits not repaid before year end.

The Preschool Fund is repaying the General Fund for water, electric, and janitorial costs not repaid before year end.

The General Fund is repaying the Student Activity Fund for an entry fee receipted to the incorrect fund.

Note 5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 283,677	-	-	283,677
Total capital assets not being depreciated	<u>283,677</u>	<u>-</u>	<u>-</u>	<u>283,677</u>
Capital assets being depreciated:				
Buildings	15,779,489	107,662	-	15,887,151
Land improvements	615,537	-	-	615,537
Machinery and equipment	1,766,090	111,354	18,616	1,858,828
Total capital assets being depreciated	<u>18,161,116</u>	<u>219,016</u>	<u>18,616</u>	<u>18,361,516</u>
Less accumulated depreciation for:				
Buildings	2,832,443	324,568	-	3,157,011
Land improvements	231,692	30,522	-	262,214
Machinery and equipment	1,189,567	149,839	18,616	1,320,790
Total accumulated depreciation	<u>4,253,702</u>	<u>504,929</u>	<u>18,616</u>	<u>4,740,015</u>
Total capital assets being depreciated, net	<u>13,907,414</u>	<u>(285,913)</u>	<u>-</u>	<u>13,621,501</u>
Governmental activities capital assets, net	<u>\$ 14,191,091</u>	<u>(285,913)</u>	<u>-</u>	<u>13,905,178</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 202,749	-	-	202,749
Machinery and equipment	308,601	2,180	-	310,781
Total capital assets being depreciated	511,350	2,180	-	513,530
Less accumulated depreciation for:				
Buildings	28,385	4,055	-	32,440
Machinery and equipment	214,498	11,652	-	226,150
Total accumulated depreciation	242,883	15,707	-	258,590
Business type activities capital assets, net	\$ 268,467	(13,527)	-	254,940

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 24,353
Other				7,392
Support services:				
Instructional staff				36,780
Administration				8,932
Operation and maintenance of plant				7,672
Transportation				64,710
				149,839
Unallocated depreciation				355,090
Total governmental activities depreciation expense				\$ 504,929
Business type activities:				
Food services				\$ 9,994
Fitness center				5,713
Total business type activities depreciation expense				\$ 15,707

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 5,980,000	-	295,000	5,685,000	305,000
Revenue bonds	1,295,000	-	200,000	1,095,000	200,000
Termination benefits	127,372	-	66,572	60,800	26,337
Net OPEB liability	17,657	21,771	-	39,428	-
Total	\$ 7,420,029	21,771	561,572	6,880,228	531,337

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities: Net OPEB liability	\$ 391	479	-	870	-

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded debt is as follows:

Year Ending June 30,	Bond issue May 1, 2008				
	Interest Rate		Principal	Interest	Total
2015	4.15	% \$	305,000	241,090	546,090
2016	4.15		320,000	228,433	548,433
2017	4.15		330,000	215,152	545,152
2018	4.15		345,000	201,458	546,458
2019	4.15		360,000	187,140	547,140
2020-2024	4.15-4.25		2,045,000	698,316	2,743,316
2025-2028	4.30-4.45		1,980,000	222,300	2,202,300
Total			\$ 5,685,000	1,993,889	7,678,889

Revenue Bonds Payable

Details of the District's June 30, 2014 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue June 26, 2008				
	Interest Rate		Principal	Interest	Total
2015	3.70	% \$	200,000	39,309	239,309
2016	3.83		215,000	31,497	246,497
2017	3.93		220,000	23,067	243,067
2018	4.03		225,000	14,223	239,223
2019	4.13		235,000	4,846	239,846
Total			\$ 1,095,000	112,942	1,207,942

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,015,000 bonds issued in June 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payment on the bonds are expected to require 46 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,207,942. For the current year \$200,000 in principal and \$46,534 in interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$543,706.

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

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.

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

Termination Benefits

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

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

At June 30, 2014, the District had obligations to eight retirees with a total liability of \$60,800. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$66,572.

