

LONE TREE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

LONE TREE COMMUNITY SCHOOL DISTRICT  
Table of Contents  
June 30, 2014

		<u>Page</u>
<b>Officials</b>		1
<b>Independent Auditor's Report</b>		2-4
<b>Management's Discussion and Analysis</b>		5-14
<b>Basic Financial Statements</b>	<u>Exhibit</u>	
Government-wide Financial Statements		
Statement of Net Position	A	16
Statement of Activities	B	17-18
Governmental Fund Financial Statements		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
<b>Notes to Financial Statements</b>		29-42
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Enterprise Funds		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46

LONE TREE COMMUNITY SCHOOL DISTRICT

Table of Contents

June 30, 2014

<b>Supplementary Information</b>	<u>Schedule</u>	<u>Page</u>
Nonmajor Special Revenue Funds		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Nonmajor Enterprise Funds		
Combining Statement of Net Position	3	50
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	4	51
Combining Statement of Cash Flows	5	52
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	53-54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	55
 <b>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></b>		56-57
 <b>Schedule of Findings</b>		58-60
 <b>Audit Staff</b>		61

LONE TREE COMMUNITY SCHOOL DISTRICT  
 Officials  
 June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Joel Yedlik	Board President	2015
Sheila Burr	Board Member	2015
Mike Waldschmidt	Board Member	2015
Christina Magruder	Board Member	2017
James Loan	Board Member	2017
<b>(After September 2013 Election)</b>		
Joel Yedlik	Board President	2015
Sheila Burr	Board Member	2015
Mike Waldschmidt	Board Member	2015
Christina Magruder	Board Member	2017
James Loan	Board Member	2017
<b>School Officials</b>		
Michael Reeves	Superintendent	2014
Kelli D. Forbes	District Secretary/Treasurer	Indefinite
Brian Gruhn	Attorney	Indefinite

# Kay L. Chapman, CPA PC

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Muscatine, Iowa 52761  
563-264-1385  
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## Independent Auditor's Report

To the Board of Education  
Lone Tree Community School District:

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lone Tree Community School District, Lone Tree, Iowa, 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 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my 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 Lone Tree Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lone Tree Community School District's basic financial statements. I 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 7, 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 my 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, I have also issued my report dated February 26, 2015 on my consideration of Lone Tree Community School District's internal control over financial reporting and on my 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 my 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 Lone Tree Community School District's internal control over financial reporting and compliance.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 26, 2015

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

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Lone Tree 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 \$4,435,050 in fiscal 2013 to \$4,719,717 in fiscal 2014, and General Fund expenditures increased from \$4,349,629 in fiscal 2013 to \$4,697,705 in fiscal 2014. The District's General Fund balance increased from \$1,015,659 in fiscal 2013 to \$1,037,671 in fiscal 2014, a 3% increase.
- The increase in General Fund revenues was mostly attributable to an increase in tuition and contributions from private sources in 2014.

### **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 Lone Tree 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 Lone Tree 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 Lone Tree Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to 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 non-major governmental funds and enterprise funds.

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

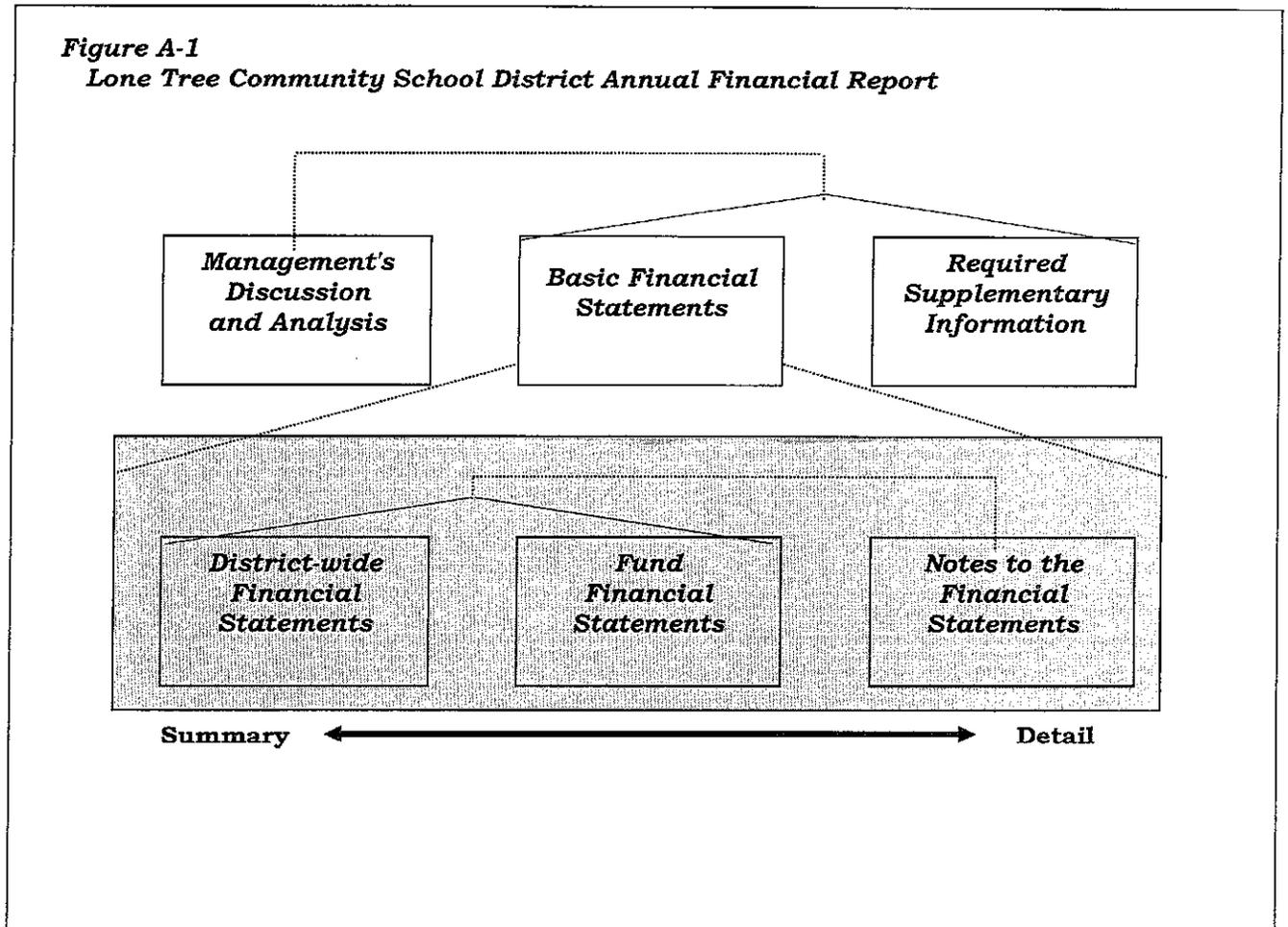


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool program	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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.

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

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

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

The required financial statements for 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 also account for the District's Internal Service Fund, which is an accounting device used to accumulate and allocate costs internally among the District's various functions. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Preschool Fund and one internal service fund, Flex-benefit fund.

