

LENOX COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Assets and Liabilities	J	27
Notes to Financial Statements		28-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		40
Notes to Required Supplementary Information - Budgetary Reporting		41
Schedule of Funding Progress for the Retiree Health Plan		42
Supplementary Information:	<u>Schedule</u>	
<i>Capital Projects Accounts:</i>		
Combining Balance Sheet	1	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	46-47
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4	48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	49
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		50-51
Schedule of Findings		52-56

Lenox Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Kurtis Christensen	President	2013
Todd Barker	Vice President	2013
Gary Tullberg	Board Member	2015
Kurt Stoaks	Board Member	2015
Brent Wise	Board Member	2013

(After September 2013 Election)

Kurtis Christensen	President	2017
Todd Barker	Vice President	2017
Nicole Hogan	Board Member	2017
Gary Tullberg	Board Member	2015
Kurt Stoaks	Board Member	2015

School Officials

David Henrichs	Superintendent	2014
Paula Horton	Business Manager	2014
Richard Wilson	Attorney	2014

LENOX COMMUNITY SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lenox Community School District, Lenox, Iowa, as of and for the year ended June 30, 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 Lenox 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lenox Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 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 27, 2015 on our consideration of Lenox Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lenox Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lenox Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$4,438,245 in fiscal 2013 to \$4,499,587 in fiscal 2014, while General Fund expenditures increased from \$4,489,669 in fiscal 2013 to \$4,597,107 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$1,450,324 at June 30, 2013 to \$1,352,804 at June 30, 2014, a 6.72% decrease during the year.
- The increase in General Fund revenues was attributable to an increase in tuition revenue in fiscal 2014. The increase in expenditures was due primarily to increases in the regular and other instruction functional areas.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Figure A-1
Lenox Community School District Annual Financial Report

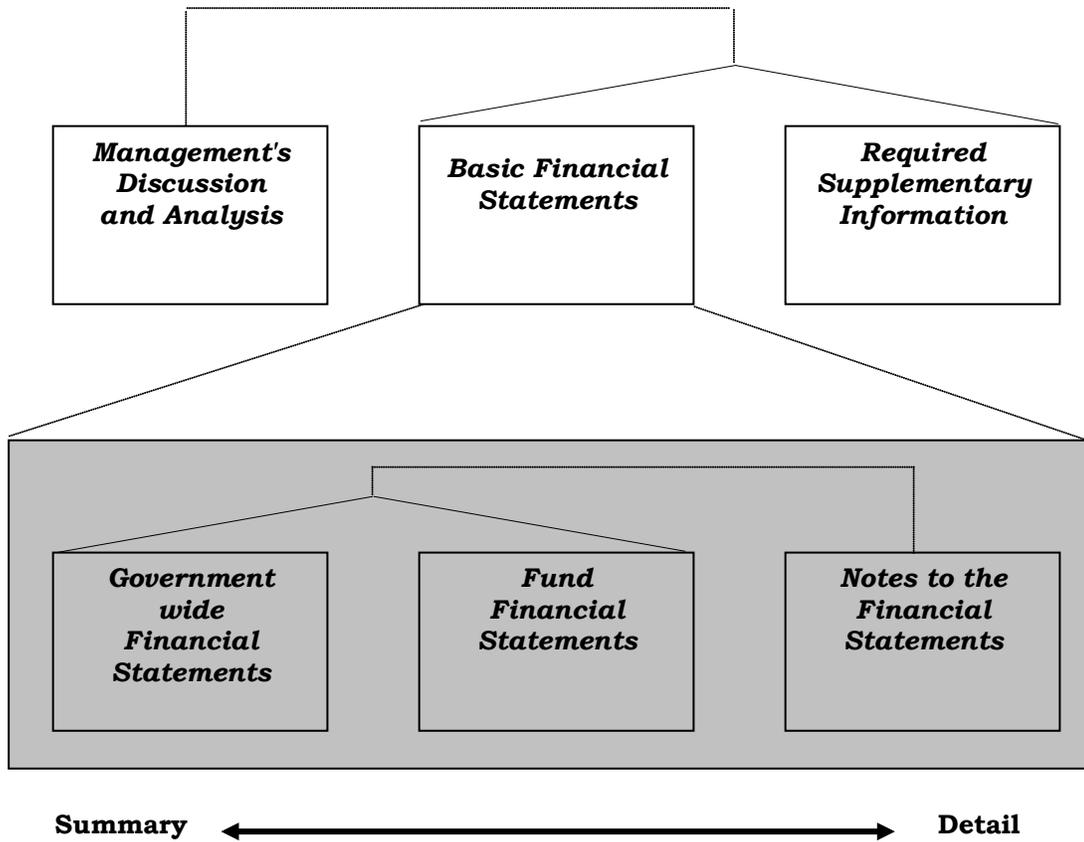


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 service operations	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