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 covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$316,453, \$288,487, and \$272,241, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

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

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	34,052
Interest on net OPEB obligation		451
Adjustment to annual required contribution		(1,299)
Annual OPEB cost		<u>33,204</u>
Contributions made		<u>(10,954)</u>
Increase in net OPEB obligation		22,250
Net OPEB obligation - beginning of year		<u>18,048</u>
Net OPEB obligation - end of year	\$	<u><u>40,298</u></u>

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

Year Ended Fiscal Year June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	33,706	101.37%	(4,870)
2013	31,819	27.97%	18,048
2014	33,204	32.99%	40,298

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 \$206,502, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$206,502. The covered payroll (annual payroll of active employees covered by the plan) was \$2,990,288, and the ratio of the UAAL to the covered payroll was 6.91%. 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

Note 9. Risk Management

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2014 were \$435,132.

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

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

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$247,878 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 11. Deficit Fund Balance/Net Position

At June 30, 2014, there were seven Student Activity Fund accounts with a total deficit unassigned balance of \$14,447.

Note 12. 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.

Note 13. 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 support services functional area exceeded the amount budgeted.

Note 14. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Limited english proficient	\$ 13,503
Home school assistance program	32,234
Gifted and talented	133,383
Dropout and dropout prevention	72,715
Teacher salary supplement	39,525
Professional development	50,771
Professional development, model core curriculum	9,737
Successful progression for early readers	16,810
Teacher leadership grants	584
Four-year-old preschool state aid	157,192
Total	<u>\$ 526,454</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 3,825,939	277,764	4,103,703	4,596,943	4,596,943	(493,240)
Intermediate sources	4,280	-	4,280	-	-	4,280
State sources	3,914,751	8,579	3,923,330	3,243,457	3,243,457	679,873
Federal sources	144,691	110,120	254,811	188,000	188,000	66,811
Total revenues	7,889,661	396,463	8,286,124	8,028,400	8,028,400	257,724
Expenditures/Expenses:						
Instruction	4,352,186	76,035	4,428,221	4,470,500	4,470,500	42,279
Support services	2,076,645	21,057	2,097,702	2,022,650	2,022,650	(75,052)
Non-instructional programs	-	306,544	306,544	350,000	350,000	43,456
Other expenditures	1,234,333	-	1,234,333	1,258,683	1,300,000	65,667
Total expenditures/expenses	7,663,164	403,636	8,066,800	8,101,833	8,143,150	76,350
Excess(Deficiency) of revenues(expenses) over(under)expenditures/expenses	226,497	(7,173)	219,324	(73,433)	(114,750)	334,074
Other financing sources, net	-	2,180	2,180	-	-	-
Excess(Deficiency) of revenues(expenses) and other financing sources over(under) expenditures/expenses	226,497	(4,993)	221,504	(73,433)	(114,750)	334,074
Balance beginning of year	1,318,930	337,613	1,656,543	1,514,384	1,514,384	142,159
Balance end of year	\$ 1,545,427	332,620	1,878,047	1,440,951	1,399,634	476,233

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON 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 Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$41,317.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a
			Accrued Liability (AAL) (b)	AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 393,214	\$ 393,214	0.0%	\$ 2,617,352	15.02%
2011	July 1, 2009	\$ -	\$ 360,949	\$ 360,949	0.0%	\$ 2,761,457	13.07%
2012	July 1, 2009	\$ -	\$ 321,082	\$ 321,082	0.0%	\$ 2,793,442	11.49%
2013	July 1, 2012	\$ -	\$ 222,152	\$ 222,152	0.0%	\$ 2,907,586	7.64%
2014	July 1, 2012	\$ -	\$ 206,502	\$ 206,502	0.0%	\$ 2,990,288	6.91%

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

SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUND
 JUNE 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 178,864	83,062	261,926
Receivables:			
Property tax:			
Delinquent	3,716	-	3,716
Succeeding year	175,001	-	175,001
Due from other funds	-	178	178
Total assets	\$ 357,581	83,240	440,821
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 22	16,208	16,230
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	175,001	-	175,001
Fund balances:			
Restricted for:			
Management levy purposes	182,558	-	182,558
Student activities	-	81,479	81,479
Unassigned:			
Student activities	-	(14,447)	(14,447)
Total fund balances	182,558	67,032	249,590
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 357,581	83,240	440,821