The required financial statements for 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 fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of the Private-Purpose Trust Fund.

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

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

The required financial statements for fiduciary fund include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Position						
	Governmental Activities		Business Type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 3,820,996	\$ 3,758,698	\$ 72,954	\$ 62,015	\$ 3,893,950	\$ 3,820,713	1.92%
Capital assets	<u>3,722,986</u>	<u>3,883,939</u>	<u>5,032</u>	<u>11,059</u>	<u>3,728,018</u>	<u>3,894,998</u>	-4.29%
Total assets	<u>7,543,982</u>	<u>7,642,637</u>	<u>77,986</u>	<u>73,074</u>	<u>7,621,968</u>	<u>7,715,711</u>	-1.21%
Long-term liabilities	1,919,712	2,141,116	-	-	1,919,712	2,141,116	-10.34%
Other liabilities	<u>95,753</u>	<u>235,935</u>	<u>262</u>	<u>50</u>	<u>96,015</u>	<u>235,985</u>	-59.31%
Total liabilities	<u>2,015,465</u>	<u>2,377,051</u>	<u>262</u>	<u>50</u>	<u>2,015,727</u>	<u>2,377,101</u>	-15.20%
Deferred inflows of resources	<u>1,741,013</u>	<u>1,719,771</u>	-	-	<u>1,741,013</u>	<u>1,719,771</u>	1.24%
Net position							
Net investment in capital assets	1,952,986	1,883,939	5,032	11,059	1,958,018	1,894,998	3.33%
Restricted	875,062	677,442	-	-	875,062	677,442	29.17%
Unrestricted	<u>959,456</u>	<u>984,434</u>	<u>72,692</u>	<u>61,965</u>	<u>1,032,148</u>	<u>1,046,399</u>	-1.36%
Total net position	<u>\$ 3,787,504</u>	<u>\$ 3,545,815</u>	<u>\$ 77,724</u>	<u>\$ 73,024</u>	<u>\$ 3,865,228</u>	<u>\$ 3,618,839</u>	6.81%

The District's combined net position increased by approximately 7%, or \$246,389, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$197,620, or approximately 29% over the prior year. The increase is primarily in the Statewide Sales, Services and Use Tax fund and PPEL fund due to a decrease of expenditures for equipment and building improvements for the fiscal year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$14,251, or approximately 1%. The decrease occurred primarily in the governmental funds as a result of operations in the General Fund.

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

Figure A-4  
Change in Net Position

Revenues	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Program revenues							
Charges for service and sales	\$ 941,577	\$ 728,946	\$ 117,748	\$ 121,065	\$ 1,059,325	\$ 850,011	24.62%
Operating grants	733,771	725,313	130,991	109,465	864,762	834,778	3.59%
General revenues							
Property tax	1,917,569	1,852,778	-	-	1,917,569	1,852,778	3.50%
Local option sales, services and use tax	369,496	350,001	-	-	369,496	350,001	5.57%
Unrestricted state grants	1,851,361	1,705,017	-	-	1,851,361	1,705,017	8.58%
Contributions and donations	32,508	9,690	-	-	32,508	9,690	235.48%
Unrestricted investment earnings	825	822	81	81	906	903	0.33%
Other	14,063	4,500	-	-	14,063	4,500	212.51%
Total revenues	<u>5,861,170</u>	<u>5,377,067</u>	<u>248,820</u>	<u>230,611</u>	<u>6,109,990</u>	<u>5,607,678</u>	8.96%
Program expenses							
Governmental activities							
Instruction	3,296,444	3,119,076	-	-	3,296,444	3,119,076	5.69%
Support services	1,723,115	1,530,610	-	-	1,723,115	1,530,610	12.58%
Non-instructional programs	12,448	17,369	244,120	240,323	256,568	257,692	-0.44%
Other expenses	<u>590,412</u>	<u>780,456</u>	<u>-</u>	<u>-</u>	<u>590,412</u>	<u>780,456</u>	-24.35%
Total expenses	<u>5,622,419</u>	<u>5,447,511</u>	<u>244,120</u>	<u>240,323</u>	<u>5,866,539</u>	<u>5,687,834</u>	3.14%
Excess before special item	238,751	(70,444)	4,700	(9,712)	243,451	(80,156)	-403.72%
Special item - gain on disposal of fixed assets	<u>2,938</u>	<u>12,765</u>	<u>-</u>	<u>-</u>	<u>2,938</u>	<u>12,765</u>	76.98%
Change in net position	241,689	(57,679)	4,700	(9,712)	246,389	(67,391)	-465.61%
Net position beginning of year	<u>3,545,815</u>	<u>3,603,494</u>	<u>73,024</u>	<u>82,736</u>	<u>3,618,839</u>	<u>3,686,230</u>	-1.83%
Net position end of year	<u>\$ 3,787,504</u>	<u>\$ 3,545,815</u>	<u>\$ 77,724</u>	<u>\$ 73,024</u>	<u>\$ 3,865,228</u>	<u>\$ 3,618,839</u>	6.81%

In fiscal 2014, property tax and unrestricted state grants account for approximately 65% of the revenue from governmental activities while charges for service and sales and operating grants and contributions accounts for almost 100% of the revenue from business type activities.

The District's total revenues were \$6,109,990 of which \$5,861,170 was for governmental activities and \$248,820 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9% increase in revenues and a 3% increase in expenses. The increase in revenues is primarily because of an increase in open enrollment tuition, state aid payments and contributions and donations. The increase in expenses is related to increases in the negotiated salary and benefits and changes in salary due to staff changes.

### Governmental Activities

Revenues for governmental activities were \$5,861,170 and expenses were \$5,622,419 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 3,296,444	\$ 3,119,076	5.7%	\$ 1,794,614	\$ 1,827,314	-1.8%
Support services	1,723,115	1,530,610	12.6%	1,718,343	1,525,247	12.7%
Non-instructional programs	12,448	17,369	-28.3%	12,448	17,369	-28.3%
Other expenses	<u>590,412</u>	<u>780,456</u>	-24.4%	<u>421,666</u>	<u>623,322</u>	-32.4%
Total expenses	<u>\$ 5,622,419</u>	<u>\$ 5,447,511</u>	3.2%	<u>\$ 3,947,071</u>	<u>\$ 3,993,252</u>	-1.2%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$941,577.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$733,771.
- The net cost of governmental activities was financed with \$2,287,065 in property and other taxes and \$1,851,361 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$248,820, representing an 8% increase over the prior year and expenses were \$244,120, a 2% increase over the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Lone Tree 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 a combined fund balance of \$1,804,257, above last year's ending fund balances of \$1,627,861. This decrease from last year's ending fund balance was due to the District purchasing a new bus, suburban, van and improving technology in classrooms by buying several new mobile carts with new laptops in them for classrooms.

### **Governmental Fund Highlights**

- The District's General Fund balance increased by \$22,012 as a result of some increased revenue in miscellaneous income.
- The Capital Projects – Statewide Sales, Services and Use Tax Fund balance increased from \$465,173 in 2013 to \$501,052 in 2014 due to a decrease in purchases of technology and building improvements.
- The Debt Service Fund balance decreased slightly from \$6,807 in 2013 to \$6,512 in 2014 due to payments of interest and principal on the general obligation bonds.