Reconciliations between the government-wide financial statements and the 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	\$ 5,252,721	4,831,052	100,841	92,951	5,353,562	4,924,003	8.72%
Capital assets	5,687,773	5,489,221	30,332	26,252	5,718,105	5,515,473	3.67%
Total assets	<u>10,940,494</u>	<u>10,320,273</u>	<u>131,173</u>	<u>119,203</u>	<u>11,071,667</u>	<u>10,439,476</u>	<u>6.06%</u>
Long-term liabilities	2,289,196	2,340,312	-	-	2,289,196	2,340,312	-2.18%
Other liabilities	550,883	904,827	21,077	22,461	571,960	927,288	-38.32%
Total liabilities	<u>2,840,079</u>	<u>3,245,139</u>	<u>21,077</u>	<u>22,461</u>	<u>2,861,156</u>	<u>3,267,600</u>	<u>-12.44%</u>
Deferred inflows of resources	<u>2,056,000</u>	<u>1,711,919</u>	-	-	<u>2,056,000</u>	<u>1,711,919</u>	<u>20.10%</u>
Net position:							
Net investment in capital assets	3,442,773	2,941,571	30,332	26,252	3,473,105	2,967,823	17.03%
Restricted	1,347,350	1,102,183	-	-	1,347,350	1,102,183	22.24%
Unrestricted	1,254,292	1,319,461	79,764	70,490	1,334,056	1,389,951	-4.02%
Total net position	<u>\$ 6,044,415</u>	<u>5,363,215</u>	<u>110,096</u>	<u>96,742</u>	<u>6,154,511</u>	<u>5,459,957</u>	<u>12.72%</u>

The District’s combined net position increased by \$694,554, or 12.72% over the prior year. A large portion of the District’s net position is the invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less of related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased \$245,167, or 22.24% from the prior year. The increase in restricted net position was primarily due to the increase in the Management Levy Fund.

Unrestricted net position - is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$55,895, or 4.02%. The decrease in unrestricted net position was primarily due to the decrease in the fund balance of the General Fund.

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

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for services	\$ 725,597	666,527	102,798	94,388	828,395	760,915	8.87%
Operating grants, contributions and restricted interest	456,112	479,135	187,338	173,260	643,450	652,395	-1.37%
Capital grants, contributions and restricted interest	53,034	306,321	-	-	53,034	306,321	-82.69%
General revenues:							
Property tax	1,711,706	1,632,089	-	-	1,711,706	1,632,089	4.88%
Income surtax	147,884	164,684	-	-	147,884	164,684	-10.20%
Statewide sales, services and use tax	361,543	344,256	-	-	361,543	344,256	5.02%
Unrestricted state grants	2,195,284	2,187,039	-	-	2,195,284	2,187,039	0.38%
Unrestricted investment earnings	8,977	7,208	141	297	9,118	7,505	21.49%
Other	11,940	9,459	-	50	11,940	9,509	25.57%
Total revenues	<u>5,672,077</u>	<u>5,796,718</u>	<u>290,277</u>	<u>267,995</u>	<u>5,962,354</u>	<u>6,064,713</u>	<u>-1.69%</u>
Program expenses:							
Governmental activities:							
Instructional	3,337,498	3,217,804	-	-	3,337,498	3,217,804	3.72%
Support services	1,301,647	1,388,242	27,586	22,459	1,329,233	1,410,701	-5.78%
Non-instructional programs	-	-	249,337	242,427	249,337	242,427	2.85%
Other expenses	351,732	409,915	-	-	351,732	409,915	-14.19%
Total expenses	<u>4,990,877</u>	<u>5,015,961</u>	<u>276,923</u>	<u>264,886</u>	<u>5,267,800</u>	<u>5,280,847</u>	<u>-0.25%</u>
Change in net position	681,200	780,757	13,354	3,109	694,554	783,866	-11.39%
Net position beginning of year	<u>5,363,215</u>	<u>4,582,458</u>	<u>96,742</u>	<u>93,633</u>	<u>5,459,957</u>	<u>4,676,091</u>	<u>16.76%</u>
Net position end of year	<u>\$ 6,044,415</u>	<u>5,363,215</u>	<u>110,096</u>	<u>96,742</u>	<u>6,154,511</u>	<u>5,459,957</u>	<u>12.72%</u>

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 77.86% of the revenue from governmental activities while charges for services and operating grants, contributions and restricted interest account for 99.95% of the revenue from business type activities.

The District's total revenues were approximately \$5.96 million, of which approximately \$5.67 million was for governmental activities and approximately \$0.29 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.69% decrease in revenues and a 0.25% decrease in expenses. Statewide sales, services, and use tax increased approximately \$17,287, to fund the increase in expenses. The increase in expenses was primarily related to the increase in instructional and support services functional areas.

Governmental Activities

Revenues for governmental activities were \$5,672,077 and expenses were \$4,990,877.

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	\$ 3,337,498	3,217,804	3.72%	2,344,196	2,204,691	6.33%
Support services	1,301,647	1,388,242	-6.24%	1,219,449	921,698	32.30%
Other expenses	351,732	409,915	-14.19%	192,489	241,527	-20.30%
Totals	<u>\$ 4,990,877</u>	<u>5,015,961</u>	<u>-0.50%</u>	<u>3,756,134</u>	<u>3,367,916</u>	<u>11.53%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$725,597.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$509,146.
- The net cost of governmental activities was financed with \$1,711,706 in property tax, \$147,884 in income surtax, \$361,543 in statewide sales, services and use tax, \$2,195,284 in unrestricted state grants, \$8,977 in interest income and \$11,940 in other general revenues.