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2014

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 324,143	-	324,143
Other	5,365	272,066	277,431
Total revenues	329,508	272,066	601,574
Expenditures			
Current:			
Instruction:			
Regular	57,276	-	57,276
Other	-	250,364	250,364
Support services:			
Administration	89,575	-	89,575
Operation and maintenance of plant	37,955	-	37,955
Transportation	10,032	-	10,032
Total expenditures	194,838	250,364	445,202
Change in fund balances	134,670	21,702	156,372
Fund balance beginning of year	47,888	45,330	93,218
Fund balance end of year	\$ 182,558	67,032	249,590

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 297,316	159,825	457,141
Receivables:			
Property tax:			
Delinquent	-	698	698
Succeeding year	-	64,650	64,650
Due from other governments	86,086	-	86,086
Total assets	\$ 383,402	225,173	608,575
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,256	3,500	6,756
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	64,650	64,650
Fund balances:			
Restricted for:			
School infrastructure	380,146	-	380,146
Physical plant and equipment	-	157,023	157,023
Total fund balances	380,146	157,023	537,169
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 383,402	225,173	608,575

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	62,310	62,310
Other	363	7	370
State sources	543,706	-	543,706
Total revenues	<u>544,069</u>	<u>62,317</u>	<u>606,386</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	3,500	3,500
Support services:			
Transportation	17,712	-	17,712
Capital outlay	188,910	2,179	191,089
Total expenditures	<u>206,622</u>	<u>5,679</u>	<u>212,301</u>
Excess of revenues over expenditures	337,447	56,638	394,085
Other financing uses:			
Transfer out	<u>(286,534)</u>	-	<u>(286,534)</u>
Change in fund balances	50,913	56,638	107,551
Fund balance beginning of year	<u>329,233</u>	<u>100,385</u>	<u>429,618</u>
Fund balance end of year	<u>\$ 380,146</u>	<u>157,023</u>	<u>537,169</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Dollars for scholars	\$ 1	487	488	-	-
Elementary yearbook	1,569	1,880	948	-	2,501
Student council	316	1,722	1,623	-	415
Drama and speech	350	2,709	749	-	2,310
archery	-	2,934	2,452	-	482
Soup and pie supper	352	8,578	4,979	(3,624)	327
Vocal Music	11,690	18,530	17,064	(2,079)	11,077
Instrumental music	6,230	10,328	16,936	5,576	5,198
Drill team	13,282	26,068	31,890	942	8,402
Elementary music	296	1,837	1,273	-	860
Show choir	295	85	-	-	380
Yearbook	2,475	8,851	10,544	373	1,155
Cheerleaders	813	10,785	11,458	-	140
National honor society	628	1,862	1,379	-	1,111
Class of 2013	1,260	-	480	-	780
Class of 2014	4,082	-	2,749	-	1,333
Class of 2015	1,285	2,203	678	-	2,810
Class of 2016	577	1,204	129	-	1,652
Class of 2017	-	722	124	-	598
Junior high	(293)	2,500	5,260	(231)	(3,284)
HS athletics	(3,312)	6,141	8,359	9,454	3,924
Wrestling	(79)	5,071	5,110	(200)	(318)
HS football	(7,520)	50,006	43,215	86	(643)
Girls basketball	8,502	15,789	6,036	(400)	17,855
Track	(2,857)	8,637	9,494	(100)	(3,814)
Girls volleyball	3,187	6,882	6,878	(553)	2,638
Boys basketball	790	10,897	9,528	(1,102)	1,057
Boys baseball	3,264	20,350	16,548	(658)	6,408
Girls softball	47	20,076	16,953	587	3,757
Boys golf	(154)	1,356	4,640	-	(3,438)
Cross country	(219)	1,664	2,039	(100)	(694)
Miscellaneous	659	-	-	-	659
Activity tickets	-	8,147	-	(8,147)	-
Elementary building	48	25	-	-	73
Junior high student council	-	-	13	168	155
Athletic complex improvements	-	4,277	855	-	3,422
History trip	-	9,459	9,459	-	-
Contingency	(2,234)	4	26	-	(2,256)
Reading first	-	-	8	8	-
Total	\$ 45,330	272,066	250,364	-	67,032