### **Proprietary Fund Highlights**

Enterprise Funds net position increased from \$73,024 at June 30, 2013 to \$77,724 at June 30, 2014 representing an increase of approximately 7%. This change is due to slight increases in our school nutrition and preschool funds due to additional tuition in the preschool fund and an increase in lunch prices.

## **BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2014, the Lone Tree Community School District did not amend its adopted budget.

The District's revenues were \$138,144 less than budgeted revenue, a variance of 3%. This variance was a result of receiving less other local revenue and state revenue than budgeted.

Total expenditures were \$447,852 less than budgeted, due 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 the actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2014, the District had invested \$3,728,018, 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) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$310,064.

The original cost of the District's capital assets was \$7,454,060. Governmental funds account for \$7,282,582, with the remainder of \$171,478 accounted for in the enterprise, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings category decreased from \$16,329 at June 30, 2013 to zero at June 30, 2014 due to annual depreciation expense during 2014.

Figure A-6

#### Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	2014	2013	2014	2013	2014	2013	2013-2014
		\$					
Land	\$ 162,365	162,365	\$ -	\$ -	\$ 162,365	\$ 162,365	0.00%
Buildings and improvements	2,762,842	2,841,784	-	-	2,762,842	2,841,784	-2.78%
Improvements other than buildings	-	16,329	-	-	-	16,329	-100.00%
Furniture and equipment	<u>797,779</u>	<u>863,461</u>	<u>5,032</u>	<u>11,059</u>	<u>802,811</u>	<u>874,520</u>	-8.20%
Totals	<u>\$3,722,986</u>	<u>\$3,883,939</u>	<u>\$ 5,032</u>	<u>\$ 11,059</u>	<u>\$3,728,018</u>	<u>\$3,894,998</u>	-4.29%

### Long-Term Debt

At June 30, 2014, the District had \$1,919,712 in general obligation debt and other long-term debt outstanding. This represents a decrease of approximately 10% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District carries a general obligation bond rating of Aa2 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$7.1 million.

Figure A-7  
Outstanding Long-term Obligations

	Total School District		Total Change
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Refunding bonds	\$ 1,770,000	\$ 2,000,000	-11.50%
Termination benefits	11,089	20,776	-46.63%
Net OPEB liability	<u>138,623</u>	<u>120,340</u>	15.19%
Total	<u>\$ 1,919,712</u>	<u>\$ 2,141,116</u>	-10.34%

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

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

- The District continues to evaluate the condition of transportation vehicles and the rotation for replacement of these vehicles.
- The negotiation of salaries and benefits for all District employees. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

### **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 Kelli Forbes, District Secretary/Treasurer and Business Manager, Lone Tree Community School District, 303 S Devoe Street, Lone Tree, Iowa, 52755.

## Basic Financial Statements

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2014

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,749,123	\$ 69,237	\$1,818,360
Receivables			
Property tax			
Delinquent	15,312	-	15,312
Succeeding year	1,741,013	-	1,741,013
Accounts receivable	4,041	-	4,041
Income surtax	178,918	-	178,918
Due from other governments	132,589	-	132,589
Inventories	-	3,717	3,717
Non-depreciable capital assets	162,365	-	162,365
Capital assets, net of accumulated depreciation	<u>3,560,621</u>	<u>5,032</u>	<u>3,565,653</u>
Total assets	<u>7,543,982</u>	<u>77,986</u>	<u>7,621,968</u>
<b>Liabilities</b>			
Accounts payable	88,491	262	88,753
Salaries and benefits payable	170	-	170
Accrued interest payable	7,092	-	7,092
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	235,000	-	235,000
Termination benefits	6,806	-	6,806
Portion due after one year			
General obligation bonds payable	1,535,000	-	1,535,000
Termination benefits	4,283	-	4,283
Net OPEB liability	<u>138,623</u>	-	<u>138,623</u>
Total liabilities	<u>2,015,465</u>	<u>262</u>	<u>2,015,727</u>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	<u>1,741,013</u>	-	<u>1,741,013</u>
<b>Net Position</b>			
Net investment in capital assets	1,952,986	5,032	1,958,018
Restricted for			
Categorical funding	126,077	-	126,077
Student activities	103,531	-	103,531
Management levy purposes	3,696	-	3,696
Physical plant and equipment	131,540	-	131,540
School infrastructure	510,218	-	510,218
Unrestricted	<u>959,456</u>	<u>72,692</u>	<u>1,032,148</u>
Total net position	<u>\$ 3,787,504</u>	<u>\$ 77,724</u>	<u>\$3,865,228</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2014

Exhibit B

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Business Type Activities</u>	<u>Activities</u>	<u>Total</u>
Governmental activities							
Instruction							
Regular instruction	\$ 1,881,956	\$ 554,797	\$ 535,950	\$ -	\$ (791,209)	\$ -	\$ (791,209)
Special instruction	564,916	122,073	20,192	-	(422,651)	-	(422,651)
Other instruction	849,572	264,305	4,513	-	(580,754)	-	(580,754)
	3,296,444	941,175	560,655	-	(1,794,614)	-	(1,794,614)
Support services							
Student	111,886	-	2,662	-	(109,224)	-	(109,224)
Instructional staff	266,689	-	-	-	(266,689)	-	(266,689)
Administration	632,989	-	-	-	(632,989)	-	(632,989)
Operation and maintenance of plant	542,087	-	-	-	(542,087)	-	(542,087)
Transportation	169,464	402	1,708	-	(167,354)	-	(167,354)
	1,723,115	402	4,370	-	(1,718,343)	-	(1,718,343)
	12,448	-	-	-	(12,448)	-	(12,448)
Non-instructional programs							
Other expenses							
Facilities acquisition	261,010	-	-	-	(261,010)	-	(261,010)
Long-term debt interest	46,355	-	-	-	(46,355)	-	(46,355)
AEA flowthrough	168,746	-	168,746	-	-	-	-
Depreciation (unallocated) *	114,301	-	-	-	(114,301)	-	(114,301)
	590,412	-	168,746	-	(421,666)	-	(421,666)
Total governmental activities	5,622,419	941,577	733,771	-	(3,947,071)	-	(3,947,071)

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2014

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Activities	Total
<b><u>Functions/Programs (continued)</u></b>							
Business type activities							
Non-instructional programs							
Food service operations	\$ 244,120	\$ 109,655	\$ 130,991	\$ -	\$ -	\$ (3,474)	\$ (3,474)
Preschool program	-	8,093	-	-	-	8,093	8,093
Total business type activities	<u>244,120</u>	<u>117,748</u>	<u>130,991</u>	<u>-</u>	<u>-</u>	<u>4,619</u>	<u>4,619</u>
Total	<u>\$5,866,539</u>	<u>\$1,059,325</u>	<u>\$864,762</u>	<u>\$ -</u>	<u>(3,947,071)</u>	<u>4,619</u>	<u>(3,942,452)</u>
<b><u>General Revenues</u></b>							
Property tax levied for							
General purposes					1,498,616	-	1,498,616
Debt service					276,520	-	276,520
Capital outlay					142,433	-	142,433
Statewide sales, services and use tax					369,496	-	369,496
Unrestricted state grants					1,851,361	-	1,851,361
Contributions and donations					32,508	-	32,508
Unrestricted investment earnings					825	81	906
Other					14,063	-	14,063
Special item - gain on disposal of fixed assets					2,938	-	2,938
Total general revenues and special item					<u>4,188,760</u>	<u>81</u>	<u>4,188,841</u>
Change in net position					241,689	4,700	246,389
Net position beginning of year					3,545,815	73,024	3,618,839
Net position end of year					<u>\$3,787,504</u>	<u>\$ 77,724</u>	<u>\$3,865,228</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