Business Type Activities

Revenues for the District's business type activities during the year ended June 30, 2014 were \$290,277, representing an 8.31% increase over the prior year, while expenses totaled \$276,923, a 4.54% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,531,684, well above last year's ending fund balances of \$2,382,697. The primary reason for the increase in combined fund balances in fiscal year 2014 is the increase in the fund balance of the Management Levy Fund.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$1,450,324 at June 30, 2013 to June 30, 2014 at \$1,352,804. Fiscal year 2014 revenues increased from the prior year, mainly due to increases in tuition revenues and insurance proceeds. Expenditures during fiscal year 2014 increased from the prior year, with the biggest increases in the regular and other instruction functions. This increase in revenues and expenditures resulted in a 6.72% in fund balance decrease during the year.
- The Management Levy Fund balance increased from \$409,615 to \$580,168 during the year. This was primarily due to increased property tax revenues received during the year.
- The Capital Projects accounts balance increased from \$483,900 at June 30, 2013 to \$552,902 at June 30, 2014. Despite receiving less revenue than in the prior year, this was offset with a decrease in capital outlay expenditures resulting in a 14.26% increase in fund balance during the year.
- The Debt Service Fund balance decreased from \$5,700 to \$4,384 during the year, a decrease of 23.09%. Expenditures decreased from \$2,777,950 in fiscal 2013 to \$351,404 in fiscal 2014 as a result of the District paying off the outstanding balance of \$2,550,000 of the refunded general obligation bonds dated July 1, 2003 during the prior year.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$96,742 at June 30, 2013 to \$110,096 at June 30, 2014, representing an increase of 13.80%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$192,009 more than budgeted revenues, a variance of 3.33%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5,718,105, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$253,558.

The original cost of the District's capital assets was \$8,154,605. Governmental funds account for \$8,068,874 with the remainder of \$85,731 in the Proprietary, School Nutrition Fund. The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,028,273 at June 30, 2013, compared to \$0 reported at June 30, 2014. This decrease resulted from the completion of construction of a FEMA safe room.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 50,521	50,521	-	-	50,521	50,521	0.00%
Construction in progress	-	1,028,273	-	-	-	1,028,273	-100.00%
Land improvements	218,454	16,814	-	-	218,454	16,814	1199.24%
Buildings	5,145,854	4,123,002	-	-	5,145,854	4,123,002	24.81%
Machinery and equipment	272,944	270,611	30,332	26,252	303,276	296,863	2.16%
Total	\$ 5,687,773	5,489,221	30,332	26,252	5,718,105	5,515,473	3.67%

Long-Term Debt

At June 30, 2014, the District had \$2,289,196 in general obligation and other long-term debt outstanding. This represents a decrease of 12.52% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had an outstanding balance of \$2,245,000 in general obligation bonds at June 30, 2014.

The District had a net OPEB liability of \$44,196 at June 30, 2014

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2014	2013	2013-14
General obligation bonds	\$ 2,245,000	2,470,000	-9.11%
Bus lease	-	77,650	-100.00%
Termination benefits	-	31,096	-100.00%
Net OPEB liability	44,196	38,000	16.31%
Totals	\$ 2,289,196	2,616,746	-12.52%

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:

- Certified enrollment and property valuations within the District have increased as a result of the recent dissolution of the Clearfield Community School District.
- The rising costs of health care coverage and the associated fees and penalties with the Affordable Health Care Act will increase the Lenox Community School District's employer benefit costs during fiscal 2016.
- Negotiated wage increases for District staff will increase the Lenox Community School District's payroll costs.

-
- The unemployment rate in Taylor County decreased from 4.1% in 2013 to 3.8% in 2014.
 - The total population in Taylor County decreased 1.7% from 2010-12. However, the population in Lenox increased over 10% during the same time period. Residents of Lenox make up 22.5% of the total population in Taylor County. 39.4% of all taxable sales in Taylor County occur within Lenox. This is due in part to the fact that Lenox has some of the larger employers within the county. These businesses are financially strong, continue to grow, and employ a majority of the community's workforce. 30% of Lenox workers work in Lenox and 45% of Lenox workers work in Taylor County. Some of the larger employers include: Cox Manufacturing, Michael Foods, Precision Pulley & Idler, and the Lenox Community School District.
 - However, it should be noted that if one or more of the major employers located within the district should cut back or eliminate operations; the district's financial health would be significantly affected in a negative way.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,612,591	91,594	2,704,185
Receivables:			
Property tax:			
Delinquent	19,191	-	19,191
Succeeding year	2,056,000	-	2,056,000
Income surtax	111,178	-	111,178
Accounts	52,529	280	52,809
Due from other governments	401,232	-	401,232
Inventories	-	8,967	8,967
Capital assets, net of accumulated depreciation	5,687,773	30,332	5,718,105
Total assets	10,940,494	131,173	11,071,667
Liabilities			
Accounts payable	85,652	288	85,940
Salaries and benefits payable	461,919	18,582	480,501
Interest payable	3,312	-	3,312
Unearned revenue	-	2,207	2,207
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	225,000	-	225,000
Portion due after one year:			
General obligation bonds payable	2,020,000	-	2,020,000
Net OPEB liability	44,196	-	44,196
Total liabilities	2,840,079	21,077	2,861,156
Deferred Inflows of Resources			
Unavailable property tax revenue	2,056,000	-	2,056,000
Net Position			
Net investment in capital assets	3,442,773	30,332	3,473,105
Restricted for:			
Categorical funding	171,782	-	171,782
Management levy purposes	580,168	-	580,168
School infrastructure	412,703	-	412,703
Physical plant and equipment	140,199	-	140,199
Debt service	1,072	-	1,072
Student activities	41,426	-	41,426
Unrestricted	1,254,292	79,764	1,334,056
Total net position	\$ 6,044,415	110,096	6,154,511