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2014

	Andrus Scholarship Fund	Teacher's Memorial Scholarship	Shoemaker Scholarship Fund	John Ohlfest Scholarship	Lawton Centennial Scholarship	Other Scholarships	Total
Assets							
Cash and pooled investments	\$ 56,588	6,471	33,181	4,253	1,704	72	102,269
Liabilities							
Due to other funds	-	-	-	-	-	-	-
Net Position							
Restricted for scholarships	\$ 56,588	6,471	33,181	4,253	1,704	72	102,269

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2014

	Andrus Scholarship Fund	Teacher's Memorial Scholarship	Shoemaker Scholarship Fund	John Ohlfest Scholarship	Lawton Centennial Scholarship	Other Scholarships	Total
Additions:							
Contributions	\$ -	-	-	4,250	-	-	4,250
Deductions:							
Instruction:							
Regular:							
Scholarships awarded	4,000	250	1,000	2,000	200	750	8,200
Change in net position	(4,000)	(250)	(1,000)	2,250	(200)	(750)	(3,950)
Net position beginning of year	60,588	6,721	34,181	2,003	1,904	822	106,219
Net position end of year	\$ 56,588	6,471	33,181	4,253	1,704	72	102,269

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,960,475	3,460,802	3,294,514	3,075,458	2,945,975	2,971,929	2,786,311	2,471,965	2,223,894	2,179,574
Tuition	480,403	445,143	475,951	358,473	333,479	367,377	382,909	280,918	225,742	274,359
Other	385,061	355,206	318,608	376,173	542,933	563,834	660,877	650,662	529,519	308,038
Intermediate sources	4,280	-	-	4,003	4,229	-	-	-	-	-
State sources	3,914,751	3,241,055	3,368,527	2,950,879	2,468,163	3,081,649	3,022,660	2,796,166	2,607,387	2,354,530
Federal sources	144,691	100,875	271,908	191,462	457,574	143,264	136,261	134,070	163,665	129,821
Total	<u>\$ 7,889,661</u>	<u>7,603,081</u>	<u>7,729,508</u>	<u>6,956,448</u>	<u>6,752,353</u>	<u>7,128,053</u>	<u>6,989,018</u>	<u>6,333,781</u>	<u>5,750,207</u>	<u>5,246,322</u>
Expenditures:										
Instruction:										
Regular	\$ 2,994,004	2,835,940	2,771,861	2,710,542	2,701,092	2,756,153	2,509,918	2,498,452	2,212,621	2,183,741
Special	552,716	534,813	558,868	503,650	470,689	486,105	614,365	535,445	452,323	397,406
Other	805,466	839,394	758,666	751,179	773,687	619,570	577,951	504,123	449,844	452,576
Support services:										
Student	161,282	147,253	176,664	172,523	159,227	149,934	147,969	153,304	173,868	153,510
Instructional staff	224,769	140,526	198,154	185,848	249,372	182,556	171,789	165,191	184,969	61,286
Administration	699,504	641,810	608,152	545,345	571,684	587,668	647,296	571,524	570,536	470,249
Operation and maintenance of plant	555,693	463,667	459,667	458,730	422,498	457,126	451,017	427,015	353,394	403,515
Transportation	435,397	455,544	562,369	315,746	324,671	364,220	302,418	475,415	325,478	250,777
Capital outlay	191,089	180,302	325,353	120,154	1,992,527	7,538,683	1,101,113	327,700	190,632	133,838
Long-term debt:										
Principal	495,000	470,000	455,000	435,000	420,000	240,000	2,900,000	250,000	235,000	225,000
Interest and fiscal charges	300,366	318,491	336,160	352,307	367,638	362,660	197,273	163,860	176,080	187,820
Other expenditures:										
AEA flow-through	247,878	238,053	237,875	246,838	239,356	220,023	210,904	194,268	175,489	169,052
Total	<u>\$ 7,663,164</u>	<u>7,265,793</u>	<u>7,448,789</u>	<u>6,797,862</u>	<u>8,692,441</u>	<u>13,964,698</u>	<u>9,832,013</u>	<u>6,266,297</u>	<u>5,500,234</u>	<u>5,088,770</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lawton-Bronson Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawton-Bronson Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

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

Lawton-Bronson Community School District's Responses to Findings

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

Purpose of this Report

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

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


NOLTE, CORNMAN & JOHNSON, P.C.