## LONE TREE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Capital Projects Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 996,526	\$481,178	\$ 4,099	\$ 259,173	\$1,740,976
Receivables					
Property tax					
Delinquent	10,785	-	2,413	2,114	15,312
Succeeding year	1,200,388	-	279,055	261,570	1,741,013
Accounts receivable	1,393	-	-	2,648	4,041
Income surtax	178,918	-	-	-	178,918
Due from other governments	92,247	33,137	-	7,205	132,589
Total assets	<u>\$2,480,257</u>	<u>\$514,315</u>	<u>\$285,567</u>	<u>\$ 532,710</u>	<u>\$3,812,849</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 63,110	\$ 13,263	\$ -	\$ 12,118	\$ 88,491
Salaries and benefits payable	170	-	-	-	170
Total liabilities	<u>63,280</u>	<u>13,263</u>	<u>-</u>	<u>12,118</u>	<u>88,661</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue					
Succeeding year property tax	1,200,388	-	279,055	261,570	1,741,013
Income surtax	178,918	-	-	-	178,918
Total deferred inflows of resources	<u>1,379,306</u>	<u>-</u>	<u>279,055</u>	<u>261,570</u>	<u>1,919,931</u>
<b>Fund balances</b>					
Restricted for					
Categorical funding	126,077	-	-	-	126,077
School infrastructure	-	501,052	-	9,166	510,218
Debt service	-	-	6,512	-	6,512
Student activities	-	-	-	103,531	103,531
Management levy purposes	-	-	-	14,785	14,785
Physical plant and equipment	-	-	-	131,540	131,540
Unassigned	911,594	-	-	-	911,594
Total fund balances	<u>1,037,671</u>	<u>501,052</u>	<u>6,512</u>	<u>259,022</u>	<u>1,804,257</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$2,480,257</u>	<u>\$514,315</u>	<u>\$285,567</u>	<u>\$ 532,710</u>	<u>\$3,812,849</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2014

Exhibit D

**Total fund balances of governmental funds** \$1,804,257

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 3,722,986

Other long-term assets are not available to pay current period expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 178,918

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. (7,092)

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position. 8,147

Long-term liabilities, including bonds payable, termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (1,919,712)

**Net position of governmental activities** \$3,787,504

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

Exhibit E

Revenues	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Local sources					
Local tax	\$1,398,425	\$ -	\$276,411	\$ 239,827	\$1,914,663
Tuition	667,265	-	-	-	667,265
Other	64,525	-	-	257,146	321,671
State sources	2,463,533	369,496	109	94	2,833,232
Federal sources	122,056	-	-	-	122,056
Total revenues	<u>4,715,804</u>	<u>369,496</u>	<u>276,520</u>	<u>497,067</u>	<u>5,858,887</u>
Expenditures					
Current					
Instruction					
Regular	1,746,291	2,739	-	32,170	1,781,200
Special	565,583	-	-	-	565,583
Other	603,012	-	-	243,957	846,969
	<u>2,914,886</u>	<u>2,739</u>	<u>-</u>	<u>276,127</u>	<u>3,193,752</u>
Support services					
Student	110,471	-	-	450	110,921
Instructional staff	256,138	47,967	-	1,320	305,425
Administration	618,919	1,488	-	7,069	627,476
Operation and maintenance of plant	502,123	19,365	-	29,837	551,325
Transportation	126,422	40,049	-	8,688	175,159
	<u>1,614,073</u>	<u>108,869</u>	<u>-</u>	<u>47,364</u>	<u>1,770,306</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>215</u>	<u>215</u>
Other expenditures					
Facilities acquisition	-	222,009	-	54,561	276,570
Long-term debt					
Principal	-	-	230,000	-	230,000
Interest and fiscal charges	-	-	46,815	-	46,815
AEA flowthrough	168,746	-	-	-	168,746
	<u>168,746</u>	<u>222,009</u>	<u>276,815</u>	<u>54,561</u>	<u>722,131</u>
Total expenditures	<u>4,697,705</u>	<u>333,617</u>	<u>276,815</u>	<u>378,267</u>	<u>5,686,404</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 18,099	\$ 35,879	\$ (295)	\$ 118,800	\$ 172,483
Other financing sources					
Sale of equipment and materials	<u>3,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,913</u>
Change in fund balances	22,012	35,879	(295)	118,800	176,396
Fund balance, beginning of year	<u>1,015,659</u>	<u>465,173</u>	<u>6,807</u>	<u>140,222</u>	<u>1,627,861</u>
Fund balance, end of year	<u>\$1,037,671</u>	<u>\$ 501,052</u>	<u>\$ 6,512</u>	<u>\$ 259,022</u>	<u>\$1,804,257</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2014

Exhibit F

**Change in fund balances - total governmental funds** \$ 176,396

**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 and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$141,207	
Loss on disposal of capital assets	(975)	
Depreciation expense	<u>(301,185)</u>	(160,953)

Certain revenues not collected for several months after year-end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 2,283

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 2,099

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. 230,000

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 governmental funds, as follows:

Termination benefits	9,687	
Other postemployment benefits	<u>(18,283)</u>	(8,596)

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. 460

**Change in net position of governmental activities** \$ 241,689

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Net Position  
Proprietary Funds  
June 30, 2014

Exhibit G

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activity</u>
	<u>Nonmajor</u> <u>Enterprise</u>	<u>Internal</u> <u>Service</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 69,237	\$ 8,147
Inventories	<u>3,717</u>	<u>-</u>
Total current assets	72,954	8,147
Noncurrent assets		
Capital assets, net of accumulated depreciation	<u>5,032</u>	<u>-</u>
Total assets	<u>77,986</u>	<u>8,147</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	<u>262</u>	<u>-</u>
Total liabilities	<u>262</u>	<u>-</u>
<b>Net Position</b>		
Investment in capital assets	5,032	-
Unrestricted	<u>72,692</u>	<u>8,147</u>
Total net position	<u>\$ 77,724</u>	<u>\$ 8,147</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014