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities		Business Type Activities
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 2,123,683	458,376	29,020	-	(1,636,287)	-	(1,636,287)
Special	455,213	159,414	22,041	-	(273,758)	-	(273,758)
Other	758,602	105,746	218,705	-	(434,151)	-	(434,151)
	3,337,498	723,536	269,766	-	(2,344,196)	-	(2,344,196)
Support services:							
Student	100,538	2,000	-	-	(98,538)	-	(98,538)
Instructional	167,411	-	8,336	-	(159,075)	-	(159,075)
Administration	505,637	-	18,767	-	(486,870)	-	(486,870)
Operation and maintenance of plant	314,079	-	-	53,034	(261,045)	-	(261,045)
Transportation	213,982	61	-	-	(213,921)	-	(213,921)
	1,301,647	2,061	27,103	53,034	(1,219,449)	-	(1,219,449)
Long-term debt interest	46,392	-	-	-	(46,392)	-	(46,392)
Other expenses:							
AEA flowthrough	159,243	-	159,243	-	-	-	-
Depreciation(unallocated)*	146,097	-	-	-	(146,097)	-	(146,097)
	305,340	-	159,243	-	(146,097)	-	(146,097)
Total governmental activities	4,990,877	725,597	456,112	53,034	(3,756,134)	-	(3,756,134)
Business type activities:							
Support services:							
Administration	27,586	-	-	-	-	(27,586)	(27,586)
Non-instructional programs:							
Food service operations	249,337	102,798	187,338	-	-	40,799	40,799
Total business type activities	276,923	102,798	187,338	-	-	13,213	13,213
Total	\$ 5,267,800	828,395	643,450	53,034	(3,756,134)	13,213	(3,742,921)
General Revenues:							
Local tax levied for:							
General purposes				\$ 1,294,633	-		1,294,633
Capital outlay				150,308	-		150,308
Debt service				266,765	-		266,765
Income surtax				147,884	-		147,884
Statewide sales, services and use tax				361,543	-		361,543
Unrestricted state grants				2,195,284	-		2,195,284
Unrestricted investment earnings				8,977	141		9,118
Other				11,940	-		11,940
Total general revenues				4,437,334	141		4,437,475
Changes in net position				681,200	13,354		694,554
Net position beginning of year				5,363,215	96,742		5,459,957
Net position end of year				\$ 6,044,415	110,096		6,154,511

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activity	Total
Assets						
Cash and pooled investments	\$ 1,628,415	577,154	355,300	1,405	44,029	2,606,303
Receivables:						
Property tax:						
Delinquent	11,520	3,014	1,678	2,979	-	19,191
Succeeding year	1,209,950	310,000	189,805	346,245	-	2,056,000
Income surtax	92,648	-	18,530	-	-	111,178
Accounts	51,698	-	-	-	831	52,529
Due from other governments	204,015	-	197,217	-	-	401,232
Total assets	\$ 3,198,246	890,168	762,530	350,629	44,860	5,246,433
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 80,925	-	1,293	-	3,434	85,652
Salaries and benefits payable	461,919	-	-	-	-	461,919
Total liabilities	542,844	-	1,293	-	3,434	547,571
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	1,209,950	310,000	189,805	346,245	-	2,056,000
Income surtax	92,648	-	18,530	-	-	111,178
Total deferred inflows of resources	1,302,598	310,000	208,335	346,245	-	2,167,178
Fund balances:						
Restricted for:						
Categorical funding	171,782	-	-	-	-	171,782
Management levy purposes	-	580,168	-	-	-	580,168
School infrastructure	-	-	412,703	-	-	412,703
Physical plant and equipment	-	-	140,199	-	-	140,199
Debt service	-	-	-	4,384	-	4,384
Student activities	-	-	-	-	41,426	41,426
Unassigned	1,181,022	-	-	-	-	1,181,022
Total fund balances	1,352,804	580,168	552,902	4,384	41,426	2,531,684
Total liabilities, deferred inflows of resources and fund balances	\$ 3,198,246	890,168	762,530	350,629	44,860	5,246,433

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$ 2,531,684
<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.	5,687,773
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	111,178
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	6,288
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,312)
Long-term liabilities, including general obligation bonds payable, termination benefits payable and other postemployment benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,289,196)</u>
Net position of governmental activities(page 18)	<u><u>\$ 6,044,415</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Management Levy	Capital Projects	Debt Service	Nonmajor: Student Activities	Total
Revenues:						
Local sources:						
Local tax	\$ 1,142,964	268,371	173,654	266,765	-	1,851,754
Tuition	532,385	-	-	-	-	532,385
Other	104,174	5,248	736	177	105,391	215,726
State sources	2,487,667	120	361,610	119	-	2,849,516
Federal sources	161,826	-	53,034	-	-	214,860
Total revenues	4,429,016	273,739	589,034	267,061	105,391	5,664,241
Expenditures:						
Current:						
Instruction:						
Regular	2,074,901	56,397	1,750	-	-	2,133,048
Special	447,488	-	-	-	-	447,488
Other	673,350	-	-	-	97,123	770,473
	3,195,739	56,397	1,750	-	97,123	3,351,009
Support services:						
Student	99,994	-	-	-	-	99,994
Instructional	154,241	-	-	-	-	154,241
Administration	502,002	4,998	-	-	-	507,000
Operation and maintenance of plant	355,174	26,926	-	-	-	382,100
Transportation	130,714	14,865	80,149	-	-	225,728
	1,242,125	46,789	80,149	-	-	1,369,063
Capital outlay	-	-	355,106	-	-	355,106
Long-term debt:						
Principal	-	-	-	302,650	-	302,650
Interest and fiscal charges	-	-	-	48,754	-	48,754
	-	-	-	351,404	-	351,404
Other expenditures:						
AEA flowthrough	159,243	-	-	-	-	159,243
Total expenditures	4,597,107	103,186	437,005	351,404	97,123	5,585,825
Excess(Deficiency) of revenues over(under) expenditures	(168,091)	170,553	152,029	(84,343)	8,268	78,416
Other financing sources(uses):						
Transfer in	-	-	-	83,027	-	83,027
Transfer out	-	-	(83,027)	-	-	(83,027)
Insurance proceeds	70,221	-	-	-	-	70,221
Sale of equipment	350	-	-	-	-	350
Total other financing sources(uses):	70,571	-	(83,027)	83,027	-	70,571
Change in fund balances	(97,520)	170,553	69,002	(1,316)	8,268	148,987
Fund balances beginning of year	1,450,324	409,615	483,900	5,700	33,158	2,382,697
Fund balances end of year	\$ 1,352,804	580,168	552,902	4,384	41,426	2,531,684