March 24, 2015
Newton, Iowa

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

Response - The District will continue to review and evaluate current procedures to see if any changes can be made to improve internal controls with the staffing available to the District.

Conclusion - Response accepted.

I-B-14 Disposal of Equipment - We noted that the District sold an ATV to an employee for \$450 without it being published in the newspaper. According the Board Policy 803.1, *the sale of equipment, furnishings or supplies, having a value of less than \$5000, shall be published in a newspaper of general circulation. The publication of the sale shall be published with at least one insertion each week for two consecutive weeks.*

Recommendation - The District should review and follow the provisions of Board Policy 803.1 when disposing of obsolete equipment.

Response - The District will review and follow the provisions of the Board Policy 803.1 when disposing of obsolete equipment and give the public proper notice.

Conclusion - Response accepted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the support services 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 amend their certified budget as necessary before expenditures exceeded the certified budget.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

II-C-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.

II-D-14 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cory Hoch, Para Professional Works for Sportsman's Sporting Goods	Supplies	\$8,948
David Fry, Custodian Owner of Snow Removal business	Services	\$400
Jason Garnand, Football Coach Owner of AD Craft	Supplies	\$791

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

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the custodian and the football coach do not appear to represent a conflict of interest.

II-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.

II-F-14 Board Minutes - We noted not transactions requiring Board approval which have not been approved by the Board. However, we noted that the board minutes were not signed by the Board Secretary or Board President.

Recommendation - The Board President and Board Secretary should sign all approved Board minutes as recommended by Chapter 3 of the Uniform Administrative Procedures for Iowa School Districts and AEA Officials.

Response - All board minutes will be signed by both the Board President and Board Secretary.

Conclusion - Response accepted.

- II-G-14 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of resident students was overstated by one student.

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

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

Conclusion - Response accepted.

- II-H-14 Supplementary Weighting - We noted variances regarding the supplementary weighting data certified to the Department of Education. The number certified to the Iowa Department of Education was overstated by 0.063 for the fall of 2013.

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

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

Conclusion - Response accepted.

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

- II-J-14 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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

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

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

Beginning Balance		\$	329,233
Revenues:			
Sales tax revenues	\$	543,706	
Other local revenues		363	544,069
			<u>873,302</u>
Ependitures/transfer out:			
Equipment	\$	85,957	
Other		120,665	
Transfer to other funds:			
Debt service fund		286,534	493,156
			<u>493,156</u>
Ending Balance		\$	<u>380,146</u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy</u>	<u>Property</u>
	<u>Reduction per \$1,000</u>	<u>Tax</u>
	<u>of Taxable Valuation</u>	<u>Dollars</u>
Debt service levy	\$ 0.21130	\$ 40,000

II-M-14 Financial Condition - We noted during our audit there were seven Student Activity Fund accounts with a total deficit unassigned balance of \$14,447.

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

Response - The District has made changes to how they will run the expenses within the activity account to avoid negative accounts. They are working on a plan to bring the account that are negative to a positive balance but it will take multiple years to have them all positive again.

Conclusion - Response accepted.

II-N-14 Checks Outstanding - We noted during our audit that the District had checks included in the School Nutrition and Student Activity Fund bank reconciliations that have been outstanding for over a year.

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

Response - The District will work to void any checks that should be voided or reissued. If this is not possible, the remaining outstanding amounts will be submitted to the State Treasurer as unclaimed property.

Conclusion - Response accepted.

II-O-14 Drill Team Investigation - In February 2014, parents of drill team members had concerns related to the conduct of the drill team sponsor and the volunteer drill team assistant. As a result, the parents requested to view District documentation of transactions related to drill team activities. After hearing parents' concerns, District officials deemed it necessary to conduct an internal investigation.

In March of 2014, the drill team sponsor was placed on administrative leave. Subsequently, the drill team sponsor and the volunteer assistant no longer have any association with the District. The following describes incidents discovered and illustrates weaknesses in the District's purchase order and cash collection processes that need to be addressed.