Exhibit H

	Business Type <u>Activities</u>	Governmental <u>Activity</u>
	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>
Operating revenue		
Local sources		
Charges for service	<u>\$117,748</u>	<u>\$ 14,332</u>
Operating expenses		
Support services		
Operation and maintenance of plant		
Purchased services	<u>1,912</u>	<u>-</u>
	<u>1,912</u>	<u>-</u>
Non-instructional programs		
Food service operations		
Salaries	85,397	-
Benefits	17,759	-
Purchased services	40	-
Supplies	129,918	-
Miscellaneous	215	-
Depreciation	<u>8,879</u>	<u>-</u>
	<u>242,208</u>	<u>-</u>
Other enterprise operations		
Purchased services	<u>-</u>	<u>12,233</u>
Total operating expenses	<u>244,120</u>	<u>12,233</u>
Operating income (loss)	<u>(126,372)</u>	<u>2,099</u>
Non-operating revenue		
Interest income	81	-
State sources	2,200	-
Federal sources	<u>128,791</u>	<u>-</u>
Total non-operating revenue	<u>131,072</u>	<u>-</u>
Change in net position	4,700	2,099
Net position beginning of year	<u>73,024</u>	<u>6,048</u>
Net position end of year	<u>\$ 77,724</u>	<u>\$ 8,147</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014

Exhibit I

	Business Type Activities	Governmental Activity
	Nonmajor Enterprise	Internal Service
Cash flows from operating activities		
Cash received from sale of services	\$ 117,798	\$ 14,332
Cash payments to employees for services	(103,156)	-
Cash payments to suppliers for goods and services	(103,944)	(12,233)
Net cash provided by (used in) operating activities	(89,302)	2,099
Cash flows from non-capital financing activities		
State grants received	2,200	-
Federal grants received	100,862	-
Net cash provided by non-capital financing activities	103,062	-
Cash flows from capital and related financing activities		
Acquisition of capital assets	(2,852)	-
Cash flows from investing activities		
Interest on investments	81	-
Net increase in cash and cash equivalents	10,989	2,099
Cash and cash equivalents, beginning of year	58,248	6,048
Cash and cash equivalents, end of year	\$ 69,237	\$ 8,147

**Reconciliation of operating income (loss) to net cash provided by  
(used in) operating activities**

Operating income (loss)	\$(126,372)	\$ 2,099
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	8,879	-
Commodities used	27,929	-
Decrease in accounts receivable	50	-
Increase in accounts payable	212	-
Net cash provided by (used in) operating activities	\$ (89,302)	\$ 2,099

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

During the year ended June 30, 2014, the District received \$27,929 of federal commodities.

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2014

Exhibit J

	<u>Private Purpose Trust Scholarships</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$5,448
<b>Liabilities</b>	<u>          -</u>
<b>Net Position</b>	
Reserved for scholarships	<u>\$5,448</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2014

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$1,250
Interest	<u>5</u>
Total additions	1,255
 Deductions	
Instruction, regular	
Scholarships	<u>1,450</u>
 Change in net position	 (195)
Net position beginning of year	<u>5,643</u>
 Net position end of year	 <u>5,448</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2014

**Note 1. Summary of Significant Accounting Policies**

The Lone Tree Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, as well as a regular education preschool program. The geographic area served includes the City of Lone Tree, Iowa, and the agricultural territory in Johnson and Louisa 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, Lone Tree 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 Lone Tree 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 does 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 County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, 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 are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position 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 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 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.

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 revenues 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 expenditures, including instructional, support and other costs.

The Capital Projects - Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales, services and use tax to be expended for school infrastructure.

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

The District reports no major proprietary funds; however, it reports the following nonmajor proprietary funds.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service operations and preschool program of the District, respectively. Additionally, the District reports an Internal Service Fund which is used to account for the flex-benefit plan for District employees.

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits 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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Cash, Cash Equivalents and Pooled Investments - 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.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

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 governmental funds is 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 year 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 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, furniture and equipment, 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.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	\$ 500
Improvements other than buildings	\$ 500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 500

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

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-20 years

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2014. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay

liabilities of the current year. Deferred inflows of resources consist of property tax receivables and income surtaxes not collected within sixty days after year end.

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

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 Equity - In the governmental fund financial statements, fund equity is 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.

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

Net position restricted through enabling legislation includes \$103,531 for student activities, \$3,696 for management levy purposes, \$131,540 for physical plant and equipment and \$510,218 for school infrastructure.

#### E. Budgeting and Budgetary Accounting

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

#### F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Note 2. Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,217,267, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

### Note 3. Capital Assets

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

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 162,365	\$ -	\$ -	\$ 162,365
Capital assets being depreciated:				
Buildings & improvements	4,601,799	-	-	4,601,799
Improvements other than buildings	326,579	-	-	326,579
Furniture and equipment	<u>2,082,232</u>	<u>141,207</u>	<u>(31,600)</u>	<u>2,191,839</u>
Total capital assets being depreciated	<u>7,010,610</u>	<u>141,207</u>	<u>(31,600)</u>	<u>7,120,217</u>
Less accumulated depreciation for:				
Buildings and improvements	1,760,015	78,942	-	1,838,957
Improvements other than buildings	310,250	16,329	-	326,579
Furniture and equipment	<u>1,218,771</u>	<u>205,914</u>	<u>(30,625)</u>	<u>1,394,060</u>
Total accumulated depreciation	<u>3,289,036</u>	<u>301,185</u>	<u>(30,625)</u>	<u>3,559,596</u>
Total capital assets being depreciated, net	<u>3,721,574</u>	<u>(159,978)</u>	<u>(975)</u>	<u>3,560,621</u>
Governmental activities capital assets, net	<u>\$ 3,883,939</u>	<u>\$(159,978)</u>	<u>\$ (975)</u>	<u>\$ 3,722,986</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 168,626	\$ 2,852	\$ -	\$ 171,478
Less accumulated depreciation	<u>157,567</u>	<u>8,879</u>	<u>-</u>	<u>166,446</u>
Business type activities capital assets, net	<u>\$ 11,059</u>	<u>\$ (6,027)</u>	<u>\$ -</u>	<u>\$ 5,032</u>

Depreciation expense was charged to the following functions:

**Governmental activities**

Instruction	
Regular	\$ 137,622
Support services	
Student support	479
Instructional staff	1,302
Administration	4,383
Operation and maintenance of plant	9,069
Transportation	<u>34,029</u>
	186,884
Unallocated depreciation	<u>114,301</u>
Total governmental activities depreciation expense	<u>\$ 301,185</u>

**Business type activities**

Food services	<u>\$ 8,879</u>
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**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	Reductions	Balance, End of Year	Due Within One Year
Refunding bonds	\$ 2,000,000	\$ -	\$(230,000)	\$ 1,770,000	\$ 235,000
Termination benefits	20,776	-	(9,687)	11,089	6,806
Net OPEB obligation	<u>120,340</u>	<u>31,339</u>	<u>(13,056)</u>	<u>138,623</u>	<u>-</u>
Totals	<u>\$ 2,141,116</u>	<u>\$ 31,339</u>	<u>\$(252,743)</u>	<u>\$ 1,919,712</u>	<u>\$ 241,806</u>

Interest costs incurred and charged to expense on all long-term debt was \$46,355 for the year ended June 30, 2014. During the year ended June 30, 2014, the District made principal payments on total long-term debt of \$230,000.

Bond Refunding

On December 22, 2010, the District issued \$2,230,000 of general obligation refunding bonds, with interest rates ranging from 1.00% to 3.15%, for a crossover refunding of the general obligation bonds issued March 1, 2002. The District entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. securities. These securities were placed in an escrow account for the express purpose of paying the \$2,310,000 principal on the refunded general obligation bonds when they became callable on May 1, 2012 and the interest on the refunding bonds. The bonds were called and redeemed on May 1, 2012 and are considered extinguished therefore have been removed from the District's financial statements.