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds(page 22) \$ 148,987

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

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

Capital outlay expenditures	\$ 447,217	
Depreciation expense	<u>(248,665)</u>	198,552

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 7,836

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. 302,650

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 2,362

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (4,087)

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

Termination benefits	31,096	
Other postemployment benefits	<u>(6,196)</u>	<u>24,900</u>

Change in net position of governmental activities(page 19) \$ 681,200

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Business Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service
Assets		
Current assets:		
Cash and pooled investments	\$ 91,594	6,288
Accounts receivable	280	-
Inventories	8,967	-
Total current assets	100,841	6,288
Noncurrent assets:		
Capital assets, net of accumulated depreciation	30,332	-
Total assets	131,173	6,288
Liabilities		
Current liabilities:		
Accounts payable	288	-
Salaries and benefits payable	18,582	-
Unearned revenue	2,207	-
Total liabilities	21,077	-
Net Position		
Net investment in capital assets	30,332	-
Unrestricted	79,764	6,288
Total net position	\$ 110,096	6,288

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Business Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenue:		
Local sources:		
Charges for services	\$ 102,798	29,334
Operating expenses:		
Current:		
Instruction:		
Benefits	-	33,429
Support services:		
Administration:		
Salaries	22,402	-
Benefits	5,184	-
	27,586	-
Non-instructional programs:		
Food service operations:		
Salaries	71,114	-
Benefits	14,466	-
Services	2,009	-
Supplies	156,855	-
Depreciation	4,893	-
	249,337	-
Total operating expenses	276,923	33,429
Operating loss	(174,125)	(4,095)
Non-operating revenues:		
State sources	2,653	-
Federal sources	184,685	-
Interest income	141	8
Total non-operating revenues	187,479	8
Change in net position	13,354	(4,087)
Net position beginning of year	96,742	10,375
Net position end of year	\$ 110,096	6,288

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Business Type	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 102,793	-
Cash received from miscellaneous sources	-	29,334
Cash payments to employees for services	(114,018)	(33,429)
Cash payments to suppliers for goods or services	(138,379)	-
Net cash used in operating activities	(149,604)	(4,095)
 Cash flows from non-capital financing activities:		
State grants received	2,653	-
Federal grants received	163,349	-
Net cash provided by non-capital financing activities	166,002	-
 Cash flows from investing financing activities:		
Interest on investments	141	8
 Cash flows from capital financing activities		
Purchase of assets	(8,973)	-
Net increase(decrease) in cash and cash equivalents	7,566	(4,087)
Cash and cash equivalents beginning of year	84,028	10,375
Cash and cash equivalents end of year	\$ 91,594	6,288
 Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating loss	\$ (174,125)	(4,095)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	21,336	-
Depreciation	4,893	-
Increase in inventories	(274)	-
Increase in accounts receivable	(50)	-
Decrease in accounts payable	(577)	-
Decrease in salaries and benefits payable	(852)	-
Increase in unearned revenue	45	-
Net cash provided by(used in) operating activities	\$ (149,604)	(4,095)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$21,336 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>
Assets	
Cash and pooled investments	\$ <u>103</u>
Liabilities	
Due to other groups	\$ <u>103</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LENOX COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation 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 that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following non-major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred 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 on the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgeting and Budgetary Control

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

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 \$1 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 Standard and Poor's Financial Services.

Note 3. 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	\$ 50,521	-	-	50,521
Construction in progress	1,028,273	101,126	1,129,399	-
Total capital assets not being depreciated	<u>1,078,794</u>	<u>101,126</u>	<u>1,129,399</u>	<u>50,521</u>
Capital assets being depreciated:				
Buildings	5,570,588	1,158,287	-	6,728,875
Land improvements	22,418	213,433	-	235,851
Machinery and equipment	986,362	103,770	36,505	1,053,627
Total capital assets being depreciated	<u>6,579,368</u>	<u>1,475,490</u>	<u>36,505</u>	<u>8,018,353</u>
Less accumulated depreciation for:				
Buildings	1,447,586	135,435	-	1,583,021
Land improvements	5,604	11,793	-	17,397
Machinery and equipment	715,751	101,437	36,505	780,683
Total accumulated depreciation	<u>2,168,941</u>	<u>248,665</u>	<u>36,505</u>	<u>2,381,101</u>
Total capital assets being depreciated, net	<u>4,410,427</u>	<u>1,226,825</u>	<u>-</u>	<u>5,637,252</u>
Governmental activities capital assets, net	<u>\$ 5,489,221</u>	<u>1,327,951</u>	<u>1,129,399</u>	<u>5,687,773</u>
Business type activities:				
Machinery and equipment	\$ 81,118	8,973	4,360	85,731
Less accumulated depreciation	54,866	4,893	4,360	55,399
Business type activities capital assets, net	<u>\$ 26,252</u>	<u>4,080</u>	<u>-</u>	<u>30,332</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 13,601
Special	5,784
Support services:	
Instructional staff	12,749
Administration	1,139
Operation and maintenance of plant	1,080
Transportation	68,215
	<u>102,568</u>
Unallocated depreciation	<u>146,097</u>
Total governmental activities depreciation expense	<u>\$ 248,665</u>
Business type activities:	
Food service operations	<u>\$ 4,893</u>