The first matter involved the actions of the drill team sponsor with regards to purchase order procedures established by the District. At various times throughout the drill team sponsor's employment with the District, she routinely disregarded the District's purchase order procedures by ordering items before receiving approval from District administration. This practice led to items being purchased with District funds that were questionable whether they were purchased for District use or for use by the drill team sponsor's other drill team(Sioux City Elite).

As mentioned, the drill team sponsor was also associated with Sioux City Elite. Sioux City Elite is a drill team separate of the District's drill team. Concerns were brought to District administration's attention by parents of members of the District's drill team when they saw members of Sioux City Elite's drill team using/wearing items purchased by the District for the District's drill team.

During the course of the investigation, the District examined purchases made by the drill team sponsor. After all items were returned to the District, administration compared the sizes of shoes purchased to sizes of shoes that members of the District's drill team would wear. As a result of this comparison, it was determined that the sizes of the shoes purchased were too small for any of the members of the District's drill team. The cost of the shoes has been included in the table below as a loss absorbed by the District.

Purchases without approval were made for "Phantom" costumes to be used for one of the District's drill team routines. The invoice was made directly to the drill team sponsor and subsequently turned into the District and the District paid the vendor directly. Ultimately, this routine was never performed by the District's drill team and the cost of the costumes has been included in the table below as a loss absorbed by the District.

The following is a summary of items purchased by the drill team sponsor without approval by District administration. The items listed below were subjected to similar procedures to what was performed in the examples mentioned above. The following items listed below are items determined to not be purchased in good faith for District drill team use and are currently in the District's possession. Subsequently, the District has contacted vendors and has returned some items for refunds or sold items to District drill team members as a means to recoup losses. The following table illustrates the gross and net amount of the loss absorbed by the District:

Item	Gross Amount	Returns and items sold	Net Amount
14 pairs of vinyl poms	\$ 123.20	-	123.20
965 buttons	286.19	-	286.19
20 "Phantom" costumes	2,029.56	-	2,029.56
Custom made music CDs	600.00	(300.00)	300.00
Several pairs of dance shoes	410.00	(50.00)	360.00
Non-costume clothing items	135.46	-	135.46
Hoops	690.27	-	690.27
Totals	\$ 4,274.68	(350.00)	3,924.68

Also, it was noted that there were purchases made for jackets, dance shirts and bags that were personalized with the names of the drill team sponsor and drill team assistants. The drill team sponsor turned invoices into District administration for which she received reimbursement. Subsequently, the District and the drill team sponsor and assistants came to an agreement and the District was reimbursed \$258.50 for the personalized items.

The second matter involved the actions of the volunteer drill team assistant with regards to the District's purchase order procedures and cash collection procedures established by the District:

The assistant purchased dance items for the drill team's participation in a summer camp on her personal credit card without District approval rather than following the District's purchase order process. Subsequently, the drill team assistant collected money from drill team members as reimbursement for the items purchased and deposited the money into her personal bank account. Neither the invoices for the items purchased nor receipts for money collected from drill team members were given to District officials until requested as part of the internal investigation into the matter. Subsequently, it was determined that drill team members had overpaid the assistant by \$232.06. The assistant has submitted to the District the amount of overpayment for receipt into the District's drill team account.

Recommendation - The District should review purchase order procedures with all sponsors of student activities to ensure that purchase orders are completed and have proper administrator approval before ordering items. With proper administrator approval of purchase orders, sponsors would have to justify purchases which in turn would lead to the District not spending funds for unneeded items.

In addition, all employees associated with student activity fund transactions should comply with the accounting procedures established by the District. This allows the District to comply with Chapter 291.6 of the Code of Iowa regarding the duties of the District Secretary to "keep an accurate account of all expenses incurred by the corporation, and present the same to the board for audit and payment" pursuant to Chapter 279.29 of the Code of Iowa. This also ensures that proper internal control procedures are in place for compliance and accountability and allows legitimate use of the District's taxpayer identification number and sales tax exemption on purchases made from the student activity fund.

As an additional control, the District should verify with local banks that employees have not established separate checking accounts for fundraising or any other purpose using the District's taxpayer identification number or their own personal taxpayer identification number.

Response - The District will ensure that the purchasing process is followed by all employees including all coaching positions. Proper administrator approval will be received before the purchases of items.

Conclusion - Response accepted.