The District refunded the bonds to reduce its total debt service payments by approximately \$160,091 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$139,437.

### General Obligation Bonds Payable

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

Year Ending June 30,	Interest Rates	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1.500%	\$ 235,000	\$ 42,555	\$ 277,555
2016	1.800%	245,000	39,030	284,030
2017	2.100%	245,000	34,620	279,620
2018	2.400%	250,000	29,475	279,475
2019	2.700%	260,000	23,475	283,475
2020-2021	3.0%-3.15%	<u>535,000</u>	<u>24,960</u>	<u>559,960</u>
Total		<u>\$ 1,770,000</u>	<u>\$ 194,115</u>	<u>\$ 1,964,115</u>

### Termination Benefits

During the year ended June 30, 2014, the District offered a voluntary early retirement plan to its full-time licensed employees. Eligible employees must have completed at least thirty years of full-time service to the District and must have attained the age of fifty-five years on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education. The Board makes a determination of whether or not to offer the plan by January 15 of each year.

Participating employees are given a \$15,000 credit to pay their health insurance premiums. The District uses the participating retiree's credit to pay for the retiree's single or family health insurance premiums under the District's current health insurance plan or any subsequent plan, for as long as the retiree meets the insurer's qualifications. The participating retiree receives the same level of coverage that they received for the last two years of employment with the District; however the participating retiree can choose to receive single coverage if they previously received family coverage. The District uses the participating retiree's credit to pay for health insurance coverage until the earliest of the following:

- 1) The amount of the participating retiree's credit is exhausted;
- 2) The insurer no longer permits the participating employee to be covered; or
- 3) The participating retiree dies.

At June 30, 2014, the District had obligations to three participants with a total liability of \$11,089. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$9,687.

## **Note 5. 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, IA, 50306-9117.

Plan members are required to contribute 5.95%, 5.78% and 5.38% of their annual covered salary and the District was required to contribute 8.93%, 8.67% and 8.07% of annual covered payroll for the years ended June 30, 2014, 2013 and 2012 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$252,100, \$ 233,222 and \$215,448, respectively, equal to the required contributions for each year.

## **Note 6. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 64 active and three retired members in the plan. Of the 64 active members, 17 waived coverage and one was older than age 65 and were excluded from the valuation. Participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of the 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	\$ 28,330
Interest on net OPEB obligation	3,009
Adjustment to annual required contribution	<u>(8,800)</u>
Annual OPEB cost	22,539
Contributions made	<u>(4,256)</u>
Increase in net OPEB obligation	18,283
Net OPEB obligation beginning of year	<u>120,340</u>
Net OPEB obligation end of year	<u>\$ 138,623</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 \$4,256 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

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 <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2010	\$ 43,647	22.5%	\$ 33,828
2011	44,058	23.6%	\$ 67,495
2012	45,827	24.1%	\$ 102,281
2013	21,529	16.1%	\$ 120,340
2014	22,539	18.9%	\$ 138,623

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 \$156,688, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$156,688. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.8 million and the ratio of UAAL to covered payroll was 5.6%. As of June 30, 2014, there were no trust fund assets.

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Upon retirement, the retired participant is assumed to pay 100% of the required premium. The District pays for all or part of the active employees' coverage. The amount depends on whether single or family coverage is elected. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 7. Risk Management**

The 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 8. 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 \$168,746 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 9. Flexible Fringe Benefits Plan

The District sponsors a flexible fringe benefit plan as part of its contractual obligation with its employees. The benefit available under the plan is insurance. Each participating employee can choose among medical, life, and dental insurance. The District contributes \$375.00 per month each employee. The difference between the District's contribution and the amount of programs selected by the employee is added or subtracted from the employee's salary. There were 33 participants in the plan for the year ended June 30, 2014.

### Note 10. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

### Note 11. Categorical Funding

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

<u>Program</u>	
Beginning teacher mentoring and induction program	\$ 1,342
Teacher salary supplement	1,211
Class size reduction	8,972
Statewide voluntary preschool	88,877
Early readers program	14,231
Educator quality, professional development for model core curriculum	1,921
Educator quality, professional development	<u>9,523</u>
	<u>\$ 126,077</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 the state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

## Required Supplementary Information

LONE TREE COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Enterprise Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2014

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 2,903,599	\$ 117,829	\$ 3,021,428	\$ 3,532,877	\$ 3,532,877	\$ (511,449)
State sources	2,833,232	2,200	2,835,432	2,381,124	2,381,124	454,308
Federal sources	122,056	128,791	250,847	331,850	331,850	(81,003)
Total revenues	<u>5,858,887</u>	<u>248,820</u>	<u>6,107,707</u>	<u>6,245,851</u>	<u>6,245,851</u>	<u>(138,144)</u>
Expenditures/Expenses						
Instruction	3,193,752	-	3,193,752	3,500,000	3,500,000	306,248
Support services	1,770,306	1,912	1,772,218	1,840,020	1,840,020	67,802
Non-instructional programs	215	242,208	242,423	250,185	250,185	7,762
Other expenditures	722,131	-	722,131	788,131	788,131	66,000
Total expenditures/expenses	<u>5,686,404</u>	<u>244,120</u>	<u>5,930,524</u>	<u>6,378,336</u>	<u>6,378,336</u>	<u>447,812</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	172,483	4,700	177,183	(132,485)	(132,485)	309,668
Net other financing sources	<u>3,913</u>	<u>-</u>	<u>3,913</u>	<u>-</u>	<u>-</u>	<u>3,913</u>
Excess (deficiency) revenues and other financing sources over (under) expenditures/expenses	176,396	4,700	181,096	(132,485)	(132,485)	313,581
Balance, beginning of year	1,627,861	73,024	1,700,885	2,003,309	2,003,309	(302,424)
Balance, end of year	<u>\$ 1,804,257</u>	<u>\$ 77,724</u>	<u>\$ 1,881,981</u>	<u>\$ 1,870,824</u>	<u>\$ 1,870,824</u>	<u>\$ 11,157</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 the Internal Service and Private Purpose Trust 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

LONE TREE 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	\$ -	\$325,262	\$325,262	\$ -	\$2,710,991	12.0%
2011	July 1, 2009	-	325,262	325,262	-	2,760,856	11.8%
2012	July 1, 2009	-	325,262	325,262	-	2,672,190	12.2%
2013	July 1, 2012	-	158,903	158,903	-	2,716,529	5.8%
2014	July 1, 2012	-	156,688	156,688	-	2,820,711	5.6%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Supplementary Information