Note 4. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,470,000	-	225,000	2,245,000	225,000
Bus lease	77,650	-	77,650	-	-
Termination benefits	31,096	-	31,096	-	-
Net OPEB liability	38,000	6,196	-	44,196	-
Total	\$ 2,616,746	6,196	333,746	2,289,196	225,000

General Obligation Bonds Payable

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

Year Ending June 30,	Bond Issue of December 8, 2011			
	Interest Rates	Principal	Interest	Total
2015	0.80	% \$ 225,000	39,745	264,745
2016	1.05	230,000	37,945	267,945
2017	1.30	235,000	35,530	270,530
2018	1.55	245,000	32,475	277,475
2019	1.80	250,000	28,678	278,678
2020-2023	2.00-2.55	1,060,000	63,625	1,123,625
Total		\$ 2,245,000	237,998	2,482,998

Note 5. Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 83,027

A transfer of \$83,027 from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the final principal and interest payment on the District's bus lease.

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% 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 \$252,063, \$241,972, and \$211,918, respectively, equal to the required contributions for each year.

Note 7. Other Postemployment Benefits (OPEB)

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

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

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

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

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

Annual required contribution	\$ 27,000
Interest on net OPEB obligation	1,710
Adjustment to annual required contribution	(1,514)
Annual OPEB cost	<u>27,196</u>
Contributions made	<u>(21,000)</u>
Increase in net OPEB obligation	6,196
Net OPEB obligation beginning of year	<u>38,000</u>
Net OPEB obligation end of year	<u><u>\$ 44,196</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$21,000 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	23,130	43.23%	40,197
2013	26,803	108.20%	38,000
2014	27,196	77.22%	44,196

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 \$251,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$251,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,895,131 and the ratio of the UAAL to covered payroll was 13.24%. 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. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual health care cost trend rate is 10.00% for the year ended June 30, 2014 grading down by 0.5% each year until an ultimate health care cost trend rate is reached in 2023 of 5.00%.

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

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

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$159,243 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
Home School Assitance Program	\$ 6,960
Gifted and Talented Programs	14,365
Returning Dropouts and Dropout Prevention Programs	56,669
Beginning Teacher Mentoring and Induction Program	420
Teacher Salary Supplement	14,284
Four-year-old Preschool State Aid	34,350
Successful Progression for Early Readers	12,299
Professional Development for Model Core Curriculum	30,186
Professional Development	1,542
Teacher Leadership Grants	707
Total	<u>\$ 171,782</u>

Note 11. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Restricted Balances</u>
Fund Balance (Exhibit C)	\$ -	4,384	1,181,022
Capital assets, net of accumulated depreciation	5,687,773	-	-
General obligation bond capitalized indebtedness	(2,245,000)	-	-
Accrued interest payable	-	(3,312)	-
Internal service fund balance	-	-	6,288
Net OPEB liability	-	-	(44,196)
Income surtax	-	-	111,178
Net position(Exhibit A)	<u>\$ 3,442,773</u>	<u>1,072</u>	<u>1,254,292</u>

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 disclosure 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.

LENOX COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,599,865	102,939	2,702,804	2,773,242	2,773,242	(70,438)
State sources	2,849,516	2,653	2,852,169	2,639,267	2,639,267	212,902
Federal sources	214,860	184,685	399,545	350,000	350,000	49,545
Total revenues	5,664,241	290,277	5,954,518	5,762,509	5,762,509	192,009
Expenditures/Expenses:						
Instruction	3,351,009	-	3,351,009	4,300,000	4,300,000	948,991
Support services	1,369,063	27,586	1,396,649	1,835,000	1,835,000	438,351
Non-instructional programs	-	249,337	249,337	425,000	425,000	175,663
Other expenditures	865,753	-	865,753	1,037,674	1,037,674	171,921
Total expenditures/expenses	5,585,825	276,923	5,862,748	7,597,674	7,597,674	1,734,926
Excess(Deficiency) of revenues over(under) expenditures/expenses	78,416	13,354	91,770	(1,835,165)	(1,835,165)	1,926,935
Other financing sources, net	70,571	-	70,571	5,000	5,000	65,571
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	148,987	13,354	162,341	(1,830,165)	(1,830,165)	1,992,506
Balances beginning of year	2,382,697	96,742	2,479,439	1,529,158	1,529,158	950,281
Balances end of year	\$ 2,531,684	110,096	2,641,780	(301,007)	(301,007)	2,942,787

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LENOX 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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 199,000	199,000	0.00%	\$ 1,645,298	12.10%
2011	July 1, 2009	-	199,000	199,000	0.00%	1,480,335	13.44%
2012	July 1, 2009	-	199,000	199,000	0.00%	1,543,078	12.90%
2013	July 1, 2012	-	251,000	251,000	0.00%	1,804,383	13.91%
2014	July 1, 2012	-	251,000	251,000	0.00%	1,895,131	13.24%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 216,779	138,521	355,300
Receivables:			
Property tax:			
Delinquent	-	1,678	1,678
Succeeding year	-	189,805	189,805
Income surtax	-	18,530	18,530
Due from other governments	197,217	-	197,217
Total assets	\$ 413,996	348,534	762,530
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,293	-	1,293
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	189,805	189,805
Income surtax	-	18,530	18,530
Total deferred inflows of resources	-	208,335	208,335
Fund balances:			
Restricted for:			
School infrastructure	412,703	-	412,703
Physical plant and equipment	-	140,199	140,199
Total fund balances	412,703	140,199	552,902
Total liabilities, deferred inflows of resources and fund balances	\$ 413,996	348,534	762,530