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

Schedule 1

	Special Revenue		Capital Projects		
	Student	Management	Building	Physical Plant and Equipment	
	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	<u>Levy</u>	<u>Total</u>
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$103,323	\$ 13,914	\$9,166	\$132,770	\$259,173
Receivables					
Property tax					
Delinquent	-	871	-	1,243	2,114
Succeeding year	-	116,000	-	145,570	261,570
Accounts receivable	2,648	-	-	-	2,648
Due from other governments	7,205	-	-	-	7,205
Total assets	<u>\$113,176</u>	<u>\$130,785</u>	<u>\$9,166</u>	<u>\$279,583</u>	<u>\$532,710</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 9,645	\$ -	\$ -	\$ 2,473	\$ 12,118
<b>Deferred inflows of resources</b>					
Unavailable revenue					
Succeeding year property tax	-	116,000	-	145,570	261,570
<b>Fund balances</b>					
Restricted for					
Student activities	103,531	-	-	-	103,531
Management levy purposes	-	14,785	-	-	14,785
School infrastructure	-	-	9,166	-	9,166
Physical plant and equipment	-	-	-	131,540	131,540
Total fund balances	<u>103,531</u>	<u>14,785</u>	<u>9,166</u>	<u>131,540</u>	<u>259,022</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$113,176</u>	<u>\$130,785</u>	<u>\$9,166</u>	<u>\$279,583</u>	<u>\$532,710</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014

Schedule 2

	Special Revenue		Capital Projects		
	Student	Management	Building	Physical Plant and Equipment	
Revenues	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	<u>Levy</u>	<u>Total</u>
Local sources					
Local taxes	\$ -	\$ 97,451	\$ -	\$ 142,376	\$ 239,827
Other	256,460	611	1	74	257,146
State sources	-	37	-	57	94
Total revenues	256,460	98,099	1	142,507	497,067
Expenditures					
Current					
Instruction					
Regular	-	32,170	-	-	32,170
Other	243,957	-	-	-	243,957
Total instruction	243,957	32,170	-	-	276,127
Support services					
Student	-	450	-	-	450
Instructional staff	-	603	-	717	1,320
Administration	-	7,069	-	-	7,069
Operation and maintenance of plant	-	29,837	-	-	29,837
Transportation	-	8,688	-	-	8,688
Total support services	-	46,647	-	717	47,364
Non-instructional programs	-	215	-	-	215
Other expenditures					
Facilities acquisition	-	-	-	54,561	54,561
Total expenditures	243,957	79,032	-	55,278	378,267
Excess of revenues over expenditures	12,503	19,067	1	87,229	118,800
Fund balances, beginning of year	91,028	(4,282)	9,165	44,311	140,222
Fund balances, end of year	\$103,531	\$ 14,785	\$ 9,166	\$131,540	\$ 259,022

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2014

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 9,793	\$59,444	\$69,237
Inventories	<u>3,717</u>	<u>-</u>	<u>3,717</u>
Total current assets	13,510	59,444	72,954
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>5,032</u>	<u>-</u>	<u>5,032</u>
Total assets	<u>18,542</u>	<u>59,444</u>	<u>77,986</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	<u>262</u>	<u>-</u>	<u>262</u>
<b>Net Position</b>			
Investment in capital assets	5,032	-	5,032
Unrestricted	<u>13,248</u>	<u>59,444</u>	<u>72,692</u>
Total net position	<u>\$18,280</u>	<u>\$59,444</u>	<u>\$77,724</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2014

Schedule 4

	<u>School</u>	<u>Preschool</u>	<u>Total</u>
	<u>Nutrition</u>		
Operating revenue			
Local sources			
Charges for service	<u>\$109,655</u>	<u>\$ 8,093</u>	<u>\$117,748</u>
 Operating expenses			
Support services			
Operation and maintenance of plant			
Purchased services	<u>1,912</u>	<u>-</u>	<u>1,912</u>
Non-instructional programs			
Food service operations			
Salaries	85,397	-	85,397
Benefits	17,759	-	17,759
Purchased services	40	-	40
Supplies	129,918	-	129,918
Miscellaneous	215	-	215
Depreciation	<u>8,879</u>	<u>-</u>	<u>8,879</u>
	<u>242,208</u>	<u>-</u>	<u>242,208</u>
Total operating expenses	<u>244,120</u>	<u>-</u>	<u>244,120</u>
Operating income (loss)	<u>(134,465)</u>	<u>8,093</u>	<u>(126,372)</u>
 Non-operating revenue			
Interest income	27	54	81
State sources	2,200	-	2,200
Federal sources	<u>128,791</u>	<u>-</u>	<u>128,791</u>
Total non-operating revenue	<u>131,018</u>	<u>54</u>	<u>131,072</u>
 Change in net position	<u>(3,447)</u>	<u>8,147</u>	<u>4,700</u>
Net position beginning of year	<u>21,727</u>	<u>51,297</u>	<u>73,024</u>
Net position end of year	<u>\$ 18,280</u>	<u>\$59,444</u>	<u>\$ 77,724</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2014

Schedule 5

	<u>School</u>		
	<u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 109,655	\$ 8,143	\$ 117,798
Cash payments to employees for services	(103,156)	-	(103,156)
Cash payments to suppliers for goods and services	<u>(103,944)</u>	<u>-</u>	<u>(103,944)</u>
Net cash provided by (used in) operating activities	<u>(97,445)</u>	<u>8,143</u>	<u>(89,302)</u>
Cash flows from non-capital financing activities			
State grants received	2,200	-	2,200
Federal grants received	<u>100,862</u>	<u>-</u>	<u>100,862</u>
Net cash provided by non-capital financing activities	<u>103,062</u>	<u>-</u>	<u>103,062</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(2,852)</u>	<u>-</u>	<u>(2,852)</u>
 Cash flows from investing activities			
Interest on investments	<u>27</u>	<u>54</u>	<u>81</u>
Net increase (decrease) in cash and cash equivalents	2,792	8,197	10,989
Cash and cash equivalents, beginning of year	7,001	51,247	58,248
Cash and cash equivalents, end of year	<u>\$ 9,793</u>	<u>\$59,444</u>	<u>\$ 69,237</u>
 <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss )	\$(134,465)	\$ 8,093	\$(126,372)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	8,879	-	8,879
Commodities used	27,929	-	27,929
Decrease in accounts receivable	-	50	50
Increase in accounts payable	<u>212</u>	<u>-</u>	<u>212</u>
Net cash provided by (used in) operating activities	<u>\$ (97,445)</u>	<u>\$ 8,143</u>	<u>\$ (89,302)</u>

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

During the year ended June 30, 2014, the District received \$27,929 of federal commodities.

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2014

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intra-fund Transfers	Balance, End of Year
Drama	\$ 413	\$ 1,890	\$ 2,303	\$ -	\$ -
Speech	721	100	-	-	821
Vocal choir	1,531	1,528	1,853	-	1,206
Band activity	6,520	6,531	5,672	-	7,379
Athletics	3,342	51,712	55,054	-	-
Cross country	376	669	919	-	126
Boys' basketball	732	9,526	9,481	-	777
Youth boys' basketball	1,274	409	-	-	1,683
Football	1,320	22,501	21,506	-	2,315
Boys' baseball	77	4,851	4,548	-	380
Boys Track	108	954	459	-	603
Golf	345	1,125	1,262	-	208
Wrestling	898	2,808	3,568	-	138
Girls' basketball	1,027	8,890	9,446	-	471
Volleyball	923	3,319	3,152	-	1,090
Softball	976	7,438	8,284	-	130
Student council	1,149	-	57	-	1,092
Annual	836	4,923	4,407	-	1,352
Newspaper	684	-	-	-	684
National Honor Society	461	20	351	-	130
Cheerleading	292	2,052	1,349	-	995
ELP	170	-	-	-	170
PBS	-	749	-	-	749
FFA	7,826	40,487	39,433	-	8,880
FFA projects	8,522	-	-	-	8,522
FCCLA	786	1,421	1,678	-	529
Elementary play fund	-	2,000	750	-	1,250
Project Pride	455	-	-	-	455
Math and science club	454	-	-	-	454
Art club	670	-	-	-	670
Art projects	225	-	-	-	225
Spanish club	3,330	441	696	-	3,075
Band uniforms	-	4,250	561	(3,689)	-
Special	1,773	13,693	12,077	-	3,389

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2014

Schedule 6

Account	Balance, Beginning of Year	<u>Revenues</u>	<u>Expenditures</u>	Intra-fund <u>Transfers</u>	Balance, End of Year
Interest	\$ 2,594	\$ 221	\$ 6,710	\$ 5,739	\$ 1,844
JH student council	131	-	-	-	131
Elementary student council	12,195	11,972	10,940	-	13,227
Music boosters club	733	-	-	-	733
Dance squad	5,022	4,873	5,250	-	4,645
Box tops for education	175	-	175	-	-
Parent partner activity	1,820	-	-	-	1,820
Class of 2007	531	-	-	-	531
Class of 2008	491	-	-	-	491
Class of 2009	1,046	-	-	-	1,046
Class of 2010	1,828	-	-	-	1,828
Class of 2011	453	-	-	-	453
Class of 2012	810	-	-	-	810
Class of 2013	679	-	-	-	679
Class of 2014	5,108	2,815	6,201	-	1,722
Class of 2015	52	10,950	7,810	-	3,192
Class of 2016	-	1,103	705	(378)	20
Class of 2017	-	806	-	(796)	10
Class of 2018	-	263	-	(263)	-
Class of 2019	-	613	-	(613)	-
Class of 2020	-	2,529	2,529	-	-
Athletic banquet fund	267	-	-	-	267
Fine arts fund	4,653	7,738	7,434	-	4,957
Lone Tree Café	1,198	-	500	-	698
Memorial	579	12,910	-	-	13,489
Middle school activities	<u>2,447</u>	<u>5,380</u>	<u>6,837</u>	<u>-</u>	<u>990</u>
Totals	<u>\$ 91,028</u>	<u>\$ 256,460</u>	<u>\$ 243,957</u>	<u>\$ -</u>	<u>\$ 103,531</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
 Schedule of Revenues by Source and Expenditures by Function  
 All Governmental Funds  
 For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Local sources										
Local tax	\$1,914,663	\$2,200,045	\$2,320,542	\$2,252,685	\$2,156,694	\$2,163,875	\$1,996,416	\$1,549,107	\$1,471,911	\$1,533,092
Tuition	667,265	468,489	540,903	518,052	481,370	505,364	500,922	482,877	500,515	441,471
Other	321,671	258,167	271,455	278,448	231,051	238,676	292,365	389,636	286,616	227,605
State sources	2,833,232	2,281,693	2,232,465	2,081,684	1,724,522	1,895,048	1,782,615	1,645,153	1,555,008	1,418,468
Federal sources	122,056	149,308	114,414	275,724	330,693	144,465	105,142	108,460	102,010	104,197
Total revenues	<u>\$5,858,887</u>	<u>\$5,357,702</u>	<u>\$5,479,779</u>	<u>\$5,406,593</u>	<u>\$4,924,330</u>	<u>\$4,947,428</u>	<u>\$4,677,460</u>	<u>\$4,175,233</u>	<u>\$3,916,060</u>	<u>\$3,724,833</u>
Expenditures										
Current										
Instruction										
Regular	\$1,781,200	\$1,664,555	\$1,662,365	\$1,812,921	\$1,648,885	\$1,632,057	\$1,740,169	\$1,583,853	\$1,768,978	\$1,384,705
Special	565,583	520,214	505,948	565,252	470,654	473,013	433,192	429,335	21,694	270,118
Other	846,969	788,919	770,522	778,616	852,776	671,197	524,480	550,726	509,967	396,582
Support services										
Student	110,921	107,497	95,066	80,622	96,756	100,401	111,851	118,810	110,542	41,192
Instructional staff	305,425	406,852	350,098	197,384	129,707	153,055	105,427	120,640	72,594	28,164
Administration	627,476	616,625	570,269	575,115	547,561	540,130	530,132	471,290	429,260	412,302
Operation and maintenance of plant	551,325	503,629	444,320	505,655	460,863	422,496	418,067	389,579	379,940	332,059
Transportation	175,159	266,360	131,612	118,941	215,215	119,116	142,995	122,138	131,664	155,031
Non-instructional programs	215	197	174	569	154	161	149	134	107	9,353
Other expenditures										
Facilities acquisition	276,570	460,691	199,299	148,563	157,567	324,702	439,356	108,182	122,632	117,898
Long-term debt										
Principal	230,000	230,000	2,310,000	175,000	165,000	160,000	150,000	145,000	135,000	130,000
Interest and other charges	46,815	49,115	160,864	180,593	124,663	132,613	140,112	147,363	154,112	160,612
AEA flowthrough	168,746	157,134	153,617	168,011	153,772	139,660	128,211	120,260	113,111	111,110
Total expenditures	<u>\$5,686,404</u>	<u>\$5,771,788</u>	<u>\$7,354,154</u>	<u>\$5,307,242</u>	<u>\$5,023,573</u>	<u>\$4,868,601</u>	<u>\$4,864,141</u>	<u>\$4,307,310</u>	<u>\$3,949,601</u>	<u>\$3,549,126</u>

See accompanying Independent Auditor's Report.

# Kay L. Chapman, CPA PC

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

To the Board of Education of  
Lone Tree Community School District:

I 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 Lone Tree 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 my report thereon dated February 26, 2015.

## Internal Control Over Financial Reporting

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

My 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, I identified a deficiency in internal control I consider to be a material weakness.

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. I

consider the deficiency described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lone Tree Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I 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 my audit of the financial statements of the District. Since my 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.

### Lone Tree Community School District's Responses to Findings

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Lone Tree Community School District during the course of my audit. Should you have any questions concerning any of the about matters, I shall be pleased to discuss them with you at your convenience.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 26, 2015

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCY

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. 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.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance 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		\$ 465,173
Revenues		
Statewide sales and services tax revenue		369,496
Expenditures/transfers out		
School infrastructure		
Building improvements	\$ 222,009	
Equipment	<u>111,608</u>	<u>333,617</u>
Ending balance		<u>\$ 501,052</u>

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2014

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.

13. Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The memorial account reported in the Special Revenue, Student Activity Fund does not appear to be extracurricular or co-curricular in nature.

Recommendation - The District should review and reclassify this account to the appropriate fund.

Response - We have reviewed the activity in the Student Activity Funds and will reclassify this account/expenditures to the General Fund.

Conclusion - Response accepted.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2014

This audit was performed by

Kay Chapman, CPA  
Terri Slater, staff accountant