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	173,654	173,654
Other	338	398	736
State sources	361,543	67	361,610
Federal sources	53,034	-	53,034
Total revenues	<u>414,915</u>	<u>174,119</u>	<u>589,034</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,750	-	1,750
Support services:			
Transportation	-	80,149	80,149
Capital outlay	222,106	133,000	355,106
Total expenditures	<u>223,856</u>	<u>213,149</u>	<u>437,005</u>
Excess(Deficiency) of revenues over(under) expenditures	191,059	(39,030)	152,029
Other financing use:			
Transfer out	-	(83,027)	(83,027)
Change in fund balances	191,059	(122,057)	69,002
Fund balances beginning of year	<u>221,644</u>	<u>262,256</u>	<u>483,900</u>
Fund balances end of year	<u>\$ 412,703</u>	<u>140,199</u>	<u>552,902</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Athletics:					
General athletics	\$ -	6,566	1,507	(5,059)	-
Football	832	10,030	7,134	(139)	3,589
Volleyball	564	7,357	6,288	12	1,645
Cross Country	-	935	845	(55)	35
Boys Basketball	39	3,191	2,365	-	865
Girls Basketball	-	3,387	2,643	-	744
Wrestling	-	3,232	3,710	478	-
Girls Track	-	-	1,769	1,769	-
Boys Track	-	80	1,369	1,289	-
Golf	-	-	821	821	-
HS Baseball	-	3,240	3,457	217	-
JH Baseball	-	208	-	-	208
HS Softball	-	2,754	3,343	589	-
JH Softball	-	207	156	-	51
Bowling	381	65	786	340	-
	<u>1,816</u>	<u>41,252</u>	<u>36,193</u>	<u>262</u>	<u>7,137</u>
Band/Vocal:					
HS Music	7,427	4,883	4,663	40	7,687
Uniform Fees	1,757	228	200	-	1,785
Music Supplies	14	813	655	(40)	132
	<u>9,198</u>	<u>5,924</u>	<u>5,518</u>	<u>-</u>	<u>9,604</u>
Clubs/Organizations:					
Peer Helpers	750	4	290	-	464
Football Cheerleaders	-	2,288	1,417	-	871
Basketball Cheerleaders	714	167	116	-	765
Wrestling Cheerleaders	-	879	(304)	-	1,183
Student Council	1,782	858	1,627	(92)	921
National Honor Society	-	-	178	178	-
Annual Staff	6,833	5,083	5,066	(534)	6,316
Drama Club	-	1,164	2,323	1,159	-
Explorer's	31	-	-	-	31
FFA	-	1,828	1,990	162	-
FCCLA	2,318	6,845	6,734	-	2,429
	<u>12,428</u>	<u>19,116</u>	<u>19,437</u>	<u>873</u>	<u>12,980</u>
Class Accounts:					
Class of 2013	315	-	-	(315)	-
Class of 2014	4,472	7,236	10,880	(828)	-
Class of 2015	534	29,779	23,606	90	6,797
Class of 2016	109	317	53	35	408
Class of 2017	79	150	80	(20)	129
Class of 2018	44	68	33	10	89
Class of 2019	-	29	21	-	8
	<u>5,553</u>	<u>37,579</u>	<u>34,673</u>	<u>(1,028)</u>	<u>7,431</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

Schedule 3

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Elementary Activities:					
Memory Book	1,578	1,185	1,199	-	1,564
Student Council	954	-	-	-	954
Activities	119	-	-	-	119
Music	1,298	222	28	-	1,492
	<u>3,949</u>	<u>1,407</u>	<u>1,227</u>	<u>-</u>	<u>4,129</u>
Miscellaneous:					
Misc school-wide	69	-	-	(69)	-
Interest	-	113	-	(113)	-
JH Stand	-	-	75	75	-
Immunizations	145	-	-	-	145
	<u>214</u>	<u>113</u>	<u>75</u>	<u>(107)</u>	<u>145</u>
Total	<u>\$ 33,158</u>	<u>105,391</u>	<u>97,123</u>	<u>-</u>	<u>41,426</u>

LENOX COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
 AGENCY FUND
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 89	8,290	8,276	103
Liabilities				
Due to other groups	\$ 89	8,290	8,276	103

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,851,754	2,254,303	2,114,464	2,030,721	1,868,655	1,808,919	1,686,714	1,662,237	1,511,553	1,366,507
Tuition	532,385	486,195	453,729	413,349	396,671	413,829	280,851	232,997	266,652	281,335
Other	215,726	204,643	234,025	219,815	179,006	214,314	195,874	181,662	179,838	174,022
State sources	2,849,516	2,512,601	2,411,872	2,211,580	1,898,824	2,081,653	1,935,997	1,791,182	1,480,172	1,578,991
Federal sources	214,860	452,249	506,260	263,906	427,481	251,920	186,369	203,138	234,946	349,950
Total	\$ 5,664,241	5,909,991	5,720,350	5,139,371	4,770,637	4,770,635	4,285,805	4,071,216	3,673,161	3,750,805
Expenditures:										
Instruction:										
Regular	\$ 2,133,048	1,938,212	1,836,834	1,657,073	1,547,437	1,548,294	1,416,919	1,350,985	1,391,226	1,366,276
Special	447,488	508,032	544,130	567,189	602,155	607,413	540,657	512,822	518,138	783,153
Other	770,473	742,725	683,728	674,797	667,017	618,859	607,099	585,730	563,521	265,014
Support services:										
Student	99,994	92,511	89,896	87,895	84,340	78,757	74,729	19,286	15,072	19,190
Instructional	154,241	162,984	136,323	125,208	169,903	237,112	122,746	91,206	92,947	45,215
Administration	507,000	498,144	488,641	438,151	439,463	424,755	397,302	372,026	350,216	318,370
Operation and maintenance of plant	382,100	405,041	391,577	369,663	345,991	314,591	309,951	279,666	253,494	267,729
Transportation	225,728	233,138	256,545	204,009	114,696	109,200	133,060	157,560	94,760	85,670
Non-instructional programs:										
Food service operations	-	-	-	-	-	-	-	-	-	81,063
Capital outlay	355,106	719,114	362,894	118,647	302,373	26,140	54,388	176,067	277,080	3,358,309
Long-term debt:										
Principal	302,650	2,640,000	265,000	255,000	250,000	235,000	225,000	220,000	140,000	100,000
Interest and fiscal charges	48,754	137,950	126,271	113,007	120,262	129,862	139,748	149,313	154,835	142,670
Other expenditures:										
AEA flow-through	159,243	154,981	145,017	159,796	148,880	131,964	115,808	112,369	105,645	106,450
Total	\$ 5,585,825	8,232,832	5,326,856	4,770,435	4,792,517	4,461,947	4,137,407	4,027,030	3,956,934	6,939,109

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lenox Community School District as of and for the year ended June 30, 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 27, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Lenox Community School District's Responses to Findings

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

Purpose of this Report

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2015
Newton, Iowa

LENOX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

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

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

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

Conclusion - Response accepted.

I-B-14 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process, however we noted instances of purchases being made without approved purchase orders.

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

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

Conclusion - Response accepted.

I-C-14 Supporting Documentation - We noted during our audit that the District reimbursed an employee for purchases of courtesy gifts, however, this purchase and subsequent reimbursement was not supported by a receipt or invoice. Additionally, the courtesy gifts purchased do not appear to meet public purpose per the Attorney General’s opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place to ensure that all bills are allowable and are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice. Also, the District should adopt procedures to “cancel” invoices so that they cannot be used more than once.

Response - The District will discontinue the payment of courtesy gifts with public funds, and ensure bills are allowable and are supported, approved, and paid from an invoice.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted in any of the functional areas.

II-B-14 Questionable Disbursements - We noted during our audit that the District purchased a gift card for a board member who was in the hospital, as well as other courtesy gifts for staff during the year. Giving courtesy gifts to staff does not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - The District will discontinue the payment of courtesy gifts with public funds.

Conclusion - Response accepted.

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 were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Todd Barker, Board Member Part owner of Barker Implement Daughter, Katie Barker	Supplies and Services Officiating	\$327
Kurt Stoaks, Board Member Coach Spouse, Mandy Stoaks Son, Todd Stoaks Daughter, Tyra Stoaks	Coaching Coaching and AD Assistant Officiating Ticket Taker	\$2,431 \$11,148 \$60 \$90
Gary Tullberg, Board Member Daughter, Regan Tullberg	Ticket Taker	\$18

David Henrichs, Superintendent Daughter, Kara Henrichs	Ticket Taker	\$72
Mike Still, Principal Daughter, Teya Still	Officiating	\$110
Jennifer Miller, Nurse Mother, Kathy Brown owner of Tiger Den	Meals & Supplies	\$111
Joyce Sweeney, Secretary Spouse, owner of Sweeney Repair	Repairs	\$1,756
Allen Dukes, Teacher Brother, Leroy Dukes Brother, Matt Dukes	Officiating Officiating	\$610 \$100
Sara Dukes, Teacher Daughter, Katie Dukes	Officiating	\$110
Diane Lange, Teacher Spouse, Jeff Lange owner of Lange Construction	Services	\$925
Karl & Candace Peterson, Teachers Son, Mason Peterson	Officiating	\$60
Mitch Sorensen, Teacher Part owner of S&S Sound	DJ Services	\$375
Joy Coeman, Aide Daughter, Erika Coleman	Committee Member	\$190
Dawn McClain, Aide Daughter, Cassandra McClain Daughter, Lacey McClain	Ticket Taker Ticket Taker	\$90 \$72
Dulce Pantoja, Aide Sister, Irene Pantoja	Translator	\$36
Darrell Brown, Substitute Bus Driver Owner of Countyline Service and Repairs	Bus Repairs	\$10,612
Tom Christensen, Coach Owner of Christensen Sanitation Brother, Gary Christensen Brother, Jim Christensen	Garbage Disposal Officiating Officiating	\$3,349 \$230 \$380
Lynn Christensen, Coach Daughter, Tara Malausky Brother, Gary Christensen Brother, Jim Christensen	Committee Member Officiating Officiating	\$488 \$230 \$380

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

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

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

- 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 ensure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 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 use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	221,644
Revenues:			
Sales tax revenues	\$	354,472	
Other local revenues		338	
State revenues		7,071	
Federal revenues		53,034	
			<u>414,915</u>
			636,559
Expenditures:			
School infrastructure construction		193,696	
Equipment		1,750	
Other expenditures		28,410	
			<u>223,856</u>
Ending Balance		\$	<u><u>412,703</u></u>

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

- II-M-14 Checks Outstanding - We noted during our audit that the District had checks included in the District's bank reconciliation which have been outstanding for over a year. Chapter 556.1(10) and 556.11 of the Code of Iowa, require District's to report unclaimed property to the State Treasurer annually before November 1st.

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 review its procedures involving outstanding checks. In doing so, the District will determine if the check needs to be voided, reissued, or submitted to the State Treasurer as unclaimed property.

Conclusion - Response accepted.